Note from Secretary: Senators submitted these questions following the report on the budget from the Vice President for Finance and Administration and the President at the February meeting [2021.02.01 G.3], and FADM submitted these respective responses.

*Question 1: Recognizing that the nearly $35 million in pandemic-related funding (remaining CARES Act funds, and the 2021 Consolidated Appropriations Act funds) have been excluded from these financial forecasts, how much this funding is likely to be realized in FY 21, or carried over as fungible reserves into FY 22?*

**Response:**

We are reviewing the specifics of the grant agreement with the Department of Education and collecting input from across the campus on potential uses. We anticipate that these funds will be used primarily in the current fiscal year and the FY21-22 fall term and will include some revenue losses from auxiliary enterprises. The forecasts presented were focused on the recurring general fund budget.

*Question 2: There was mention of the $30 million one-time Federal COVID funding, $8.3 million of which needs to go toward student aid. How/can the remaining ~$22 million be used to mitigate cuts in the next several years?*

**Response:**

Funds are to be spent one year from the Grant Award Notification (GAN) on activities that were brought on by the disruption caused from the pandemic. Grant funds may be used to defray expenses (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll); carry out student support activities that address needs related to coronavirus; and make additional financial grants to students, which may be used for any component of the student's cost of attendance or for emergency costs that arise due to coronavirus, such as tuition, food, housing, health care (including mental health care), or child care.

Grant funds may **NOT** be used to fund contractors for the provision of pre-enrollment recruitment activities; marketing or recruitment; endowments; capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship; senior administrator or executive salaries, benefits, bonuses, contracts, incentives; stock buybacks, shareholder dividends, capital distributions, and stock options; or any other cash or other benefit for a senior administrator or executive.

*Question 3: Is the enrollment forecast in your presentation the best-case or the worst-case projection? What *are* your best-case and worst-case projections? How does your forecast try to account for any recovery of lost enrollment after the pandemic ends?*

**Response:**

Unfortunately, predicting the enrollment behavior of students - especially those who are closer to high school age - is tremendously difficult. We characterize this enrollment forecast as realistic, bordering on optimistic. Our worst-case scenario is that fall enrollments go down by 30% (which is where freshman and transfer application numbers have been), and that would have incredibly significant financial implications for the next 4-6 years.

Unfortunately, we don't see that there will be any natural enrollment recovery after COVID. If that were to be the case, I don't think we'd be down so much on admission applications. The only way to recover is to be creative, innovative, and work incredibly hard in Enrollment Management and other recruit-focused units. That's one of the primary reasons we've launched "Open for fall. Open for all."

*Question 4: Oregon State legislators will not make a final decision on legislative bills until the May state revenue forecast. Will PSU take this into account before making final budget decisions for next year and after? Also, HECC is planning to lobby the legislature to increase the Oregon Opportunity Grant from $140 million to $200 million. This might boost student enrollment. Has PSU also taken this into account?*

**Response:**

The budget for next fiscal year is due to the Board of Trustees by June 8th. This will likely be before we have final decisions from the State Legislature on funding for Higher Education. As in prior legislative years, we will consider all information available up to the submission of a budget for Board approval. We will also continue to monitor legislation that may have an impact on enrollment and/or state revenue, applications, and actual enrollment over the summer to determine if changes to the budget approved by the Board in June are warranted. As for the multi-year budget scenarios, we will continue to evaluate the trajectory of the university's finances on both the short-term (annual) and long-term (three to five years) and make changes to the scenarios based on the most up-to-date information.

*Question 5: It is common for large organizations and enterprises to develop a range of forecast scenarios to inform planning: scenarios running the spectrum from pessimistic (worse-case but probable) to optimistic (best-case but probable). At PSU it has become customary to produce but one forecast scenario, the pessimistic one. Our conversations and our decision-making would be much enriched by having in view a range of probable futures that incorporate important data that gets excluded when an organization works with only one forecast scenario. For instance, on the revenue, reserves, enrollment and political fronts, which are key variables impacting our financial health, there are significant pieces of data that would lead to optimistic and in-between scenarios for 2021-24. Is there a reason FADM cannot begin the practice of developing at least three forecast scenarios: pessimistic, optimistic, and moderate? Can FADM commit to begin this year with the practice of producing the three forecast scenarios?*

Response:

The enrollment forecasts are generated by the Office of Institutional Research & Planning with input from Enrollment Management, Graduate Studies and Academic Affairs. We have looked at upper-bound, lower-bound and the most likely enrollment scenario and have presented the information in a variety of different formats. Generally speaking the enrollment forecasts that have presented over the last several years have been more optimistic than what was ultimately realized. Finance & Administration uses the enrollment forecasts to create revenue forecasts. We also provide the Finance & Administration Committee of the Board of Trustees with multiple scenarios at the start of budget planning. Once we get closer to tuition setting, we hone in on the most likely scenario but we continue to plan around variances to that.

*I work with students all day as an adviser. Throughout the past year, I have been hearing from students who have decided to stop out due to covid, and/or not liking remote classes, etc. They often report that they plan to return to PSU once we can resume in person classes. With this in mind, is it possible that this financial crisis is temporary, and that we will be back on track (mostly) once most of the campus is vaccinated and can come back?*

Response:

The primary reason for the projected enrollment declines is because new student enrollments have been declining relatively precipitously for the last two enrollment cycles. What you describe is related to our retention/persistence of current students, which is also declining but not as significantly. It's possible that what you say is correct, but it's unlikely to be at such a magnitude that it will reverse the trends. We'd actually need to see a significant increase in retention rates - not just a return to normal rates - for it to have an impact.