

FINANCE & FACILITIES COMMITTEE | 11.13.2019



# Long-Term Budget Scenarios

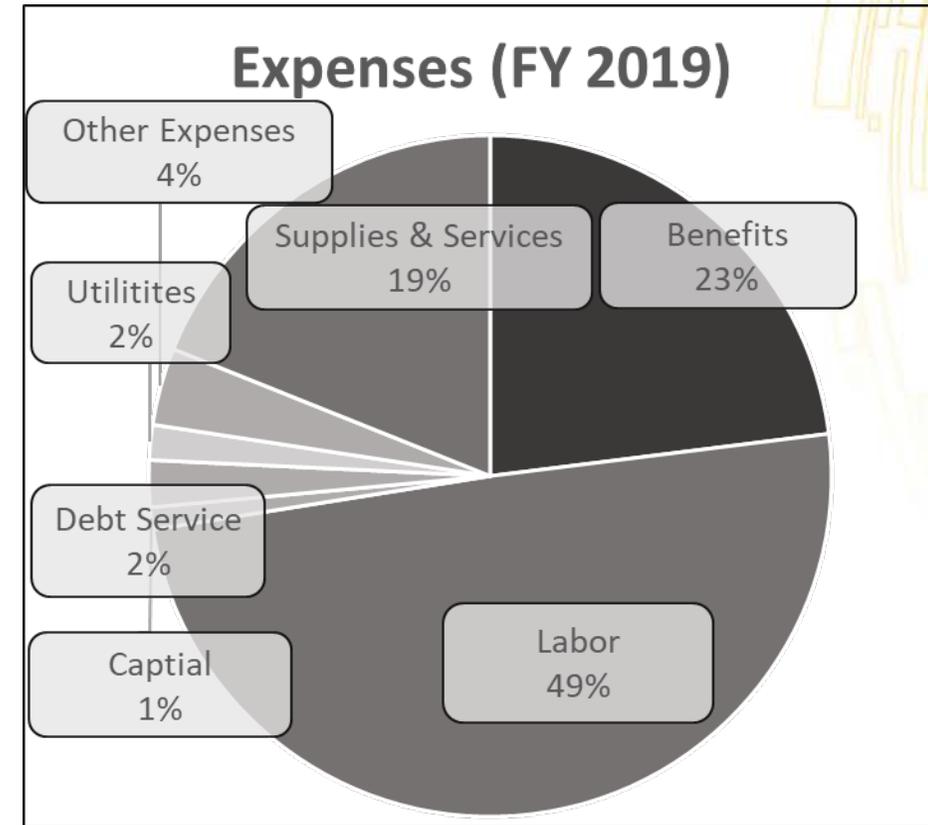
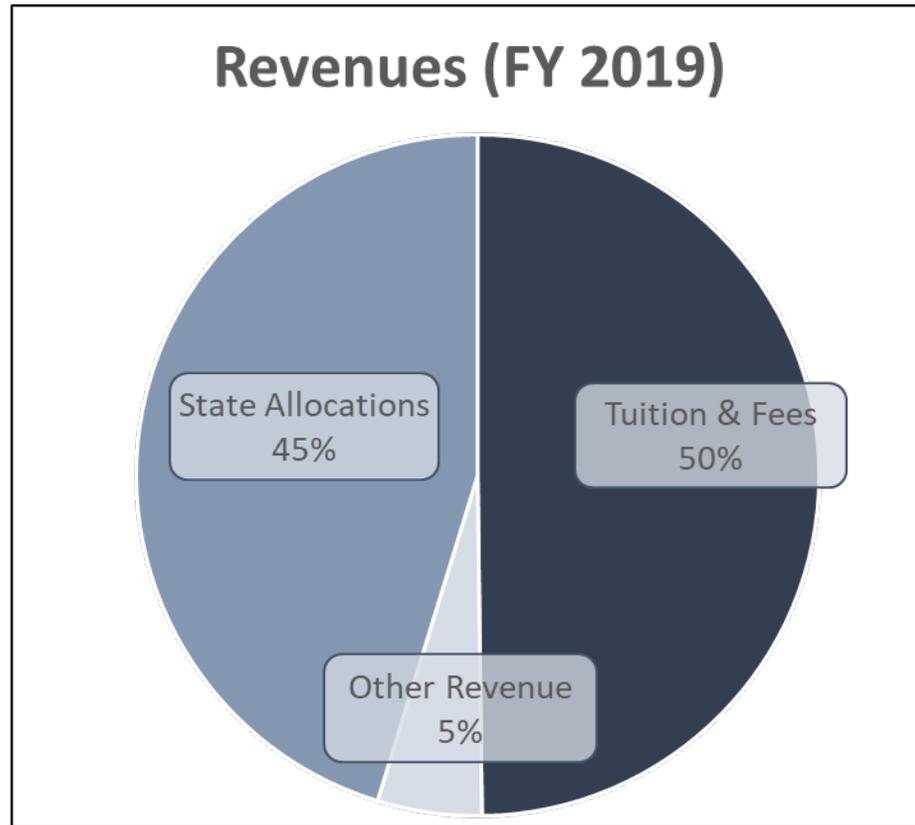
Brian Fox | Vice President Finance & Administration

# Agenda



1. Revenue & Expense Overview
2. State Budget and HECC Funding Formula
3. Base Case:
  - Assumptions
  - Forecast Results
4. Revenue & Expense Levers
5. Choices & Timelines

# Revenue & Expense Overview



# State Budget Outlook

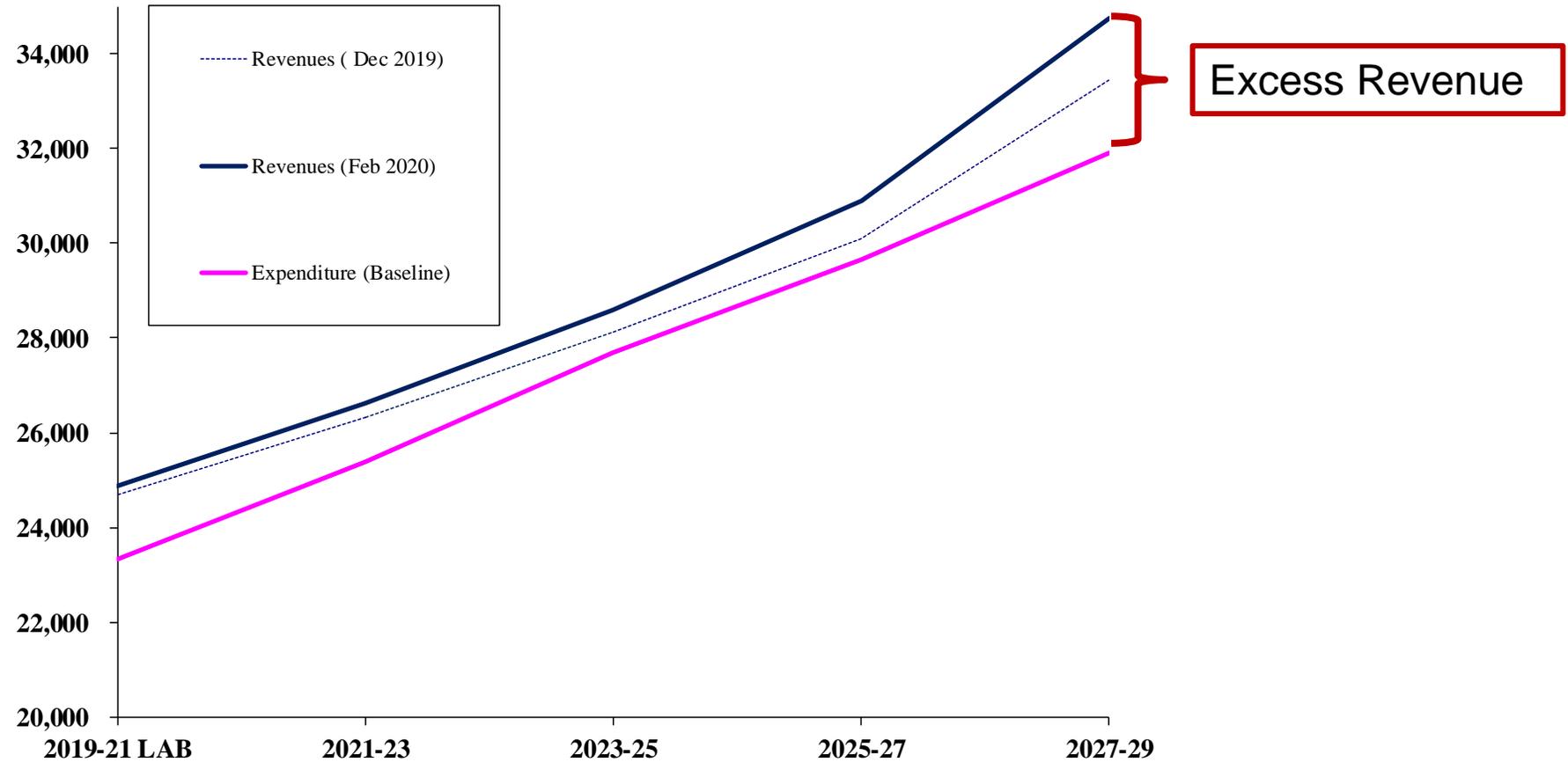


- Impact of Pandemic and Recession on State Revenue
- Revenue Forecast Assumptions:
  - Wide-spread medical treatment (vaccine or therapeutic) mid-2021
  - Moderating, but continued economic expansion
- Not Incorporated:
  - Impact of wildfires (revenue or expenses), extended droughts, protests on economic activity and historical in-migration
  - Increased social service caseloads
  - Increased Medicaid utilization matching unemployment growth



# Long Term Budget

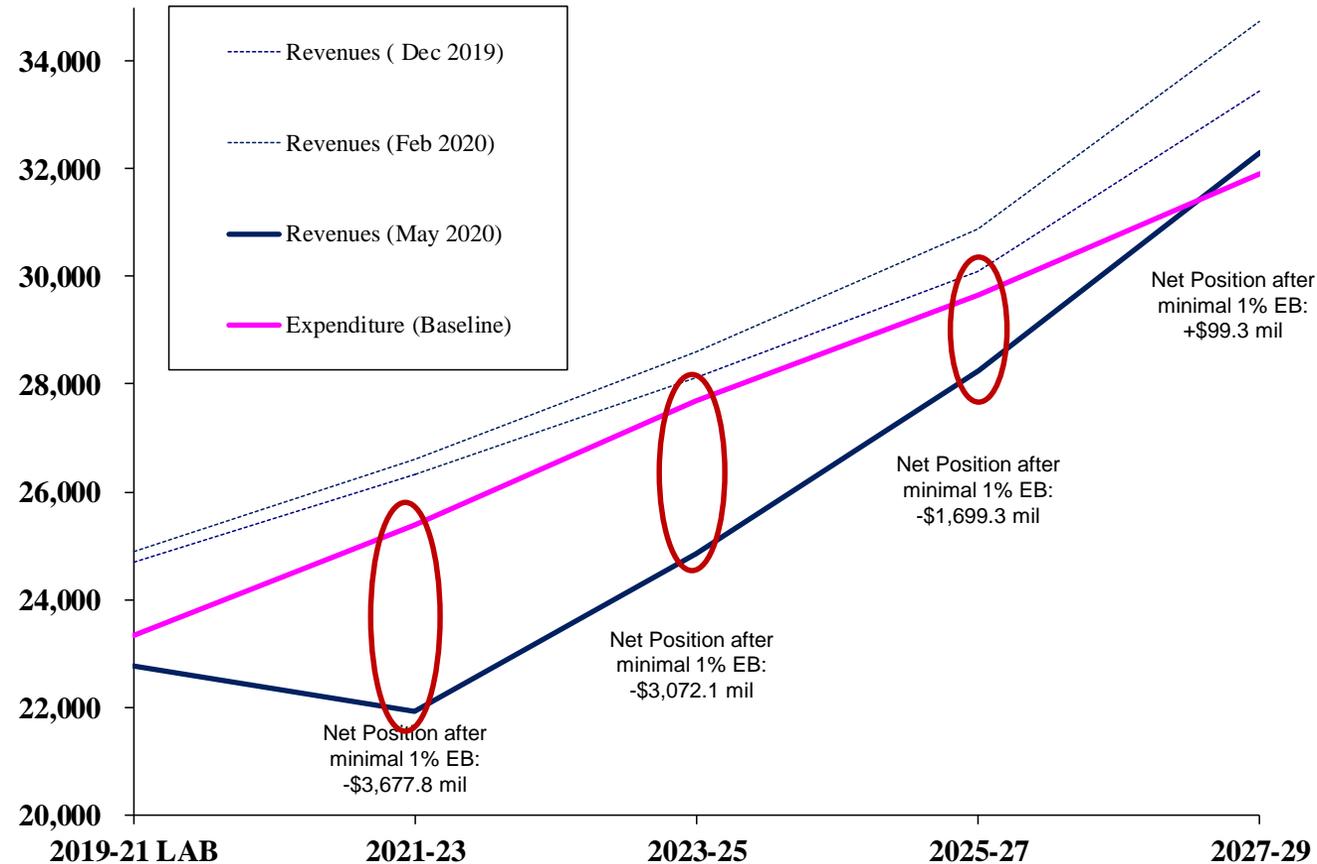
Baseline Projection with February 2020 Revenue Forecast





# Long Term Budget

Baseline Projection with May 2020 Revenue Forecast



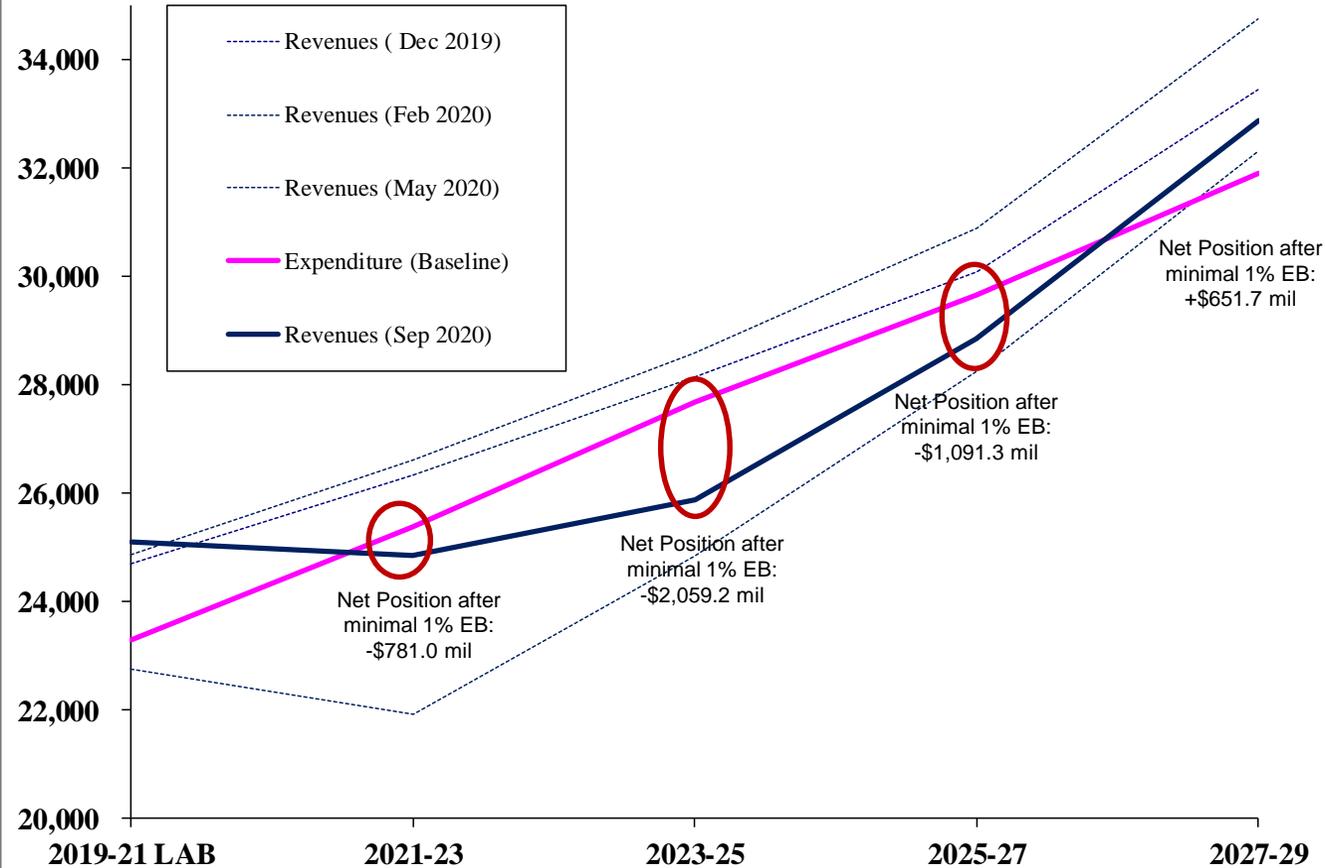


# Long Term Budget

## September 2020 Revenue Forecast

### Not Incorporated:

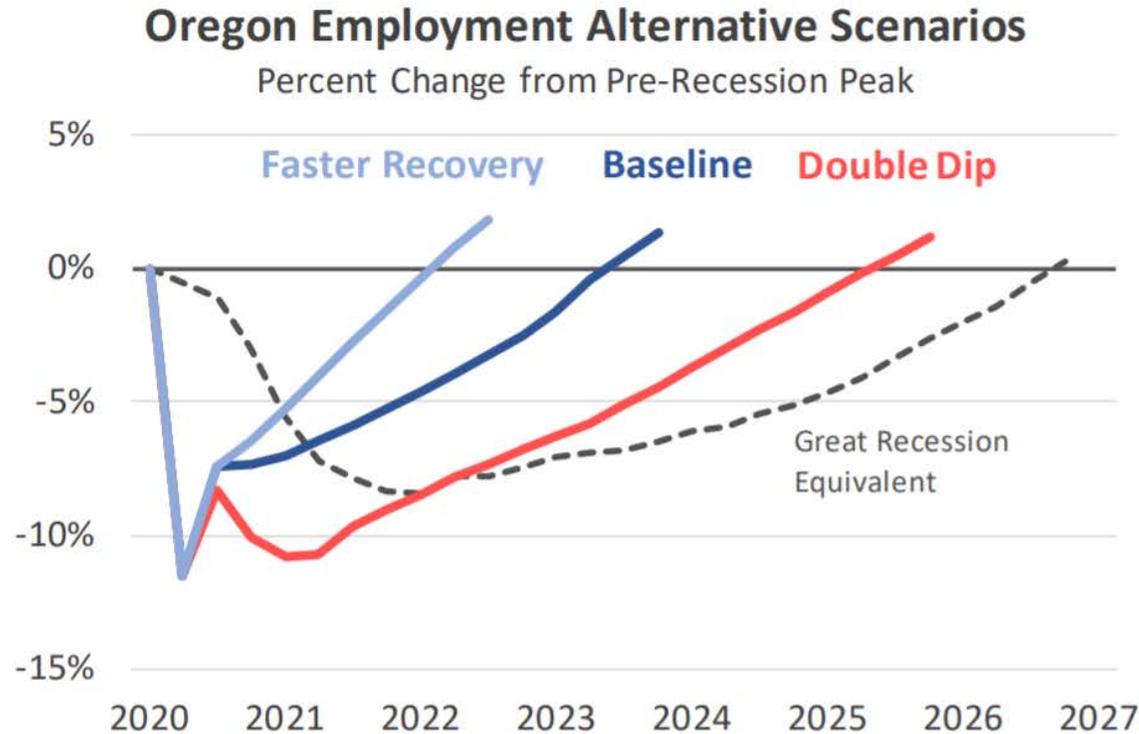
- Impact of wildfires (revenue or expenses), extended droughts, protests on economic activity and historical in-migration
- Increased social service caseloads
- Increased Medicaid utilization matching unemployment growth



# Revenue Forecast: Alternative Scenarios



## Alternative Scenarios



Sep 2020

	2020	2021	2022	2023
<b>Employment</b>				
Baseline	-6.0%	0.4%	2.8%	3.7%
Faster Recovery	-5.8%	3.1%	4.9%	3.8%
Double Dip	-6.9%	-2.8%	2.7%	2.4%
<b>Unemployment Rate</b>				
Baseline	8.5%	8.1%	6.9%	5.2%
Faster Recovery	8.6%	6.8%	4.8%	4.1%
Double Dip	9.2%	12.0%	9.2%	7.4%
<b>Personal Income</b>				
Baseline	8.0%	-6.5%	5.2%	5.3%
Faster Recovery	8.8%	-4.8%	5.6%	4.8%
Double Dip	6.6%	-9.2%	4.9%	5.1%

# HECC SSCM Changes



- Eliminates Mission Differentiation funding for polytechnic mission, including healthcare, engineering technology, statewide access line items
- Eliminates supportive funding for Dual Credit
- Reduces STEM + Health Bonus by 40% overall
- Increase funding for Targeted Student Populations
- Increase funding for Degrees Granted for Transfer Students
- Update cost weighting and limited Graduate Funding
- Incorporate adjusted funding for CIP 51 (Health Technologies) and CIP 15 (Engineering Technology) for OT

# HECC SSCM Changes: 10.16.20



<b>DRAFT HECC SSCM Changes</b>		
<b>Institution</b>	<b>Change (\$)</b>	<b>Change (%)</b>
<b>EOU</b>	(1,821,459)	-8.7%
<b>OIT</b>	(4,636,078)	-15.8%
<b>OSU</b>	(7,176,360)	-5.3%
<b>PSU</b>	5,331,258	5.3%
<b>SOU</b>	1,514,505	6.7%
<b>UO</b>	5,154,461	6.8%
<b>WOU</b>	1,633,669	6.1%

# HECC SSCM Changes: 10.26.2020



DRAFT HECC SSCM Changes		
Institution	Change (\$)	Change (%)
EOU	(403,891)	-1.9%
OIT	(1,017,153)	-3.5%
OSU	(4,941,717)	-3.7%
PSU	2,499,258	2.5%
SOU	939,826	4.1%
UO	1,779,282	2.4%
WOU	1,144,395	4.3%

# Base Case Scenario: Assumptions



## FY 2020-21

- State Revenue at levels approved in second special session and distributed by HECC.
- Enrollment at current forecast without disruption to Winter/Spring Terms.
- Reduction in online overhead assessment
- Balanced overall budget

# Base Case Scenario: Assumptions

## FY 2021-22 and FY 2022-23



### Revenues:

- PUSF at 2019-21 Biennium Funding w/ 49%/51% split
- 50% of SSCM reduction each year
- Enrollment flat
- Tuition +3%
- Remission flat

### Expenses:

- PERS +10% (first year only)
- PEBB +5%
- Admin/Faculty Compensation +2%
- SEIU Steps, no COLA (net 3.6%)
- Inflation +2%

# Base Case Scenario: Assumptions

**FY 2023-24 and FY 2024-25**



## **Revenues:**

- PUSF at -2.4% w/ 49%/51% split
- SSCM reduction fully implemented
- Enrollment flat
- Tuition +3%
- Remission flat

## **Expenses:**

- PERS +10% (first year only)
- PEBB +5%
- Admin/Faculty Compensation +2%
- SEIU Steps, no COLA (net 3.6%)
- Inflation +2%

# Base Case Scenario: Assumptions

**FY 2025-26**

## **Revenues:**

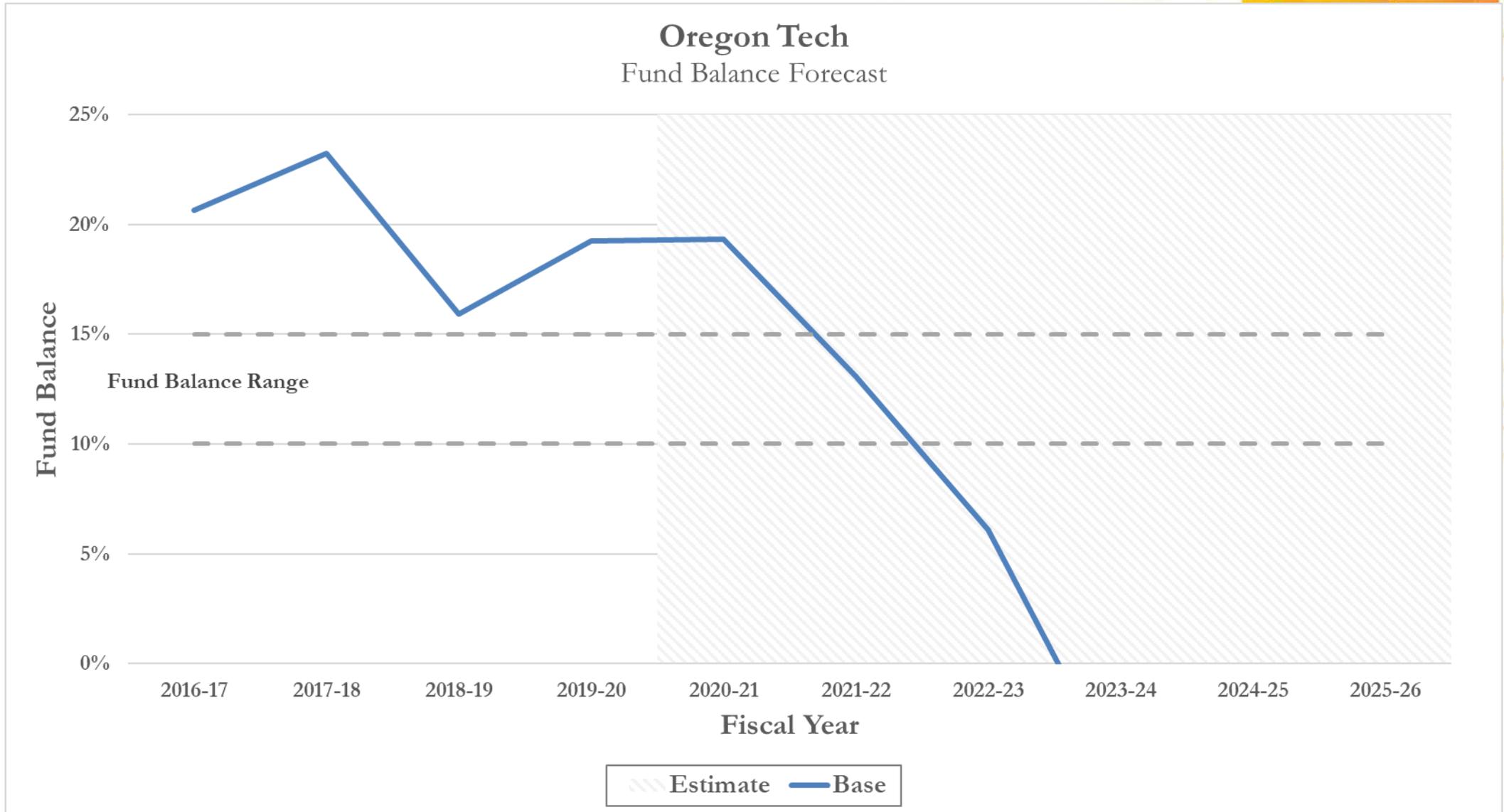
- PUSF at +1.3% w/ 49%/51% split
- SSCM reduction fully implemented
- Enrollment flat
- Tuition +3%
- Remission flat

## **Expenses:**

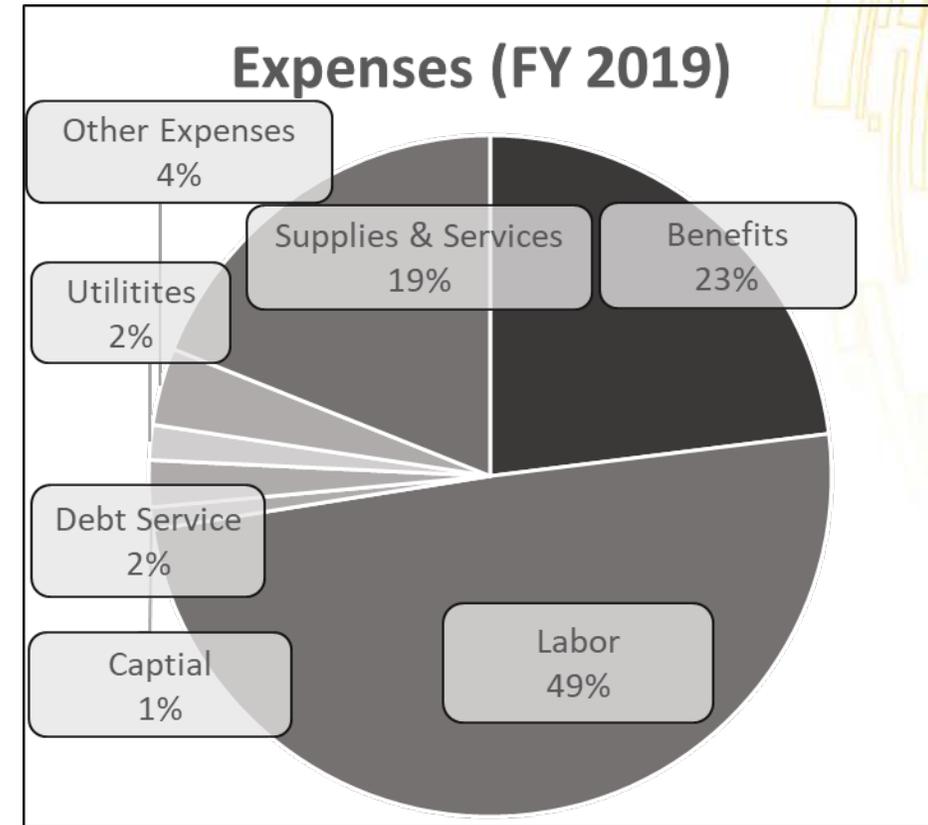
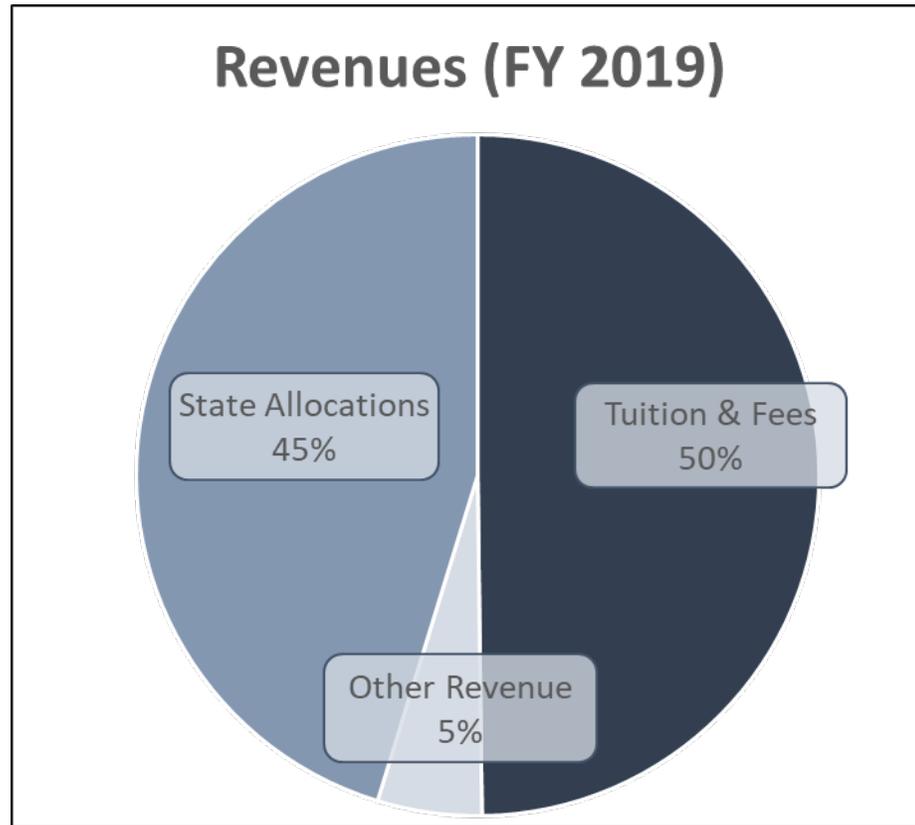
- PERS +10%
- PEBB +5%
- Admin/Faculty Compensation +2%
- SEIU Steps, no COLA (net 3.6%)
- Inflation +2%



# Base Case Scenario: Forecast



# Revenue & Expense Overview



# Revenue & Expense Levers



## Revenues:

- Enrollment Growth
- Tuition Rates

## Expenses:

- FTE Reduction
- S&S Reduction

## Goal Seek:

- Keep E&G Fund Balance in Board designated 10%-15% range through FY26

# Scenarios Note



None of the scenarios outlined are recommendations. Only an exploration of the outer-bound of what would be required to maintain an appropriate E&G Fund Balance through FY 2025-26.

# Revenue & Expense Levers



## Revenues:

- Enrollment Growth

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Net
5%	5%	5%	5%	5%	+28%

- Tuition Rates

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Net
8.5%	8.5%	8.5%	8.5%	8.5%	+50%

## Expenses:

- FTE Reduction

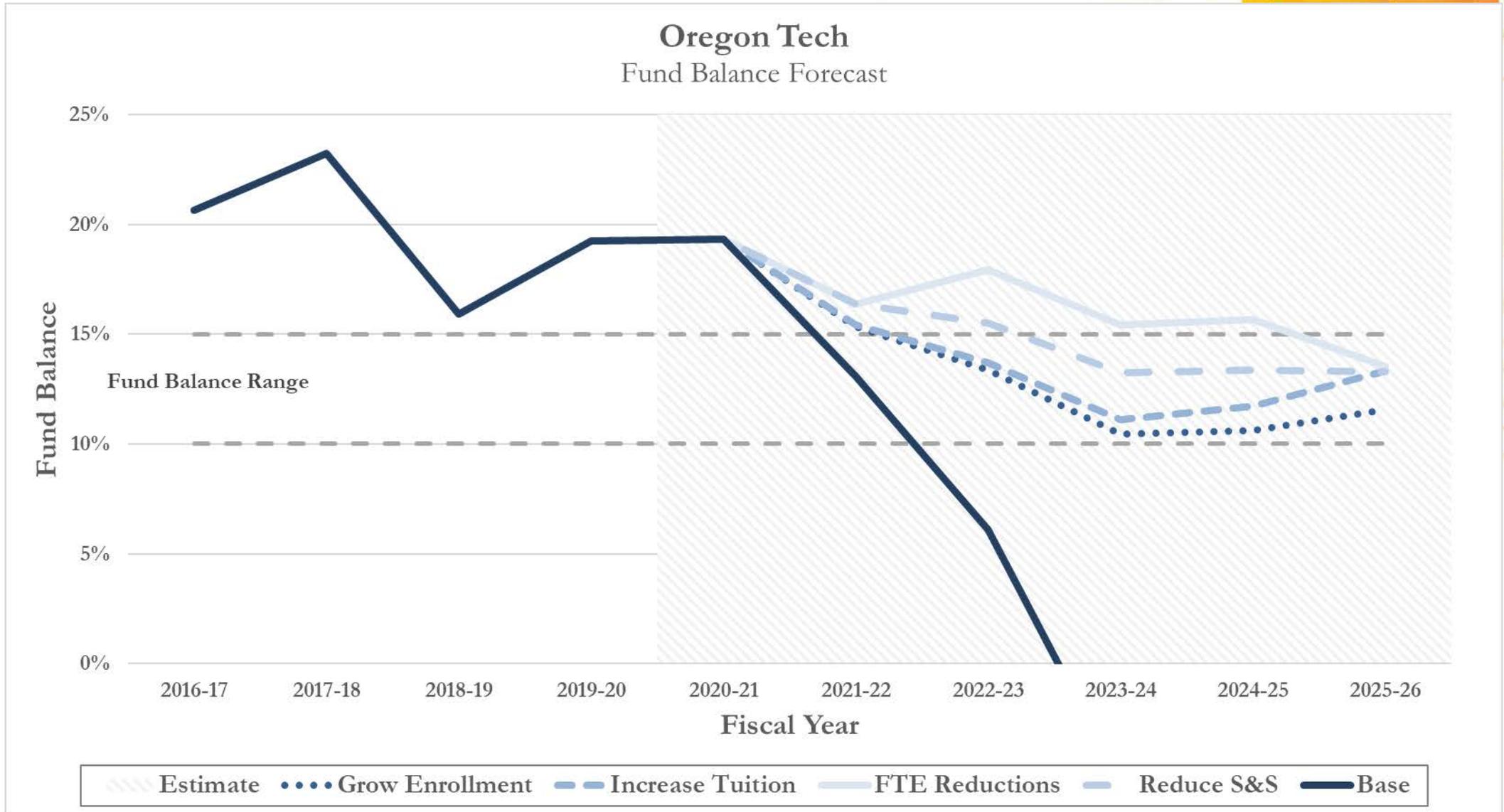
FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Net
-5%	-10%	FLAT	-10%	FLAT	-23%

- S&S Reduction

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Net
-10%	-10%	-10%	-10%	-10%	-41%

Notes: assumes only one of the 'levers' are pulled at a time, and all impacts are cumulative year-over-year.

# Revenue & Expense Levers In Action



# Choices & Timelines



## Revenues:

- Enrollment Growth

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
5%	5%	5%	5%	5%

- Tuition Rates

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
8.5%	8.5%	8.5%	8.5%	8.5%

## Expenses:

- FTE Reduction

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
-5%	-10%	FLAT	-10%	FLAT

- S&S Reduction

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
-10%	-10%	-10%	-10%	-10%

SCALE
More Difficult
Less Difficult



# Discussion and Questions





# Prior Budget Development Principles



1. Balance revenue and expenses within the operating budget
2. Use an open and transparent budget development process
3. Prioritize recruiting, retaining, and graduating students to ensure long-term sustainability
4. Align programs and initiatives with industry and other employer demand
5. Invest in faculty, staff, and infrastructure to support student and institutional success