

Portland State University Current Fund Balance Analysis



As presented to Faculty Senate October 3, 2011 by:
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OVERVIEW OF FUND BALANCE PRESENTATION

The attached slides display PSU's fund balance trend and associated drivers. In considering the information, there are several important facts to keep in mind.

First, the jump in the central fund balance during fiscal year 2011 largely resulted from a one-time infusion of \$7 million from the State to comply with the requirements of the federal stimulus program. Specifically, to receive stimulus funds, states had to commit to maintaining their levels of financial support for education (referred to as maintenance of effort funds). Oregon met that commitment by transferring funds to OUS, and PSU received its share of those funds, towards the end of the federal program -- at the end of the last fiscal year. That said, the State cut our budget on a permanent basis in the first year of the current biennium by the same \$7 million one time infusion. In short, the state replaced permanent funding in the current biennium with a one-time funding at the end of the last biennium.

Second, as implied in the first point, the cash held in PSU's fund balance is one time funding as opposed to permanent. Once it's spent, it's gone. While fund balance resources can provide a bridge to the development of permanent funding sources, beyond the very short term, it cannot support permanent expenditures such as across the board increases in compensation.

Third, the fund balance chart does not reflect commitments made but not yet experienced. For example, some portion of PSU's fund balance is generated by position vacancies that are in the process of being filled, or equipment purchases that have not yet been completed. Resources that have been committed but not yet expended are accounted for in an organization's fund balance. Nevertheless, because the funds are committed, often contractually, they are not otherwise available. The division of Finance & Administration has undertaken a project to better delineate encumbrances within all of PSU's fund balances.

As you review the chart, note that the red section of each year's bar represents fund balances maintained centrally and derived from central funds, while the green constitutes fund balances held at the departmental level but derived from central funds. The blue, purple and yellow fund balances are all held at the departmental level but derived from non-central funds (i.e. blue depicts fund balances largely from course fees, purple from for-credit departmental self-support programs and yellow from other departmental revenues). To further assist you in evaluating the fund balance slides, we have attached below a list of definitions.

Focusing on fiscal year 2011, the grey sections of the bar display the impact of one-time anomalous contributions to the central fund balance. In addition to the maintenance of effort funds described above, the grey area also includes \$4 million in strategic investments made in the last biennia, but not yet expended,

and \$6 million in funds recaptured from departmental fund balances that PSU is using to help manage cuts to our base budget in the current biennium. Indeed, in any give year, PSU has consistently used its fund balance to manage cuts to state support centrally as opposed to apportioning the entirety of a cut out to the units.

Finally, the beige bars represent forecasted declines in fund balances predicated upon anticipated cuts to our state support. In fact, we have already been informed by OUS that the state has directed the System to engage in a 10.5% budget cut exercise (in 3 tranches of 3.5%) in preparation for a likely mid year budget reduction necessitated by weakening state revenue forecasts. To this end, once again, PSU is fortunate to have a fund balance to help manage these likely additional cuts. Given all the other pressures on our operating budget, however, the strategy of using fund balances to cushions the impact of cuts in state support is not sustainable.

DEFINITIONS

Fund - A self-balancing fiscal entity comprised of assets, liabilities, revenues, expenses, and fund balance.

Fund Balance - The cumulative balance of unspent dollars from year to year.

General Fund - The main University fund used to record state appropriation, tuition, and expenses related to the University's core mission.

Departmental Revenue Funds - Funds used to record the collection of differential tuition fees, course fees, lab fees, matriculation fees, technology fees, and former resource fees. These funds are used for academic support in the units such as advising and computer labs.

Self-Support (For-Credit) Funds - Funds used to record the collection of tuition for non in-load courses. The units that teach the courses collect the tuition in order to pay for the cost of providing the course.

Other Education and General Funds - Departmental funds designated for a specific purpose. These include Dispute Resolution, ETIC, Repair & Remodeling, and Endowments.

Education & General Fund Balance Analysis

Major Drivers of the Current Fund Balance:

- Mid-biennial budget cuts occurred in fiscal years 2007, 2009, 2010, and 2011.
- The fiscal year 2011 state funding cut of \$9M was absorbed at the University level.
- An Education and General Fund balance recapture of \$6.2M occurred in fiscal year 2011. 30% of Teaching Units and 40% of Non-Teaching Units beginning fund balances were swept for use in the upcoming biennium.
- Although \$6.2M was shifted from the departmental fund balances in 2011, ending departmental fund balances increased by approximately \$8M from fiscal year 2010.
- Multiple budget cuts have impacted campus behavior.
- The University implemented furlough days in fiscal year 2010 which resulted in salary savings for several months.
- At the end of fiscal year 2011, OUS distributed an additional \$7M for Maintenance of Effort and RAM rebalancing. Subsequently, our fiscal year 2012 allocation was reduced by that same amount.

Portland State University Education and General Fund Balance Components

\$ in Millions

