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University Financial Briefing

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Outline of Topics



- Oregon Higher Education Funding Models
- Upcoming Legislative Session for 2023-25 Biennium-Spring 2023
- Higher Education Landscape and State Funding Outlook
- Oregon Tech FYE 2021-22 Summary
- Active Shared Governance
- FY 2022-23 Aggregate Budget



Oregon Higher Education Funding Models

Oregon Higher Education Funding



- Primary Sources of State Funding
 - Public University Support Fund (PUSF)
 - Funds the Student Success and Completion Model (SSCM)
 - Engineering and Technology Sustaining Fund (ETSF)
 - Oregon Renewable Energy Center (OREC)
- Student Tuition and Fees
- University Funds- Investment earnings, grants cost recovery & clinics
- Other State Funds not in Operating Budget
 - Sports Lottery (allocation from Higher Education 1% of Lottery Revenues)
 - Capital Improvement and Renewal (based on E&G GSF, Condition & Density)
 - Bonded Capital Construction (tied to HECC Strategic Capital Plan ranking)

Public University Support Fund and Student Success and Completion Model



- The Oregon Legislature funds the state’s seven public universities through the Public University Support Fund (PUSF).
- The Higher Education Coordinating Commission (HECC) administers the funds in the PUSF and allocates them to the Universities through a funding formula called the Student Success and Completion Model (SSCM). The funding model is composed of three categories:
 - Mission Differentiation Funding – supports the University’s unique regional mission. Components include; base funding, regional access, research support and public service.
 - Activity-Based Funding – distribution based on student credit hour (SCH) completions of Oregon resident students at undergraduate and graduate levels.
 - Outcomes-Based Funding – rewards degree and certificate completions by Oregon resident students. Additional formula weights for completions by underrepresented students and those in certain STEM, Health & Bilingual Education programs.

SSCM Allocation Changes Between Biennia



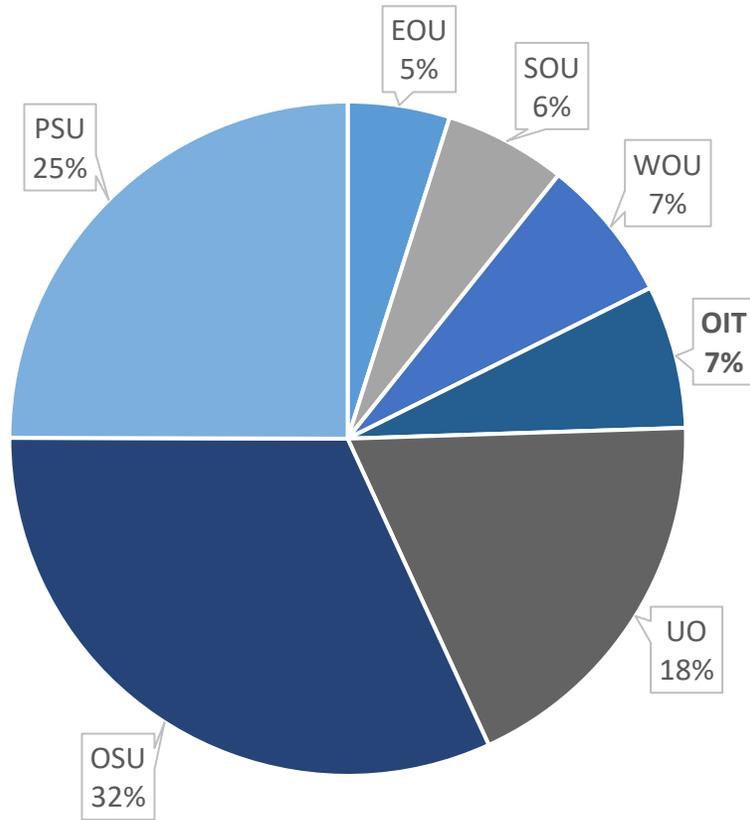
Funding Formula Comparison (after \$63M PUSF Increase, FY 2021-22 Hold Harmless & FY 2022-23 Allied Health Weight Modifications)

	2019-21 Biennium Total	FY 2021-22	FY 2022-23	Revised FY 2022-23	Estimated 2021- 23 Biennium	Variance to Prior Biennium	Percentage Variance
EOU	\$ 42,497,205	\$ 21,506,844	\$ 21,743,523	\$ 21,611,099	\$ 43,117,943	\$ 620,738	1.5%
OIT	59,704,007	30,282,842	29,481,700	30,703,115	60,985,957	1,281,950	2.1%
OSU	276,014,796	140,641,112	147,646,640	147,611,342	288,252,454	12,237,658	4.4%
PSU	202,985,970	110,071,591	117,071,821	116,059,173	226,130,764	23,144,794	11.4%
SOU	46,255,329	25,720,298	26,349,679	26,446,479	52,166,777	5,911,448	12.8%
UO	154,298,988	82,307,597	85,490,243	85,389,775	167,697,372	13,398,384	8.7%
WOU	55,142,294	30,469,717	31,216,394	31,179,017	61,648,734	6,506,440	11.8%
TOTAL	\$ 836,898,589	\$ 441,000,000	\$ 459,000,000	\$ 459,000,000	\$ 900,000,000	\$ 63,101,411	7.5%

Historical State Appropriations Funding



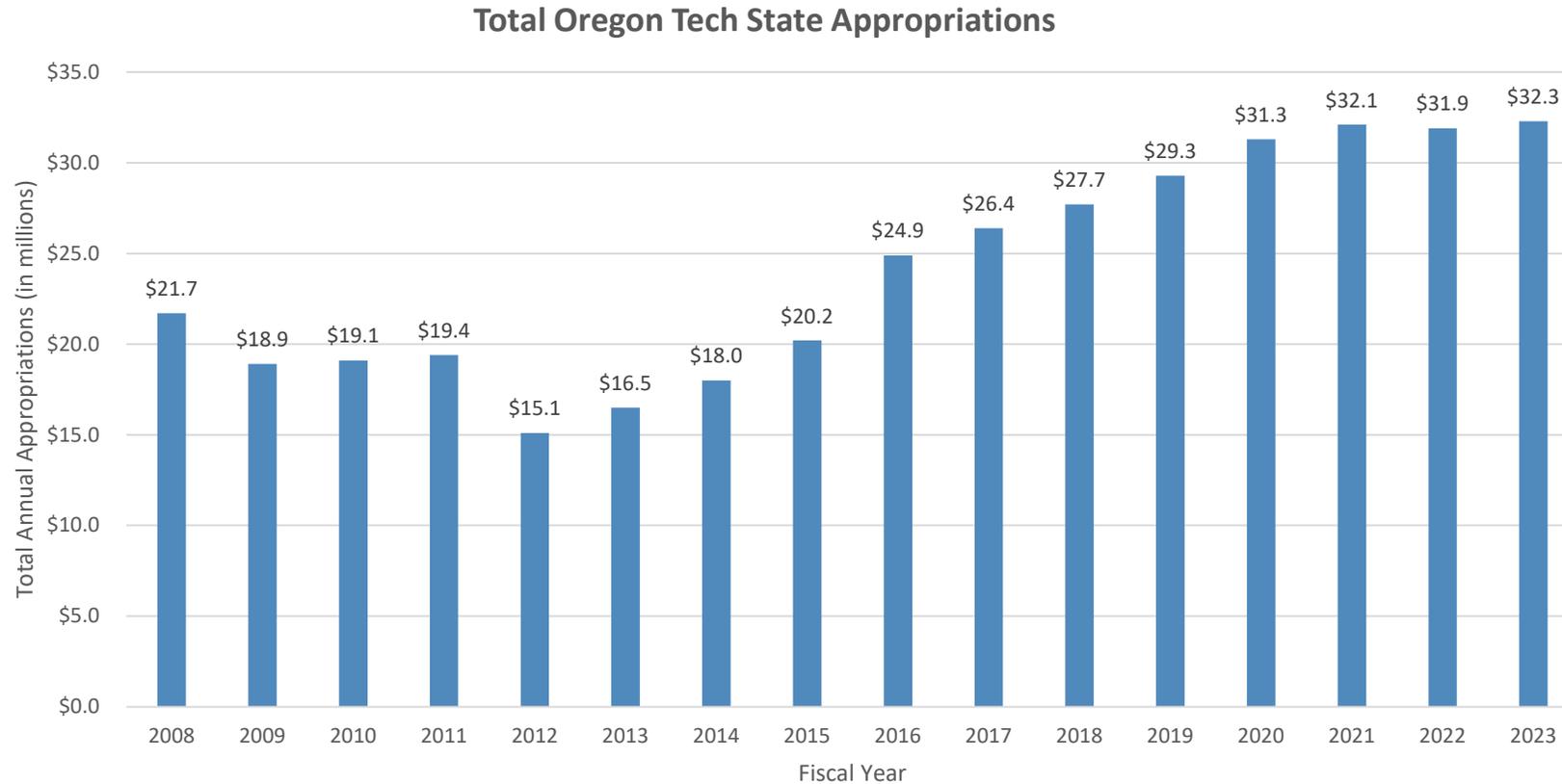
FY2021-22 Distribution of PUSF Funding



Total Historical State PUSF Funds (in millions)



Historical Oregon Tech Total Appropriations *



*Note: FY 2021-22 Oregon Tech Appropriation figure:

- Excludes \$5.5M one-time non- formula funding for specific *new* initiatives in applied computing & rural health.
- Includes ETSF, OREC and \$2.28M one-time “hold harmless”



Upcoming Legislative Session for 2023-25 Biennium- Spring 2023

Upcoming Legislative Session



- 2023-25 Biennium Funding
- HECC recommended 7.9% increase in PUSF funding (CSL)
 - Plus 2.4% increase for Policy Option Package (POP) related to equity initiatives
- HECC recommended \$ 610M for bonded capital construction projects
- Sitting governor will release proposed budget in December 2022
- Legislature in session between January and June 2023
- New governor will consider/approve final budget from legislature in June 2023
- Many changes in state legislature could create new dynamics
- Who are champions of higher education?



Higher Education Landscape and State Funding Outlook

Higher Education Landscape



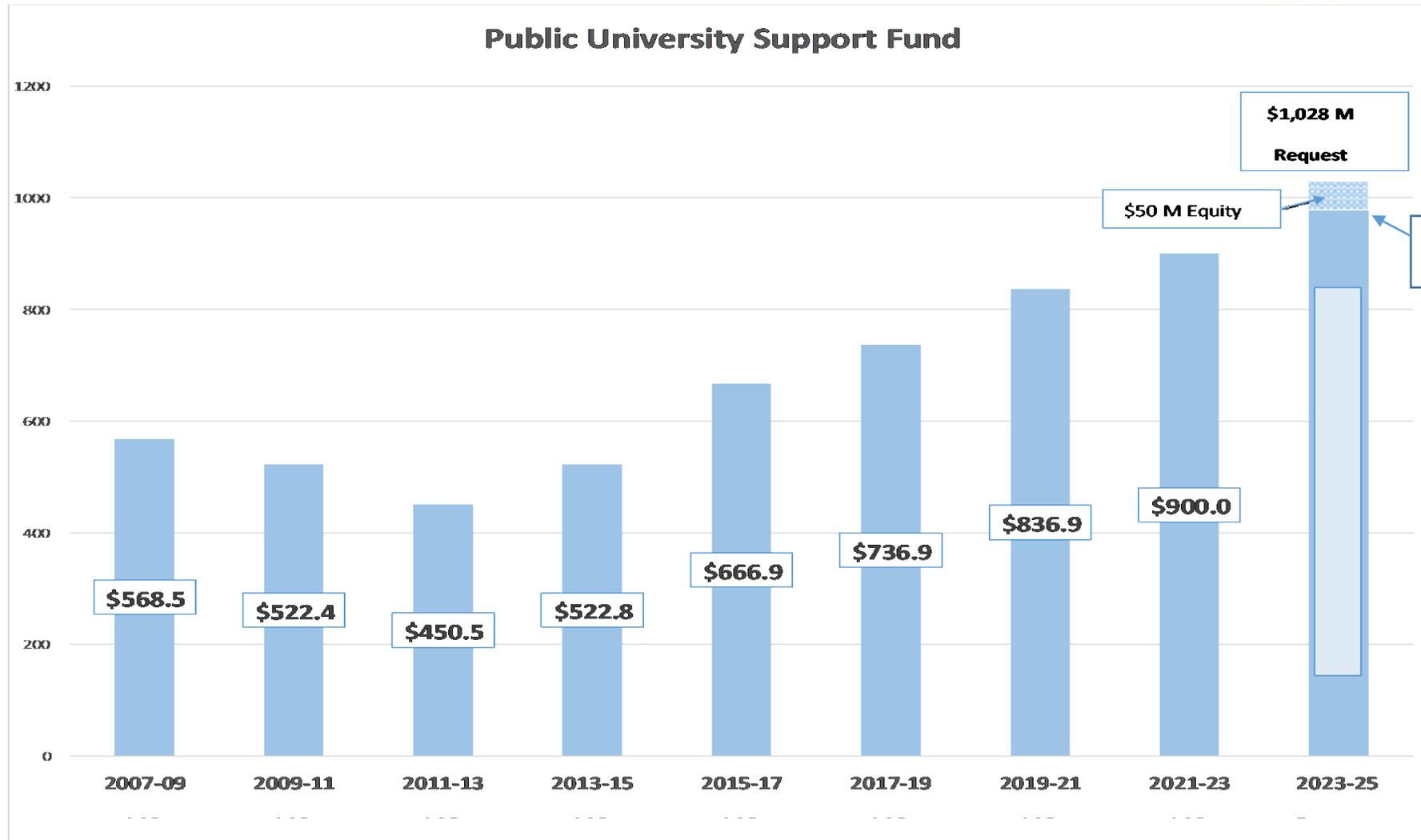
- Evolving Oregon demographics and surrounding states
- Fewer Oregon residents attending Universities in the state
- Community colleges experiencing significant enrollment drop, impacting transfer student pipeline
- Concern regarding impact of evolving federal monetary policy
- Looming inflation and possible recession
- State revenue projections

Public Universities 2023-25 Biennium Base (CSL) (adjusts for inflation)

Calculation of University Base Funding								
Education & General Expenses Public Universities Compiled	2021-23		2023-25					
	FY22 & FY23	Expense Share of Total	FY24 & FY25	Expense Share of Total	\$ Increase over 2021-23	Increase Share of Total	% Increase over 2021-23	Weighted Increase
Expenses								
Salary & Pay	1,858,040,172	50.1%	2,001,049,451	49.6%	143,009,280	44.4%	7.7%	3.9%
Health Benefits	390,338,196	10.5%	420,801,879	10.4%	30,463,683	9.5%	7.8%	0.8%
Retirement Benefits	420,179,373	11.3%	493,139,306	12.2%	72,959,933	22.7%	17.4%	2.0%
Other Benefits	249,506,051	6.7%	267,849,431	6.6%	18,343,380	5.7%	7.4%	0.5%
Supplies & Services	791,991,006	21.3%	849,012,442	21.1%	57,021,436	17.7%	7.2%	1.5%
Total expenses	3,710,054,797	100.0%	4,031,852,509	100.0%	321,797,712	100.0%	8.7%	8.67%
PUSF	900,000,000		978,000,000		78,000,000		8.67%	
Fund Split (State share)	24.3%		24.3%					

Universities' Consolidated PUSF Funding Request

\$1.028B= Base + POP Equity Investment (millions)



HECC Higher Education 2023-25 Biennium PUSF Funding Recommendation



HECC 2023-25 Biennium PUSF Funding Recommendation			
		<u>Funding</u>	<u>Increase</u>
2021-23 Base (PUSF only)	\$	899,840,826	
+ CSL		70,923,979	7.9%
2023-25 CSL		970,764,805	
+ POP (state aid increase - CSL)		21,471,277	2.4%
2023-25 TOTAL Request	\$	992,236,082	10.3%



Fiscal Year Ended 2021-22 Summary

Update on Fiscal Year Ended 2021-22



- Changes in SSCM resulted in initial state funding reduction for OT, but was eventually offset by a one-time Hold Harmless through Administrative Rule
- Received full \$5.5M biennium (unbudgeted) special item funding for Applied Computing/Rural Health Initiatives
- Tuition revenue was down due to enrollment shortfall related to lingering COVID effect and changing economy/labor dynamics
- Vacant positions, underspending in Supplies and Services and careful expense prioritization resulted in significant one-time operational savings
- Major Capital Project completed (funded by state bonds and 5% OT match)
 - Center for Excellence in Engineering and Technology (Jan. 2022)

General Fund Monthly Report
FY 2021-22 Year End (in thousands)

Management Report: FYE 2021-22 (Unaudited)

Notes:

- (1) **FY 2021-22 YTD Actuals** - Received full one-time biennial allocation for Center of Excellence in Applied Computing and Rural Health Initiatives in Q1
- (2) **FY 2021-22 Actuals** - Student credit hours are down 6.2% over last academic year. A 1% increase in enrollment for FY 2022 was budgeted.
- (3) **FY 2021-22 Actuals** - Net salary savings is \$5.6M (\$2.5M in salary savings was budgeted)
- (4) **FY 2021-22 Actuals** - One-year reduction in debt service principal due to May 2021 bond refunding
- (5) **FY 2021-22 Adjusted Budget** - Utilities moved from S&S to separate line item
- (6) **FY 2021-22 Actuals** - Transfers out include the following: \$5.5M Allocation of Applied Computing and Rural Health Initiatives to be strategically deployed in FY 2022-23 \$118k Prior biennium state allocation for rapid tooling moved to support grant project, and \$350k Support of Athletics' teams travel to national championships

	YTD Comparison		FY 2021-22 Budget & Forecast				Notes
	FY 2020-21 Year End Actuals	FY 2021-22 Year End Actuals	FY 2020-21 Year End Actuals	FY 2021-22 Board Adopted Budget (BAB)	FY 2021-22 Adjusted Budget	Actuals to BAB Variance	
Revenue							
State Allocations	\$32,117	\$37,407	\$32,117	\$32,215	\$32,330	\$5,192	(1)
Tuition & Fees	39,575	38,190	39,575	41,882	41,882	(3,692)	(2)
Remissions	(5,296)	(5,837)	(5,296)	(6,039)	(6,039)	202	
Other	<u>2,699</u>	<u>2,259</u>	<u>2,699</u>	<u>2,746</u>	<u>2,746</u>	<u>(487)</u>	
Total Revenue	<u>\$69,094</u>	<u>\$72,019</u>	<u>\$69,094</u>	<u>\$70,804</u>	<u>\$70,919</u>	<u>\$1,215</u>	
Expenses							
Administrative Staff Salary	\$6,776	\$8,204	\$6,776	\$9,046	\$9,257	(\$843)	
Faculty Salary	13,122	12,783	13,122	13,104	13,087	(321)	
Adjunct and Admin/Faculty Other Pay	4,797	3,726	4,797	3,945	3,986	(219)	
Classified	5,481	5,838	5,481	6,270	6,327	(432)	
Student	656	755	656	980	981	(225)	
GTA	68	74	68	121	121	(47)	
OPE	<u>16,756</u>	<u>17,207</u>	<u>16,756</u>	<u>18,260</u>	<u>18,571</u>	<u>(1,053)</u>	
Total Labor Expense	<u>\$47,656</u>	<u>\$48,588</u>	<u>\$47,656</u>	<u>\$51,727</u>	<u>\$52,329</u>	<u>(\$3,140)</u>	(3)
Service & Supplies	\$11,887	\$12,762	\$11,887	\$17,483	\$15,608	(\$4,721)	
Internal Sales	(1,267)	(\$1,272)	(1,267)	(1,317)	(1,317)	45	
Debt Service	2,212	\$631	2,212	1,219	1,301	(588)	(4)
Capital	717	\$153	717	253	601	(100)	
Utilities	1,285	\$1,820	1,285	-	1,369	1,820	(5)
Transfers In	-	-	-	-	-	-	
Transfers Out	<u>1,362</u>	<u>1,433</u>	<u>1,362</u>	<u>1,433</u>	<u>1,433</u>	<u>-</u>	
Total Direct Expense	<u>\$16,196</u>	<u>\$15,527</u>	<u>\$16,196</u>	<u>\$19,072</u>	<u>\$18,995</u>	<u>(\$3,545)</u>	
Total All Expense	<u>\$63,851</u>	<u>\$64,115</u>	<u>\$63,851</u>	<u>\$70,799</u>	<u>\$71,325</u>	<u>(\$6,685)</u>	
Net from Operations before Other Resources (Uses)	<u>\$5,243</u>	<u>\$7,904</u>	<u>\$5,243</u>	<u>\$4</u>	<u>(\$406)</u>	<u>\$7,900</u>	
Other Resources (Uses)							
Transfers In	\$57	\$78	\$57	\$ -	\$ -	\$78	
Transfer Out	<u>(3,487)</u>	<u>(6,059)</u>	<u>(3,487)</u>	<u>-</u>	<u>(146)</u>	<u>(\$6,059)</u>	(6)
Total Other Resources (Uses)	<u>(\$3,430)</u>	<u>(\$5,981)</u>	<u>(\$3,430)</u>	<u>\$-</u>	<u>(\$146)</u>	<u>(\$5,981)</u>	
Net from Operations	<u>\$1,813</u>	<u>\$1,923</u>	<u>\$1,813</u>	<u>\$4</u>	<u>(\$551)</u>	<u>\$1,919</u>	
Beginning Fund Balance	13,593	15,235	13,593	15,235	15,235	(0)	
Fund Balance Adjustment	<u>(170)</u>	<u>60</u>	<u>(170)</u>	<u>-</u>	<u>-</u>	<u>60</u>	
Ending Fund Balance	<u>\$15,235</u>	<u>\$17,218</u>	<u>\$15,235</u>	<u>\$15,239</u>	<u>\$14,684</u>	<u>\$1,979</u>	
Operating Revenues as % of Fund Balance	22.0%	23.9%	22.0%	21.5%	20.7%		
Ending Cash Balance	<u>\$17,397</u>	<u>\$18,536</u>	<u>\$17,397</u>				



Active Shared Governance

Active Collaboration and Shared Governance



- Fiscal Operations Advisory Council (FOAC)
 - Comprised of faculty, administrative staff and students.
 - Advises the President on budget and financial matters and participates in general operating fund budget planning, review and development.
 - Recommends fiscal management priorities to align with the strategic goals.
 - Advises the President on the development of new budget initiatives.
- Facilities Planning Commission (FPC)
 - Comprised of faculty, administrative staff and students.
 - Recommends to the President priorities for building construction, remodeling, and optimal building utilization during master planning efforts.
 - Advises on major changes in the use of space.
 - Reviews requests for additional space and capital equipment, which would become a part of the building inventory.
- Advisory Committee on Campus Facilities Master Planning (ad-hoc)
 - Campus/Facilities Master Plan Project.
- Advisory Committee on new Student Housing Project (ad-hoc)
 - \$35M student housing project, Series XI-F Bond with debt funded by University.



FY 2022-23 Aggregate Budget

Significant FY 2022-23 Budget Assumptions



- State appropriations will be consistent with latest HECC adjustment for modified Allied Health weights.
- Retirement and healthcare costs will remain stable as forecasted.
- Enrolled growth is not projected, forecast is to remain flat based on FY 2021-22 enrollment.
- Salary recapture of \$2.5M will accumulate by yearend.
- Initial operating revenue and expenditures gap is bridged with a combination of \$3M COVID funds designated to offset lost revenues and \$1.5M from reserves.
- Each 1% shortfall in enrollment equates to \$392K tuition shortfall in FY 2022-23.

Funds not in FY 2022-23 E&G Operating Budget



- Sports Lottery Funds
 - Oregon Tech FY 2022 allocation estimated to be \$1.2M
 - Supports athletic scholarships and graduate student assistantships
- Capital Improvement and Renewal (reimbursement basis)
 - Estimated allocation for 2021-23 biennium is \$3.4M
 - Restricted for campus infrastructure, improvement and renewal projects
 - Used to reduce deferred maintenance and to support minor renovations
- Boivin Renovation Project Bond (reimbursement basis)
 - Funds remain at the state in a pool until expended/reimbursed on project
 - Debt is retired by the state

Budget Development Principles



- Prioritize recruitment, retention and graduating students.
- Invest with purpose in faculty, staff and infrastructure to support student success.
- Align programs and initiatives with industry demand.
- Achieve operating efficiencies in all areas focusing on best practices.
- Manage short-term uncertainties, while focusing on innovation and long-term sustainability.

FY 2022-23 Budget Approach



- Incremental Budget Model was utilized, as in previous years.
- Budget targets were based on prior year with some adjustments.
- Budget targets were increased for estimated inflation.
- Pools were budgeted for:
 - Estimated AAUP faculty and chairs salary increases and OPE
 - Estimated Unclassified staff salary increases and OPE
- Estimated salary recapture was also budgeted as in prior years.
- Key ongoing Strategic Investments were estimated and included.
- Fiscal Operations Advisory Council (FOAC) reviewed and recommended adoption by the President.

FY 2022-23 Board Approved Budget Summary

- (1) FY 2021-22 Board Adopted budget was realigned for format changes
- (2) Tuition revenue assumes 0% enrollment increase
- (3) Contingency fund is 1.3% of new state allocation
- (4) FY 2022-23 portion of January 1, 2022 (CY 2022) faculty increases are already in FY 2022-23 division budgets
- (5) Special state allocation received in FY 2021-22, but to be expended in FY 2022-23
- (6) Strategic investments are contingent upon actual state allocations received in October, 2022

FY 2022-23 Oregon Tech General Fund Budget			
	FY 2021-22	FY 2022-23	Variance to Prior Fiscal Year
Revenue			
State Allocation	\$32,215,454	\$32,384,602	0.5% (1)
Tuition and Fees (less special general funds)	41,891,640	39,290,381	-6.2% (2)
Tuition Remissions	(6,039,143)	(5,346,310)	-11.5%
Additional Targeted Remissions	-	(200,000)	
Other Revenue (less special general funds)	827,627	994,813	
Special General Fund	1,908,372	1,848,613	
Total Revenue	\$70,803,949	\$68,972,099	-2.6%
Expenses			
Beginning Permanent Budget	\$68,992,094	\$72,621,634	5.3%
Salary Recapture	(2,500,000)	(2,500,000)	
Special General Fund Expenses	1,908,372	1,848,613	
Contingency Reserve	419,441	432,923	(3)
Administrative Salary Pool (effective January 1, 2023)	270,914	103,948	
Faculty Salary Pool (effective January 1, 2023)	513,603	279,981	(4)
Classified Salary Pool	460,188	-	
Applied Computing and Rural Health Initiatives	-	5,000,000	(5)
Sub Total Expenses	\$70,064,612	\$77,787,099	11.0%
Strategic Investments			
DICE Director	\$192,399	-	
Portland Metro Academic Advisor	80,059	-	
Portland Metro Grants Business Manager	89,649	-	
CEET Facilities Costs	272,757	-	
Facilities Master Plan	100,000	\$100,000	
Administrative Staff Pay Equity Study	-	100,000	
Faculty Pay Equity Study	-	150,000	
Business Continuity/Disaster Recovery Plan	-	150,000	
Polytechnic Cost Study	-	185,000	
Total Strategic Investments	\$734,864	\$685,000	-6.8%
Total Expenses	\$70,799,476	\$78,472,099	10.8%
Other Resources			
Transfer In - Applied Computing and Rural Health Funds	-	\$5,000,000	(5)
Transfer In - COVID Relief Funds (HEERF)	-	3,000,000	
Reserves	-	1,500,000	
Total Net	\$4,473	\$0	

FY 2022-23 Budgeted State Allocations and Budget Changes by Functional Area

State Revenue Allocations					
	Biennium	FY 2021-22	FY 2022-23	\$ Variance	% Variance
Public University Support Fund	\$60,985,957	\$30,282,842	\$30,703,115	\$420,273	1.4%
Engineering Technology Support Fund	2,246,747	1,102,082	1,144,665	42,583	3.9%
Oregon Renewable Energy Center	558,503	273,667	284,836	11,169	4.1%
State Energy Loan Program	267,072	133,536	133,536	-	0.0%
Benefits Navigator	233,450	115,000	118,450	3,450	3.0%
Applied Computing and Rural Health Initiatives	5,500,000	5,500,000	=	(5,500,000)	-100.0%
Total	\$69,791,729	\$37,407,127	\$32,384,602	(5,022,525)	-13.4%

FY 2022-23 Oregon Tech Regular General Fund Budget by Division							
Division	FY 2021-22 Adj. Permanent Budget	FY 2022-23 Faculty Adjustments	FY 2022-23 Admin. Adjustments	FY 2022-23 Classified Increases	Other Adjustments	FY 2022-23 Perm Budget	Variance to Prior Fiscal Year
President	\$3,138,404	-	\$11,990	-	(\$804,817)	\$2,345,577	-25.3%
Provost & Academic Affairs	39,120,340	192,953	28,330	159,894	328,262	39,829,779	1.8%
Student Affairs	4,537,256	-	9,004	41,573	(75,860)	4,511,973	-0.6%
Enrollment Management	5,841,996	-	13,197	36,591	-	5,891,784	0.9%
Finance and Administration	13,642,100	-	26,691	185,217	1,093,016 ¹	14,947,024	9.6%
Advancement & Marketing	2,031,888	-	7,876	25,950	27,000	2,092,714	3.0%
Institutional General	3,002,783	=	=	=	=	3,002,783	0.0%
Total	\$71,314,767	\$192,953	\$97,088	\$449,225	\$567,601	\$72,621,634	1.8%

¹ Human Resources is moving from President's Division to Finance and Administration Division in FY 2022-23

Summary



- Oregon Tech finished FY 2021-22 without a deficit.
- Balance Sheet and financial position are cautiously stable.
- Increased allocations from the state are essential to fund cost inflation and sustain current service levels (CSL).
- Our continued growth and fiscal stability is closely tied to student enrollment and retention.
- Enriching the student experience and supporting enrollment growth and retention is everyone's responsibility.



Questions