

FISCAL OPERATIONS ADVISORY COUNCIL  
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# Oregon Tech FY 2023 Budget

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# Presentation Outline

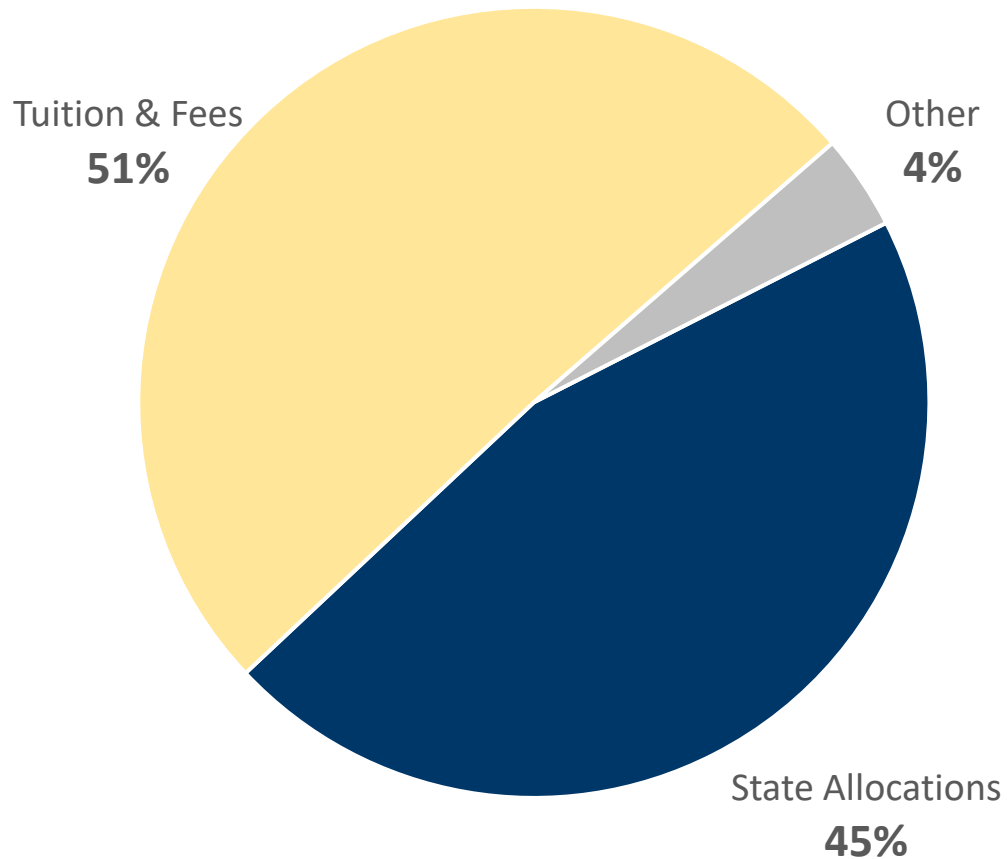
- FY 2023 budget development assumptions
- Planning and challenge to close deficit
- Strategic investments
- Budget presentations
- Next steps



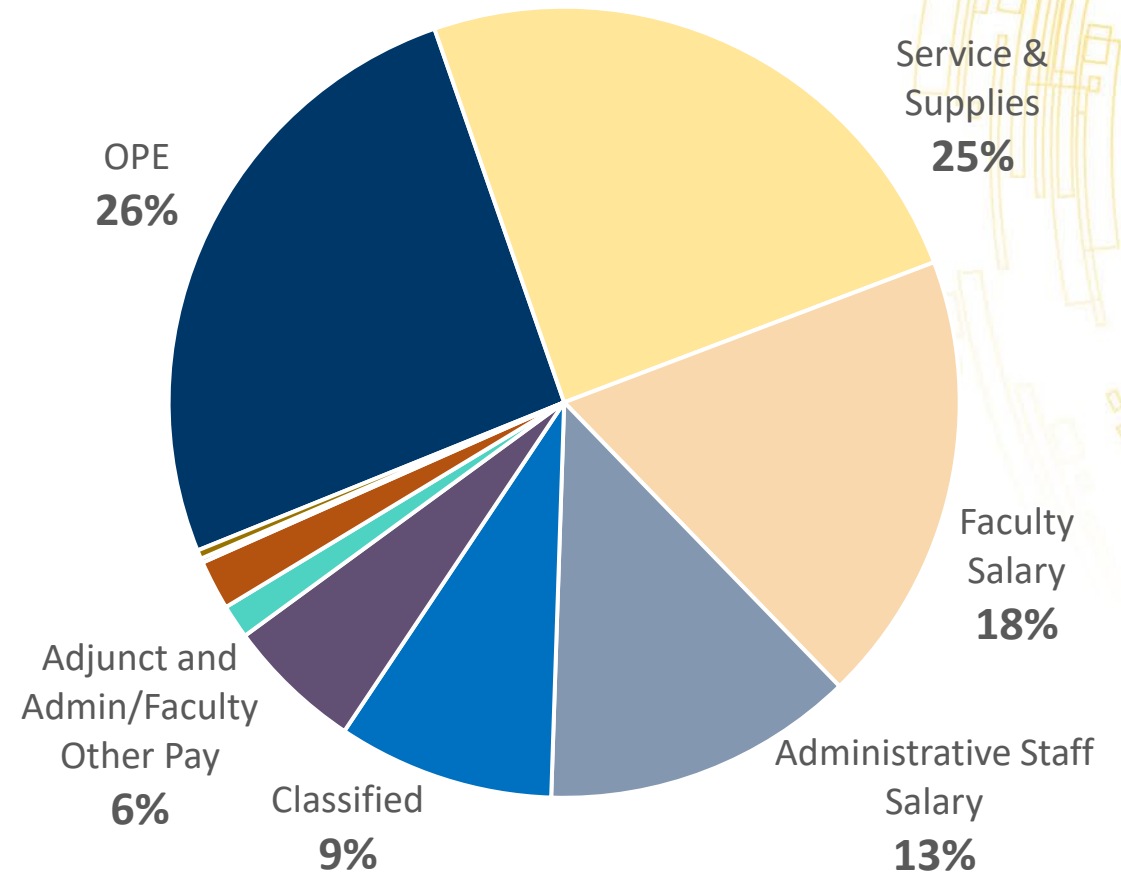
# Major Components of E&G Budget



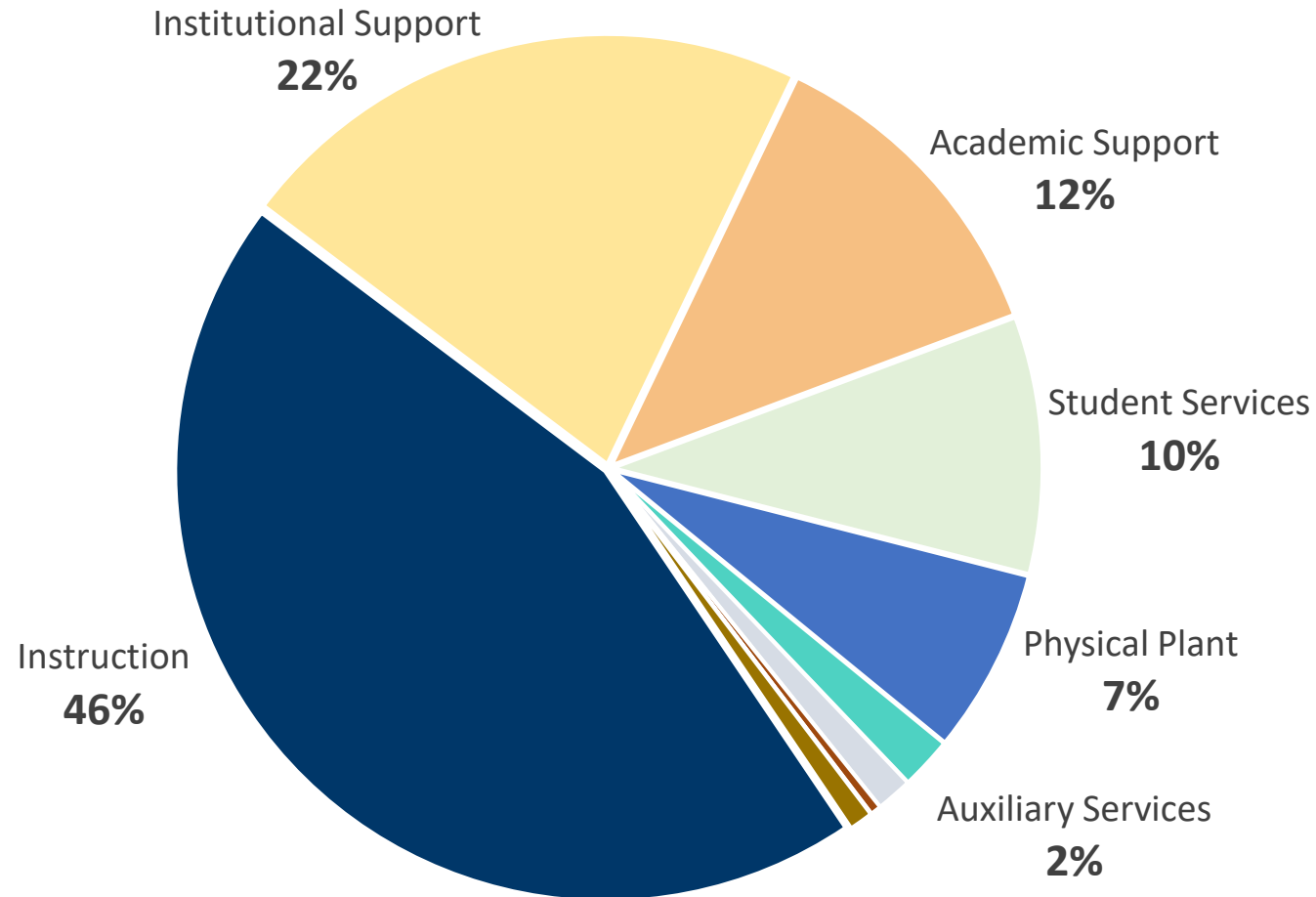
## Budgeted Revenue



## Budgeted Expenses



# E&G Expenses by Function (program code)





# Persistent Budget Development Challenges



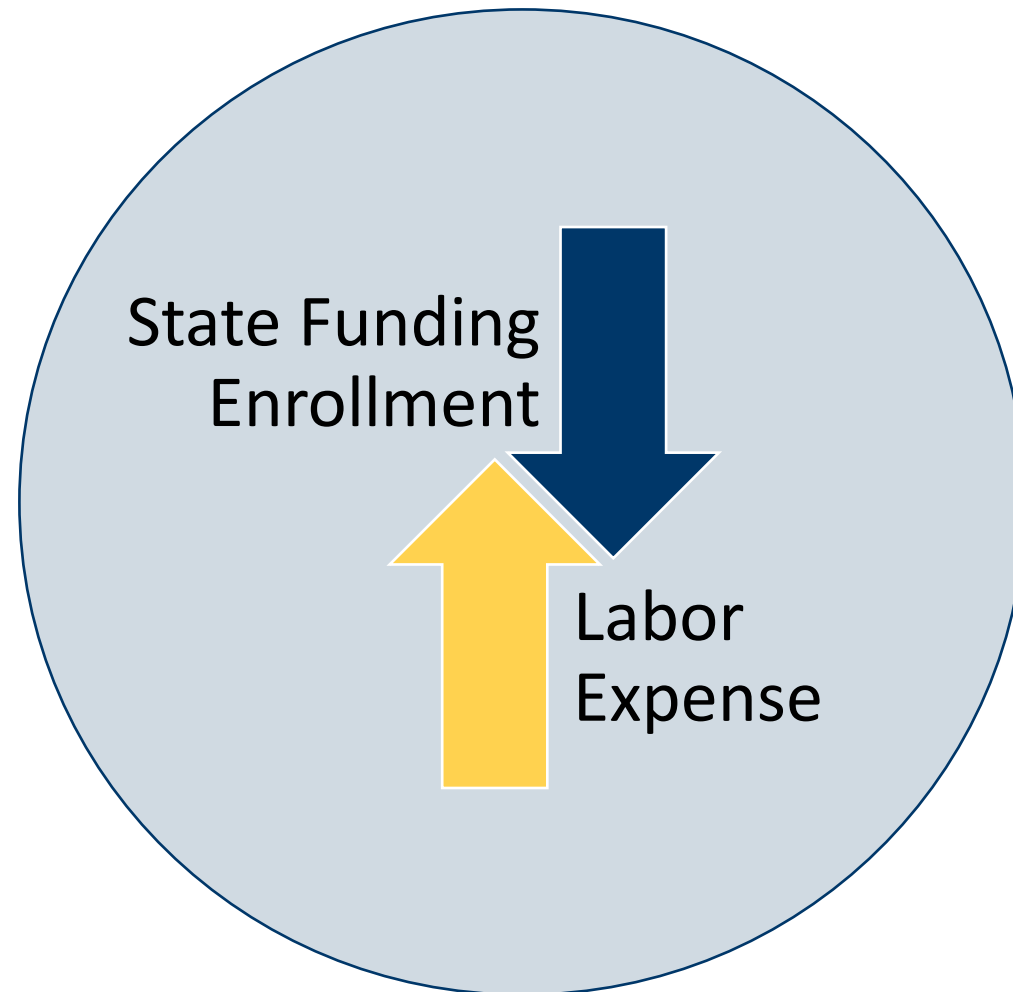
- Not an exact science
- Involves reliance on considerable forecasting and assumptions
- Early enrollment projections drive tuition revenue estimates
- State funding is uncertain because state legislature is not recessed until June during odd years
- HECC funding formula (SSCM) administration is subject to corrections, modifications, and October “true-up” where data is updated for all seven institutions
- Medical and retirement costs (externally determined) and long-term organized labor commitments (contractually obligated)

# FY 2023 Budget Goals



- Moderated return to pre-COVID operations
- Sustain student support service levels
- Maintain academic degree program quality
- Enhance continuity and availability in program offerings through targeted faculty recruitment
- Maintain investments in enrollment and retention initiatives

# FY 2023 Initial Challenges



# FY 2023 Early Budget Projections (Feb 2022)



		0% Tuition Increase	
	FY22 BAB	FY23 Projection	Variance
<b>Revenue</b>			
Gross tuition and fees	\$ 41,881,801	\$ 38,187,931	\$ (3,693,870)
Less fee remissions	(6,039,143)	(5,346,310)	692,833
<b>Net tuition</b>	<b>\$ 35,842,658</b>	<b>\$ 32,841,620</b>	<b>\$ (3,001,038)</b>
State allocations	32,215,454	30,685,686	(1,529,768)
Other	2,745,837	1,970,380	(775,457)
<b>Total revenue</b>	<b>\$ 70,803,949</b>	<b>\$ 65,497,686</b>	<b>\$ (5,306,263)</b>
<b>Expenses</b>			
Salary & Pay	\$ 33,467,455	\$ 34,184,581	\$ 717,126
OPE	18,259,940	19,686,667	\$ 1,426,727
S&S (+ all other)*	18,652,640	18,552,640	(100,000)
Contingency	419,441	419,441	-
<b>Total expenses</b>	<b>\$ 70,799,476</b>	<b>\$ 72,843,329</b>	<b>\$ 2,043,853</b>
<b>NET</b>	<b>\$ 4,473</b>	<b>\$ (7,345,643)</b>	<b>\$ (7,350,116)</b>

Note: These projections are preliminary and are subject to change



# Enrollment Shortfall



- Fall 2021 enrollment was down 8%
- FY 2023 budget assumes 0% enrollment increase
- Insufficient information to support assumption for increase

# State Funding



- The change in Student Success and Completion Model (SSCM) beginning in FY 2022 left Oregon Tech with an initial \$3.4M cut in state funding in FY 2023, before \$63M increase to PUSF
- Efforts have continued over the last 17 months to ensure the model was implemented as intended when approved by the HECC in November, 2020, which showed only a \$1.0M reduction
- Oregon Tech was successful, just in the last two weeks, in securing a commitment from HECC to change cost weights in certain health programs CIPs to align with the November model
- Oregon Tech's FY 2023 allocation is currently estimated to be \$477k higher than FY 2022

# Tuition Setting Conversations



- How do we minimize the financial impact of the enrollment shortfall and loss of state funding and increasing labor costs on the cost of attendance for continuing students?
- How do we maintain the quality of educational programs for existing students?
- How do we navigate the enrollment drop and the unexpectedly large structural change in state funding support without impacting long-term goals for growth and continuous improvement?

# Tuition Increase



- The Tuition Recommendation Committee (TRC) recommended an 8% tuition and fee increase, contingent on HECC approval
- After TRC concluded, HECC released information about an error correction that gave OT an additional \$343k
- The President's recommendation to the Board was a 7% tuition and fee increase, contingent on HECC approval
- With recent developments at HECC, the tuition and fee increase will be 5%. The tuition increase is 4.5%, with the remaining 0.5% increase in mandatory fees as approved by student bodies

# FY 2023 Budget Development Assumptions



Enrollment will remain flat, at 8% below initial FY 2022 projections	→	\$3M less tuition revenue than budgeted in FY22
Oregon Tech SSCM allocation will be increased by 1.5%	→	Formula funding increase of \$477K over FY 2022 allocation
Estimated vacant positions salary savings already included in budget	→	Budgeted salary savings from vacant positions \$(2.5M)
Remissions to continue at about 14%	→	\$(5.3M) reduction to gross tuition
Medical insurance and retirement costs will continue to increase	→	Labor expense is expected to increase by 3%



# Faculty and Staff Salaries and Benefits



- Faculty AAUP across-the-board increase of 1%, with an additional 1% merit pool
- Classified SEIU COLA of 2.5%, with additional obligations for step increases and longevity pay
- Contingent across-the-board increase in administrative salaries
- Benefits costs increases resulting from salary increases
- Employee benefits are an additional 68% on salary on average

# Strategic Investments

- Facilities Master Plan
- Administrative Staff Pay Equity Study
- Faculty Pay Equity Study
- Business Continuity/Disaster Recovery Study
- Polytechnic Cost Study



# FY 2023 Current Budget Projections



<b>Revenue</b>	
State Allocation	\$32,384,602
Tuition and Fees (less special general funds)	39,290,381 <sup>(1)</sup>
Remissions	(5,346,310)
New Targeted Remissions	(200,000)
Other Revenue (less special general funds)	994,813
Special General Fund Revenue	1,848,613
<b>Total Revenue</b>	<b>\$68,972,099</b>
<b>Expenses</b>	
Permanent Budget	72,621,632
Salary Recapture	(2,500,000)
Special General Fund Expenses	1,848,613
Contingency Reserve	432,926 <sup>(2)</sup>
Administrative Salary Pool (effective January 1, 2023)	103,948
Faculty Salary Pool (effective January 1, 2023)	279,981 <sup>(3)</sup>
<b>Total Expenses</b>	<b>\$72,787,100</b>
<b>Strategic Investments</b> <sup>(4)</sup>	
Facilities Master Plan	100,000
Administrative Staff Pay Equity Study	100,000
Faculty Pay Equity Study	150,000
Business Continuity/Disaster Recovery Study	150,000
Polytechnic Cost Study	185,000
<b>Total Strategic Investments</b>	<b>\$685,000</b>
<b>Total Expenses</b>	<b>\$73,472,100</b>
<b>Total Net</b>	<b>(\$4,500,000)</b>

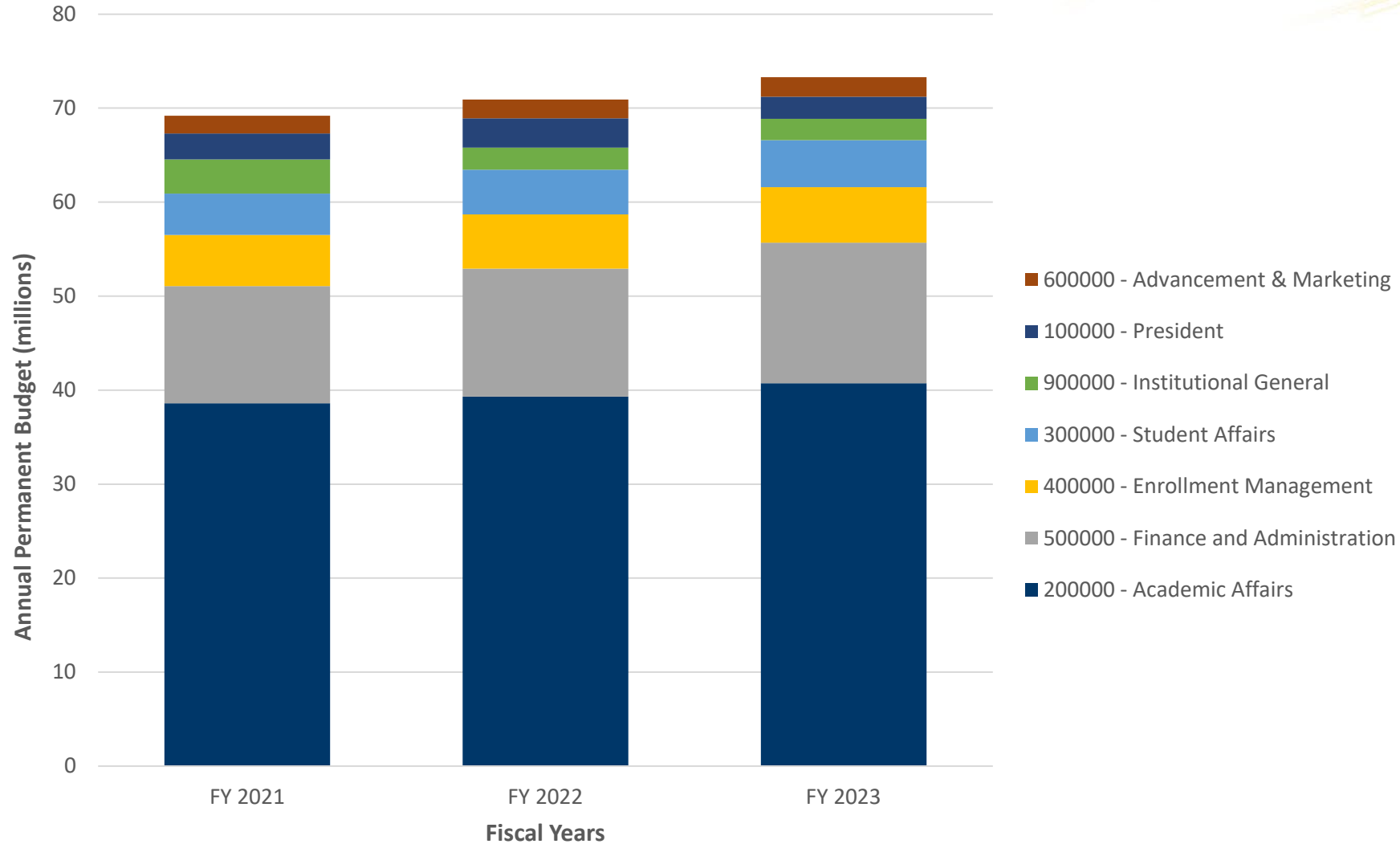
(1) Tuition revenue assumes 0% enrollment increase

(2) Contingency fund is 1.3% of new state allocation

(3) FY23 portion of January 1, 2022 faculty increases are already in FY23 budget

(4) Any strategic investments are contingent on actual state allocations received in October, 2022

# Budget History by Division



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Division	FY 2021	FY 2022	FY 2023	% Variance from FY 2022 to FY 2023	% Variance from FY 2022 to FY 2023 without Reorgs
Academic Affairs	\$38,615,578	\$39,318,125	\$40,745,246	3.6%	4.0%
Finance and Administration <sup>1</sup>	12,466,187	13,603,776	14,951,953	9.9%	3.7%
Enrollment Management	5,440,021	5,775,775	5,893,494	2.0%	2.0%
Student Affairs	4,377,354	4,753,667	4,993,490	5.0%	6.9%
Institutional General	3,638,214	2,356,578	2,273,847	-3.5%	-14.0%
President	2,761,736	3,101,223	2,353,063	-24.1%	3.0%
Advancement & Marketing	1,880,726	1,993,699	2,092,714	5.0%	5.0%
OMIC R&D	269,500	138,500	168,292	21.5%	21.5%
<b>Total</b>	<b>\$69,449,316</b>	<b>\$71,041,342</b>	<b>\$73,472,100</b>		

<sup>1</sup> Human Resources moving from President's Division to Finance & Administration in FY 2023





# Budget Discussions

# Next Steps

- FOAC discussion
- President's Recommendation
- Board Approval

