

FISCAL OPERATIONS ADVISORY COUNCIL | 10.09.2018



Long-Term Financial Planning

Brian Fox | Vice President of Finance and Administration | Oregon Tech

Major Components of the E&G Budget



- Revenue
 - Tuition
 - State Appropriations
- Expenses
 - Personnel
 - OPE
 - Retirement
 - Healthcare
 - Equipment Replacement & IT Systems

Revenue

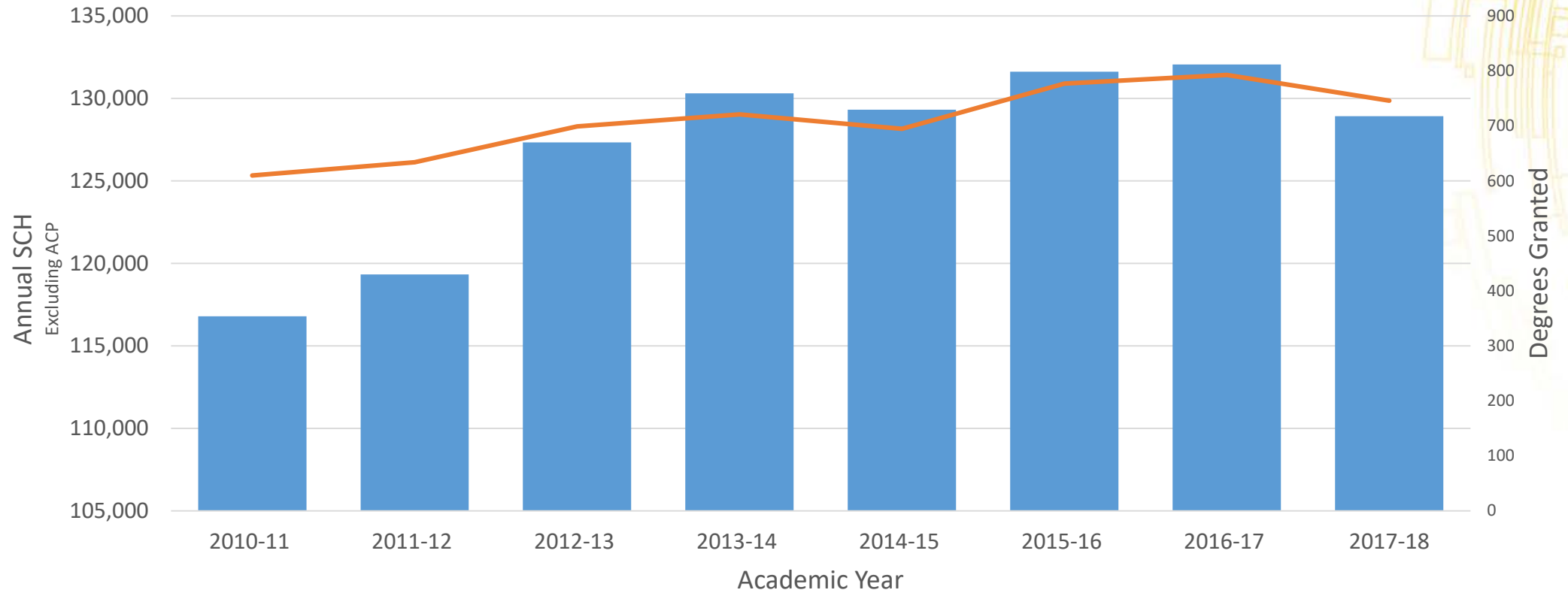
- Tuition (51%)
 - Enrollment
 - HECC Pressure
 - Differential Tuition
- State Appropriations (47%)
 - SSCM
 - Outcomes
 - OUS – HECC Differences
 - State Revenue
 - Prior Experience



Tuition & State Revenue Drivers



Oregon Tech Degree and SCH Production

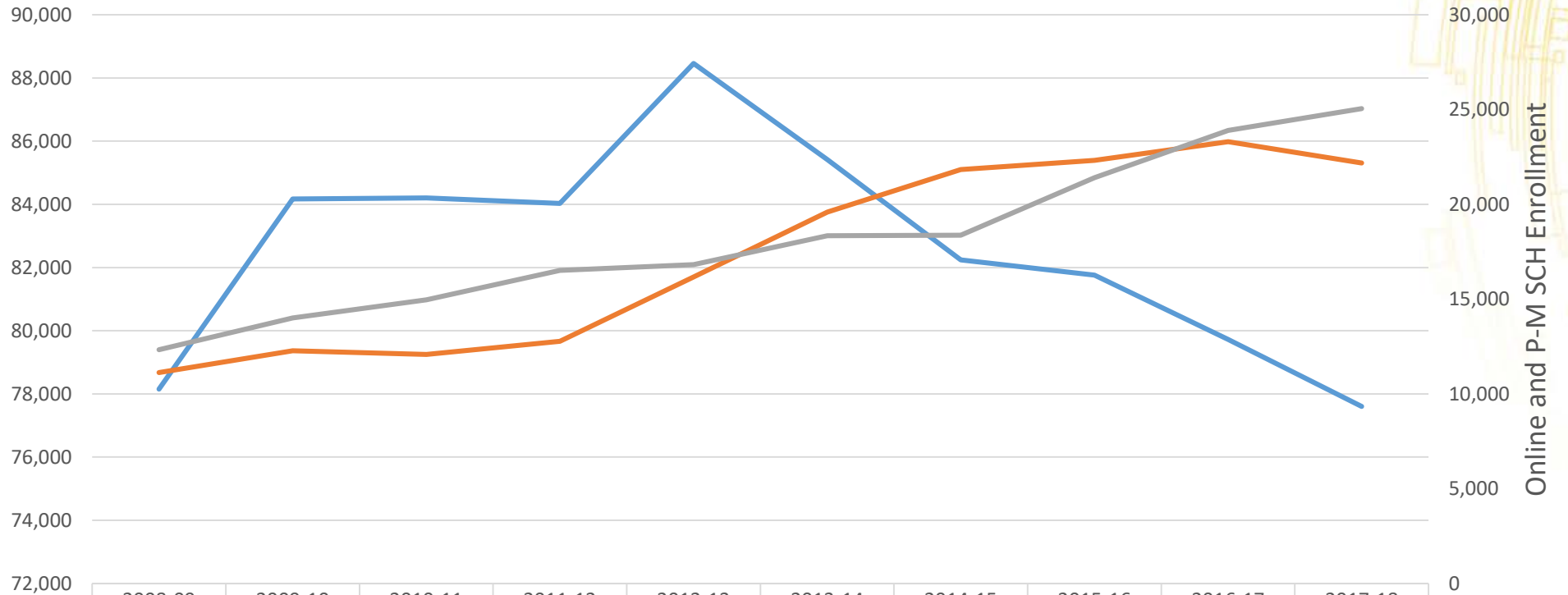


Enrollment by Modality



Oregon Tech Enrollment by Location

Klamath Falls SCH Enrollment



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
— Klamath Falls Enrollment	78,150	84,170	84,202	84,029	88,461	85,415	82,246	81,758	79,726	77,601
— Portland-Metro Enrollment	11,132	12,279	12,088	12,781	16,169	19,592	21,832	22,315	23,298	22,178
— Online Learning	12,327	14,009	14,959	16,514	16,825	18,339	18,369	21,400	23,896	25,056

Tuition Pressures



- HECC has begun to focus on the economics and impact of differential tuition, including discussion of legislative concepts to curtail its usage
- Legislative and Governor's Office focus on tuition levels
- Student market to bear tuition and fee increases

Question: Can tuition continue to be increased the current historical average rate and maintain enrollments?

State Appropriations



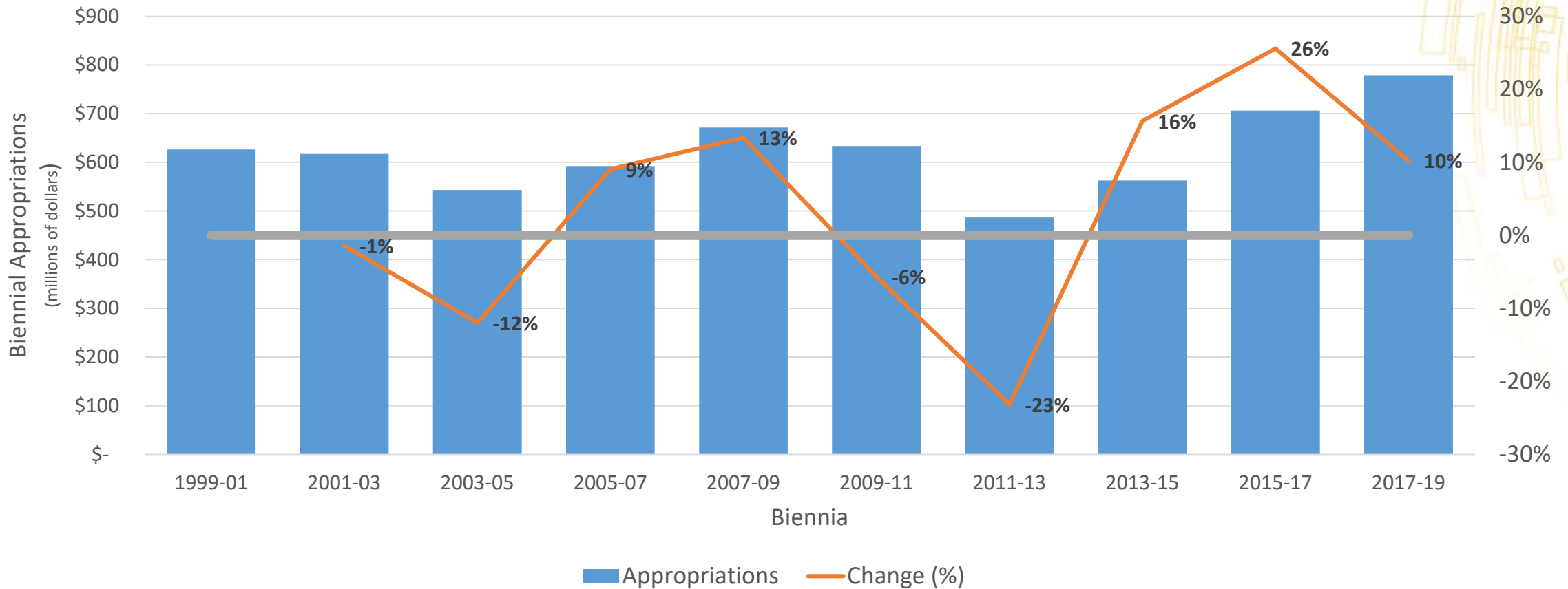
- State Appropriations (47%)
 - SSCM
 - Outcomes
 - OUS – HECC Differences
 - State Revenue
 - Prior Experience

Question: Can Oregon Tech sustain its current state funding level and if not how will it respond?

State Funding History



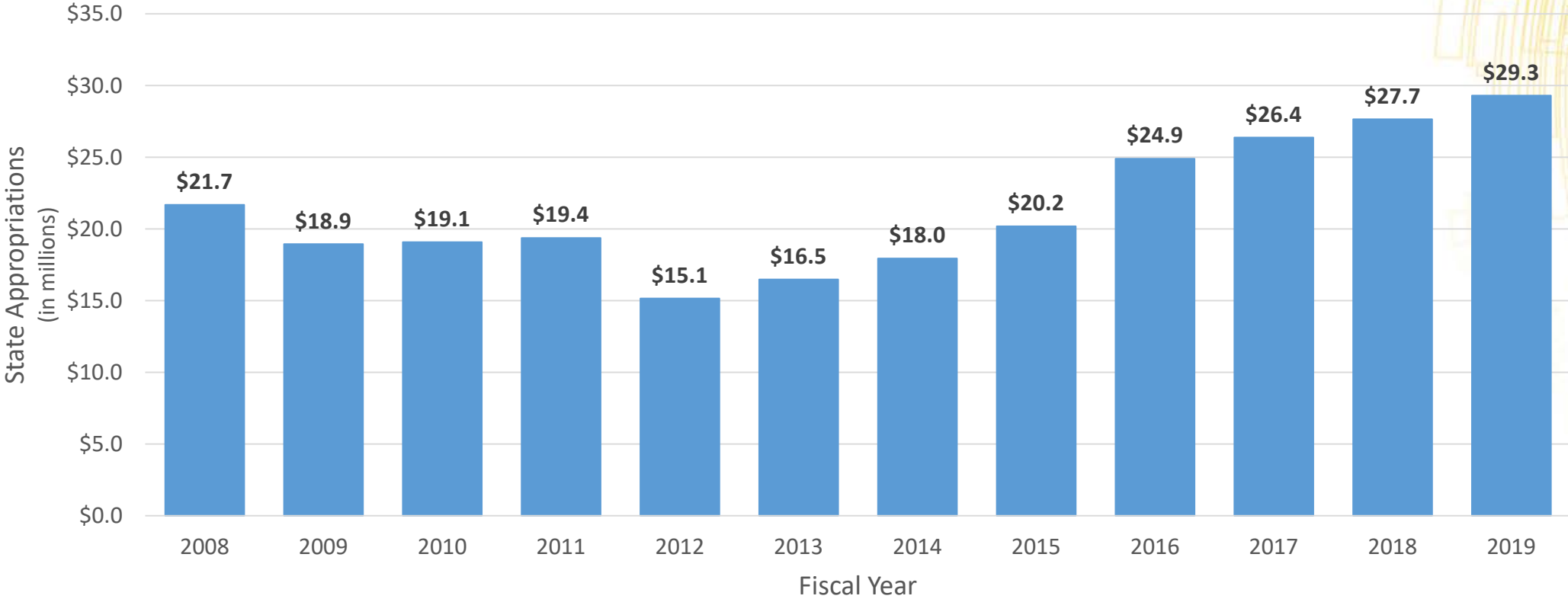
Oregon Biennial Higher Education Appropriations



Institutional Funding History



Oregon Tech State Appropriations



OREGON TECH SSCM FUNDING PER DEGREE, 2017-18

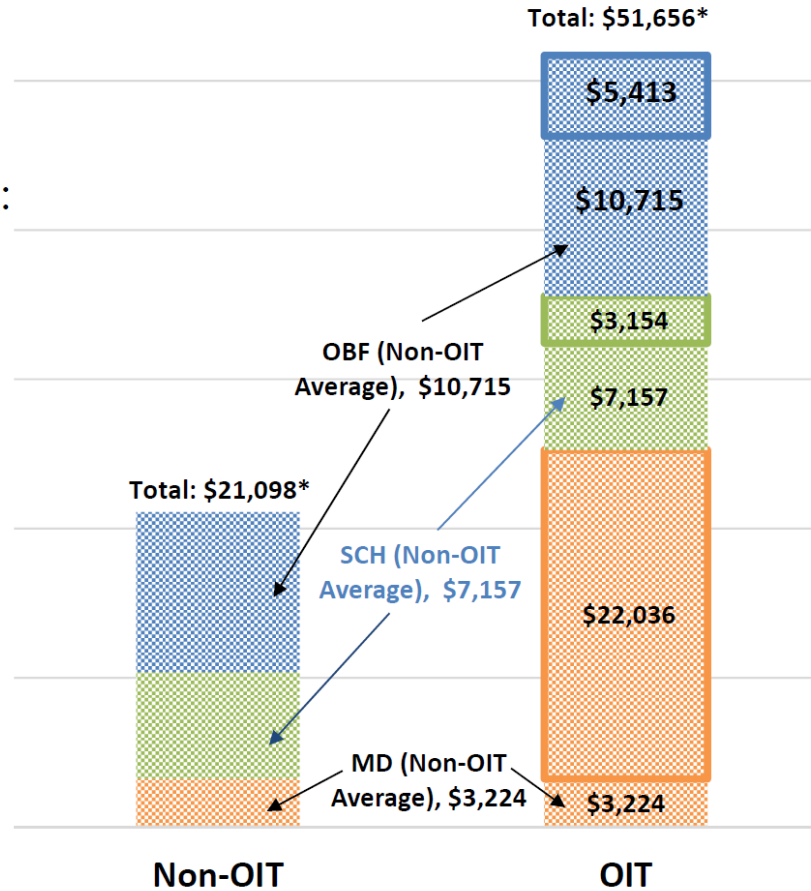


Oregon Tech SSCM SUMMARY (2018):

- 3.1% of total degrees produced
- 7.2% of total SSCM funding

Oregon Tech SSCM SUMMARY (2016):

- 2.8% of total degrees produced
- 7.3% of total SSCM funding



SSCM Administrative Rule



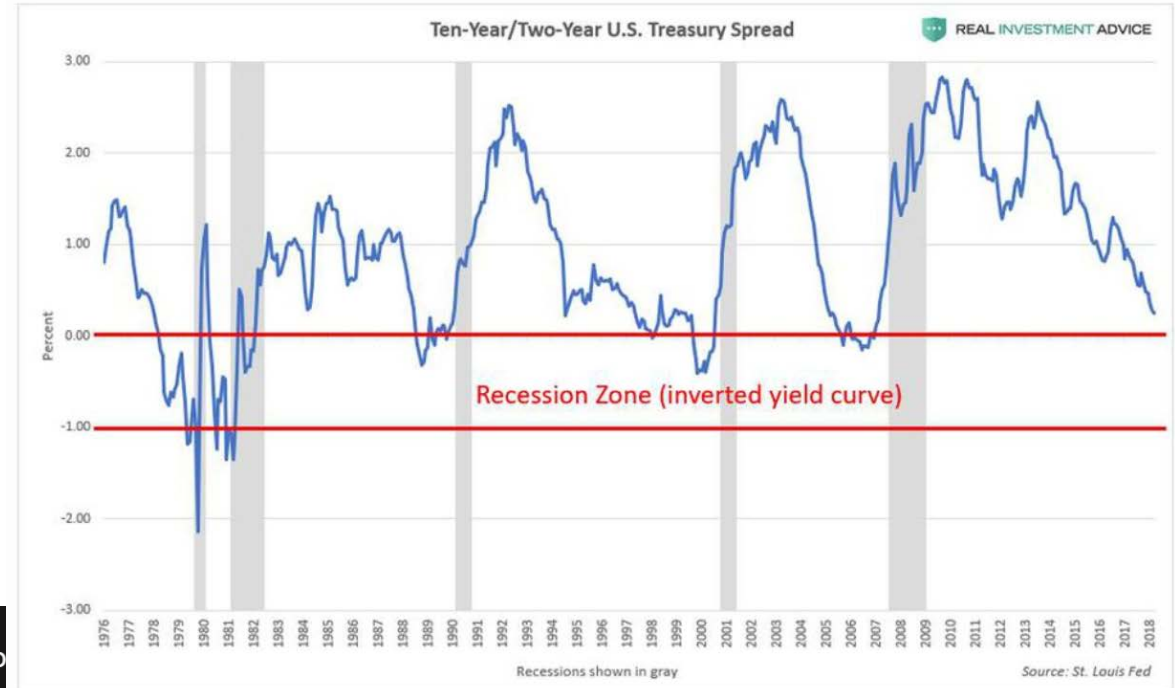
“...3) The Mission Differentiation Funding allocation for Fiscal Year 15 is as follows. This Mission Differential Funding allocation shall serve as the basis for subsequent Mission Differentiation Allocations of the PUSF. Following Fiscal Year 2015, ***the Mission Differential Funding Allocation will change by the lesser of Inflation or the overall change in the PUSF*** except where indicated below: [Table not included. See ED. NOTE.]

“...11)(b) If, during Fiscal Year 2016 through Fiscal Year 2020 the year-over-year change in the PUSF is less than the Stop Loss threshold for that fiscal year the designated Stop Loss ***is reset to the year-over-year change in the PUSF, such that the change in funding level for all public universities is pro rata.***”

Economic Outlook



“However, potential danger lurks around the corner with many forecasters pointing at the confluence of events beginning in 2020. At this time, federal fiscal policy will be a drag on economic growth and monetary policy is expected to have transitioned from accommodative, to neutral, and potentially even restrictive. Should this fully come to pass, a recession is likely to follow.” – Oregon Economic and Revenue Forecast: September 2018



Forbes

Billionaires

Innovation

Leadership

Money

Co

10-Year/2-Year U.S. Treasury Spread REALINVESTMENTADVICE.COM

Should Stock Market Investors Fear The Coming Yield Curve Inversion?

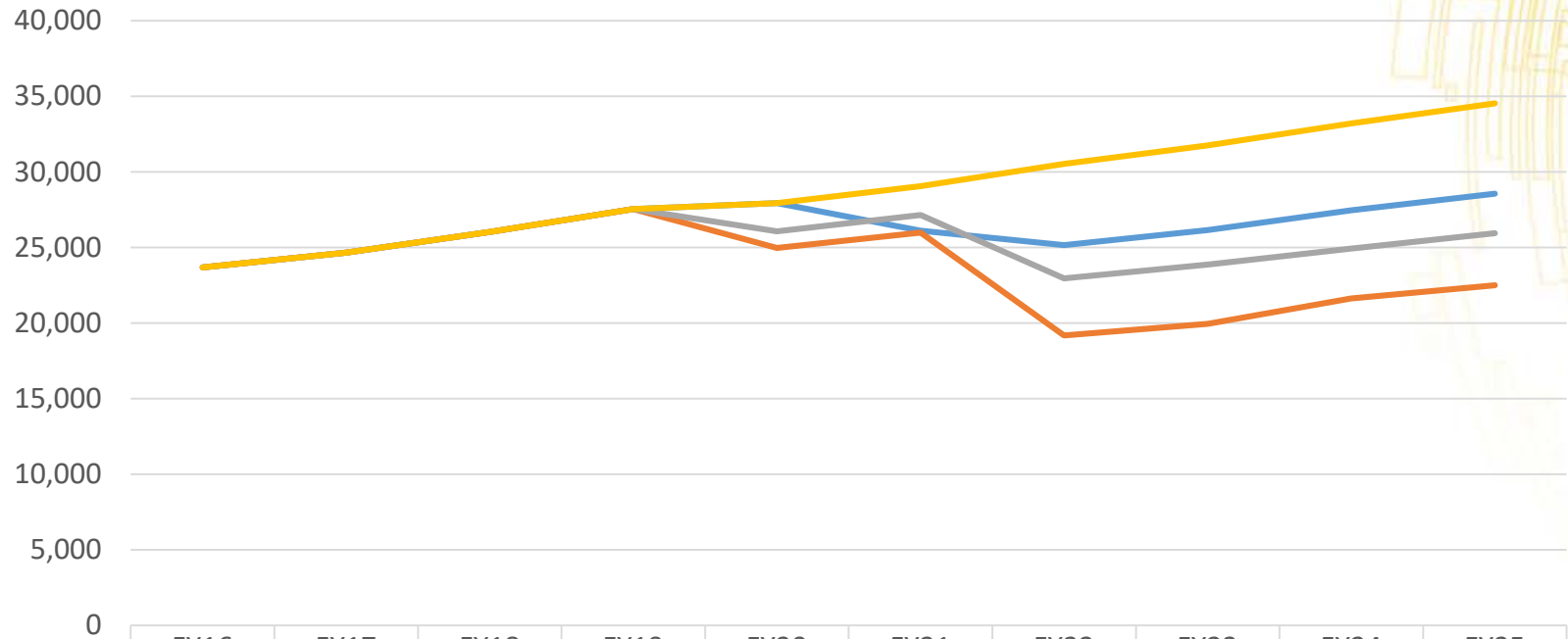
<https://www.forbes.com/sites/jessecolombo/2018/09/19/should-stock-market-investors-fear-the-coming-yield-curve-inversion/#439e845d5d8f>
<https://www.oregon.gov/das/OEA/Documents/forecast0918.pdf>

State Funding Forecast



OIT PUSF Appropriations

State Appropriations
(thousands)



	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
— 2019-21 Mid biennia cut to flat, 10% reduction, +10%	23,683	24,658	26,034	27,543	27,943	26,113	25,149	26,158	27,469	28,572
— 2009 Recession (-6%, -23%, +16%)	23,683	24,658	26,034	27,543	24,965	25,991	19,183	19,953	21,628	22,496
— 2001 Recession (-1%, -12%, +9%)	23,683	24,658	26,034	27,543	26,078	27,150	22,957	23,879	24,939	25,940
— 2017-19 LAB + \$40.5M	23,683	24,658	26,034	27,543	27,943	29,065	30,539	31,765	33,206	34,540

Fiscal Year

Expenses

- Personnel
- OPE
 - Retirement
 - Healthcare
- Equipment Replacement & IT Systems

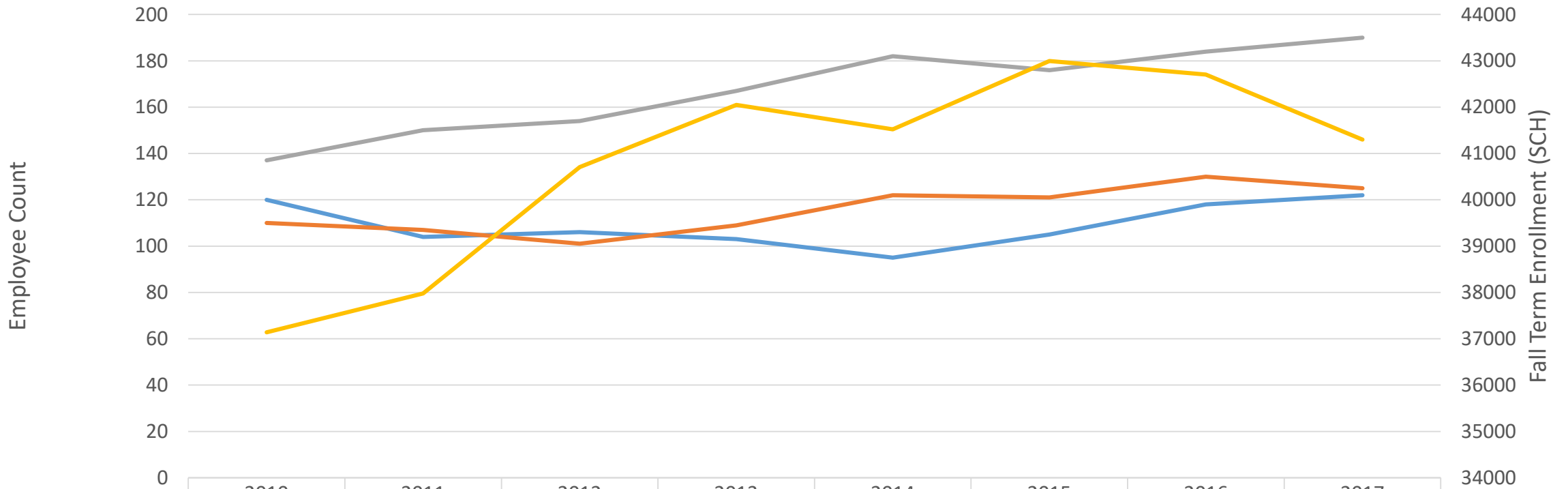
Question: What expense trends exist, what is within Oregon Tech's control and how can these be made sustainable?



Employee Growth

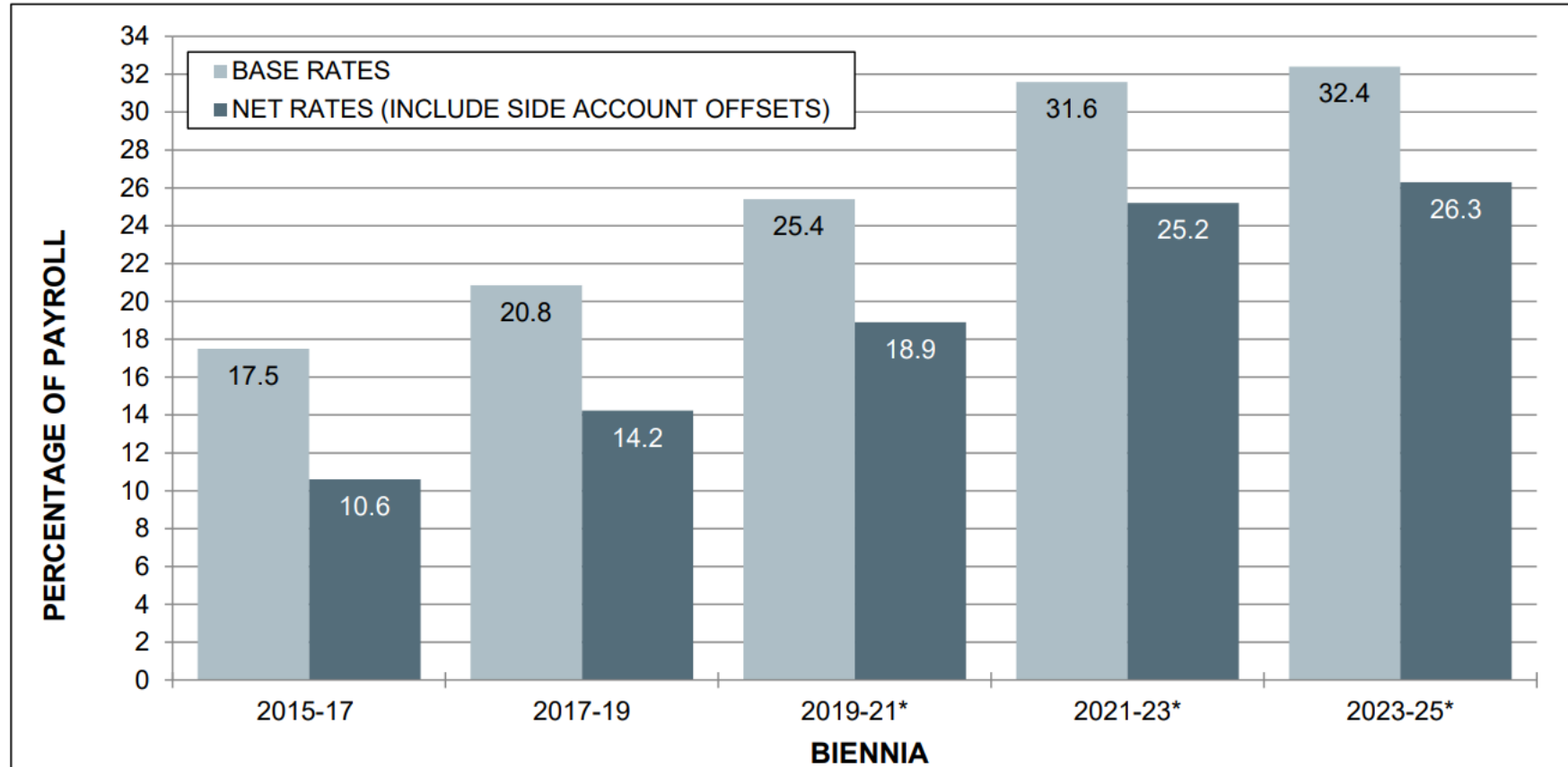


Employee Count and Enrollment



	2010	2011	2012	2013	2014	2015	2016	2017
Administrative	120	104	106	103	95	105	118	122
Classified	110	107	101	109	122	121	130	125
Faculty	137	150	154	167	182	176	184	190
SCH	37141	37977	40704	42048	41519	42995	42704	41299

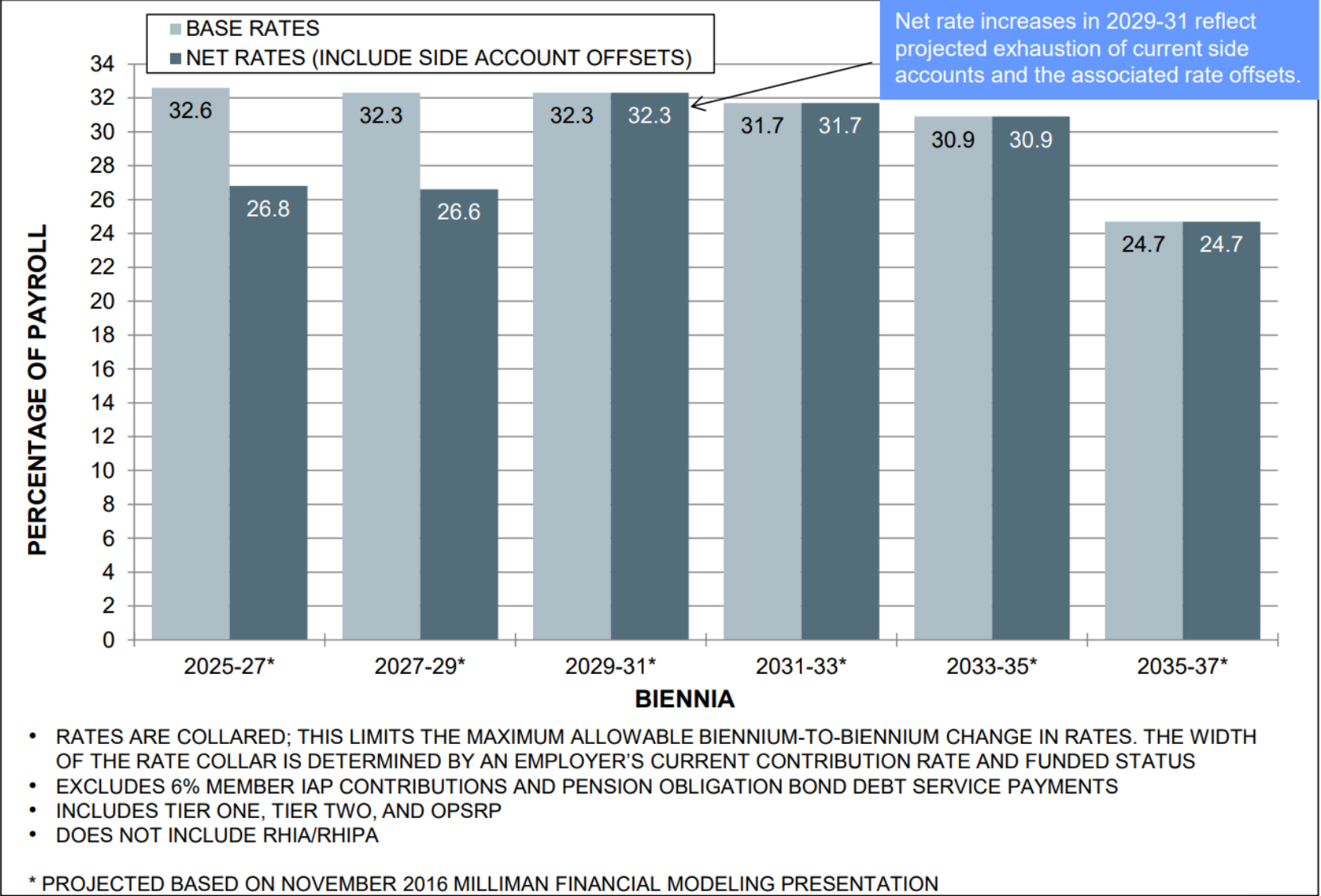
PERS Rate Expansion



- RATES ARE COLLARED; THIS LIMITS THE MAXIMUM ALLOWABLE BIENNIIUM-TO-BIENNIIUM CHANGE IN RATES. THE WIDTH OF THE RATE COLLAR IS DETERMINED BY AN EMPLOYER'S CURRENT CONTRIBUTION RATE AND FUNDED STATUS
- EXCLUDES 6% MEMBER IAP CONTRIBUTIONS AND PENSION OBLIGATION BOND DEBT SERVICE PAYMENTS
- INCLUDES TIER ONE, TIER TWO, AND OPSRP
- DOES NOT INCLUDE RHIA/RHIPA

* PROJECTED BASED ON NOVEMBER 2016 MILLIMAN FINANCIAL MODELING PRESENTATION

PERS Rate Expansion



Healthcare Cost Curve



PEBB Plan Year	2011	2012	2013	2014	2015	2016	2017
Composite Rate	\$1,263	\$1,275	\$1,338	\$1,340	\$1,322	\$1,356	\$1,416

Equipment Replacement



- IT Infrastructure and Computer Equipment

	Total Count Klamath Falls	Total Count Wilsonville	Cost Per Unit Low	Cost Per Unit High	Total Replacement Cost Range	Total Annual Budget Requirements (4 yr laptop, 5 yr desktop, network, & servers)
PC Laptop	118	45	\$ 1,073	\$ 1,732	\$ 174,946.27 to \$ 282,302.96	\$ 43,737 to \$ 70,576
PC Desktop	889	399	\$ 768	\$ 1,459	\$ 989,184.00 to \$ 1,879,192.00	\$ 197,837 to \$ 375,838
Mac Laptop	7	8	\$ 1,285	\$ 2,158	\$ 19,275.00 to \$ 32,370.00	\$ 4,819 to \$ 8,093
Mac Desktop	15	3	\$ 1,012	\$ 2,586	\$ 18,216.00 to \$ 46,548.00	\$ 3,643 to \$ 9,310
					\$ 1,201,621.27	\$ 250,035.32
					\$ 2,240,412.96	\$ 463,816.24

- Academic Equipment
 - ?



Questions