FY2018 Operating Budget

SUMMARY OF PROPOSAL

The Board of Trustees is charged with reviewing and approving the university's annual operating budget. The budget supports the educational, research, and outreach goals of OSU's Strategic Plan 3.0 (http://oregonstate.edu/leadership/strategicplan/phase3). Figure 1 shows some key metrics for the university that are related to budget planning and outcomes from the distribution of budget.

For the fiscal year July 1, 2017 through June 30, 2018, the university proposes an operating budget (Figure 2 and Tables 1, 2, 3 and 4) with three principal components totaling $1.217B in revenues and $1.220B in expenditures, net transfers, and fund deductions:

- Education and General (E&G) Funds support instructional, research, and outreach work on the Corvallis Campus, on the Bend Campus, and in the Statewide Public Services. The revenue budget is projected as $645.1M, with projected expenditures of –$632.5M and net transfers out of –$12.5M. The projected fund balance change is plus $0.06M, with an ending fund balance of $80.6M.
- Self-Support Funds include Auxiliaries (Athletics, Housing & Dining, Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The revenue budget is projected at $234.6M, with projected expenditures of –$234.8M and net transfers of $0.3M. There are also –$4.6M in other deductions to unrestricted net assets. Fund balance is projected to decline by $4.4M, for ending unrestricted net assets of $31.5M.
- 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 revenue. FY2018 revenues are projected to be $338.0M, expenditures –$338.4M, and net transfers at –$0.7M.

BUDGET CONTEXT

The operating budget of the university provides a plan to develop and distribute the resources for the faculty, staff, and leadership to pursue the goals outlined in Strategic Plan 3.0. Oregon State's strategic vision states that "to best serve the people of Oregon, Oregon State University will be among the Top 10 land grant institutions in America." The plan has a strategic focus on three areas (Advancing the Science of Sustainable Earth Ecosystems, Improving Human Health and Wellness, and Promoting Economic Growth and Social Progress) and 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; 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 in which 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 the first two phases of our strategic planning, 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 requires both investing in new activities and managing or redirecting our efforts with existing budget. There are also some new expenditures (such as 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.

The proposed budget for 2017-18 has more areas of uncertainty than has been the case in recent years. Changes in national politics, state budget outlooks, international enrollment trends, and student choices all have an impact on OSU's operating environment. These areas of risk are discussed briefly in the sections following.

EDUCATION AND GENERAL FUNDS

Education and General (E&G) Funds support Corvallis academic and support operations, OSU-Cascades academic and support operations, and the operations of the Statewide Public Services (SWPS). Flattening enrollment trends, increased competition for international and non-resident students, and the beginning of the Oregon Promise (Oregon's "free" community college pilot program) create more uncertainty than usual in enrollment projections 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:

- Expending the first $2.5M of a $5.0M additional commitment for student success initiatives. The first phase of this work will focus on data systems and predictive analytics, while detailed planning for the next phase is completed.
- Making investments to continue the growth of the Bend campus, including the addition of new faculty and planning for the next phases of campus growth.
- Supporting growth in the College of Engineering, linked to an expansion of the Engineering professional school, and programs in the colleges of Veterinary Medicine; Earth, Ocean and Atmospheric Sciences; and Public Health and Human Sciences.
- Budgeting the first of $5.0M of what will eventually be about a $40.0M annual commitment to capital renewal and repair projects, to address deferred maintenance issues and ongoing depreciation costs.
- Aligning the work of the SWPS units with the reduced resources likely to be provided by the state to try to maintain as much of the service expansion supported by 2015-17 increases from the legislation as possible, since there are stakeholders throughout the state in urgent need of that expertise.
- Funding a mid-year salary increase for unclassified staff (as well as funding existing contractual obligations to represented staff) and increases in retirement benefits to retain the people who have already been a part of OSU's programs.
- Providing increased support for the OSU Foundation and Alumni Association as planning is completed for the next capital campaign.
- Improving business services, including purchasing and contracting, an e-signature solution, and an eProcurement solution to reduce purchasing costs and promote compliance with new Federal Uniform Guidance standards.

- Increasing 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.
- Increasing commitments to help ensure the safety of our students, faculty, staff, and visitors, including to the Department of Public Safety, the Oregon State Police, and the City of Corvallis.
- Providing continued support for student, staff, and faculty life programs including childcare services, advocacy services, and the beginning of a parental leave program.

Revenues

The total revenue growth in E&G funds is projected to be 4.4% or $27.5M ($1.8M at Cascades, $0.7M 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 ($19.3M), and to a lesser extent growth in non-resident undergraduates at Corvallis and enrollments at Cascades. The projections for tuition revenue include an additional commitment of $3.4M in institutional financial aid.

The enrollment growth helps offset a net reduction of $4.5M in state support. This includes a reduction of $4.3M at Corvallis and a net reduction of $0.2M for the SWPS. The SWPS change reflects a reduction in current budget due to projected flat state spending and an increase in funding for the Extension Service from a voter-passed mandate to fund Outdoor School for all Oregon school districts. OSU-Cascades is projecting a small increase (despite flat state funding) because of increased enrollment and graduates.

Expenditures and Net Transfers

Total E&G expenditures are projected to increase 4.0% or $24.2M (increase of $2.0M at Cascades, a decrease of $1.5M in the SWPS, and the balance at Corvallis). The largest driver of the expense changes are personnel costs (79% of total expenditures). The increases in Corvallis come from increased benefits costs, salary increases, and staffing growth needed to address enrollment growth in Ecampus and some campus programs. OSU-Cascades is adding faculty to expand program offerings, while the SWPS are planning some personnel reductions in anticipation of reduced support from the state.

The largest portion of expenditures is on the Corvallis campus (83% of $632.5M or $525.0M). Personnel services expenditures are projected to grow 5.1% ($24.2M) after planning for $8.0-$9.0M in savings through keeping many vacant positions unfilled. The costs for services and supplies and capital outlay are projected to have growth of less than 1.0%. While there are inflationary increases in general supplies, contractual increases in custodial services, software licensing, insurance, utilities, and similar obligations, these are offset with targets for reducing the growth in spending in these categories by $4.0-$5.0M. 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].

E&G funds show net Transfers Out of –$12.5M. This includes a commitment of an additional $.01M for Athletics and $5.0M for capital renewal funding.

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[1] These include negotiated salary increases for represented staff, an estimated 5% increase in health insurance costs, state mandated increases in rates for retirement programs, the full year costs of the 3% mid-year unclassified staff raise in January 2017, and a 3% increase for unclassified staff planned for mid-year FY2018.

The expense planning required identifying reductions of about $20.0M in projected spending in Corvallis E&G operations. The three main components of these reductions are:

- Reductions or deferrals of new central commitments, based on immediate needs of units, the state of detailed planning for expenditures in new programs, and strategic imperative of the commitments, as well as some reductions in central contingency funding (about $6.0M).
- Reductions of $4.0-$6.0M in services and supplies and capital outlay spending. All units were assigned targets for reductions, with a larger percentage of reductions assigned to management and administrative units.
- Reductions of $8.0-$9.0M in personnel expenditures, distributed across all units, but with a larger proportion of those reductions expected from administrative, support, and service units, as a percentage of projected expenditures.
- Some support units with particular strategic importance across all academic programs (e.g., library, facilities operations) were assigned lower than average or no reductions.

<u>Uncertainties, Issues, and Opportunities</u>

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. Additionally, OSU's goals for improved student success and the closing of the achievement gap require major strategic investments. It is important that the university is thoughtful in committing resources to support these and equally important that the state commit to supporting an appropriate share of the costs. The university, stakeholders, and members of the legislature are continuing work to secure some of that funding in the current session.

All three of the major operating parts of the E&G budget are impacted by reductions in the level of state support. While the State of Oregon made a significantly larger investment in the seven public universities in the 2015-17 biennium, the current projections for state funding are flat for 2017-19. This flat funding is despite significantly increased costs for retirement benefits as a result of the court case voiding some of the major reforms to the Public Employees Retirement System (PERS). The PERS increases along with increased costs for health care services projections are the main components of a state funding gap currently projected at $1.6B.

The federal funding environment remains volatile and impacts research funding, financial aid funding, and the costs of compliance with expanding federal mandates. Federal funding also directly impacts the Facilities and Administrative (F&A) costs paid by grant funds and the formula funds that support the three Statewide Public Services.

Additionally, each of the three major operating parts of the E&G budget face unique challenges in the next year.

Corvallis

Corvallis needs to reduce projected spending (including new initiatives) by about $20.0M to fit with revenue projections that include flat biennial budgets from the state, tuition increases under 5%, and slow enrollment growth. The key initiatives supported and the budget reductions planned were discussed above.

Nationally, enrollment is flattening as the traditional college-age population growth slows. Additionally, as was discussed at length during the deliberations on tuition rates, students and families are more price sensitive than in the past and enrollment changes are more sensitive to tuition rate changes.

Freshmen enrollments in Corvallis were down in fall 2015 for both residents and non-residents, but the loss of those students was offset in part by continued growth in Ecampus revenues as the demand for Ecampus programs continues to grow. Current estimates project the decline in freshmen enrollment of resident undergraduates will be modest, as it was in fall 2016. This is due in part to competition for enrollment of Oregon students from the Oregon Promise program.

Current estimates suggest that enrollments of non-resident freshmen will increase slightly this fall; however, recruiting non-resident students is becoming more difficult. 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. 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.

OSU-Cascades
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.

Additionally, the commitment to the new four-year campus will require strategic investments.

Statewide Public Services
The Statewide Public Services are facing a particularly uncertain environment. The Governor's Recommended Budget would result in a reduction of over 3% in the FY2018 budget from FY2017 (as the state distributes 49% of the biennial budget in the first year, 51% in the second). The SWPS are also facing the same increases in PERS costs as are other units. The SWPS budgets are funded more than 60% by the state, so flat funding, combined with greatly increased personnel costs, would require significant reductions in staffing and services to stakeholders. A diverse group of stakeholders, the leadership of the three statewide public service units, and the Government Relations office are working to increase the allocation for the Statewide Public Services.

The three SPWS are also impacted by uncertainties about federal funding. Each has some jeopardy in the long-term budget vision laid out by the executive branch, and so will bear close watching over the next several months.

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 loss of –$0.1M in operations. The operating loss comes principally from projections for an operating deficit for the new dining and resident center in Bend and a projected operating deficit in Athletics. Net transfers total a positive $0.3M and other changes in net assets (these include principal payments to debt and capital outlay) are projected at –$4.6M, for a total decline in unrestricted net assets of –$4.4M. Ending unrestricted net assets are projected to be $31.5M or 13.4% 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. While in the long-term self-support operations need to have 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 a new facility like that will necessarily 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. The new leadership in Athletics has worked with the interim vice president for finance and administration to execute the recommendations of the Athletics Financial Sustainability Workgroup, and a final Memorandum of Understanding for the plan will be in place by the end of June.

Revenues

Fees and Sales and Service income are both up, largely due to changes in rates, as enrollment is expected to be relatively flat, although preliminary commitments for University Housing and Dining Services (UHDS) are good. Ticket sales in Athletics are also significantly improved and the trend for gift revenues in Athletics is encouraging.

Expenditures

The principal expenditures increase is for Personnel Services, as was the case for E&G budgets. This includes planning for a 3% salary increase and increases in retirement and medical benefits. Growth above those costs includes some staffing in UHDS (related to services at both campuses), and some staffing changes and retention decisions in Athletics.

Transfers Out are down significantly because there are fewer transfers to plant funds for capital repair and renewal as a large number of projects were funded in the FY2017 budget.

Uncertainties, Issues, and Opportunities

Many of the revenue streams for the self-support operations depend on enrollment, so are somewhat uncertain until later in the summer when enrollment for fall 2017 is better known. Enrollment is critical for UHDS, which is particularly impacted by any declines in the freshmen class enrollment. UHDS also 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 this coming year.

While most self-support units are operating near balance, Athletics is again projecting an operating deficit for FY2018 of –$6.5M. This is a decline from the –$8.1M ending deficit projected for the current year. Current leadership in Athletics has revised ticket sale operations, renegotiated the agreement for media rights with Learfield Sports, and reviewed the fundraising partnership with the OSU Foundation and the operations of Our Beaver Nation. These changes have yielded revenue improvements, although there is continued pressure on salaries, particularly with the success of some of the athletics teams. Athletics leadership is committed to working with the OSU Foundation and university leadership to implement the principal recommendations of the Financial Sustainability Workgroup and to reach a balanced operating budget by FY2019 fiscal year.

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 very 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

Low growth (1.0%) is projected in restricted funds, with some increased federal grant and contract expenditures from awards made in the current and previous year, which will be spent during FY2018 and growth in expenditures from the OSU Foundation, Agriculture Research Foundation, and gift funds. State funds are assumed to be flat. The recent agreement on funding for the federal government through September restored year-round funding for Pell grants, which will be a very positive development for our students and may have a small positive impact on summer term enrollments. The federal budget also includes funding for three ships in the Regional Class Research Vessel (RCRV) project that is being run by OSU. The large incremental increase in awards that would come with the release of construction funds for the ships is not included in the FY2018 OSU budget projection until we have further confirmation of when, and on what schedule, that funding will be released.

Expenditures

Expenditure increases reflect the increased grant revenue, with those revenues spent on personnel services and services and supplies. There is a net transfer out of $0.8M from the College of Earth, Ocean, and Atmospheric Sciences. If the RCRV project is fully funded, there will be a substantial increase in outlays for services and supplies, as much of the funding will be going out to the contractors for the construction.

Uncertainties, Issues, and Opportunities

Federal funding for all programs remains uncertain, as many of the decisions are more political than financial. Discussions in Washington, D.C. have touched on funding for agriculture programs, Sea Grant, climate and global change research, earth observing science, and many other areas where OSU has a substantial portfolio of federally funded work and many faculty and staff who work on those projects. It is too soon to predict the final consequences of discussions between the executive and legislative branches, and any major changes would likely have more significant impacts in FY2019.

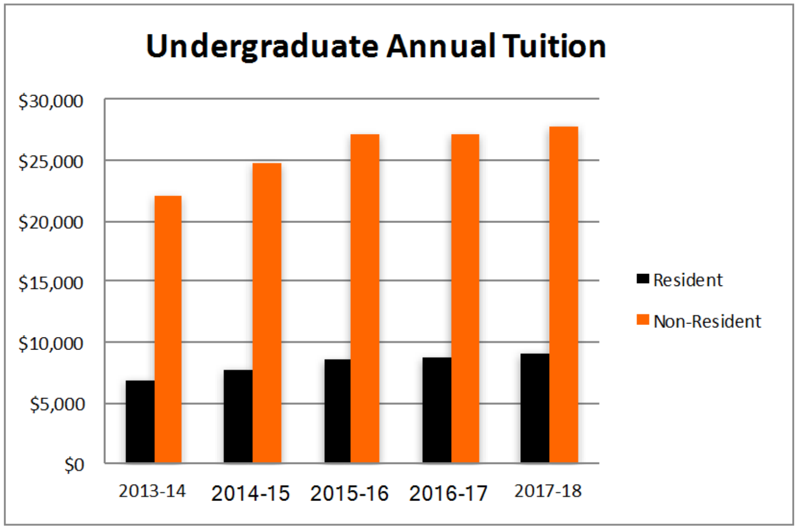
Likewise, the consequences of decisions about federal education programs remain unknown. While year-round funding has been restored for Pell Grants, there are many other federal aid programs that have been mentioned for reduction, consolidation, or change. Oregon State's government relations staff is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

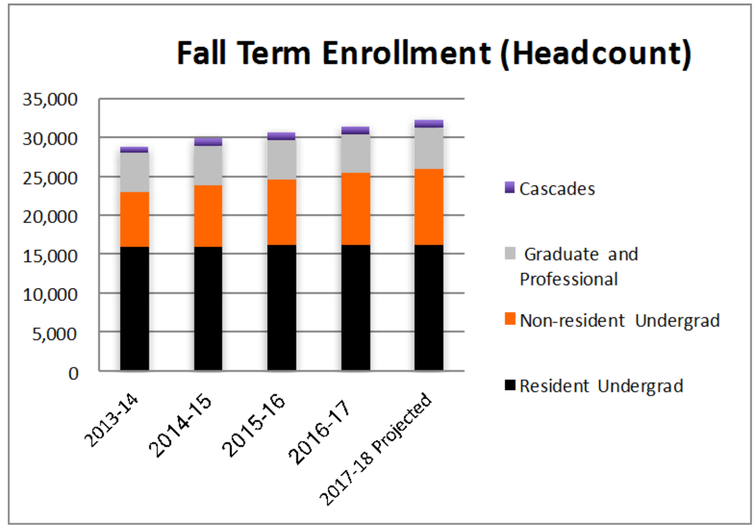
Diversifying the research portfolio will be an essential strategy for the future, and the Research Office continues to work to grow the university's revenues from partnerships with industry, patents, and licensing to help build a more diverse research portfolio. The OSU Foundation is building a robust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

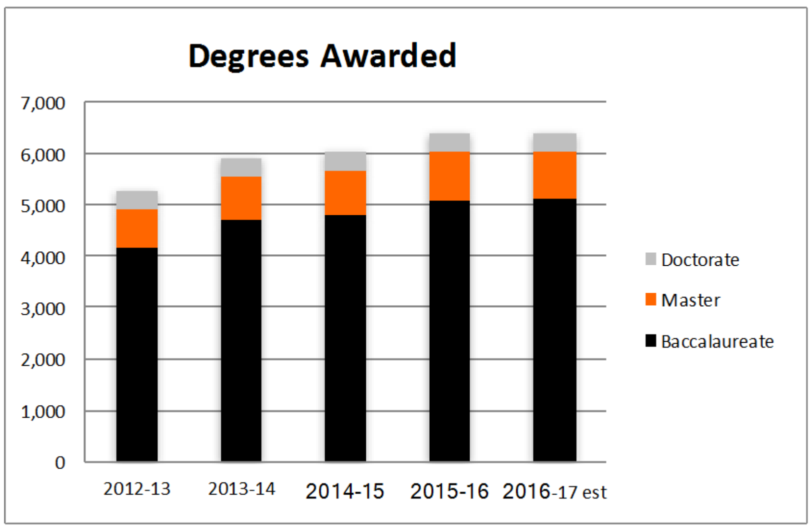
RECOMMENDATION

Staff propose that the Finance & Administration Committee recommend to the Board that it approve the proposed operating budget for FY2018 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.







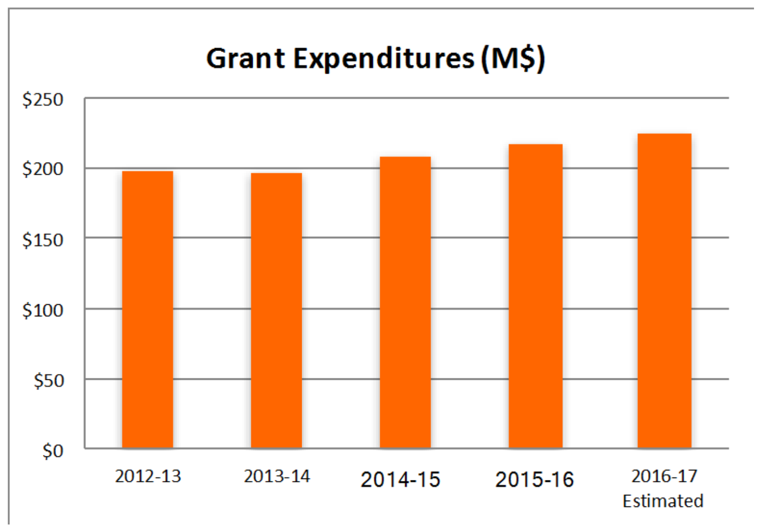


Figure 2. Summary of proposed 2017-18 operating budget for Oregon State University.

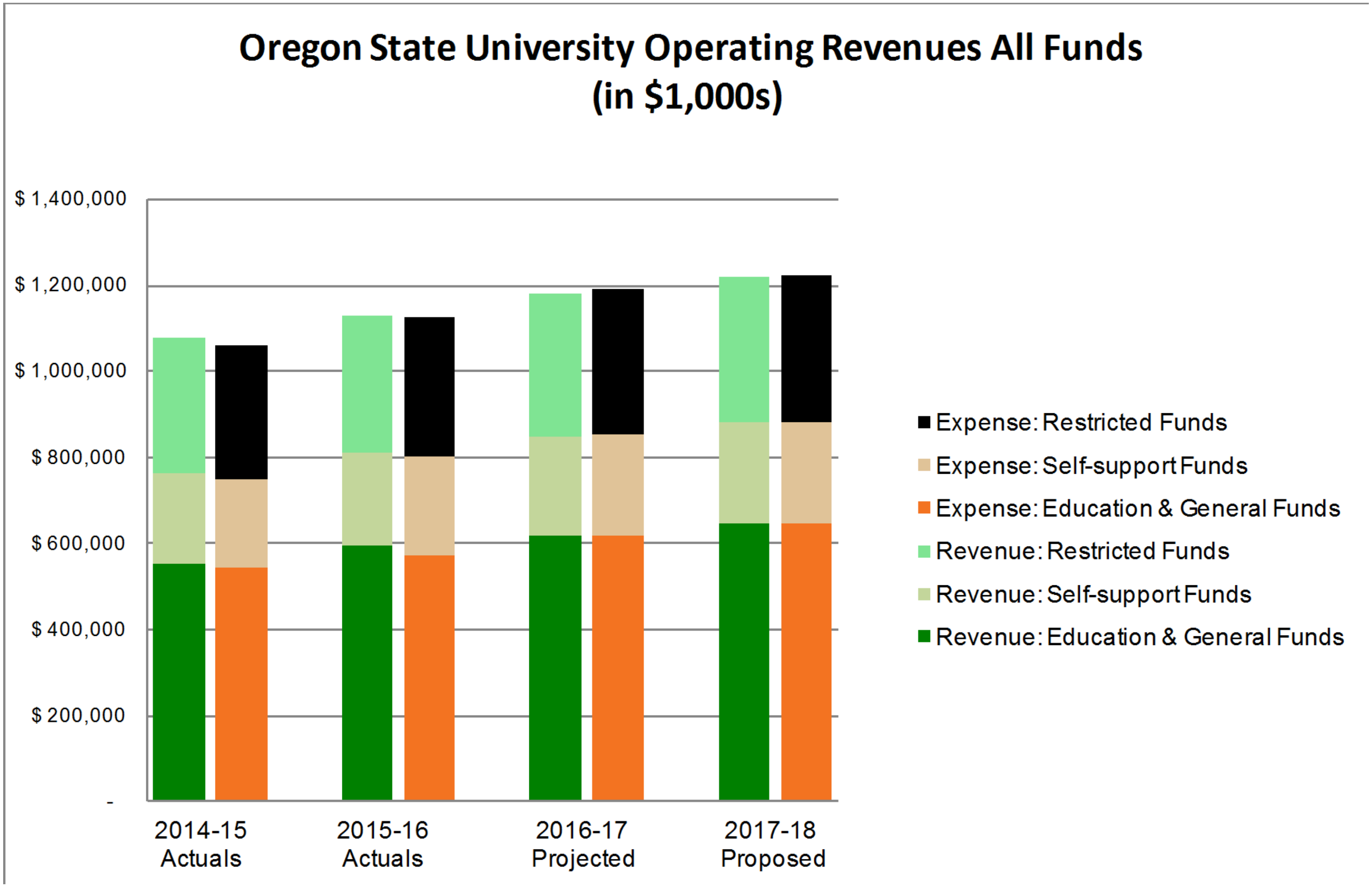


Table 1. Education & General Funds Revenues and Expenditures for 2017-18

EDUCATION & GENERAL (Corvallis, Cascades, Statewide Public Services)							
(in thousands except enrollment)	2015 Actual	2016 Actual	2017 Projection	2018 Budget	2015-16 % Chg.	2016-17 % Chg.	2017-18 % Chg.
State General Fund	$152,501	$170,935	*$178,390*	*$173,862*	12.1%	4.4%	-2.5%
Tuition & Resource Fees, net of Remissions	315,851	336,708	*350,231*	*380,386*	6.6%	4.0%	8.6%
Other	84,695	89,400	*88,981*	*90,818*	5.6%	-0.5%	2.1%
Total Revenues	**553,047**	**597,043**	**617,602**	**645,066**	**8.0%**	**3.4%**	**4.4%**
Personnel Services	(422,252)	(444,854)	*(476,433)*	*(500,603)*	5.4%	7.1%	5.1%
Supplies & Services & Capital Outlay	(108,838)	(118,554)	*(131,885)*	*(131,937)*	8.9%	11.2%	0.0%
Total Expenditures	**(531,090)**	**(563,408)**	**(608,318)**	**(632,539)**	**6.1%**	**8.0%**	**4.0%**
Net from Operations	21,957	33,635	9,284	12,527			
Transfers In	1,145	4,198	*2,168*	*1,762*	266.6%	-48.4%	-18.7%
Transfers Out	(11,671)	(11,778)	*(10,868)*	*(13,868)*	0.9%	-7.7%	27.6%
Fund Additions/(Deductions)	(170)	0	0	0			
Change in Fund Balance	11,261	26,055	584	421			
Beginning Unrestricted Net Assets	**42,693**	**53,954**	**80,009**	**80,593**			
Ending Unrestricted Net Assets	**$53,954**	**$80,009**	**$80,593**	**$81,014**	**48.3%**	**0.7%**	**0.5%**
% Operating Revenues	9.8%	13.4%	13.0%	12.6%			
Enrollment FTE	26,565	27,022	27,833	28,547			

Table 2. Self-support Funds Revenues and Expenditures for 2017-18.

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

(in thousands)	2015 Actual	2016 Actual	2017 Projection	2018 Budget	2015-16 % Chg.	2016-17 % Chg.	2017-18 % Chg.
Enrollment Fees	$33,374	$35,865	*$37,357*	*$39,616*	7.5%	4.2%	6.0%
Sales & Services	136,370	142,538	*156,560*	*158,298*	4.5%	9.8%	1.1%
Other	37,048	36,191	*35,848*	*36,711*	-2.3%	-0.9%	2.4%
Total Revenues	**206,792**	**214,594**	**229,765**	**234,625**	**3.8%**	**7.1%**	**2.1%**
Personnel Services	(96,803)	(99,973)	*(108,374)*	*(118,566)*	3.3%	8.4%	9.4%
Supplies & Services & Capital Outlay	(109,776)	(109,286)	*(115,988)*	*(116,190)*	-0.4%	6.1%	0.2%
Total Expenditures	**(206,579)**	**(209,259)**	**(224,362)**	**(234,756)**	**1.3%**	**7.2%**	**4.6%**
Net from Operations	213	5,335	*5,403*	*(131)*			
Transfers In	24,102	7,826	*7,735*	*6,668*	-67.5%	-1.2%	-13.8%
Transfers Out	(9,486)	(16,660)	*(12,618)*	*(6,341)*	75.6%	-24.3%	-49.7%
Additions/(Deductions) to Unrestricted Net Assets	(9,507)	(13,265)	*(8,791)*	*(4,590)*			
Change in Unrestricted Net Assets	5,322	(16,764)	(8,271)	(4,394)			
Beginning Unrestricted Net Assets	**55,648**	**60,970**	**44,206**	**35,935**			
Ending Unrestricted Net Assets	**$60,970**	**$44,206**	**$35,935**	**$31,541**	**-27.5%**	**-18.7%**	**-12.2%**
% Operating Revenues	29.5%	20.6%	15.6%	13.4%			

Table 3. Restricted Funds Revenues and Expenditures for 2017-18.

RESTRICTED FUNDS

(in thousands)	2015 Actual	2016 Actual	2017 Projection	2018 Budget	2015-16 % Chg.	2016-17 % Chg.	2017-18 % Chg.
Federal	$208,866	$216,171	$219,507	$221,702	3.5%	1.5%	1.0%
State	16,442	17,282	22,035	22,035	5.1%	27.5%	0.0%
Other	86,588	86,985	93,561	94,310	0.5%	7.6%	0.8%
Total Revenues	**311,896**	**320,438**	**335,103**	**338,047**	2.7%	4.6%	0.9%
Personnel Services	(121,262)	(125,996)	(131,171)	(135,219)	3.9%	4.1%	3.1%
Supplies & Services & Capital Outlay	(190,512)	(192,393)	(201,330)	(203,167)	1.0%	4.6%	0.9%
Capital Outlay							
Total Expenditures	**(311,774)**	**(318,389)**	**(332,501)**	**(338,386)**	2.1%	4.4%	1.8%
Net from Operations	122	2,049	2,602	(339)			
Transfers In	365	0	364	365	-100.0%		0.3%
Transfers Out	(735)	(3,780)	(3,298)	(1,136)	414.3%	-12.8%	-65.6%
Additions/(Deductions) to Restricted Net Assets	0	(19)	0	0			
Change in Restricted Net Assets	(248)	(1,750)	(332)	(1,110)			
Beginning Restricted Net Assets	**12,546**	**12,298**	**10,548**	**10,216**			
Ending Restricted Net Assets	**$12,298**	**$10,548**	**$10,216**	**$9,106**	-14.2%	-3.1%	-10.9%
% Operating Revenues	3.9%	3.3%	3.0%	2.7%			

Table 4. Summary of budgeted inter-fund transfers for 2017-18.

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)	$ 531,071	Athletics	$ 5,500,000
Parking (Transportation Options support)	150,000	Service Centers support	843,877
Athletics	495,000		
Service Centers (Insurance Claims)	250,000	Designated Operations support	313,826
From Grants (Jefferson Bldg)	136,000	Various Auxiliaries	10,000
Termination of Plant Funds	200,000	To Plant	7,200,000
Total Transfers In	$ 1,762,071	Total Transfers Out	$ 13,867,703

Self Support

Transfers In		Transfers Out	
From Education & General - Athletics	$ 5,500,000	To Plant-remodels, repairs, Child Care Ctr, parking lot pavement	
From Education & General - Service Centers	843,877	To Education & General from Royalties (Trademark)	$ 531,071
From Education & General - Designated Operations	313,826	To Education & General from Parking	150,000
From Education & General - various Auxiliaries	10,000	To Education from Athletics	495,000
		To Education & General from Service Centers	250,000
		To Plant	4,915,035
Total Transfers In	$ 6,667,703	Total Transfers Out	$ 6,341,106

Restricted Funds

Transfers In		Transfers Out	
		To Education & General - grant for Jefferson Building	$ 136,000
From Education & General CEOAS		To Plant	1,000,000
Total Transfers In	$ 365,000	Total Transfers Out	$ 1,136,000

Table 5. Detail for Education & General Fund Operations Projected for 2017-18.

FY18 Budget Request to Board

E&G Projections	E&G-Corvallis	E&G-Cascades	AES	EXT	FRL	Adj	Total
State Appropriation	107,629,722	5,975,186	30,929,322	24,344,755	4,983,000		173,861,985
Net Tuition & Resource Fees	371,297,237	9,088,694	-	-	-		380,385,931
Other Revenue	62,596,000	107,025	6,135,898	17,266,019	4,713,000		90,817,942
	541,522,959	**15,170,905**	**37,065,220**	**41,610,774**	**9,696,000**		**645,065,858**
Personal Services	415,566,192	13,096,563	30,164,485	32,975,500	8,800,000		500,602,740
Supplies & Services	127,432,305	4,007,348	9,628,284	8,175,500	1,500,000		150,743,437
Capital Outlay	6,150,000	9,492	723,663	120,000	100,000		7,103,155
Student Aid	900,000	-	-	-	-		900,000
Internal Sales	(24,500,000)	-	(685,082)	(125,000)	(1,500,000)		(26,810,082)
	525,548,497	**17,113,403**	**39,831,350**	**41,146,000**	**8,900,000**	-	**632,539,250**
Net Operating Gain (Loss)	**15,974,462**	**(1,942,498)**	**(2,766,130)**	**464,774**	**796,000**		**12,526,608**
Transfers In	1,762,071	40,000	2,417,475	793,616	705,189	(3,956,280)	1,762,071
Transfers Out	(17,583,983)	-	(200,000)	-	-	3,916,280	(13,867,703)
Change in Fund Balance	**152,550**	**(1,902,498)**	**(548,655)**	**1,258,390**	**1,501,189**	**(40,000)**	**420,976**
Beg Est Fund Balance-FY17 3rd Qtr Est	66,706,946	2,225,797	3,256,933	5,669,121	2,734,203		80,593,000
FY18 Estimated Ending Fund Balance	**66,859,496**	**323,299**	**2,708,278**	**6,927,511**	**4,235,392**	**(40,000)**	**81,013,976**
	12.3%	*2.1%*	*7.3%*	*16.6%*	*43.7%*		*12.6%*

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 service).

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. The 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. They 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 & Dining Services, 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 revenue may be from external sales. Examples of Service Centers at OSU include 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 revenue is derived from external sources. Examples include non-credit instruction portion of field trips and international education, community education (non-credit conferences, workshops, seminars), the OSU Press, and public service (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 Statewide Public Services 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.