

ACTION

Agenda Item No. 4.2

Adoption of Fiscal Year 2019-20 Budget Development Goals

Summary

Oregon Tech has begun the annual budget development process. This marks the second year in which responsibility for developing budget recommendations are distributed down to department directors and chairs, with overarching budget targets for divisional leaders, Vice President's and Deans. The Budget and Planning Office is managing the budget development process in close coordination with the Senior Leadership Team and at the direction of the President.

To provide guidance for leaders across departments in developing and prioritizing budget requests, including both ongoing and new investments, the university is proposing establish budget goals. These goals will be used by the Senior Leadership Team and the President when establishing a budget recommendation to the Board of Trustees at its May 30, 2019 meeting. The following goals have been established for discussion and approval by the Finance and Facilities Committee for the 2019-20 Fiscal Year Education and General Budget:

- 1) Prioritize recruiting, retaining and graduating students
- 2) Invest in faculty, staff, and infrastructure to support student success
- 3) Align programs and initiatives with industry demand
- 4) Manage operating efficiency in all aspects of the university
- 5) Manage short-term uncertainty – focus on long-term sustainability

These goals take into consideration the Board's one-time investment philosophy, the approved Short-Term Action Plan goals and input from FOAC, the university committee charged with supporting the budget development process.

Background

During the 2018-19 fiscal year Oregon Tech is repositioning and reallocating funds from vacancies, S&S and utility savings towards investments which are designed to drive enrollment, support faculty and academic programs and enhance the physical infrastructure of the university. As the university heads into 2019-20 budget planning cycle there are significant uncertainties on the horizon.

The state of Oregon's budget picture remains unclear and shares many of the same underlying cost drivers as Oregon Tech. Specifically, expenses related to employee benefits are expected to increase significantly. These impact state spending priorities, in particular K-12 education, social services and corrections which are personnel heavy. Developments between policy makers in the legislative and executive branch in terms of funding strategy, policy priority as well as the likelihood of a revenue

package being referred to the voters creates significant levels of uncertainty in university funding levels for the upcoming biennia.

Oregon Tech's early investments as well as key personnel shifts in Strategic Enrollment Management have yielded promising signs in terms of applications and interest in the university by students. Further investments are proposed in the adjusted budget, using reallocated funds. These are expected to bear fruit over time. However, the same issues on the expense side of the ledger for the state will impact Oregon Tech, with employee benefits expected to increase significantly next biennia. The impact of collective bargaining negotiations for classified staff and faculty are too early to predict or understand, and much will be determined by the level of state funding.

In an institution wide effort to push management and development of department budgets down to department chairs in Academic Affairs and to directors in the administrative units the Budget and Planning Office is entering the second year of a new distributed budget model. This system relies on department leaders to develop their budgets using pre-set templates and budget goals, and negotiate with their divisional executives.

The budget templates asked each unit to develop a 5% reduction, flat, and 3% investment scenario on all funds. These scenarios include departments managing forecast salary and OPE increases. These are aggressive targets given the university's tradition of base-plus budgeting and little active departmental management. In academic units the university shifted overload and online pay into the departments and colleges and out of central reserves to better link budgets with decision making.

In both academic and administrative units individual departments will develop budgets using templates prepared by the Budget and Planning Office, however their deans, or divisional executives will be responsible for submitting division wide budget scenarios at each of the -5%, flat and +3% levels. This allows division executives to manage trade-offs and prioritize between departments within their unit to reallocate funds to higher and better uses.

The university will establish an investment process, allowing unit leaders to submit investment requests with an executive sponsor. These requests will be evaluated in the budget build process, along with ongoing operational needs and weighed against the budget development goals outlined in this document.

FY 2019-20 Budget Development Timeline

	2018		2019						
	November	December	January	February	March	April	May	June	July
GRB									
Co-Chair's Budget Revenue Package									
Tuition Recommendation*									
Tuition Approval (BOT)*									
Budget Template Development									
Division Leads									
Investment Requests									
Campus Consultation									
Senior Leadership Review									
Final Budget Development									
Budget Recommendation									
Budget Approval (BOT)									

Budget Development Goals

In establishing budget development goals for FY 2020 the university incorporated both a forward-looking understanding of what risks and opportunities are likely to be present over the coming three to four months during the development process and over the coming year and years. The President’s approved short-term action goals and the Board’s policy on utilizing one-time funding as well as proactive input from the faculty led Fiscal Operations Advisory Council (FOAC) were incorporated into a distilled and focus set of goals.

Oregon Tech 2020 Budget Development Goals

- 1) Prioritize recruiting, retaining and graduating students
- 2) Invest in faculty, staff, and infrastructure to support student success
- 3) Align programs and initiatives with industry demand
- 4) Manage operating efficiency in all aspects of the university
- 5) Manage short-term uncertainty – focus on long-term sustainability

Staff Recommendation

Staff recommends the committee approve the FY 2020 Budget Development Principles as proposed in the docket.

Attachments

- FOAC Budget Development Principles Recommendation
- Short Term Action Plan Goals
- Board’s One-Time Budget Strategy

FOAC Budget Development Principles Recommendation

- Invest in quality infrastructure for education of our students
- Position the university to be attractive and supportive of students
- Focus on growth in recruiting and retaining students
- Build external connections and partnerships to support growth
- Position faculty and staff for success including compensation, systems and supports
- Consider and invest in the long-term position and strategy of the university
- Support for class, course and resource planning management

Short Term Action Plan Goals

The President established a set of 11 action oriented goals, which were subsequently endorsed by the Board of Trustees. Executive sponsors and diverse implementation teams for the development and execution of actions around each goal have been established and are actively identifying and implementing investments and changes to past practice to advance the university. The goals are as follows:

1. Increase Reputational Capital
2. Increase Enrollment
3. Grow Student and Campus Diversity
4. Extend Academic Planning I (Essential Studies)
5. Extend Academic Planning II (Classroom Technology)
6. Invest in Talent
7. Grow Our Culture of Pride
8. Organizational Improvement I (Business Processes)
9. Organizational Improvement II (Entrepreneurial Culture)
10. Build Alumni Relations and Philanthropy
11. Leverage Academic and Industry Partnerships

Board's One-Time Budget Strategy

One-time monies will yield one or more of the following outcomes in order to meet the criteria outlined above:

1. Generate increased revenue through creation of new or expanding existing applied-degree programs and/or university revenue producing functions that are affordable while being responsive to industry and student demand.
2. Generate recurring cost savings for both financial and human capital.
3. Contribute to the strategic mission of Oregon Tech.
4. Address unmet needs that do not necessarily result in increased revenue and/or generate recurring cost savings, especially where the nature of unrestricted funds can be used.¹

¹ Oregon Tech Board of Trustees. "Strategic View of Budget and One-Time Funding Budget Philosophy." https://oregontechsfcdn.azureedge.net/oregontech/docs/default-source/board-of-trustees-documents/2016-meetings/february/one-time-funding-budget-philosophy-approved-22feb2016.pdf?sfvrsn=c8389060_2