

ACTION

Agenda Item No. 4.1

Adoption of Fiscal Year 2020-21 Budget Development Principles

Summary

Oregon Tech is beginning the annual budget development process for Fiscal Year 2021. This will be the second year in which responsibility for developing budget recommendations are distributed to department directors and chairs, with overarching budget targets established for functional vice presidents and deans at the division level. The Budget and Planning Office is managing the budget development process in close coordination with the Senior Leadership Team, the Fiscal Operations Advisory Committee (FOAC) and at the direction of the president. This is particularly important as the university focuses on increasing the openness and transparency with which it sets its budget.

The university will establish budget principles in order to provide guidance for leaders across university in developing and prioritizing budget requests, including both ongoing and new investments. These principles will be used by FOAC and the Senior Leadership Team when reviewing budget requests and by the president when establishing a budget recommendation to the Board of Trustees at its May 28, 2020 meeting.

In order to ensure involvement of the campus community throughout the FY 21 budget development process FOAC was invited to co-develop the budget principles to be recommended to the Board by the Senior Leadership Team and the president.

Through this collaborative process the following principles were developed for discussion and approval by the Finance and Facilities Committee for the Fiscal Year 2021 Education and General Budget:

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

With appropriate input from FOAC, the university committee charged with supporting the budget development process, these principles take into consideration the Board's one-time investment philosophy and the importance of recommending a balanced operating budget for Fiscal Year 2021 to the Board.

Background

During the past two fiscal years, as well as during the current fiscal year, Oregon Tech has actively repositioned and reallocated 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. This effort will continue in future years to ensure the university is positioned well to thrive in a more competitive and uncertain environment.

As the university heads into 2020-21 budget planning cycle there are both areas of certainty and of significant uncertainty on the horizon. The state of Oregon's utilizes a two-year budget cycle. Fiscal Year 2021 is in the second year of the biennium and barring any exigent circumstances the states 49% / 51% distribution rule will be in force. This provides some level of certainty as it relates to the amount of funds flowing into the HECC's Student Success and Completion Model. However, at this time, the HECC is undergoing a re-evaluation of the SSCM funding model which creates risk in the distribution system related to state funding in the second year of the biennium. It is too early in the process to forecast whether this will have a positive or negative short-term or long-term impact on the university. But changes could go into effect as early as June 2020. Given the current funding formula it is anticipated that approximately \$1.15 million dollars in additional state funding will be available for Oregon Tech during FY2021.

The PERS assessment rates reset biennially during the first year of a biennia. The PERS rates will thus stay at their current levels during the upcoming budget year and adjust only in accordance with overall changes in compensation levels. PEBB (healthcare) rates fluctuate yearly and have historically ranged from 5%-8% increases annually. The university recently settled a contract with SEIU which will be in effect for the remainder of the current and the next fiscal year. Various other expenses are anticipated to experience normal inflationary increases, and some items, such as property insurance are anticipated to increase above normal inflationary rates.

During the tuition approval process at the HECC, Oregon Tech let it be known that its Fiscal Year 2021 tuition planning anticipated staying within the 5% statutory trigger for HECC review, but that it would likely be near that cap.

2021 Budget Development Process

In an institution-wide effort to empower division leaders and department managers across the university, once again the locus of budget development will be at the department level. However, the responsibility for accomplishing budget goals will be at the functional VP (division) level. The Senior Leadership Team, with input from FOAC, will develop division-level budget targets.

During the prior year's budget development process department managers were asked to develop a cut, flat and investment budget scenario for consideration by their respective divisional leaders. This allows division executives to manage trade-offs and prioritize between departments within their division to reallocate funds to the highest and best use. This methodology is anticipated to be used

again for the upcoming budget development process. The Board approved budget principles will be the guidepost by which trade off decisions are made.

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

FY 2021 Budget Development Timeline

| DRAFT FY 2021 Budget Build Calendar | |
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| October 2019 | Budget Principles and Targets Developed |
| November 2019 | FOAC reviews budget principles |
| Oct-Dec. 2019 | Budget Office Develops Templates |
| Dec-Jan. 2020 | Sr. Leadership Established Divisional Budget Goals in consultation with FOAC |
| January 2020 | Budget office distributes budget templates |
| January 2020 | Budget office offers departmental and individualized training as needed |
| Jan.-Feb. 2020 | Tuition Recommendation Committee begins developing recommendation |
| Jan.-Feb. 2020 | Incidental Fee Committee begins developing recommendation |
| TBD by Deans | Budgets due to Deans |
| Mid-February 2020 | Budgets due to Provost |
| Mid-February 2020 | Budgets due to non-Academic Divisional Leads |
| February 2020 | 2020 Legislative Session Begins |
| 3/9/2020 | <i>Budgets due to Budget Office</i> |
| March-Mid-April 2020 | Budget Office reviews and corrects budgets into templates; Discussions with Deans and Departments as needed |
| 4/2/2019 | <i>Board Meeting - Tuition & Fees</i> |
| Mid-April 2020 | FOAC reviews budget recommendations and provides input to Sr. Leadership |
| Approx. 4/22/20 | Sr. Leadership reviews and forwards recommended budget to the President |
| Approx. 4/29/20 | President reviews and approves budget to be forwarded to BOT |
| May 2020 | Budget Office preps final budget documentation and reports for Board |
| 5/28/2020 | <i>Board Meeting - Budget Approval</i> |
| June 2020 | Board approved budget loaded into Banner |

Budget Development Principles

In establishing budget development principles for FY 2021 FOAC and the Senior Leadership Team 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 Board's upcoming adoption of a new strategic plan as well as proactive input from the Fiscal Operations Advisory Council (FOAC) were incorporated into these principles. These principles are organized by order of importance, though the last principle related to transparency is an operating principle throughout the development and recommendation process and not a ranking principle for establishing budget goals or tradeoffs.

Oregon Tech 2021 Budget Development Principles

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Staff Recommendation

Staff recommends the Committee recommend approval of the FY 2021 Budget Development Principles as proposed in the docket by the full Board of Trustees.