

DRAFT
Ten-Year Business Strategy
for Oregon State University

2015-2025

Our Vision:

"To best serve the people of Oregon, Oregon State University will be among the Top 10 land-grant institutions in America."

OSU Board of Trustees
January 2016

Table of Contents

Summary	1
Context	3
Mission	3
Strategic Plan	3
Business Strategy Direction	4
Process	7
Operating Strategies	10
Enrollment Targets	10
Strategic Cost Initiatives	14
Strategic Revenue and Cost Reduction Initiatives	15
Timing of Revenue and Cost Initiatives	16
Fund Projections	19
All Funds Projections	19
Corvallis Education and General Projections	19
Cascades Campus Education and General Operations	20
Statewide Public Services Operations	23
Other Funds	23
Potential additional sections or materials	24
Appendix 1: Metrics and Targets	25

Summary

The Board of Trustees, in the spring of 2015, directed University leadership to work with the University community to develop a ten-year business strategy in support of OSU's Strategic Plan. This ten-year look forward was to consider what financial strategies would be needed to:

- Support and maintain OSU's current staff and facilities, taking into account salary and benefit costs, inflation, and operating costs of new and existing facilities and services
- Grow enrollment to contribute to Oregon's 40-40-20 goals, taking into consideration changing student demographics, the needs of communities hosting our students, and changing modes for delivery of higher education programs
- Address current challenges in facilities maintenance and repair and define what will be needed in the next ten years to keep the University competitive
- Support initiatives central to advancing the goals of the Strategic Plan around providing a transformative education to all students (with particular emphasis on improving graduate rates and eliminating achievement gaps between student groups), building leadership in research and scholarship, and increasing the University's impact in Oregon and around the world
- Build and maintain a strong financial position for the University as indicated by standard financial metrics and annual operating balances

The operating strategy outlined here is intended to be dynamic. It identifies general kinds and relative sizes of initiatives for both revenues and expenditures that support the goals noted above. The specific decisions and tactics pursued will need to be planned and adjusted annually.

Ten-year targets for enrollment are the most important element of the operating strategy as enrollment supports the largest part of OSU's revenues and is the revenue component that the University has the most ability to change in a relatively short time. The enrollment strategy includes:

- "Benchmark" enrollment targets aligned with the current enrollment management plan and consistent with discussions with the University community and the Board. These targets include:
 - Enrollment of about 28,000 students resident in Corvallis
 - Growth at Cascades to over 3,000 students
 - Maintaining resident undergraduate students as two-thirds or more of undergraduate students at Bend and Corvallis
 - Growing graduate and professional enrollments¹ to 20% of student enrollments in Corvallis
 - Continuing growth of Ecampus programs to 13,000 student headcount
 - Growing international enrollments to 15% of Corvallis enrollments
 - Growing enrollment of U.S. minority students to over 35% of U.S. student enrollments

¹ Professional enrollment refers to post-baccalaureate students pursuing a degree that does not require original research. Historically at OSU that has included students seeking a PharmD or DVM degree, but in broader terms it could include degrees like the Master of Engineering, Master of Business Administration, or Master of Public Health.

- “Enrollment initiative” targets that build on the benchmark targets to create additional revenues that support critical strategic costs. These include:
 - Growth of professional master’s degrees and certificates both on campuses and online
 - Expansion of 4+1 degree opportunities (gaining a master’s degree with one more year of study after a baccalaureate degree)
 - Development of professional programs that could include off-site courses or certificates, fixed-price degrees or continuing education, competency-based degrees, and short course training for professionals
 - Significantly expanded use of summer term for campus-based students and non-traditional students

The strategy assumes continued growth of research and scholarship and of engagement in communities around Oregon and the world as essential parts of the University’s mission.

The financial viability of the business strategy was based on estimates of expenditures and initiatives necessary to meet the goals of the ten-year strategy. These expenditures and initiatives over the ten years include:

- Funding salary and benefit increases for current staff. Of particular note is a large increase in PERS costs beginning in 2017-18.
- Inflationary increases in services and supplies costs.
- Operating and maintenance costs for new facilities currently planned and for some additional new construction over the ten years, including campus growth in Bend.
- Additional faculty, staff, services and supplies, and operating overhead to deliver programs and to maintain staff-to-student ratios for the enrollment growth projected in the benchmark and initiative targets.
- Initiatives in support of critical areas of need or strategic priority including:
 - Growth of staff and programs at OSU-Cascades to support enrollment of over 3,000 students;
 - Current infrastructure and support needs, including facilities staff and repair budgets, to address some of the most critical deferred maintenance issues in Corvallis, support for library collections and staff, and debt service for a capital renewal bond for infrastructure repair;
 - Initiatives to support student success, including undergraduate studies programs, initiatives for high-impact learning, and healthy campus initiatives;
 - Investments in capacity for research and scholarship, including coordinated faculty hiring, renewal of research laboratories, support for PhD. candidates, the marine studies initiative, core facilities support, growth of professional master’s degrees and research office services; and
 - Initiatives to increase engagement, including expanded study abroad experiences, regional community engagement centers and digital information centers.

Context

The Board of Trustees directed the University leadership to develop a ten-year business strategy in support of OSU's Strategic Plan. This ten-year look forward considers enrollment levels and student mix, tuition rates, cost changes, financial stability, and critical program investments. The business strategy seeks to identify principal areas of risk, estimate the relative magnitude of revenue growth and expense increases, and consider the cost and timing of changes needed to advance Oregon State's mission, vision, and strategic plan. The business strategy is intended to be dynamic, defining a set of goals and categories of actions, rather than a proscriptive list of actions.

Mission

The ten-year business strategy supports OSU's mission:

As a land grant institution committed to teaching, research, and outreach and engagement, Oregon State University promotes economic, social, cultural and environmental progress for the people of Oregon, the nation and the world. This mission is achieved by producing graduates competitive in the global economy, supporting a continuous search for new knowledge and solutions and maintaining a rigorous focus on academic excellence, particularly in the three signature areas:

- Advancing the Science of Sustainable Earth Ecosystems
- Improving Human Health and Wellness
- Promoting Economic Growth and Social Progress

Strategic Plan

Strategic Plan 3.0 describes goals and strategies for 2014 through 2018 and provides the foundation for the longer ten-year look at a business strategy. SP 3.0 focuses on three principal goals:

- **Provide a transformative educational experience for all learners.** Strategies to advance this goal include enhancing an integrated learning environment that raises and equalizes retention and success of all learners; making high-impact learning a hallmark of Oregon State undergraduate education; preparing students for responsible citizenship and global competitiveness; advancing teaching and learning in the Baccalaureate Core through innovations in course design, authentic assessment, interactive teaching and faculty development; strategically growing online education programs; exploring new pedagogical models and addressing all learning styles through myriad learning platforms; enhancing our comprehensive Healthy Campus Initiative; and expanding strategies to recruit diverse and high-achieving students and meet enrollment goals for OSU-Cascades.
- **Demonstrate leadership in research, scholarship and creativity while enhancing preeminence in the three signature areas.** Strategies for this goal include attracting and retaining faculty to strengthen the foundational disciplines and excellence in signature areas; expanding and cultivating transdisciplinary research through partnerships within

Oregon State, along with industry and national and international partners; selectively increasing the quality, capacity, and impact of Oregon State's graduate programs, while improving retention and student success; and expanding and increasing the visibility of high-profile programs in the performing arts and creative work in the humanities.

- **Strengthen impact and reach throughout Oregon and beyond.** Key strategies for this goal are positioning Oregon State's outreach and engagement programs as learning laboratories to promote high-impact experiences for students; promoting the broader impacts of University research more effectively; growing rural and urban regional centers to advance social progress for all Oregon communities; driving economic development in Oregon by expanding commercialization, technology transfer and startup companies that originate from Oregon State research; increasing the number of Oregon State students who participate in study abroad and growing the number of strategic international research partnerships; and engaging alumni and other external partners to advance University goals and priorities.

Business Strategy Direction

At their October 2015 retreat, the Board of Trustees discussed several scenarios for ten-year planning, and a set of directional statements emerged from the discussion to help guide the development of a draft ten-year business strategy around enrollment, access, and the scope of the mission. This direction is captured below with some edits or additions in response to additional discussion as the draft business strategy was developed.

- **Enrollment Size and Mix**
 - OSU's goals of offering a welcoming and supportive culture, small college campus "feel," and superior, collaborative learning environment coupled with sensitivity to OSU's relative size within the Corvallis community all contribute to a desire to limit OSU's Corvallis campus to about 28,000 students over the next 10 years. Actual enrollment will depend on many factors, including physical capacity, particularly for high demand academic majors, and the University's ability to garner resources to invest in student success, degree completion, access and affordability and educational quality.
 - OSU's Cascades campus is an integral piece of the University's strategy to contribute to Oregon's 40-40-20 goals and should grow to over 3000 students in the next ten years.
 - OSU will continue to prioritize the education of Oregon students with the intent that two of every three undergraduate students at Corvallis and Bend are Oregonians. Recognizing that fiscal pressures and the ability to make key investments are tightly tied to enrollment mix, in the absence of adequate state support, 60% Oregon resident undergraduate enrollment is the lowest threshold that will be entertained as acceptable through 2025 unless otherwise approved by the Board.
 - Ecampus provides access to students OSU could not otherwise serve, in Oregon and beyond. OSU will strategically develop online programs and degrees to create the enrollment growth needed to support the development of a Top Ten land-grant university.
 - OSU will seek to increase its graduate population over the next decade to a minimum of 20% of student enrollments in Corvallis with a focus on professional degrees driving a significant percentage of the increase.

- The University will build a diverse student body in all regards, to serve all of Oregon's students.
- **Access and Affordability**
 - OSU will both emphasize and invest in varied strategies to increase graduation rates with a specific focus on decreasing the time and cost to achieve a degree.
 - OSU intends to manage undergraduate tuition increases to the approximate rate of inflation² over the next decade. There is no requirement to directly tie tuition to inflation on a year-to-year basis, but it is expected that tuition increases will follow a trend comparable to inflation to conform to the goal.
 - Exceptions to rate of inflation tuition increases will be specifically tied to investments in student success and educational quality through a transparent process that seeks engagement of students and their families.
 - Graduate and professional tuition, particularly for new programs, will be set to create affordable access to programs consistent with the career value of the degree or credential and the national demand in the field.
- **Research, Outreach, and Engagement**
 - Research innovation is core to OSU's excellence and contributions as an internationally recognized public research university. To this end, over the next decade investments in programs and infrastructure to maintain and improve research excellence and grow Oregon State's research activity will be prioritized.
 - Increased research funding will continue to be championed, specifically with the Oregon Legislature (and in partnership with the Higher Education Coordinating Commission and the Oregon Talent Council), particularly as our research pertains to Oregon's economic development and well-being.
 - OSU will continue to advocate for increased state support for the Statewide Public Service Programs and will seek ways to increase our engagement with communities across Oregon.
- **Other**
 - University leadership, the Board, and other friends of the University will continue to advocate for State investment in our educational, research, and engagement work, emphasizing the long-term societal good of accessible and affordable higher education.
 - The University will work with the Higher Education Coordinating Commission (HECC) to advocate for continued and increased state investment in addressing major deferred maintenance projects and shared support for new capital construction and renovation.

² Inflation as used here refers to projected cost increases driven by general inflation in salaries and materials, as well as benefit cost increases mandated by OSU's participation in state retirement (PERS) and health insurance (PEBB) programs. That aggregate inflation rate may exceed CPI calculations of inflation depending on changes in the retirement and health insurance costs.

- University leadership will improve the strong relationships with the OSU Foundation and Alumni Association to create an integrated effort to engage alumni, friends, and private organizations in support of OSU's students and mission.
- The business strategy is intended to be dynamic and will be reviewed and revised regularly to ensure that decisions are moving OSU's strategic goals forward and that they maintain the University on a solid financial basis.

The ten-year business strategy and enrollment model is guided by these directional statements, the mission, and Strategic Plan 3.0.

Process

The first steps in the business strategy development took place in June through August, 2015. The Provost, in consultation with the Faculty Senate President, convened a series of conversations and focus groups with faculty and University leadership to consider the major risks and opportunities facing Oregon State over the next ten years. The Vice President for Finance & Administration provided input on facilities and support needs. University leadership consulted with the Board Chair and Vice Chair on the goals for the retreat and the principal interests of the Board. Steve Shields, of Constructive Endeavors Consulting, conducted short interviews with each member of the Board of Trustees.

Some of the principal concerns that came from those conversations included:

- Changes in enrollment as the demographics of Oregon's students change, students move to online course delivery, and competition increases for U.S. out-of-state and international students.
- Cost and access for students of ability, regardless of family circumstances.
- A danger of becoming spread too thin in any number of areas—programs, research focus, student sources. The common theme was the need to have a clear focus on mission and intent.
- Challenges of compliance with external regulation, ranging from controls and reporting on research to legislative management of tuition, finances, and student behavior.
- Aging infrastructure, particularly for research, and its impact on both the quality of research and the ability to attract faculty and students.
- The importance of financial reserves and stability as OSU operates as an independent university.
- Changing perceptions of the value of higher education and the challenges of access and affordability.
- Insufficient innovation and nimbleness, in institutional processes and in education and research, as higher education becomes increasingly competitive in all aspects (for example, in recruiting international students, online students, and high-achieving students).
- Expense growth outside our control—healthcare, retirement costs, legislatively-required sick leave.

There were also some common opportunities seen for the University:

- Increase our relevance to key stakeholders in all aspects of our mission, and increase the visibility of our brand in Oregon and the nation.
- Improve our organizational effectiveness and look for better ways to support students and faculty.
- Seek expanded and innovative partnerships and extend our horizons well beyond the State of Oregon.

- Expand our efforts in translational research and innovation, including work to bring discoveries to practice more quickly.
- Engage in the conversation about the value of research universities, emphasizing impact, quality, and distinction.
- Capitalize on our work with INTO and our international research presence to increase our internationalization.
- Actively build our presence in new markets with adult and non-traditional learners.
- Consider appropriate strategic opportunities to build our presence in Portland and our access to students in the Portland metro area.
- Collaborate with federal and state agencies and other institutions to leverage our strengths in a manner that benefits all partners.

The discussions included numerous conversations about the principal drivers of financial stability. The most important of these were:

- The number of students OSU educates. This is determined by enrollment limits, growth in Bend and Ecampus, student retention rates, and recruitment and graduation rates.
- The mix of resident and non-resident students, including the distribution of U.S. non-residents and international non-residents.
- The mix of professional graduate programs vs. research-based graduate programs.
- Growth in Ecampus programs and geographic diversity of Ecampus participation.
- Engagement of non-traditional student populations.
- Revenues from translation of research through licensing, patents, and partnerships.
- Private philanthropy, although this may have its principal role in elevating the quality of programs (through faculty support), affordability (through scholarships), and improvement of selected facilities, rather than providing operating funds.

From those discussions, the Provost charged a group of vice provosts, associate provosts, the Dean of the Graduate School, and the Interim Vice President for Research to consider strategies for new initiatives and new revenue sources to guide the development of actions to support the Strategic Plan.

Based on these ideas, the Provost and the Vice President for Finance & Administration asked the Budget Office to develop a set of financial projections that would illustrate for the Board the effect of different strategies and facilitate discussion about ten-year planning. The Budget Office developed a briefing document that showed the effects of different choices about enrollment, revenue strategies, and cost drivers. The Board reviewed and discussed this overview at the October 2015 retreat in Newport, Oregon. The directional statements discussed above emerged those discussions.

The Budget Office, in consultation with the Provost's Office, the Vice President for Finance & Administration, and the leadership of the Board of Trustees, developed the financial projections for the ten-year strategy discussed here. Those projections were based on:

- Enrollment goals consistent with the Strategic Plan and retreat discussions with the Board;
- Revenue estimates based on those goals, projected state revenues, and modest tuition increases;
- Expense estimates based on current ratios of faculty, staff, and overhead costs per student; estimated projections for retirement (PERS) and health (PEBB) benefit rates; annual salary increases; and known commitments to new facilities operations;
- Additional costs for strategic commitments in areas defined by the Provost's working group in infrastructure, transformative education, leadership in research and creative activity, and impact in Oregon and beyond; and
- Strategic revenue strategies to support those strategic cost commitments. The revenue strategies and cost commitments were modeled in broad categories phased in over ten years. They are intended to be illustrative of types of activities and relative size, rather than a proscriptive list of specific programs or enrollments.

This document provides an overview of the key strategies and the associated enrollment goals and financial projections. The detailed projections and assumptions are available for those that would like to consider specific aspects of the strategy.

Operating Strategies

The operating strategies and associated financial projections were developed in six pieces:

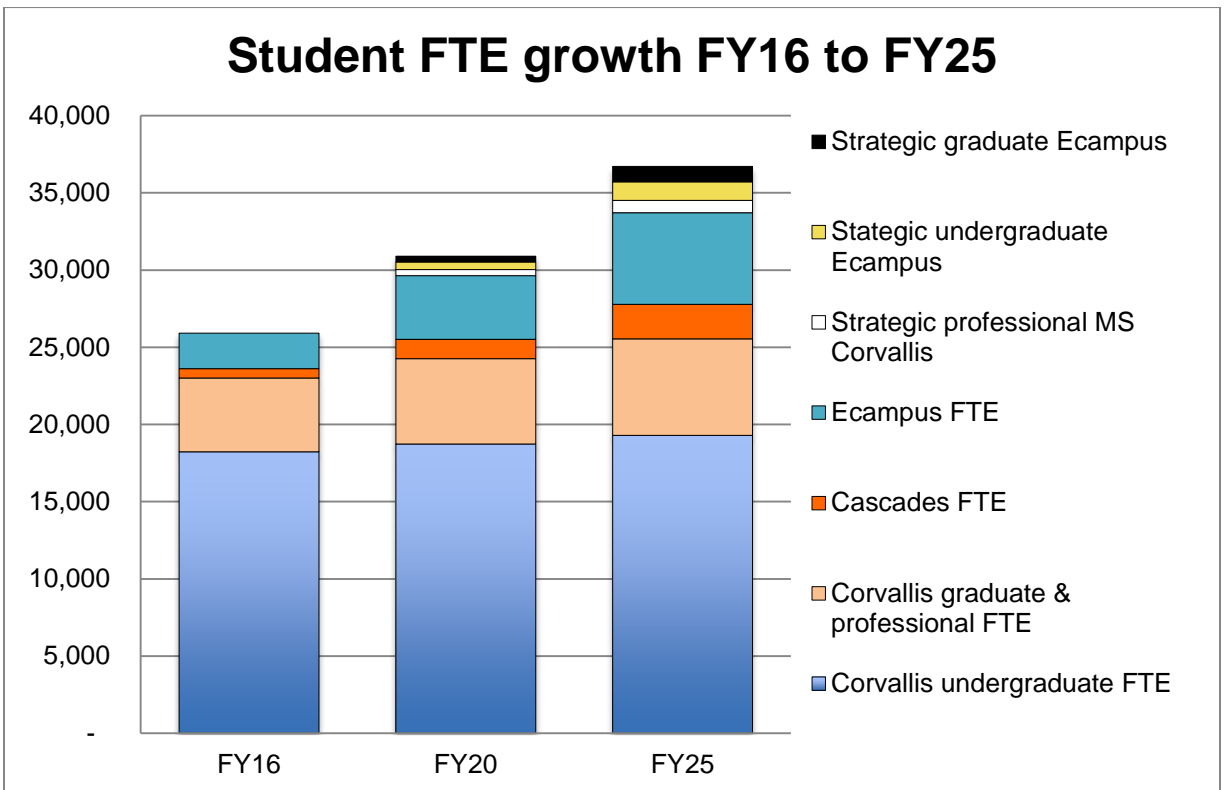
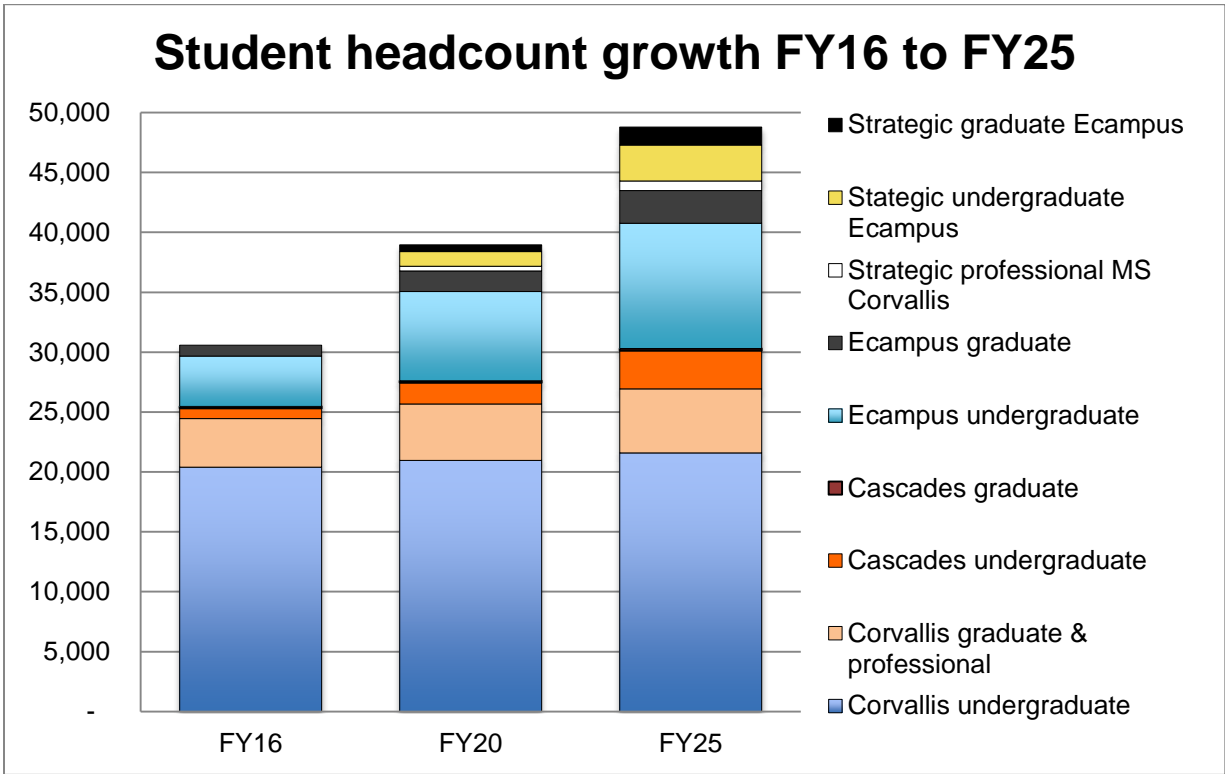
- Revenue projections based on a “benchmark” enrollment model for OSU-Corvallis and OSU-Cascades that meets the key goals in the current strategic plan, the current enrollment management plan, and the directional guidance from the Board of Trustees.
- Expense projections based on annual salary increases, estimated benefit increases, and inflationary increases, with the addition of support costs for that enrollment growth based on current student-to-faculty ratios, advisor and other academic staff support, faculty startup and support costs, graduate teaching assistant (GTA) support, classified staff support, and distributed university overhead costs at Corvallis and on development of programs and capacity at Bend.
- Additional strategic initiative costs for the major initiatives identified by the Provost’s work group. Most of these are additional to costs in Corvallis (as the Bend campus is entirely an exercise in growth).
- Strategic revenue initiatives needed beyond the benchmark enrollment assumptions to support the initiative costs.
- Projections of Statewide Public Service revenues and expenses based on maintaining the recent State increases in funding and current federal and county support.
- Projections for restricted funds and self-support operations based on historical trends within each fund and relative to the size of education and general operations.

Enrollment Targets

The business strategy is particularly focused on enrollment, as that is the largest revenue source, the one the University community has the most control over and the one with the largest number of opportunities. While the University will continue to advocate for increased state support, the business strategy assumes only modest growth in state funding based on current revenue and economic projections. The third largest revenue source for education and general operations is facilities and administrative cost recovery from research grants. This is expected to grow as the number of faculty increases, but constraints on the growth of Federal research funding and the costs of supporting faculty research will limit the amount of new net revenue that this would contribute.

Figure 1 shows the enrollment targets for a ten-year business strategy that allows for new cost commitments to strategic initiatives. These targets have two parts.

Figure 1: Enrollment targets by headcount (top) and student FTE (bottom) through 2025. The "strategic" enrollments are linked to programs or degrees beyond the benchmark enrollment strategy and are discussed in the text.



The “benchmark” enrollments are projected from growth linked to building out the Cascades campus, modest growth in Corvallis, and continued growth of Ecampus through the expansion of programs similar to those we offer now. The revenue growth from these enrollments allows some investments beyond simply meeting the costs of enrollment growth but not sufficient revenues to support the larger goals of the strategic plan.

The “strategic” enrollment targets (the upper three segments in each bar graph) are from new or more aggressive development of enrollments linked to specific kinds of programs (professional master degree programs in Portland that are appropriate strategically and within OSU’s mission, professional certificates, targeted online degrees, etc.). The strategic enrollment numbers are set to provide revenue sufficient to make the investments discussed below and maintain a positive financial position for OSU. These numbers show the relative size of programs needed, but the specific degrees, certificates, and programs may be different than what is modeled here depending on student demand and academic program interest.

The combined enrollment targets provide a student mix that meets the key benchmarks of the Strategic Plan and the Board guidelines (Table 1).

Table 1: Key enrollment benchmarks

	FY16	FY20	FY25
Corvallis campus:			
Students on-campus in Corvallis	25,215	26,908	28,576
Percent non-resident undergraduates	27%	29%	31%
Percent international students	13%	15%	16%
Percent US minority students	26%	29%	33%
Percent Graduate and Professional	17%	20%	22%
Oregon residents of Corvallis and Bend undergraduates			
Oregon residents of all undergraduates	67%	60%	56%
Oregon residents of all students	61%	54%	50%

Even with the substantial growth targeted for Ecampus (which will engage students outside of Oregon), OSU will continue to be focused on educational opportunities for Oregon students.

The enrollment growth requires investments in new faculty and staff (Table 2). The business strategy assumes growth linked to student FTE in different categories. Over the ten years of the business strategy, the assumptions require over 250 new tenure-rank faculty members and over 650 faculty, staff, or GTAs in total on the Corvallis campus. Faculty hiring would be coordinated around high priority areas of research and scholarship and goals for faculty diversity, as well as educational program delivery needs.

Table 2: Projected growth in Corvallis faculty and staff linked to enrollment growth

Annual Increments	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
From benchmark enrollment growth:									
Tenure track	11.5	19.8	24.2	16.9	12.6	15.5	14.9	14.5	22.8
Instructors	0.6	1.3	1.7	0.8	0.0	0.5	0.7	0.7	2.8
Advisors	1.2	1.4	1.5	1.2	0.8	1.1	1.2	1.3	2.2
Other Staff	10.3	16.2	19.2	14.3	14.2	7.0	6.0	5.2	6.9
GTAs	12.0	14.6	16.4	12.2	7.6	10.7	12.2	13.2	24.2
From initiative enrollment growth:									
Tenure track	2.7	19.0	15.9	15.9	15.9	15.9	15.9	15.9	10.0
Instructors	0.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	0.8
Advisors	0.4	3.4	2.7	2.7	2.7	2.7	2.7	2.7	1.7
Other Staff	0.6	4.4	3.7	3.7	3.7	3.7	3.7	3.7	2.3
GTAs	2.7	16.8	14.4	14.4	14.4	14.4	14.4	14.4	9.3
Total Increment:									
Tenure track	14.2	38.8	40.1	32.8	28.5	31.4	30.8	30.3	32.8
Instructors	0.9	2.4	2.9	1.9	1.2	1.7	1.9	1.9	3.7
Advisors	1.6	4.7	4.3	3.9	3.5	3.8	3.9	4.0	3.9
Other Staff	11.0	20.6	22.8	17.9	17.8	10.7	9.6	8.9	9.3
GTAs	14.7	31.4	30.8	26.6	22.0	25.1	26.6	27.6	33.5
Total additions over FY16									
Tenure track	14.2	53.1	93.2	125.9	154.4	185.8	216.6	246.9	279.7
Instructors	0.9	3.3	6.2	8.1	9.3	11.0	12.8	14.8	18.4
Advisors	1.6	6.4	10.6	14.5	18.1	21.8	25.8	29.8	33.7
Other Staff	11.0	31.6	54.4	72.3	90.1	100.8	110.4	119.3	128.6
0.49 GTAs	14.7	46.0	76.8	103.5	125.4	150.6	177.2	204.8	238.2

Strategic Cost Initiatives

There are four areas identified that require significant new education and general cost commitments over the next ten years. These are focused on the Corvallis campus, but there is a parallel strategy for developing faculty and staff in support of enrollment growth at OSU-Cascades.

- **Program and infrastructure stability:** These address critical issues with current programs and facilities including investments in facilities operations (about 25 staff), increased annual preventive maintenance spending, supporting library staff and collections, and providing funding beyond the state allocations for deferred maintenance projects, particularly for research facilities (likely in the form of debt service on university-issued revenue bonds). The business strategy assumes \$33.4M of new annual recurring costs in this area by FY2025 in Corvallis, including debt service for one capital renewal bond. The capital renewal efforts will also be supported by biennial state allocations for capital renewal and repair. Significant biennial funding will also be required to build infrastructure at the Cascades campus to support the projected student enrollment.
- **Goal 1 strategies** to support transformative educational experiences: These include new commitments to enhance the Undergraduate Studies Division, grow institutional financial aid above inflation, create new learning environment initiatives, more widely deploy high-impact learning practices, revisions and improvements in the Baccalaureate Core, and promote growth in alternative learning and online opportunities. These require about \$37.3M by FY2025 in additional recurring costs. Embedded in these strategies is a commitment to deploy technology and information as institution-wide tools to guide best practices in student success. Cascades will be developing student success staffing and programs as part of the staffing build-out for the four-year campus.
- **Goal 2 strategies** to advance research, scholarship, and creative activity: Strategies here include coordinated hiring of the faculty positions to support enrollment, continued development of the marine studies initiative, faculty cluster hiring beyond the enrollment-driven hires, support for reduced tuition costs for Ph.D. candidates supported on grants, a research seed fund, initiatives in the arts and humanities, strategic instrumentation fund, research office staffing, core facilities support, and startup funding to support non-thesis MS programs. These total \$31.2 in recurring costs by FY2025 in addition to the enrollment-driven faculty hiring. In addition, much of the capital renewal bonding noted above will be used to repair and improve research facilities. The resources for faculty hiring will need to be coordinated to build faculty clusters, support dual career hiring, and address faculty retention, as well as support enrollment growth and research initiatives.
- **Goal 3 strategies** to increase our impact in Oregon and beyond: These initiatives focus on expanding high-impact practices in outreach and engagement including creating civic engagement funds, developing annual community surveys, providing regional digital information systems and community engagement systems, building startup and entrepreneurship support, and significantly expanding student study abroad experiences. These are projected at about \$15.4M in recurring costs by FY2025. These initiatives will be coordinated with investments from the Extension Service and other programs supported by the Statewide Public Services.

The planning discussions identified a number of key infrastructure needs in Corvallis parallel to these operating initiatives. These include projects such as (but not limited to) renovation of Gilkey Hall, Cordley Hall, Weniger Hall, Gilbert Hall and Fairbanks Hall; expansion of child care spaces and services; development of an innovation center on or off campus; major repair and renewal of research infrastructure; a center for the performing arts; and a number of other facilities. In addition, growth at the Bend campus will require substantial investments in new facilities over the next ten years. Successful development of that physical infrastructure at the Bend campus will require significant support from the State.

Capital Planning and Development is preparing a ten-year capital forecast to parallel the operating strategies outlined here. This will be incorporated into this ten-year business strategy as the forecast is validated and discussed by the campus community and the Board.

Strategic Revenue and Cost Reduction Initiatives

The initiatives noted above require more revenue than is generated by the benchmark enrollment targets. The Provost's Council and Provost's workgroup considered where there were opportunities to create additional enrollment, revenue, or cost savings that would allow commitments to those critical strategic initiatives.

The enrollment generation ideas that were modeled in the business strategy include:

- Expand professional master's degrees on the Corvallis campus
- Create new online one-year post-baccalaureate degrees similar to the program in computer science
- Create and grow 4+1 degree programs (master's degrees with one additional year after a bachelor's degree) online and on campus, including collaborative programs with other institutions
- Expand professional and continuing education programs including professional certificates
- Build summer term into a full term program
- Aggressive program delivery and presence in Portland might be part of several of these strategies
- Offer large scale online credit programs (three-year degrees, industry partnerships, fixed-price degrees)
- Work with students to identify tuition or fee increases targeted to specific investments or needs to promote student success

The enrollment targets modeled in the business strategy for these initiatives are illustrative—they show the relative size of enrollments that would be needed to generate the necessary revenue. The specific mix of programs or enrollments will need to be developed in collaboration with colleges and programs. Other revenue ideas that could be part of that mix include three-year degrees, guaranteed cost undergraduate degrees, alternative scheduling strategies (block-week professional courses, half-quarter course schedules, online courses on demand), or video-learning modules for single courses or credits.

There are also areas where other large universities have created cost savings. For OSU, the major opportunities include:

- Alternative retirement plans (would require freedom from PERS)
- Alternative health care plans (would require freedom from PEBB)
- Efficiencies in existing space utilization for offices, classrooms, and particularly laboratory spaces
- Review and consolidation of curricular offerings
- Efficiencies in administrative and support costs particularly in procurement, span-of-control, information technology, energy use, and marketing services
- Voluntary separation agreements and/or early retirement offers

The business strategy has modeled only the last two, assuming about \$2.5M in FY2018 dollars in voluntary separation savings and a 2% reduction in overall operating costs through efficiencies and restructuring by 2025. There are significant savings possible in retirement and health offerings, but changes in those will require legislative action. The relative savings in improving and better utilizing existing space, compared to building new space, can be substantial, but there is not sufficient detail at this point to include those in the operating strategy. Curricular review and consolidation require careful work with academic units, and it is too soon to estimate possible cost savings. The University will continue to pursue opportunities for cost reduction in all these areas.

Timing of Revenue and Cost Initiatives

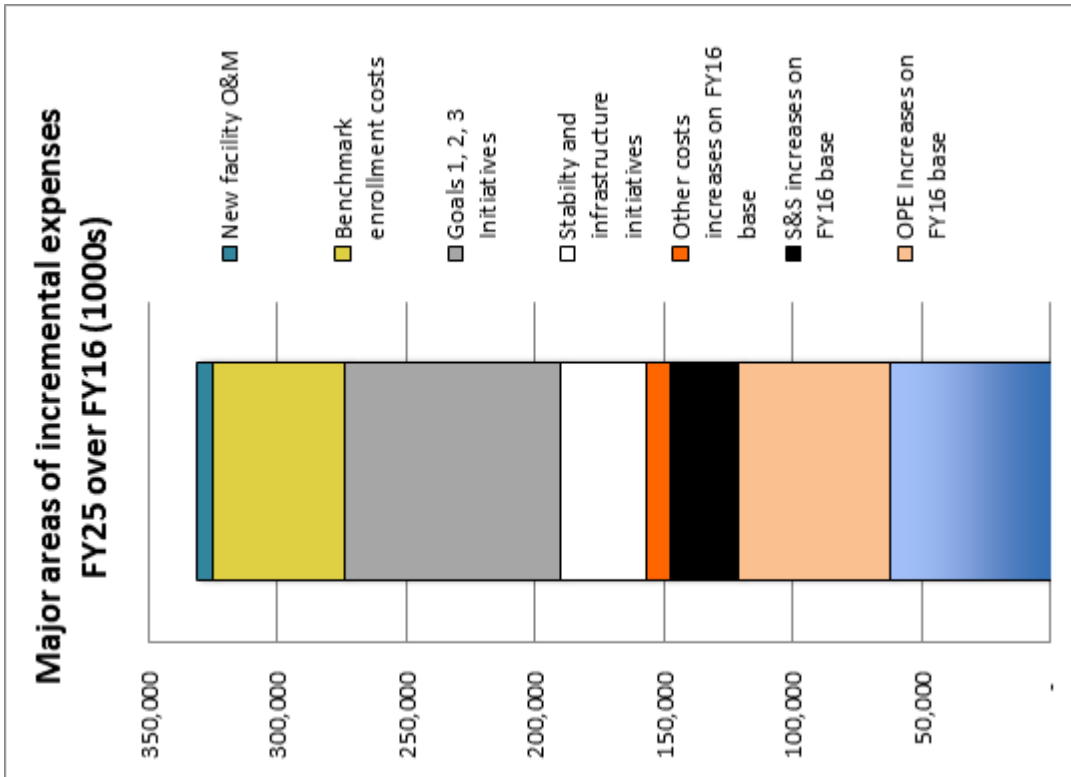
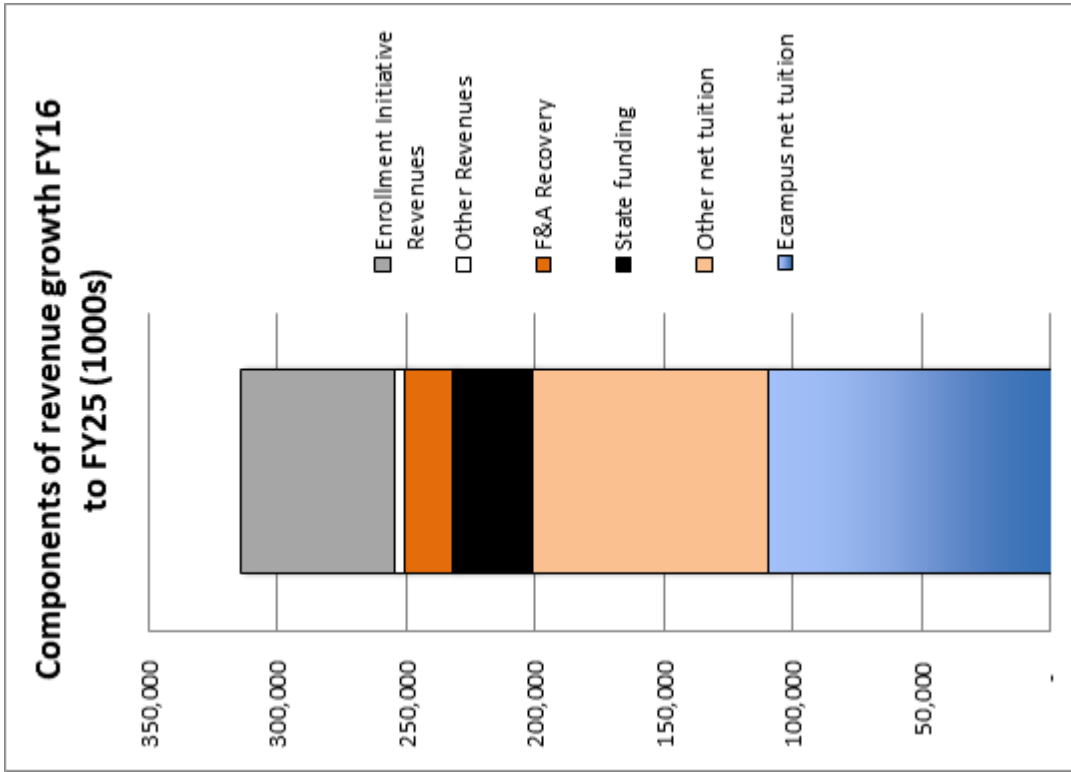
These revenue and cost initiatives for Corvallis E&G operations were staggered over the ten years to maintain a 10-15% fund balance and to allow for time to develop and implement revenue strategies. The specific timing of any particular initiative could be changed, as can the amounts in an initiative. However, the aggregate impact has to maintain an appropriate operating fund balance.

Figure 2 illustrates the schedule of cost and revenue implementation used in modeling a business strategy. Figure 3 illustrates the sources and uses of incremental revenues in FY2025 compared to FY2016.

Figure 2: Schematic schedule for implementation of program initiatives, revenue initiatives, and cost savings strategies

FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
INVESTMENTS FOR FINANCIAL AND PROGRAM STABILITY									
Increases in institutional financial aid above tuition increases									
Add staff to facilities services to address regular preventive maintenance									
Increased budget to address critical preventive maintenance and repairs to \$20M annually by FY25									
Debt service for \$50M capital renewal bond									
Library collection support									
Library staffing support									
GOAL 1: PROVIDE A TRANSFORMATIVE EDUCATIONAL EXPERIENCE FOR ALL LEARNERS									
Enhance student success programs through the Division of Undergraduate Studies									
Learning environment initiatives									
Promoting high impact learning practices and revisions of the Baccalaureate Core									
New alternative or online education									
Healthy campus initiatives									
GOAL 2: DEMONSTRATE LEADERSHIP IN RESEARCH, SCHOLARSHIP AND CREATIVITY									
Coordinated hiring of faculty clusters supported by enrollment growth revenues									
Additional faculty cluster hires in key strategic areas									
Continued investments in marine studies initiatives									
Waiver of some tuition for Ph.D. candidates supported on grants									
Research seed funds									
Strategic instrumentation fund									
Shared core facilities support									
Research office staffing and services									
Seed fund to support development of new non-thesis or professional MS degrees or certificates									
Initiatives in creative arts and humanities									
GOAL 3: STRENGTHEN IMPACT AND REACH THROUGHOUT OREGON AND BEYOND									
Civic engagement innovation fund									
Annual surveys and engagement monitoring									
Oregon digital information centers									
Regional community engagement centers									
Community economic development initiatives									
Increased student participation in study abroad experiences									
REVENUE AND COST CONTROL STRATEGIES									
Targeted growth in professional masters degree programs									
Growth in professional certificates									
Strategic growth in one year post-baccalaureate degrees									
Expanded access to 4+1 masters degree programs									
Expanded use of summer term to use more as a full term, targeted to traditional and non-traditional students									
Large scale fixed-price online degrees or certificates in areas of high professional demand									
Tuition or fee increases targeted to specific student-supported initiatives									
Targeted reduction in administrative, support, and process costs									
Voluntary separation agreements									

Figure 3: Incremental revenue sources and incremental expense uses for the FY2025 business strategy projection compared to FY2016 projections. Incremental expenses are higher than revenues as about \$13M of cost savings from FY2016 operations is assumed in FY2025



Fund Projections

All Funds Projections

The revenue and expense assumptions discussed above were used to project revenues and expenses for all of OSU's major operating funds based on specific assumptions discussed below and historical patterns of fund growth and expenditures. The data for the various projections and assumptions are available on request.

The all funds projection for the University is shown in Appendix 2 for reference.

Corvallis Education and General Projections

The Corvallis E&G projections include revenues and expenses for students resident in Corvallis, students at the Hatfield Marine Science Center, and students enrolled through Ecampus, along with all of the costs and revenues associated with academic activities and operations supported by the E&G budget.

The revenue and expense projections are based on the benchmark enrollment targets, enrollment initiatives, and revenue or cost savings initiatives discussed above. Specific assumptions include:

- OSU-Corvallis retains the current share of Oregon high school graduates (in numbers and mix of majors), staying essentially flat as that number is roughly constant for ten years.
- Tuition rates increase at 2.8% per year after FY2017, where lower increases are assumed for various student population.
- Retirement rates increase at the average estimates available from the last actuarial report to the PERS board. This has significant increases in the 2017-19, 2019-21, and 2021-23 biennia; then rate increases slow.
- Health care costs escalate at 5% per year.
- Other costs, including salaries, increase at 2.5% per year (the average of inflation over the last 20 years).
- The operating and maintenance (O&M) costs of approved capital projects are funded (Johnson Hall, Wood Science Complex, Marine Studies Building, and Cascade Hall). O&M costs for about 300,000 additional new gross square feet are included in three increments in FY2019, FY2022, and FY2025.
- State funding is estimated from the current projections of HECC's outcomes-based model and economic forecasts for the State.
- Incremental costs for student growth are included at proportions similar to current conditions. Costs are included for academic staffing (tenure-track faculty, instructors, advisors, graduate assistants, support staff for graduate and international students, classified staff, service and supplies) and marginal central costs (as a 20% overhead addition to the academic costs).

- Institutional financial aid is set as 12% of undergraduate gross tuition and 10% of Ecampus and summer term gross tuition.
- Cost increases are included for anticipated payments to INTO for international student recruitment and matriculation.
- Support for Athletics increases to about \$8M in FY2016 dollars, about the level of full scholarship support for all student-athletes. This would be matched by gift and other revenue increases to Athletics to provide a stable and balanced operating budget for the current mix of sports. This strategy needs further conversation with appropriate campus leadership.
- Tuition waivers for all but 3 credit hours are provided for Ph.D. students who have advanced to candidacy and who are supported on full-overhead paying grants. This is fully phased in by FY2018.

Table 3 shows the projections for Corvallis E&G operations based on these assumptions.

Cascades Campus Education and General Operations

Growth at OSU-Cascades is an essential part of the University's strategy to contribute to Oregon's 40-40-20 educational goals. The OSU enrollment plan targets a student population of 3,000-5,000 at Cascades by 2025. The current business plan for Cascades assumes a 3,400 student headcount in 2025.

Key strategic assumptions in the business projections include:

- A focus on a predominately undergraduate campus (Figure 4) with a small but vibrant set of graduate programs.
- An emphasis on serving Oregonians but including growing enrollment of students from other parts of the United States and other countries over time
- State operating funding that recognizes and supports student growth at Cascades.
- Continued investment by the State, private supporters, and the University to build out the campus to fully support 5,000 students. The buildings currently under construction will support a total campus enrollment of 1,890 students.
- A cooperative support model with the Corvallis campus to leverage efficiencies in program management and delivery that recognizes the need for up-front investments to meet enrollment growth targets.

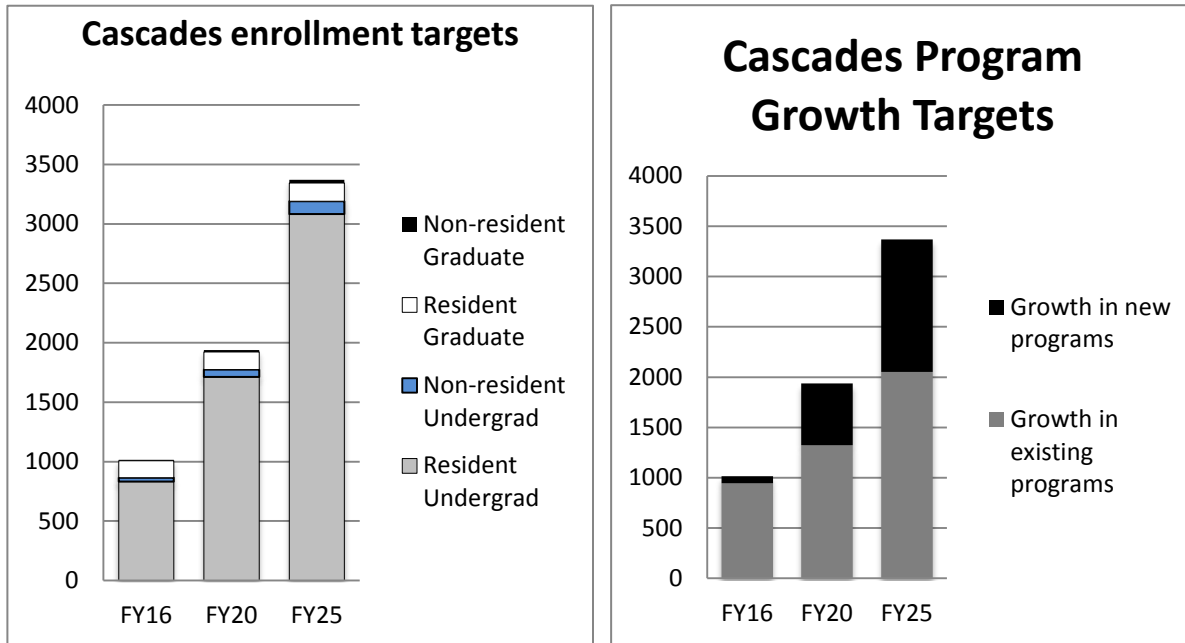
Table 3: Summary of Corvallis E&G projections for FY2016, FY2020, and FY2025

OREGON STATE UNIVERSITY (thousands of dollars)	Corvallis Education and General Fund		
	FY16	FY20	FY25
Revenue			
Tuition and Resource Fees			
Undergrad Resident	107,459	119,074	138,454
Undergrad Non-Resident	110,169	130,068	159,648
Graduate Resident	27,968	35,851	40,138
Graduate Non-Resident	15,036	20,743	21,179
Professional - Pharmacy & Vet Med	15,213	16,906	19,492
Ecampus	68,026	114,688	192,724
Summer Session	9,837	11,730	13,874
Misc Tuition & Student Fees	11,449	12,924	13,243
Ecampus "loss", on campus students		(3,123)	(8,122)
Summer Revenue Accrual Mngmt	200	200	200
Fee Waivers	(35,016)	(44,843)	(59,077)
Total Tuition & Fees	330,342	414,219	531,752
State Funding	107,089	121,711	138,472
Enrollment Initiatives Additional Revenue	-	23,812	59,862
Indirect Cost Recovery	40,000	45,595	58,276
Interest Income	3,000	3,122	3,281
Sales & Services	12,762	13,813	15,251
Other Revenue	4,008	4,338	4,790
Total Revenue	497,200	626,611	811,684
Expense			
Total Salaries and OPE	376,842	452,463	540,440
Service and Supplies	93,942	125,853	166,637
Decision Packages New Expenses		9,607	70,963
Capital Outlay	5,025	9,879	11,177
Student Aid	1,151	1,296	1,502
Net Transfers	11,103	18,404	19,619
Other Expenses	12,254	19,699	21,121
Total Expense	488,063	617,502	810,339
Net Change From Operations	9,137	9,108	1,345
Beginning Fund Balance	45,157	76,984	118,656
Ending Fund Balance	\$ 54,294	\$ 86,093	\$ 120,001
EFB % of Operating Revenue	10.9%	13.7%	14.8%

*the "Ecampus loss" accounts for the credit hours additional students take from Ecampus instead of face to face classes
the "Enrollment Initiatives Additional Revenue" accounts for revenues from enrollments beyond the benchmark targets

- A model of faculty support and development that allows staffing for the significant new program growth that will be required (Figure 4) and that ensures individual faculty members can be successful in building their careers at OSU-Cascades.

Figure 4: Enrollment growth targets for OSU-Cascades through 2025 (by student headcount)



These targets and assumptions for growth in Bend project a balanced budget with a modest fund balance as the campus is built out. The projections depend greatly on building the appropriate staff to be successful in student recruiting.

Table 4: E&G Revenue and Expense Projections for OSU-Cascades

	FY16	FY20	FY25
Revenues	11,469,194	20,042,964	34,465,418
Expenses	10,232,869	19,509,890	34,447,992
Change to Fund Balance	1,236,325	533,074	17,425
Ending Fund Balance	1,239,586	2,077,438	4,431,846

Statewide Public Services Operations

The Statewide Public Services (SWPS) have seen significant swings in revenue over the last ten years, largely reflecting changes in the levels of state funding. Despite those changes, SWPS leadership has consistently balanced budgets within two years of a major change such that, on average, the three SWPS spend exactly the revenues available to them. The projections for the SWPS assume that the current levels of state funding are maintained and incremented by inflation annually. This is a conservative approach, based on current projections for state revenues in the next several biennia.

The University will continue to advocate for the SWPS at the county, state, and federal levels and pursue every opportunity for specific program additions and growth.

Other Funds

Restricted funds:

The largest components of restricted funds are research grants and gift funds. Research grants have grown on average at 5% per year. The business strategy projection adds faculty at similar rates, on average, to those we have seen over the last few years, so we have projected revenue growth at the same rate.

Gift funds have grown at 5.6% per year over the last several years though growth in specific years fluctuates depending on market conditions and annual fundraising.

Both grant and gift funds are expended at nearly exactly the levels of revenues, so varying assumptions here do not have a significant impact on the net financial position. However, the level of research funds does impact the amount of facilities and administrative costs (or indirect cost recovery) paid into the E&G budget. The Facilities and Administrative revenues in the Corvallis E&G projection have been adjusted to reflect the assumptions about research funding.

Self-support funds:

Service Center and Designated Operations revenues have grown at very consistent rates, relatively independent of E&G revenue growth, and the units consistently spend nearly exactly their revenues. These have been projected out at growth rates of 2% and 0.7% respectively.

Auxiliary Operations (Housing and Dining, Parking Services, Student-fee funded operations, part of Athletics) have revenues that grow in proportion to E&G revenues. Expenditures average 104% of revenues, and the funds are balanced by fund additions or deductions. These average \$9.2M a year, but vary substantially from year to year depending on management of reserves, capital projects, and repair and renewal. We have projected these operations with revenues as a proportion of E&G revenues expenditures at a constant percentage of revenues and assumed an annual net fund addition of \$9.2M, which is the historical average.

Potential additional sections or materials

In the comments returned by various reviewers to date, there were suggestions for additional discussion or detail in some areas. These areas are noted here for possible development for the next draft:

- **Capital plans, forecasts, and associated debt service projections.** While this draft does include operating costs for some new facilities beyond what is under construction and assumes debt service on one \$50M bond, it does not include details on a capital forecast of needs in Corvallis or Bend or any associated institution-paid debt service (the assumption being major new projects would be funded by gift and state funds, if E&G, or by new revenues, if in an auxiliary operation). Capital Planning and Development is preparing a ten-year planning forecast to identify our educational and research infrastructure needs to 2025 and a strategy for meeting those needs. When completed, that forecast could be included here, with any necessary financial adjustments.
- **“What if” discussion.** Some consideration of what the strategies would be if state funding or enrollment are significantly below the projections here might be helpful. The business strategy will be reviewed and updated regularly, and, presumably, a part of that review will need to be an assessment of what has changed and what adjustments are needed.
- **More detailed discussion of specific tactics** and their relative costs and returns, within the strategic costs and revenue strategies. This could include tactics for student recruitment, specific enrollment targets for particular colleges or programs, graduation rates and achievement gaps, specific tactics for degrees or certificates for particular markets or audiences, development of infrastructure, partnerships with other universities and agencies, and many others.
- **More specific definition of what “top-ten land-grant” means** in terms of metrics. It is agreed that those measures would need to be based on impact per capita (otherwise OSU would be passed by institutions that were simply much bigger than us), but there is not agreement on what constitutes a top-ten measure.

Appendix 1: Metrics and Targets

[NOTE: This is here as a place holder. If the business strategy draft is directionally correct, metrics can be included that build on the existing Strategic Plan 3.0 metrics noted below]

Metric	2003-04 Baseline	2007-08 Performance	2012-13 Performance	2017-18 Target
Degrees Awarded — Total	3,894	4,232	5,055	6,000
Degrees Awarded — OSU-Cascades	-	-	210	360
First-Year Retention Rate	80.7%	80.8%	84.2%	88%
Six-Year Graduation Rate	60.5%	62.1%	61.5%	67%
Junior Transfer Four-Year Graduation Rate	72.6%	67.3%	63.8%	72%
High-Achieving Oregon High School Graduates	30.5%	32.7%	39.5%	45%
U.S. Minority Students	13.0%	15.0%	20.0%	25%
International Students	6.6%	4.7%	8.9%	15%
Total R&D Expenditures (in millions)	\$208.1	\$233.4	\$232.6	\$270
Industry Dollars % of R&D Expenditures	1.3%	1.5%	2.8%	3.6%
Ph.D.s Awarded	169	173	213	255
Invention Disclosures	36	74	80	120
Licensing Revenues (in millions)	\$1.5	\$2.3	\$7.3	\$10.9
Ecampus Degree-Seeking Enrollment (student primary campus)	101	593	1,854	3,000
Dollars Leveraged per Appropriated Dollar for Statewide Public Services Research	\$1.73	\$1.70	\$2.66	\$3.00
Annual Private Giving (in millions)	\$29.3	\$91.1	\$81.5	\$110

Appendix 2: All funds projections and associated enrollment targets.

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenues										
Education and General Funds										
Conwallis Campus	497,200,234	517,587,030	554,162,599	591,542,309	626,610,777	652,559,337	700,292,576	740,060,141	782,090,446	811,683,849
Cascades Campus	11,469,194	12,996,990	15,729,461	18,196,984	20,042,964	22,173,772	24,806,240	27,796,058	30,997,458	34,465,418
Statewide Public Services	84,540,935	87,307,094	86,777,069	89,883,281	89,652,416	92,853,384	92,635,478	95,730,473	99,132,549	99,132,549
Self-Support Funds	212,187,378	220,652,478	233,406,632	247,066,626	259,984,047	273,235,918	287,128,688	301,748,207	317,173,191	328,451,722
Restricted Funds	326,570,873	340,018,694	356,399,929	374,566,787	392,693,649	411,626,043	431,419,820	452,627,655	474,953,236	498,270,941
Total	1,131,968,614	1,177,963,186	1,245,475,691	1,321,257,987	1,388,983,853	1,462,449,001	1,536,282,719	1,618,167,540	1,700,944,803	1,772,004,479
Expenses										
Education and General Funds										
Conwallis Campus	488,062,983	517,944,579	546,315,174	576,342,107	617,502,453	652,128,350	690,795,966	737,343,457	772,170,839	810,338,822
Cascades Campus	10,232,869	13,973,885	14,983,821	17,662,949	19,509,890	21,884,636	24,356,481	26,897,823	30,297,886	34,447,992
Statewide Public Services	84,363,087	87,124,325	86,594,517	89,684,194	89,463,816	92,658,585	92,440,508	95,733,660	95,529,085	98,924,005
Self-Support Funds	218,471,378	226,580,471	240,437,744	254,609,344	267,993,920	281,726,197	296,121,103	311,270,257	327,255,838	338,886,338
Restricted Funds	326,799,473	340,256,707	356,649,409	374,828,984	392,968,534	411,914,181	431,721,814	452,944,495	475,285,703	498,619,731
Total	1,127,929,790	1,185,879,968	1,244,960,665	1,313,137,578	1,387,440,613	1,460,311,979	1,535,435,873	1,624,189,691	1,700,539,052	1,781,216,909
Beginning fund balance	127,222,131	140,460,955	141,744,173	152,439,199	169,759,608	180,302,848	191,839,870	201,886,717	205,064,565	214,670,316
Change in Operations	4,038,324	(7,916,782)	1,495,026	8,120,410	1,543,240	2,137,022	846,847	(6,022,152)	405,751	(9,212,430)
Net additions or Deductions to Fund Balance	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000
Ending Fund Balance	140,460,955	141,744,173	152,439,199	169,759,608	180,502,848	191,839,870	201,886,717	205,064,565	214,670,316	214,657,886
	12.4%	12.0%	12.2%	12.8%	13.0%	13.1%	13.1%	12.7%	12.6%	12.1%
Benchmark enrollment										
Total OSU enrollment (HC)	30,592	32,342	33,998	35,377	36,791	38,143	39,594	41,060	42,525	43,502
Total OSU enrollment (FTE)	25,910	26,896	28,300	29,688	30,893	32,029	33,267	34,521	35,734	36,709
Ecampus only (HC)	5,110	6,575	7,513	8,212	9,166	10,120	11,074	12,028	12,982	13,186
Ecampus only (FTE)	2,300	2,959	3,381	3,695	4,125	4,554	4,983	5,413	5,842	5,934
Cascades (HC)	1,016	1,161	1,529	1,741	1,939	2,183	2,452	2,747	3,056	3,369
Students in Conwallis	25,215	25,415	25,786	26,254	26,516	26,670	26,898	27,115	27,316	27,776
% Intentional students in Conwallis	13.2%	13.6%	14.2%	15.0%	15.3%	15.6%	16.0%	16.1%	16.1%	15.9%
% non-resident undergraduates in Conwallis	27.4%	28.2%	28.6%	29.2%	29.4%	29.6%	30.3%	30.7%	30.9%	30.7%
% Graduate and Professional, Conwallis	16.6%	16.7%	17.2%	17.9%	18.3%	18.8%	19.3%	19.6%	19.8%	19.8%
% U.S. Minorities of US students, Conwallis	25.7%	27.0%	28.5%	30.1%	31.4%	32.7%	33.9%	35.0%	35.9%	38.2%
Additional Strategic Initiatives Enrollment										
Conwallis Headcount increment	0	30	192.5	292.5	392.5	492.5	592.5	692.5	792.5	800
Conwallis FTE increment	0	30	192.5	292.5	392.5	492.5	592.5	692.5	792.5	800
Ecampus Headcount increment	0	100	662.5	1225	1787.5	2350	2912.5	3475	4037.5	4500
Ecampus FTE increment	0	40	315	590	865	1140	1415	1690	1965	2200