

## FY2018 Budget Update

### SUMMARY

The Oregon Legislature adjourned on July 7, 2017. Legislative decisions impacting the university's operating and capital budgets for Fiscal Year 2018 are presented below.

### OPERATING BUDGET

The principal change in the projection for Education & General Funds comes from a larger-than-expected increase in state support for the Public University Support Fund. The legislature approved a 10.4% increase over the 2015-17 Legislatively Approved Budget, which is 6.3 percentage points higher than the state's estimated continuing service level for higher education<sup>1</sup>. The increased appropriation came with a requirement that those public universities that had proposed resident undergraduate tuition rate increases over 5% would reduce those increases. The legislature's budget note included an expectation that no university's resident undergraduate tuition growth for the 2018-19 academic year will exceed 5% over the 2017-18 rate.

The increased Public University Support Fund allocation should provide at least an additional \$9M to the Corvallis campus and \$1M to Cascades over the budgets the Board approved in June. The Higher Education Coordinating Commission will finalize allocations in October when the enrollment and graduation numbers for 2016-17 are complete. The increase in state funding meant that Corvallis did not need to execute \$2.2M of the budget reductions planned for the end of July. The allocation also provides a budget reserve against any unexpected reductions in enrollment. Currently, enrollment is projected to be up about 0.6% in Corvallis (with somewhat stronger growth in non-resident students than projected), up about 10% in Ecampus, and down about 6% at Cascades. University leadership is considering possible investments for the additional state funding including support for emergency financial aid, strategic enrollment initiatives, and critical support services (e.g., business services).

The Statewide Public Service units received increases of 0.5% over the state's estimate of continuing service levels<sup>2</sup> (4.7% above the 2015-17 Legislatively Approved Budget). The OSU Extension Service also received an appropriation of \$11.76M to implement the Oregon Outdoor School program approved in a ballot initiative in November 2016.

The operating support for Oregon's public universities, while short of what would be required to reverse the shift of costs from the state to students during the recession, was an indication of significant legislative support in a very difficult budget year. It was a much better outcome than had been expected for much of the session and owes much to the cooperative work of the seven public universities, their leadership, and their government affairs offices.

### CAPITAL BUDGET

The legislature authorized state-paid debt to support part of the costs of the high-priority projects on the OSU-Corvallis campus including Phase 1 of the Cordley Hall renovation

---

<sup>1</sup> The state's methodology for calculation of the continuing service level increase yielded 4.1% for the biennium. However, this does not include the full cost of compensation increases, including PERS and PEBB. The public universities estimated their average actual Current Service Level (CSL) at 7.9% for the biennium, so the increase is about 2.5 percentage points above actual CSL.

<sup>2</sup> Similarly, the state's calculation method of continuing service level for the Statewide Public Services fell below the estimate calculated by the universities.

(\$15.25M), the Fairbanks Hall renovation (\$11.22M), the Gilkey Hall renovation (\$3.095M), and the Oregon Quality Food and Beverage Center (\$9.10M). Additionally, \$50M of state-paid debt was approved for capital improvement and renewal at the seven public universities. The universities had asked for \$65M in capital renewal funding. OSU's share of that funding is expected to be about \$18–20M.

While the projects at Corvallis were supported at the requested levels, the approved capital budget for OSU-Cascades included only \$9.145M in state-paid debt to support site reclamation and \$0.49M in direct appropriations for remodeling of the Graduate Resource Center. OSU had requested support for the next academic building, a student success center, and infrastructure improvements totaling an additional \$60M. The university is discussing with stakeholders a strategy to renew the request for building out the OSU-Cascades campus.