FY2019 Operating Budget

SUMMARY OF PROPOSAL

The Board of Trustees reviews and approves the university's annual operating budget. The FY19 budget supports the educational, research, and outreach goals of OSU's Strategic Plan 3.0, which is operative through the end of calendar year 2018, and priorities that will carry over into SP4.0. Figure 1 shows some key metrics for the university that are related to budget planning and outcomes from the distribution of resources.

For the fiscal year July 1, 2018 through June 30, 2019, the university proposes an operating budget (Figure 2 and Tables 1, 2, 3 and 4) with three principal components totaling $1.306B in revenues, $1.285B in expenditures, and ($39.3M) in net transfers and fund deductions:

- Education and General (E&G) Funds support instructional, research, and outreach work in Corvallis, at OSU-Cascades, and in the Statewide Public Services (SWPS). The revenue budget is projected at $701.9M, with projected expenditures of $690.0M and net transfers of ($17.0M). The projected change in net assets is ($5.1M), with an ending fund balance of $86.3M, or 12.3% of revenues. The reduction in fund balance supports investments in enrollment initiatives in Portland, continued development of the Bend campus, critical student services, investments in infrastructure, and start-up costs for newly hired faculty.

- Self-Support Funds include Auxiliaries (Athletics, University Housing and Dining Services (UHDS), Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The revenue budget is projected at $243.0M, with projected expenditures of $236.1M and net transfers of ($8.7M). There are also $7.9M in other deductions to unrestricted net assets. Net assets are projected to decline by $9.7M, for ending unrestricted net assets of $22.0M or 9.0%. The decline in fund balance reflects continuing deficit (but improved) operations in Intercollegiate Athletics, operation of the housing and dining auxiliary at OSU-Cascades, and transfers out for infrastructure projects in UHDS and Athletics and transfer of royalties to E&G units.

- Restricted Funds include expenditures from externally funded grants and contracts and gift expenditures from the OSU Foundation and other entities. Revenues and expenses are consistently at or near balance in these funds as expenditures are limited by revenues. Revenues are projected to be $361.3M, expenditures $359.3M, and net transfers ($5.8M). Net transfers are somewhat higher than usual because of the use of some gifts funds to support the completion of the new Forest Science Complex.

The overall operating budget projects revenue growth of 4.3% and expenditure growth for personnel services and supplies and services of 3.6%. Net transfers and other deductions are projected to increase $8.8M. Overall, the budget projection is for a reduction in net assets in each of the three major funds. In all cases, these decisions are to address current major concerns and to make commitments that will position OSU for enrollment, research, and revenue growth in the future. These include transfers out to plant funds for infrastructure improvement projects, increased commitments to the OSU Foundation to prepare for the next campaign, expenses to operate OSU Portland and programs delivered there, increased E&G commitments to Intercollegiate Athletics to continue progress to a balanced budget in FY2020, and funding to transition units to the new productivity-informed budget model in Corvallis. Details for each fund are discussed below.

BUDGET CONTEXT

The operating budget of the university provides a plan to develop and distribute resources for the faculty, staff, and leadership to pursue the goals outlined in Strategic Plan 3.0 and emerging SP4.0. SP3.0 has three strategic goals:

- Provide a transformative educational experience for all learners;
- Demonstrate leadership in research, scholarship and creativity while enhancing preeminence in the three signature areas of distinction (Advancing the Science of Sustainable Earth Ecosystems, Improving Human Health and Wellness, and Promoting Economic Growth and Social Progress); and
- Strengthen OSU's impact and reach throughout the state and beyond.

These goals guide decisions about developing and investing incremental revenue.

There are many places the university can invest and more good ideas and initiatives than there is incremental revenue in any given year. It is important to remember that the university has made significant investments over its first three strategic plans, and a part of annual revenue growth is committed to support the existing staff, faculty, and facilities that have been developed over those years. Advancing Strategic Plan 3.0 and positioning the university for SP4.0 require both investing in new activities and managing or redirecting our efforts within the existing budget. There are also some new expenditures (e.g., additional plumbers, added accountants, new department support staff, etc.) that may be difficult to tie to a single strategic plan strategy but which provide essential support to many parts of the university. The alignment of expenditures in each of the three major funds types with the strategic plan is discussed in the following sections.

EDUCATION AND GENERAL FUNDS

E&G funds support Corvallis academic and support operations, OSU-Cascades academic and support operations, and the operations of the SWPS. Flattening enrollment trends, increased competition for international and non-resident students, and the beginning of the Oregon Promise Grant (Oregon's "free" community college program) continue to create downward pressure on enrollment for the next fiscal year.

Strategic Intent

There are a number of important strategic choices in the proposed budget, as well as support for the people and programs that OSU has built over the last several years. These include:

- Funding a mid-year salary increase for unclassified staff (as well as funding existing contractual obligations to represented staff) and increases in benefits to retain the people who are already part of OSU's programs.
- Budgeting an incremental $5.0M (for a total of $10M) for capital renewal and repair to address deferred maintenance issues and ongoing depreciation costs.
- Investments to continue the growth of OSU-Cascades, including the addition of new faculty and planning for the next phases of campus growth.
- Support for the development and operation of OSU Portland programs.

- Resources to bridge colleges in the transition to the new productivity-informed budget allocation model for Corvallis, and to support turnaround plans for colleges running deficits before the adoption of the new budget model;
- Investment in the library to address the continuing escalation in the cost of collections.
- Initial funds for the acquisition and operation of the research laboratory building on Research Way to provide laboratory surge space in support of renovation and renewal of lab facilities on campus and for the operation of the new core repository.
- Initial investment in Public Safety to provide additional dispatchers and sergeants.
- Investments in critical functions including audit, the OSU Accelerator, faculty development, accreditation, employee labor relations, and critical training.
- A planned recurring commitment of $2.5M for student success initiatives with a focus on student services, data systems, and predictive analytics.
- Supporting new faculty in the SWPS with expenditures of funds for start-up expenses including research staff, graduate students, equipment, and summer salary.
- New information technology systems to provide improved tools including employee training, document management, curriculum management, and enrollment management.
- Increased support for the OSU Foundation and Alumni Association to build capacity for the next capital campaign.
- Resources to support the Business Operations Improvement Plan based on the recommendations from Baker Tilly's review of OSU's business operations.
- Increased support for Athletics from the Corvallis E&G budget, as part of the financial sustainability plan for Athletics and to maintain the significant contribution that a successful Division I program makes to the university and the community.

Revenues

Total revenue in E&G funds is projected to increase 5.6%, or $37.0M ($1.9M at OSU-Cascades, $11.7M in the SWPS, and the balance at Corvallis). Nearly all of the revenue increase is from growth in tuition revenues, mostly from enrollment in Ecampus and, to a lesser extent, growth in non-resident undergraduate tuition in Corvallis and enrollments at OSU-Cascades. The projections for the use of tuition revenue include an additional commitment of $2.5M in institutional financial aid.

Revenue across all sources of funds is relatively flat for the SWPS. Outdoor School has a significant carryover from the first part of the biennium, as the program was developed and implemented.

Expenditures and Net Transfers

Total E&G expenditures are projected to increase 6.1% or $39.6M ($3.0M at OSU-Cascades, $3.1M in the SWPS, and the balance at Corvallis). The largest driver of the expense changes are personnel costs (77% of total expenditures). The increases in Corvallis come from increased health costs, salary increases, staffing growth needed to address enrollment growth in Ecampus and some campus programs, and investments in critical support functions. OSU-Cascades is adding faculty to expand program offerings, while the SWPS have added some staff after state support was higher than originally anticipated.

The largest portion of expenditures is in Corvallis (81% of $690.0M). Personnel services expenditures in Corvallis are projected to grow 5.8%, or $24.1M. The costs for supplies and services and capital outlay are projected to grow 8.3% over FY2018 projections. These include increases for general supplies, contractual increases in custodial services, software licensing, insurance, utilities, and similar obligations, increased contract costs with the OSU Foundation, projected operating costs in Portland, and projected costs for the new Research Way building. A large part of the increase in personnel services costs is due to salary and benefit increases for current unclassified and classified staff and faculty.[1] Transfers out in Corvallis include an increase of $1.8M to Athletics, $10.0M to capital renewal funds, and $1.0 to $2.0M for various capital improvement projects by colleges.

These commitments in Corvallis require the use of $2.4M in fund balance. The investments in Portland, the Research Way building, and Foundation support are part of developing longer-term revenue opportunities and warrant the use of some fund balance.

OSU-Cascades is projecting growth in personnel costs consistent with what is projected in the ten-year plan to develop faculty and programs to support enrollment growth. The projections do not expect any significant fund balance accumulation at OSU-Cascades until the campus reaches a larger size.

The SWPS added the management of Outdoor School to Extension's operations this year. This added nearly $12.0M in service and supplies expenses (payments out to school systems to operate the individual programs). Extension's other operations and the Forest Research Laboratory project balanced budgets. The Agriculture Experiment Station had large increases in personnel costs in FY2018 (about $4.0M or 16%), but much of this was in non-recurring positions that supported new faculty in establishing labs and research programs.

Overall E&G operations are projected to end the year with $86.3M in net assets or 12.3% of revenues.

Uncertainties, Issues, and Opportunities

The proposed operating budget is an estimate of the resources and investments for the next fiscal year, and there are some uncertainties in the projections. Each of the three major operating parts of the E&G budget face challenges in the next year.

The State of Oregon made an increased investment in the seven public universities in the FY2017-19 biennium but only modestly above the continuing service level for Corvallis and OSU-Cascades and below the continuing service level costs for the SWPS. The next full Legislative session will again be faced with significant increases in the costs for retirement benefits.

Nationally, enrollment growth is flattening as the growth in the traditional college-age population slows. Current enrollment estimates suggest that enrollments of non-resident freshmen will increase slightly this fall, and the decline in freshmen enrollment of resident undergraduates will slow or stop despite the increased competition for resident Oregon students due to the Oregon Promise Grant. Enrollment projections do show an increase in applications from students transferring from Oregon's community colleges, and OSU may be seeing the positive effect of community college participation driven by Oregon Promise.

[1] These include negotiated salary increases for represented staff, an estimated 5% increase in health insurance costs, the full year costs of the 3% mid-year unclassified staff raise in January 2018 and an increase for unclassified staff planned for mid-year 2018-19.

Recruiting non-resident students is becoming more difficult. International recruiting is more competitive as there are many more institutions, countries, and for-profit companies seeking those students. The national political climate has created uncertainty for some international students considering studying in the U.S., but, at the moment, projections for fall term remain good. Nearly all public universities are seeking more U.S. students from outside the institution's home state and the competition for those students is intense.

OSU Portland provides an opportunity to reach students not otherwise served by higher education in the region and to diversify our efforts to increase enrollment.

OSU-Cascades faces the same enrollment environment and is also recruiting many more non-traditional students as a portion of the enrollment than Corvallis. The needs and expectations of those students are not necessarily the same as traditional first-time, full-time freshmen.

Fulfilling the State of Oregon's commitment to the new four-year campus in Bend and reaching OSU's student success and research goals require major strategic investments. It is important that the university is thoughtful in committing resources to support these priorities, and it is equally important that the state commit to supporting an appropriate share of the costs. The state's commitment to funding for the second academic building in Bend, approved in the February 2018 session, is a major step forward.

The SWPS are facing a particularly uncertain environment. There is great demand from the stakeholders served by the SWPS for the work the programs deliver and for expanded support for new and existing industries, products, and community needs. However, state funding for the SWPS lagged actual cost increases for existing services in FY2017-19. Restoring that funding is one of the priorities for the next full session.

The federal funding environment remains volatile and impacts research funding, financial aid funding, and the costs of compliance with expanding federal mandates. Federal funding most directly impacts the Facilities and Administrative (F&A) costs paid by grant funds and the formula funds that support the SWPS. Each has some jeopardy in the long-term budget vision laid out by the executive branch, and so will bear close watching.

SELF-SUPPORT FUNDS

Self-Support Funds include the operations of the Auxiliaries (Athletics, University Housing and Dining Services, Student Centers, Student Health Services, Parking Services and other smaller units),Service Centers (Telecommunications, Network Services, Motor Pool, Printing and Mailing, and others), Designated Operations; and expenditures from royalty funds.

Self-Support Funds, in aggregate, are projecting a gain of $6.9M from operations through reduced expenditures, as revenues are essentially flat. The aggregate operating balance includes positive operating balances in University Housing and Dining Services (UHDS) and Student Centers and negative operating balances in Athletics and the OSU-Cascades Housing and Dining Services.

Transfers in to self-support units total $9.2M, principally from E&G support for Athletics. Transfers out total $17.9M; these include principally allocations to plant funds for capital renewal and repair projects and $3.9M in royalty funds moved from the self-support royalty fund to E&G units. Other changes in net assets (these include principal payments to debt and capital outlay) are projected at ($7.9M), for a total decline in unrestricted net assets of ($9.7M). Ending unrestricted net assets are projected to be $22.0M or 9.0% of revenue.

Strategic Intent

Self-support operations provide a variety of essential services to students, university faculty and staff, and stakeholders and alumni in the community. Although, in the long-term, self-support operations need to generate revenue sufficient to maintain balanced operating budgets, there are circumstances when there are strategic reasons for a self-support operation to operate at a loss for a period of time.

The expected deficit operation of the new residence and dining hall at OSU-Cascades is an example. That facility is an essential investment for the long-term success of the Bend campus and the pro forma for the project expected that it would take some time to reach break-even status.

The Board has had several discussions on the operations of Athletics. Membership in the Pac-12 is an important part of OSU's reputation, provides opportunities for several hundred of our students, creates significant economic impact on Corvallis, and is part of the attraction of the university for some undergraduates. Fielding an appropriate number of competitive teams in men's and women's sports is in OSU's strategic interest. Leadership in Athletics has worked with the Vice President for Finance and Administration to execute the recommendations of the Athletics Financial Sustainability Workgroup.

Athletics operations are only partially represented in the self-support funds as there are expenses paid from Our Beaver Nation funds held in the OSU Foundation. Including this part of the operations, Athletics had an operating loss (before depreciation) of $9.9M in FY2017, is projecting a loss of $6.6M in the current year, and the proposed budget includes a loss of $1.8M for FY2019. The budget is expected to balance in FY2020. The deficits in operations are improving but lagging the financial sustainability plan a bit. This is because of lower ticket sales in response to recent outcomes in football and to the added costs of making coaching changes in football.

Revenues

Enrollment fee income is up 4.4%, largely due to changes in rates, as enrollment is expected to be relatively flat. Sales and service revenues are flat, in part because of small rate increases and decreased demand in some areas like athletics season tickets. Overall revenues are flat.

Expenditures

Personnel Services are up only 1.1%, in response to the flat revenue growth. This includes planning for a 3% salary increase and increases in medical benefits, which requires some reductions in staffing overall. Supplies and services costs are expected to decrease about 6.3% to address the flat revenue and increased personnel costs.

Transfers Out are up significantly because there is a large transfer from the royalty accounts to E&G (because of a change in how those funds are distributed) and a large transfer to a plant fund due to closing the reserve account that was used to manage the existing Foundation building facilities (once the Foundation relocates to new space this fall).

Uncertainties, Issues, and Opportunities

Many of the revenue streams for the self-support operations depend on enrollment, so they are somewhat uncertain until later in the summer when enrollment for fall 2018 is better known. Enrollment is critical for UHDS, which is particularly impacted by any declines in the freshmen class enrollment. UHDS, in partnership with OSU-Cascades, operates the new residence and dining facilities that opened at OSU-Cascades in January 2017, and that facility is expected to operate at a deficit again this coming year.

While most self-support units are operating near balance, Athletics is projecting an operating deficit for FY2018-19 of $1.8M. This is a significant improvement from the FY2017 ending deficit of $9.9M. Current leadership in Athletics has revised the ticket sales operations, renegotiated the agreement for media rights, reviewed the fundraising partnership with the Foundation and the operations of Our Beaver Nation, and refinanced its loan with the internal bank. The changes in football coaching staff, the lack of success on the football field, and changes in the federal tax code have impacted revenue growth and overall expenses. The current operating margins in Athletics lag the goals in the Financial Sustainability plan but remain on track to be balanced in FY2020.

RESTRICTED FUNDS

Restricted Funds include grants and contracts for research awarded by the federal government, states, and other agencies; federal financial aid dollars; gifts from the OSU Foundation (including scholarships); and support from other entities such as Oregon counties. Restricted funds are awarded for specific purposes and are spent directly for those purposes. Revenue and expense generally match closely in any given year.

Strategic Intent

Restricted funds do not provide discretionary revenues to the university, but they are an essential part of supporting OSU’s missions of scholarship and student success, and do require some investments on the E&G side to ensure continued success.

Successful competition for federal research awards requires suitable facilities and instrumentation. The E&G investments in a capital renewal fund will directly impact the quality of research (and other) facilities and support the long-term success in research funding.

Likewise, successful development of scholarship and gift funds requires an investment in OSU’s fundraising and alumni network infrastructure. The university has committed to additional E&G support for the OSU Foundation and the Alumni Association as the university plans for the next capital campaign.

Revenues

The principal growth projected is in federal funds from the continued success of faculty in securing competitive grant and contract awards. State and other funds are assumed to be relatively flat. The restoration of year-round funding for Pell grants is a very positive development for our students and may have a small positive impact on summer term enrollments.

Federal fiscal year 2018 appropriations legislation provides funding for OSU to construct a second National Science Foundation Regional Class Research Vessel (RCRV) and expresses intent for the project to be a three-ship build. Federal fiscal year 2019 appropriations, of which OSU is requesting funding for construction of a third RCRV, is currently in progress. Federal FY 2018 funding also provides increased investment to the Department of Energy for research, development and testing of wave energy technology devices at OSU's Pacific Marine Energy Center. OSU is currently engaging with Congress on federal FY 2019 appropriations legislation to secure a continuation of Department of Energy investment in wave energy research and development funding opportunities for PMEC.

Expenditures

Expenditure increases reflect the increased grant revenues, with those revenues spent on personnel services and supplies and services. There are net transfers out of $5.8M the largest of which is the transfer of a gift fund balance to a plant fund to support the completion of the Forest Science Complex.

Uncertainties, Issues, and Opportunities

Long-term federal funding for research programs remains uncertain, as many of the decisions are more political ones than financial. The new federal budget provided some growth in research funding and renewed commitments to many of the programs important to OSU's research portfolio.

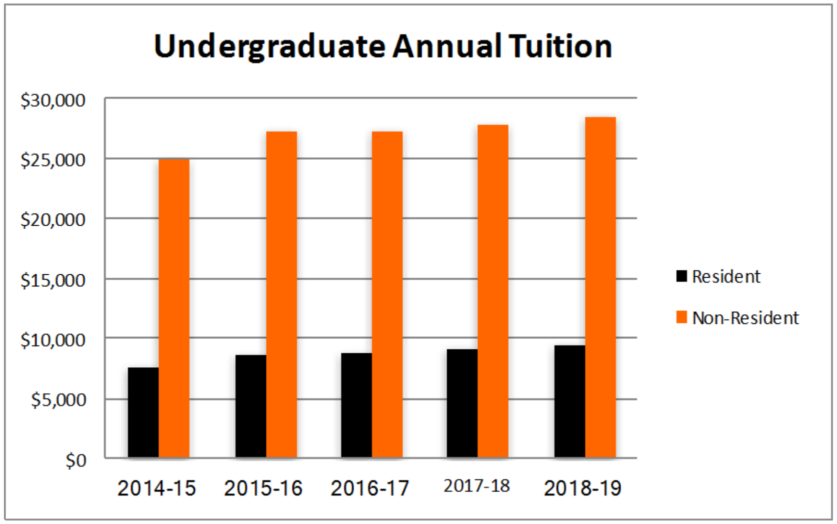
Likewise, the consequences of decisions about federal education programs remain unknown. While year-round funding has been restored for Pell grants, there are many other federal aid programs that have been mentioned for reduction, consolidation, or change. OSU's government relations staff is providing regular updates on the federal planning landscape.

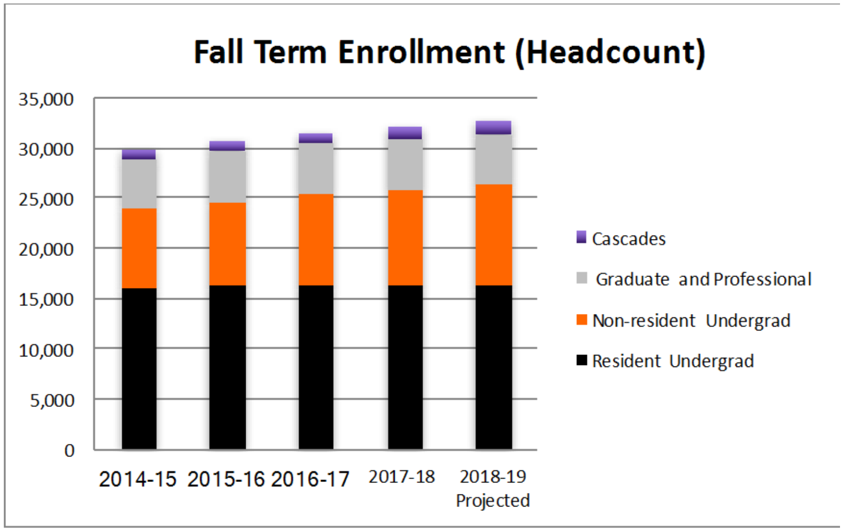
Diversifying the research portfolio will be an essential strategy for the future, and the Research Office continues to work to grow OSU's revenues from partnerships with industry, patents, and licensing continues to grow and help build a more diverse research portfolio. The OSU Foundation is building a robust post-Campaign strategy to continue the momentum built in private giving through the Campaign for OSU.

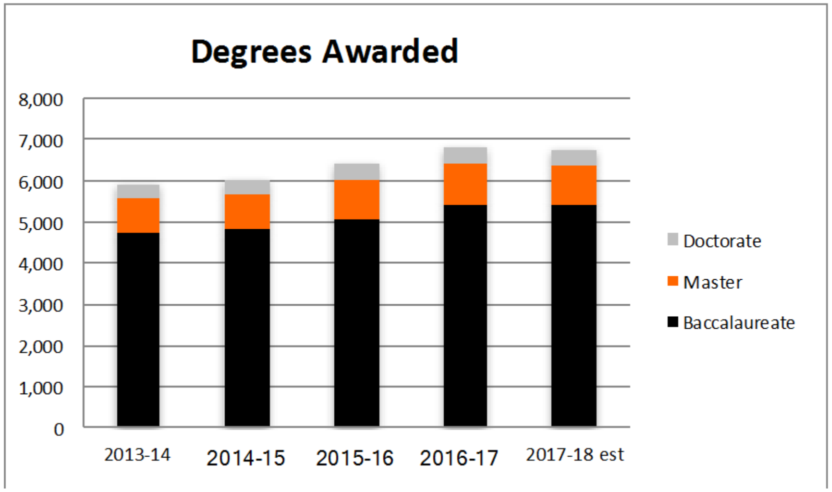
RECOMMENDATION

Staff propose that the Finance & Administration Committee recommend to the Board that it approve the proposed operating budget for FY2018-19 as presented in Tables 1 through 4.

Figure 1: Key metrics related to revenues and expenditures at Oregon State University. Past four years' actuals, current year estimated for grant expenditures and degrees. Past three years' actuals, current year estimates, and next year projected for enrollment and tuition.







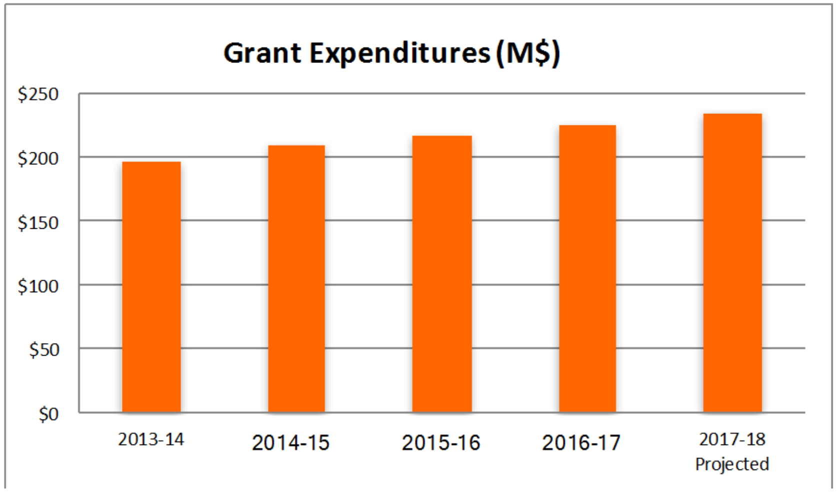


Figure 2: Summary of proposed FY2018-19 operating budget for Oregon State University.

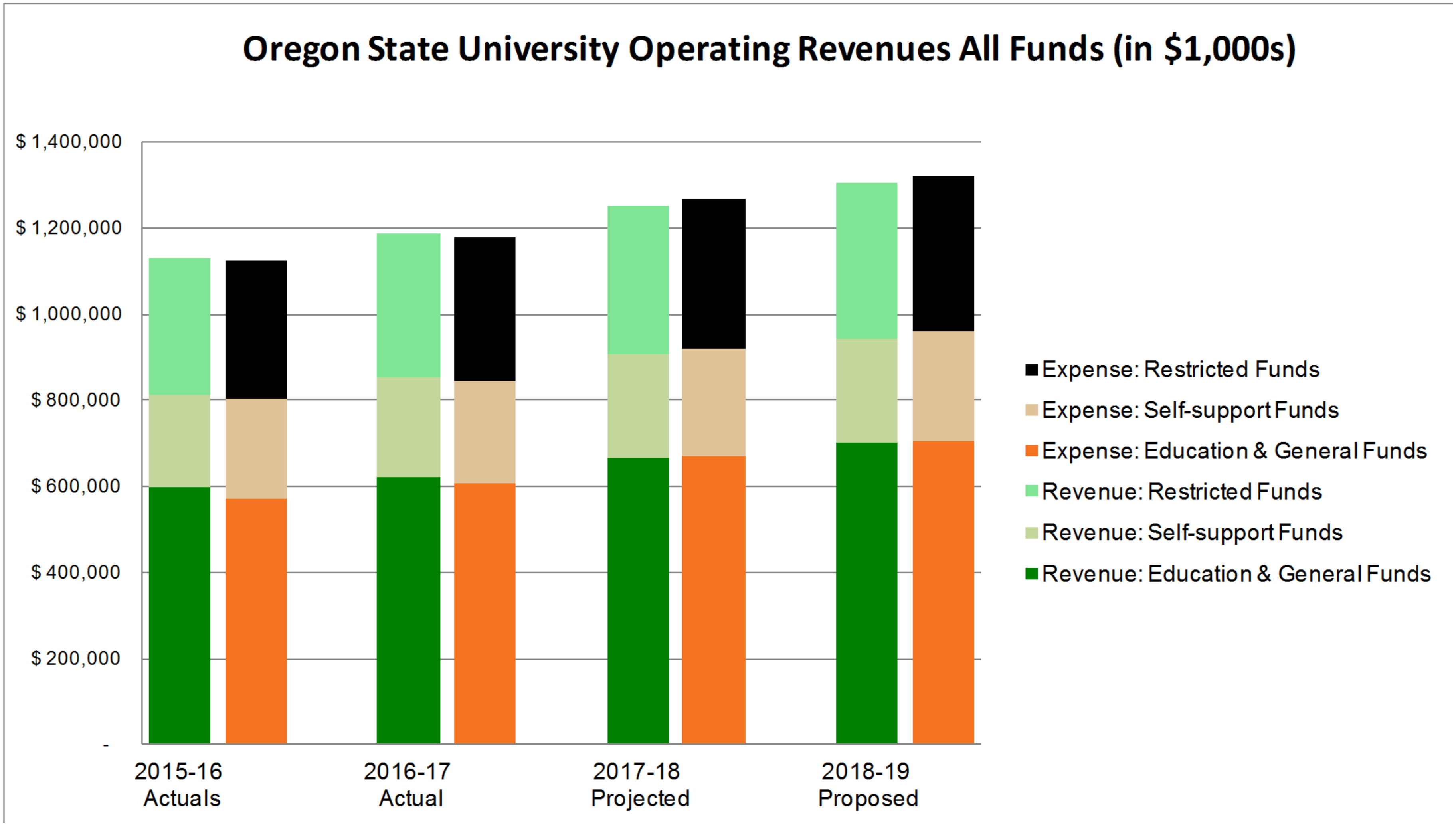


Table 1: Education and General Funds Revenues and Expenditures

EDUCATION & GENERAL (Corvallis, Cascades, Statewide Public Services)							
(in thousands except enrollment)	2016 Actual	2017 Actual	2018 Projection	2019 Budget	2016-17 % Chg.	2017-18 % Chg.	2018-19 % Chg.
State General Fund	$170,935	$179,241	$199,228	$207,782	4.9%	11.2%	4.3%
Tuition & Resource Fees, net of Remissions	336,708	350,283	369,627	394,787	4.0%	5.5%	6.8%
Other	89,400	93,654	96,019	99,331	4.8%	2.5%	3.4%
Total Revenues	**597,043**	**623,178**	**664,873**	**701,900**	**4.4%**	**6.7%**	**5.6%**
Personnel Services	(444,854)	(473,724)	(504,738)	(533,038)	6.5%	6.5%	5.6%
Supplies & Services & Capital Outlay	(118,554)	(126,277)	(145,689)	(156,982)	6.5%	15.4%	7.8%
Total Expenditures	**(563,408)**	**(600,001)**	**(650,426)**	**(690,020)**	**6.5%**	**8.4%**	**6.1%**
Net from Operations	33,635	23,177	14,447	11,880			
Transfers In	4,198	2,873	2,828	4,662	-31.6%	-1.6%	64.9%
Transfers Out	(11,778)	(11,529)	(20,423)	(21,666)	-2.1%	77.1%	6.1%
Fund Additions/(Deductions)	0	0	0	0			
Change in Fund Balance	26,055	14,521	(3,148)	(5,123)			
Beginning Unrestricted Net Assets	**53,954**	**80,009**	**94,530**	**91,382**			
Ending Unrestricted Net Assets	**$80,009**	**$94,530**	**$91,382**	**$86,258**	**18.1%**	**-3.3%**	**-5.6%**
% Operating Revenues	13.4%	15.2%	13.7%	12.3%			

Table 2: Self-support Funds Revenues and Expenditures

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

(in thousands)	2016 Actual	2017 Actual	2018 Projection	2019 Budget	2016-17 % Chg.	2017-18 % Chg.	2018-19 % Chg.
Enrollment Fees	$35,865	$37,393	*$39,928*	*$41,675*	4.3%	6.8%	4.4%
Sales & Services	142,538	155,949	163,001	163,571	9.4%	4.5%	0.3%
Other	36,191	39,301	40,972	37,777	8.6%	4.3%	-7.8%
Total Revenues	**214,594**	**232,643**	**243,901**	**243,023**	**8.4%**	**4.8%**	**-0.4%**
Personnel Services	(99,973)	(106,137)	*(119,844)*	*(121,152)*	6.2%	12.9%	1.1%
Supplies & Services & Capital Outlay	(109,286)	(113,461)	*(122,692)*	*(114,973)*	3.8%	8.1%	-6.3%
Total Expenditures	**(209,259)**	**(219,598)**	**(242,536)**	**(236,125)**	**4.9%**	**10.4%**	**-2.6%**
Net from Operations	5,335	13,045	1,365	6,898			
Transfers In	7,826	9,304	*9,115*	*9,216*	18.9%	-2.0%	1.1%
Transfers Out	(16,660)	(15,710)	*(12,872)*	*(17,898)*	-5.7%	-18.1%	39.0%
Additions/(Deductions) to Unrestricted Net Assets	(13,265)	(8,474)	*(8,338)*	*(7,887)*			
Change in Unrestricted Net Assets	(16,764)	(1,835)	(10,730)	(9,671)			
Beginning Unrestricted Net Assets	**60,970**	**44,206**	**42,371**	**31,641**			
Ending Unrestricted Net Assets	**$44,206**	**$42,371**	**$31,641**	**$21,970**	**-4.2%**	**-25.3%**	**-30.6%**
% Operating Revenues	20.6%	18.2%	13.0%	9.0%			

Table 3: Restricted Funds Revenues and Expenditures

RESTRICTED FUNDS

(in thousands)	2016 Actual	2017 Actual	2018 Projection	2019 Budget	2016-17 % Chg.	2017-18 % Chg.	2018-19 % Chg.
Federal	$216,171	$218,610	$231,216	$247,401	1.1%	5.8%	7.0%
State	17,282	22,017	20,350	20,940	27.4%	-7.6%	2.9%
Other	86,985	94,953	92,306	93,000	9.2%	-2.8%	0.8%
Total Revenues	**320,438**	**335,580**	**343,872**	**361,341**	**4.7%**	**2.5%**	**5.1%**
Personnel Services	(125,996)	(132,276)	(134,605)	(141,336)	5.0%	1.8%	5.0%
Supplies & Services & Capital Outlay Capital Outlay	(192,393)	(199,773)	(213,715)	(218,000)	3.8%	7.0%	2.0%
Total Expenditures	**(318,389)**	**(332,049)**	**(348,320)**	**(359,336)**	**4.3%**	**4.9%**	**3.2%**
Net from Operations	2,049	3,531	(4,448)	2,005			
Transfers In	0	394	*323*	350			8.4%
Transfers Out	(3,780)	(3,473)	*(1,160)*	(6,100)	-8.1%	-66.6%	425.9%
Additions/(Deductions) to Restricted Net Assets	(19)	(1,647)	0	0			
Change in Restricted Net Assets	(1,750)	(1,195)	(5,285)	(3,745)			
Beginning Restricted Net Assets	**12,298**	**10,548**	**9,353**	**4,068**			
Ending Restricted Net Assets	**$10,548**	**$9,353**	**$4,068**	**$323**	**-11.3%**	**-56.5%**	**-92.1%**
% Operating Revenues	3.3%	2.8%	1.2%	0.1%			

Table 4: Summary of budgeted inter-fund transfers for FY2018-19.

OREGON STATE UNIVERSITY - Budgeted Transfers
Fiscal Year 2018
(in $000's)

Education & General

Transfers In		Transfers Out	
From Self Support		To Self Support	
Royalties (Trademark fund)	3,867,370	Athletics	7,340,700
Athletics	270,000	Service Centers support	1,125,277
Service Centers (Insurance Claims)	250,000	Designated Operations support	740,128
From Grants (Jefferson Bldg)	100,000	Various Auxiliaries	10,000
Termination of Plant Funds	175,000	To Grants (Restricted)	350,000
Total Transfers In	4,662,370	To Plant	12,100,000
		Total Transfers Out	21,666,105

Self Support

Transfers In		Transfers Out	
From Education & General - Athletics	7,340,700	To Education & General from Royalties (Trademark)	3,867,370
From Education & General - Service Centers	1,095,277	To Education from Athletics	270,000
From Education & General - Designated Operations	740,128	To Education & General from Service Centers	250,000
From Education & General - various Auxiliaries	10,000	To Internal Bank from Athletics	225,000
From Education & General - Telecom	30,000	To Plant	13,285,260
		Total Transfers Out	17,897,630
Total Transfers In	9,216,105		

Restricted Funds

Transfers In		Transfers Out	
From Education & General	350,000	To Education & General - grant for Jefferson Building	100,000
		To Plant	6,000,000
			6,100,000

Table 5: Detail for E&G Fund operations projected for FY2018-19.

FY19 Budget Request to Board

E&G Projections	E&G-Corvallis	E&G-Cascades	AES	EXT	FRL	OS	Adj	Total
State Appropriation	$ 124,989,352	$ 7,201,631	$ 33,899,119	$ 24,237,803	$ 5,214,261	$ 12,240,000		$ 207,782,166
Net Tuition & Resource Fees	384,600,200	10,187,166	-	-	-	-		394,787,366
Other Revenue	68,591,452	227,663	6,778,415	19,179,260	4,554,000	-		99,330,790
Total Revenues	**578,181,004**	**17,616,460**	**40,677,534**	**43,417,063**	**9,768,261**	**12,240,000**		**701,900,322**
Personal Services	437,839,716	15,024,164	34,655,035	35,910,700	8,600,000	1,008,584		533,038,199
Supplies & Services	140,060,705	4,310,675	9,325,726	8,000,000	1,800,000	11,780,800		175,277,906
Capital Outlay	5,500,000	32,159	581,219	125,000	100,000	-		6,338,378
Student Aid	1,281,393	-	-	-	-	-		1,281,393
Internal Sales	(25,000,000)	-	(736,182)	(150,000)	(30,000)	-		(25,916,182)
Total Expenditures	**559,681,814**	**19,366,998**	**43,825,798**	**43,885,700**	**10,470,000**	**12,789,384**		**690,019,694**
Net Operating Gain (Loss)	**18,499,190**	**(1,750,538)**	**(3,148,264)**	**(468,637)**	**(701,739)**	**(549,384)**		**11,880,628**
Transfers In	4,662,370	41,200	2,442,025	794,727	714,700	-	(3,992,652)	4,662,370
Transfers Out	(25,558,757)		(100,000)	-	-	-	3,992,652	(21,666,105)
Change in Fund Balance	**(2,397,197)**	**(1,709,338)**	**(806,239)**	**326,090**	**12,961**	**(549,384)**		**(5,123,107)**
Beg Est Fund Balance-FY18 3rd Qtr Est	78,124,161	1,866,433	2,571,384	5,596,064	855,581	2,368,377		91,382,000
FY19 Estimated Ending Fund Balance	**$ 75,726,964**	**$ 157,095**	**$ 1,765,145**	**$ 5,922,154**	**$ 868,542**	**$ 1,818,993**		**$ 86,258,893**
	13.1%	*0.9%*	*4.3%*	*13.6%*	*8.9%*	*14.9%*		*12.3%*

Appendix A: Budget Explanatory Notes

Oregon State University, like most colleges and universities, uses fund accounting. Fund accounting recognizes the diversity of sources and purposes of revenues and emphasizes accountability for the proper use of those revenues. Each fund type is self-balancing and has its own revenues, expenditures, assets, liabilities, and fund balance.

Fund Types

Education and General (E&G) Funds: These are unrestricted current funds expendable for any purpose in performing the primary objectives of the institution (instruction, research, and public services).

E&G Funds come principally from state appropriations and tuition and fees paid by students. They also include indirect costs paid by external grants and contracts (termed Facilities and Administrative, or F&A costs) to defray the added costs of providing support for funded research projects and miscellaneous sources of income such as interest and sales and services fees within academic units. E&G funds provide the primary support for the instructional, academic support, institutional management, outreach and engagement, and some research activities of the university.

Self-Support Funds: Self-Support Funds are for units that are expected to generate revenues sufficient to cover most of their expenses. OSU defines three kinds of self-support operations:

- **Auxiliary Enterprises:** Self-sustaining units, which provide goods or services primarily to students, faculty, and staff as individuals. Self-sustaining units charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. The general public may be served incidentally by auxiliary enterprises. Examples of Auxiliary Enterprises at OSU include University Housing and Dining Services, Student Centers, Athletics, Student Health Services, and Parking Services.
- **Service Centers:** Self-sustained activities that provide goods or services to the academic university community. No more than 20% of the revenues may be from external sales. Examples of Service Centers at OSU include Telecommunications Services (Telecom), Printing & Mailing, Motor Pool and Surplus Property.
- **Designated Operations:** Self-sustaining activities related to instruction and public service where 80% or greater of the revenues is derived from external sources. Examples include the non-credit instruction portion of field trips and international education, community education (non-credit conferences, workshops, seminars), the OSU Press, and public services (testing services) like the Seed Certification Lab.

Revenues from royalty payments are also managed with the self-support funds.

Restricted Funds: Restricted Funds are provided to the university for specific purposes and projects. The most common types are grants or contracts from Federal, State, and private foundations for research and scholarships, Federal financial aid awards, and gift funds distributed from the OSU Foundation and other endowments for scholarships, endowed professorships, research projects, and other specifically designated activities.

Revenue and Expense Categories

The summary budget reports in Tables 1 through 3 include the following components:

Revenue:

- State General Fund: Appropriations authorized by the State of Oregon. These include funds for general operations of the university as well as funds designated for specific university functions such as the SWPS and the Oregon Climate Change Research Institute.
- Tuition and Resource Fees, net of Remissions: These are tuition and fee charges to students, less waivers of tuition made as financial aid. Tuition waivers are the principal form of institutional financial aid provided to undergraduates.
- Other: These include the F&A costs paid by grants, sales and service income generated within departments and colleges outside designated operations, and interest income from various university accounts.
- Enrollment Fees: Some student fees are directed to self-support operations such as the Memorial Union and Student Health Services.
- Sales & Service: Many of the self-support operations sell goods and services to the university community and the general public. Examples include ticket sales in Athletics, dining hall revenues, and housing contract charges.
- Other: The self-support operations have other sources of revenues including charges to other university units, interest revenue, and lottery proceeds.
- Federal Restricted Funds: Awards from Federal agencies for research and scholarship projects.
- State Restricted Funds: Awards from State agencies for research and scholarship projects.
- Other Restricted Funds: Research grants or contracts from other government entities, private foundations, and other universities.

Expenditures:

- Personnel Services: These include salaries for classified (represented) staff, unclassified staff, students, and graduate assistants and benefits including retirement, health insurance, taxes, graduate remissions.
- Supplies & Services & Capital Outlay: Office expenses, utilities, telecommunications, assessments, debt payments, non-capital equipment, contract services, capitalized equipment.

Other Adjustments:

- Transfers in: Transfer from other funds in support of operations.
- Transfers out: Transfers to plant funds or other funds in support of operations.
- Other Additions/Deductions: Primarily the use of working capital to purchase capital assets or pay long-term debt.