

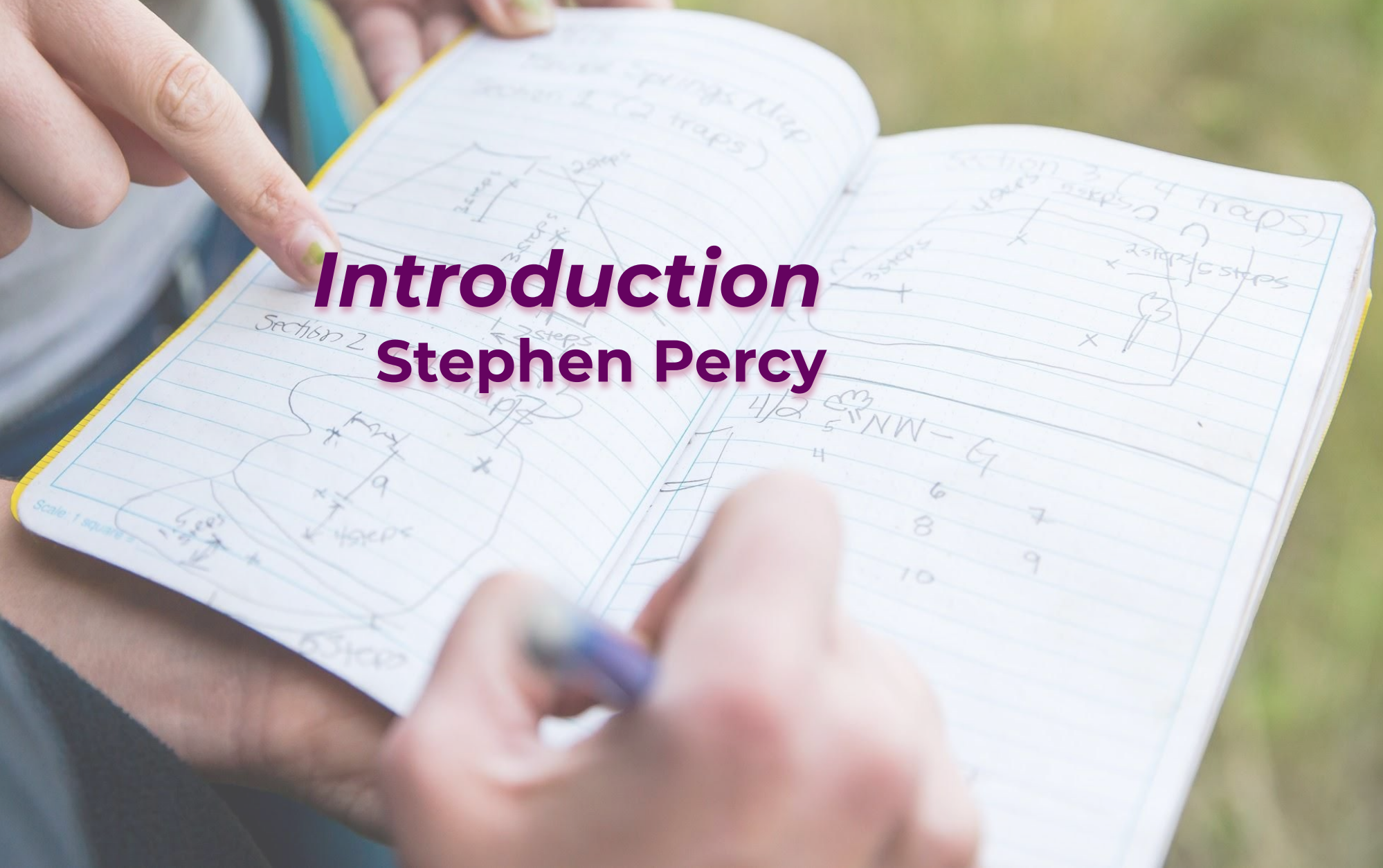
Budget Town Hall

February 22, 2021

Note: We are currently working on an accessible version of the slide deck and will replace this version once that become available.



Introduction Stephen Percy





Budget Town Hall

February 22, 2021

Agenda

1. Introduction
2. Budget Update
 - a. Current Year Update
 - b. Enrollment Forecast
 - c. State and Federal Funding
 - d. Four-year General Fund Revenue and Expense Forecast
3. Strategy
4. Summary of Tactics
5. OAA Next Steps
6. Budget Timeline & Upcoming Events
7. Q&A
8. Wrap Up

Presenter

President Percy

Andria Johnson and Kevin Reynolds

Chuck Knepfle

Kevin Neely

Kevin Reynolds

President Percy

President Percy

Susan Jeffords

Andria Johnson


Jason Podrabsky

President Percy

A Q&A Session will follow the presentation

If you are attending the zoom meeting, you can use the Q&A function to ask questions at any time.

For those watching the live stream, you may submit questions to: townhall@pdx.edu

A scenic view of a city skyline across a river, with a cyclist on a bridge in the foreground. The city skyline features several modern high-rise buildings, some with glass facades, and a construction crane. The river is calm, reflecting the sky. In the foreground, a cyclist wearing a helmet and a plaid shirt is riding a red bicycle on a bridge with a metal railing. The bridge is curved and overlooks the river. The overall atmosphere is peaceful and urban.

Current Year Budget Update
Andria Johnson and Kevin Reynolds

3. Current Year Budget Update

- So far, the largest financial impact of Covid-19 pandemic has been on lost revenue to our auxiliary enterprises (Housing, Parking and Transportation, the University Place Hotel, Athletics, Commercial real estate)
- Auxiliaries are using reserves and cutting costs to the fullest extent possible
- Current guidance - The Higher Education Emergency Relief Fund II (**HEERF II**) can be used to offset lost revenue
- Anticipate differing rates of recovery as we reopen campus in the Fall

	FY21		FY20	FY19	FY18
	Adopted	Q1			
(\$ in 000s)	Budget	Forecast	Actual	Actual	Actual
Auxiliary Revenue	\$76,660	\$68,681	\$89,925	\$101,872	\$99,061
Auxiliary Expenses*	\$83,286	\$70,649	\$83,759	\$95,306	\$90,829
Auxiliary Net	-\$6,626	-\$1,968	\$6,166	\$6,566	\$8,232

**Does not include approximately \$11 million in depreciation each year
FY21 Auxiliary expenses are offset by a use of \$7.6 million of Treasury reserves*

3. Current Year Budget Update

- Student Housing: A reduction from 1900 students to approximately 600 in Spring 2020. Currently, approximately 800 students in Housing
 - Fall Term Year \$ 4.5 million revenue loss
 - Winter Term \$ 3.0 million revenue loss
 - Spring Term \$ 2.7 million revenue loss estimate
- Transportation and Parking Services (400 vehicles per day- 3900 total parking stalls, Fall Survey showed Driving rate 9% for students and 6% for employees)
 - Oct-Dec \$1.7 million revenue loss
 - Jan-June \$4.1 million revenue loss estimate
- University Place Hotel - estimated revenue loss of \$4.5 million (from a 5-year average revenue of \$5.3 million)
- Commercial Real Estate (16 leases modified and 4 abandoned)
 - March 2020-December 2021 \$1.4 million revenue impact

3. Current Year Budget Update

- Education and General Fund budget declined in FY 20-21 due to continued year over year enrollment declines
- Limited duration cost containment (Workshare, Leave without Pay, Hiring Freeze, Reduced Travel, Utilities) and historic underspend of budget indicates the use of \$11 million of E&G reserves will not be required this year

	FY21		FY20	FY19	FY18
	Adopted Budget	Q1 Forecast	Actual	Actual	Actual
\$ in 000s					
Net Tuition & Fees	\$203,121	\$202,361	\$212,638	\$219,575	\$217,946
Government Resources & Allocations	\$109,659	\$110,644	\$107,018	\$98,786	\$95,387
Gifts, Grants and Contracts	\$12,622	\$11,391	\$11,870	\$13,539	\$12,123
All Other	\$10,636	\$7,780	\$14,831	\$17,495	\$9,617
Total Revenue	\$336,038	\$332,176	\$352,833	\$349,394	\$335,073
Salaries & Wages	\$186,767	\$176,334	\$175,569	\$174,511	\$170,229
OPE (fringes)	\$96,468	\$88,553	\$90,072	\$84,297	\$83,305
Services & Supplies (net of transfers)	\$63,803	\$58,268	\$61,104	\$62,191	\$61,786
Total Expenses	\$347,038	\$323,155	\$326,745	\$320,999	\$315,320
Management Reserves	\$ -	\$6,232	\$8,651	\$10,634	\$10,925
Net	-\$11,000	\$2,789	\$10,958	\$17,761	\$8,828

Enrollment Forecast

Chuck Knepfle



Updated Enrollment Information

Thanks to the Faculty Senate and the rest of the university community for your support of Open for Fall, Open for All!

- Winter 2021 (as of 2/15/21)
 - Overall SCH down -8.3% (Undergrad -9.6%)
- Fall 2021 (FY22)
 - Applications for first-time (freshmen) students are down significantly with decreases ranging from -10% to -30%. In-state numbers are down more significantly than out-of-state.
 - It is still very early in the transfer recruitment cycle but initial indicators show a decline more significant than what we are seeing for first-time students.
 - We are modeling a projected decrease of -6.8% in new first-time and transfer students, and a -4.8% overall enrollment decline.
 - Graduate recruitment has remained relatively stable and applications for fall 2021 are slightly ahead of last year.



Updated Enrollment Information

- Enrollment forecast for 2022
 - November: At the beginning of the application cycle, we modeled an overall -2.7% based on fall 2020 4th week numbers and targeted new student enrollment from the Strategic Enrollment Plan
 - January: Updating the enrollment projections in the budget model results in a new forecast of a -4.8% overall enrollment decrease.
 - February: Current application data suggests enrollment *could* decline by 7%, although enrollment initiatives like Open for Fall, Open for All and additional targeted marketing have helped a bit with freshmen application numbers. Marketing towards transfer students is planned for next month.

<u>Projections</u>	<u>November</u>	<u>January</u>	<u>February</u>
Overall FTE	17,746	17,355	16,831
New Transfers	2,644	2,511	1,905
New Freshmen	1,187	1,127	966

Five-year Enrollment Forecast (January update)

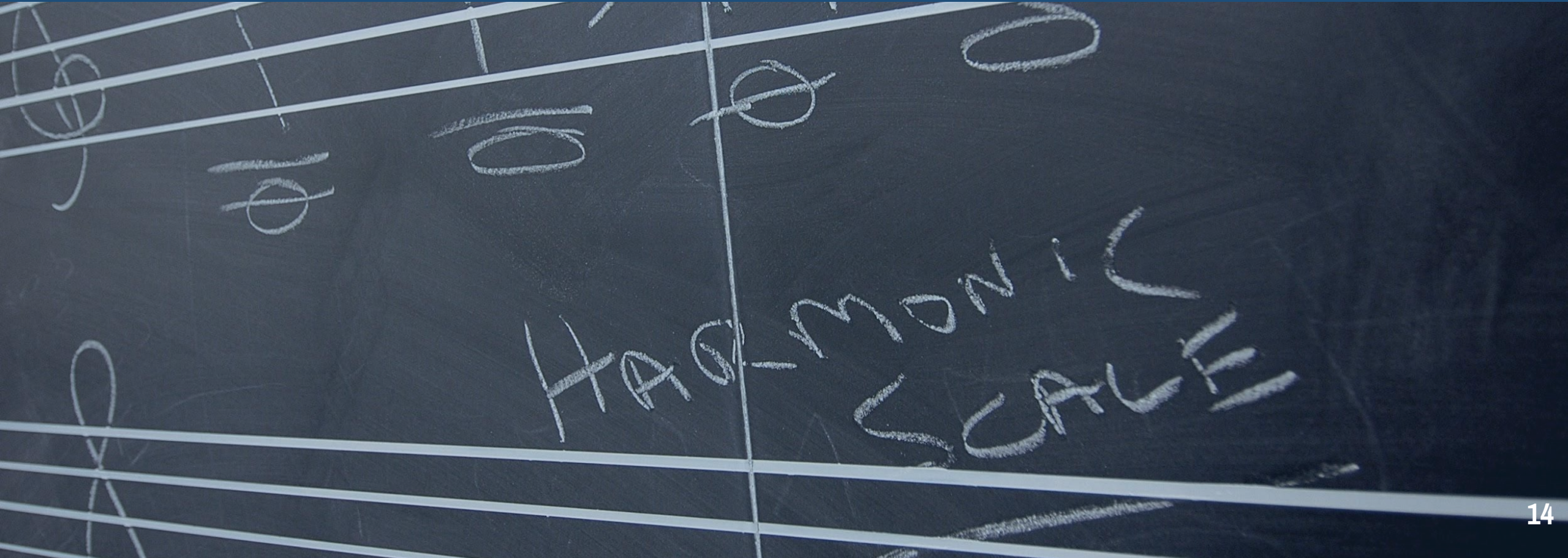


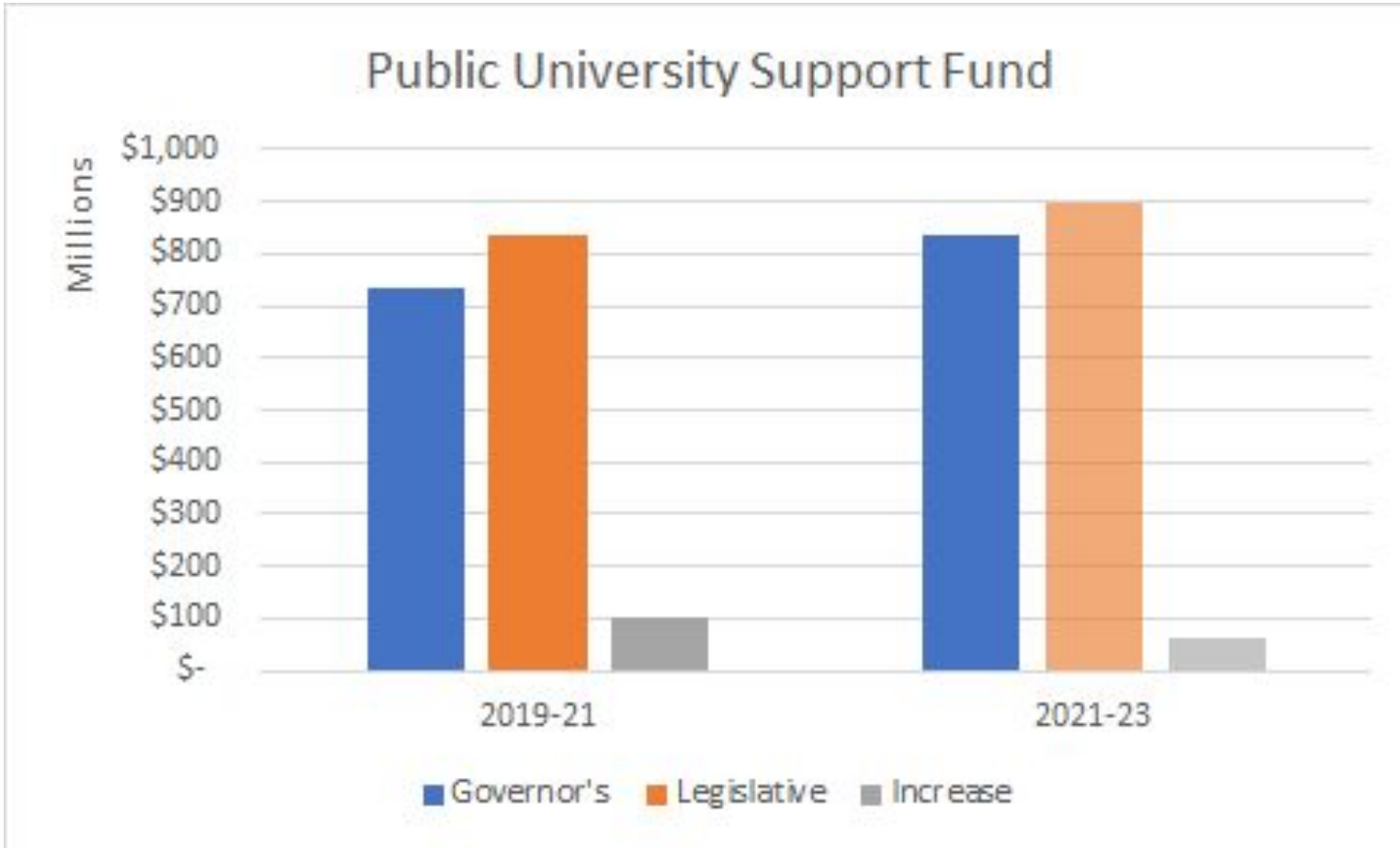
Five-year Enrollment Forecast (current application data)



State and Federal Funding

Kevin Neely





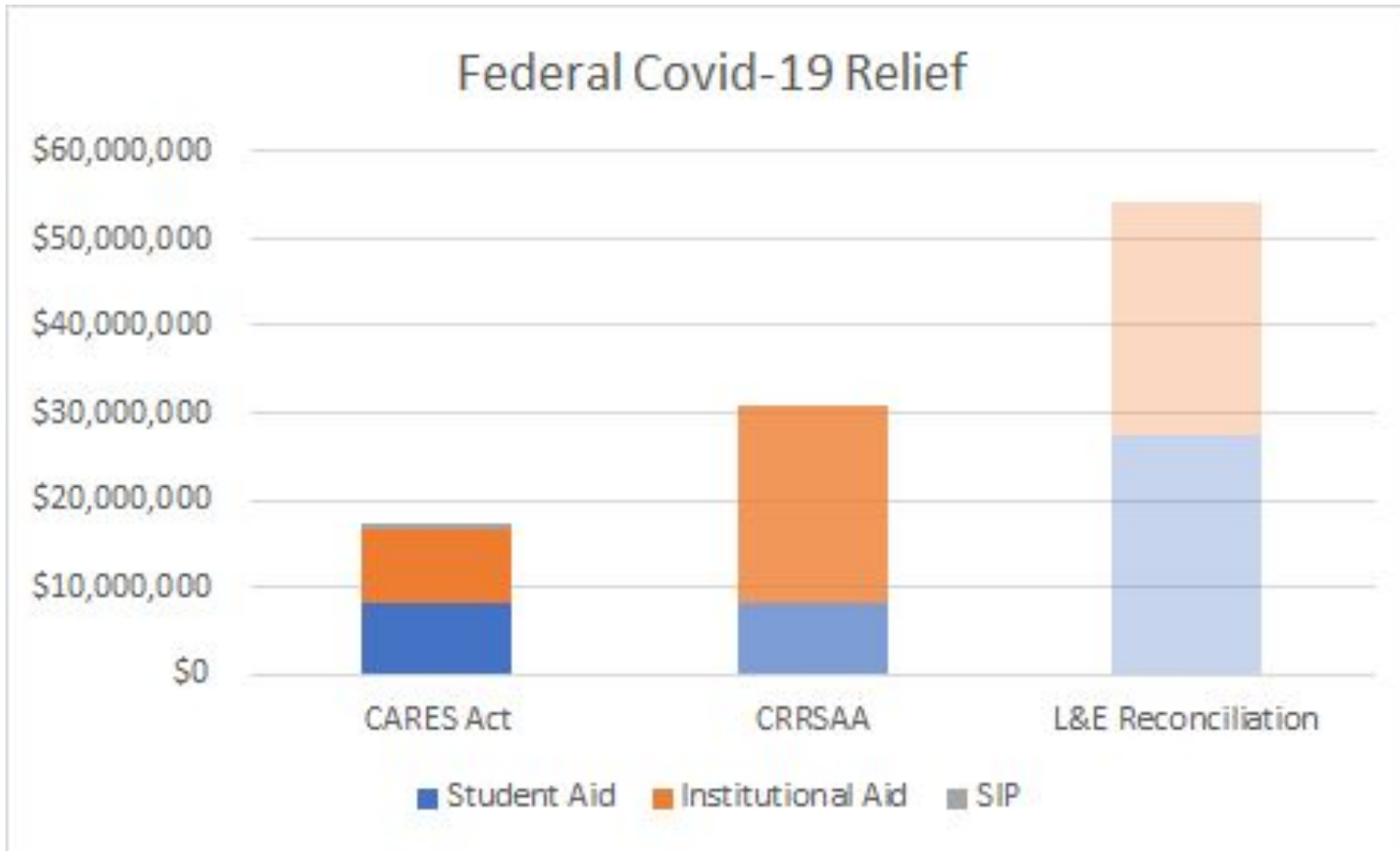
Governor's Recommended Budget (2021-23)

- No increase:
\$836.9 million

Legislative Budget (2021-23)

- Universities' request:
\$900 million

PSU Virtual Lobby Day
Thursday, March 4



Higher Education Emergency Relief Fund (HEERF)

Funds already approved

- \$17,465,588 (May 2020)
- \$30,740,104 (Dec 2020)

Pending in Congress

- \$54,194,338

At least 50% of CARES Act funds are dedicated to direct student aid.

Federal Covid-19 Relief Funds

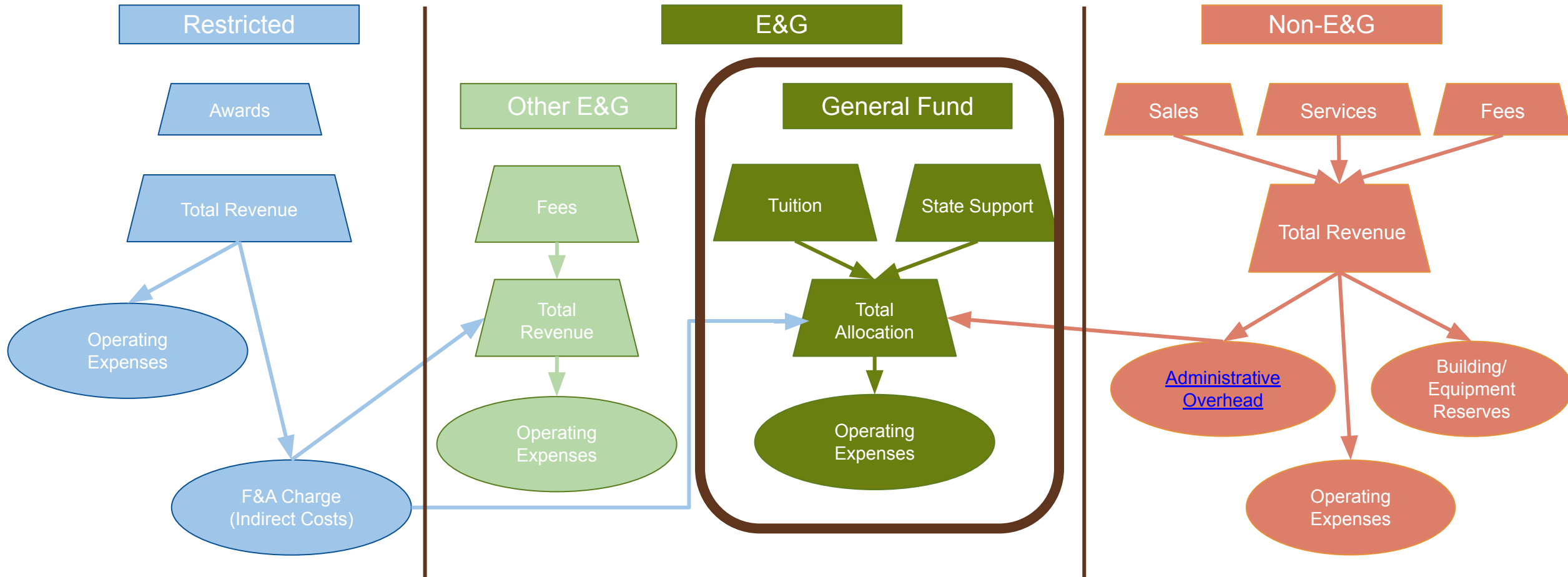
- Current guidance
 - One time, non-recurring funds
 - Funds must be used to offset revenue losses or COVID-19 related expenses
 - At least 50% must be used for direct student aid
- Additional guidance likely to be released
- Process
 - Executive Council with input from Faculty Senate Budget Committee and ASPSU
 - Share plan with Board of Trustees



***Four year
General Fund
Revenue and
Expense
Forecast***

Kevin Reynolds

Operating Budget Flow



For more information on the budget planning cycle, current allocations and definitions please see the FY 2020-21 Budget Overview Book found here: <https://drive.google.com/file/d/1BTe3AyPnXbxkMKPta4eot9dUUNs0li6c/view>

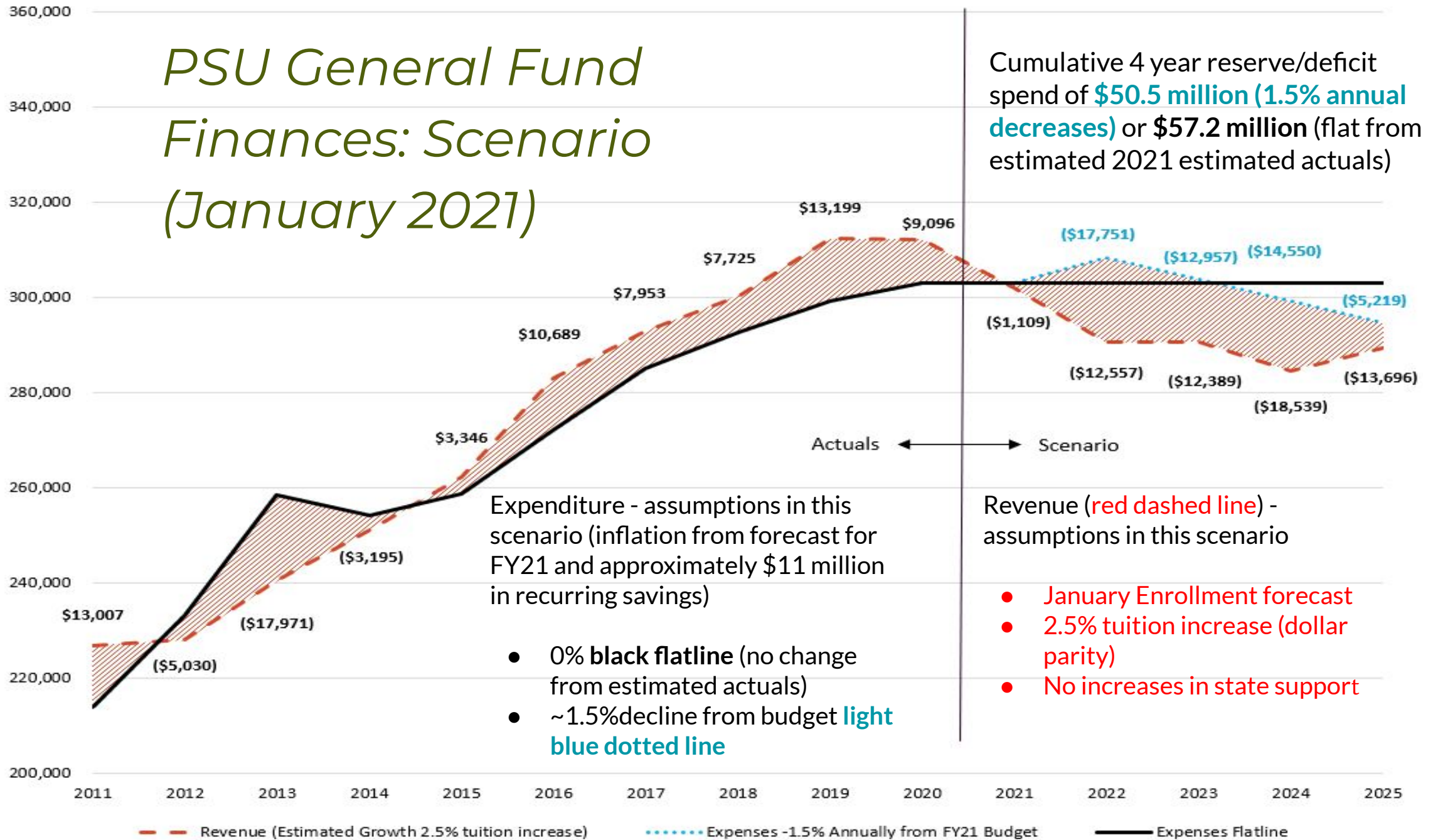
Operating Budget Components

- As shown in the previous slide, the All Funds Operating budget consists of many types of revenue and expenses
- For Restricted, Non Education & General (Non-E&G), and Other E&G Funds, the rates charged and the revenue collected are controlled by the department charging the fee or generating the revenue
- Departments are responsible for monitoring the revenue and adjusting expenses based on available resources for Restricted, Non E&G and Other E&G Funds
- General Fund revenue is collected centrally and then allocated to each division (Academic Affairs, Finance & Administration, Information Technology, etc.) on an annual basis
- General Fund revenue is monitored centrally while General Fund expenses are monitored centrally, by divisions and by departments
- The Revenue and Expenditure Forecast and information presented on the next several slides focus solely on the General Fund - which is a subset of E&G Funds

Revenue and Expenditure Forecasts

- Based on current information - evolve as we learn more
- State Support Allocation
 - Final Biennial allocation to the Public University Support fund unknown
 - Change in funding formula - increase in base support \$4.2 to 8.1 million
 - Impact of other funding formula changes and 3 year rolling average of activities components of the funding formula for all 7 Oregon Public Universities
- Net Tuition Revenue
 - Tuition rates not yet set
 - Covid-19 pandemic has added significant volatility to new and continuing student trends
 - Volatility introduces large changes in net revenue forecasts (\$6 Million difference between a 4.8% and 7% decline)
- Enrollment is almost certain to decline and all indications are that the general fund revenue will decline for the second year in a row
- Current Service Level (CSL) is estimated at 3%

PSU General Fund Finances: Scenario (January 2021)



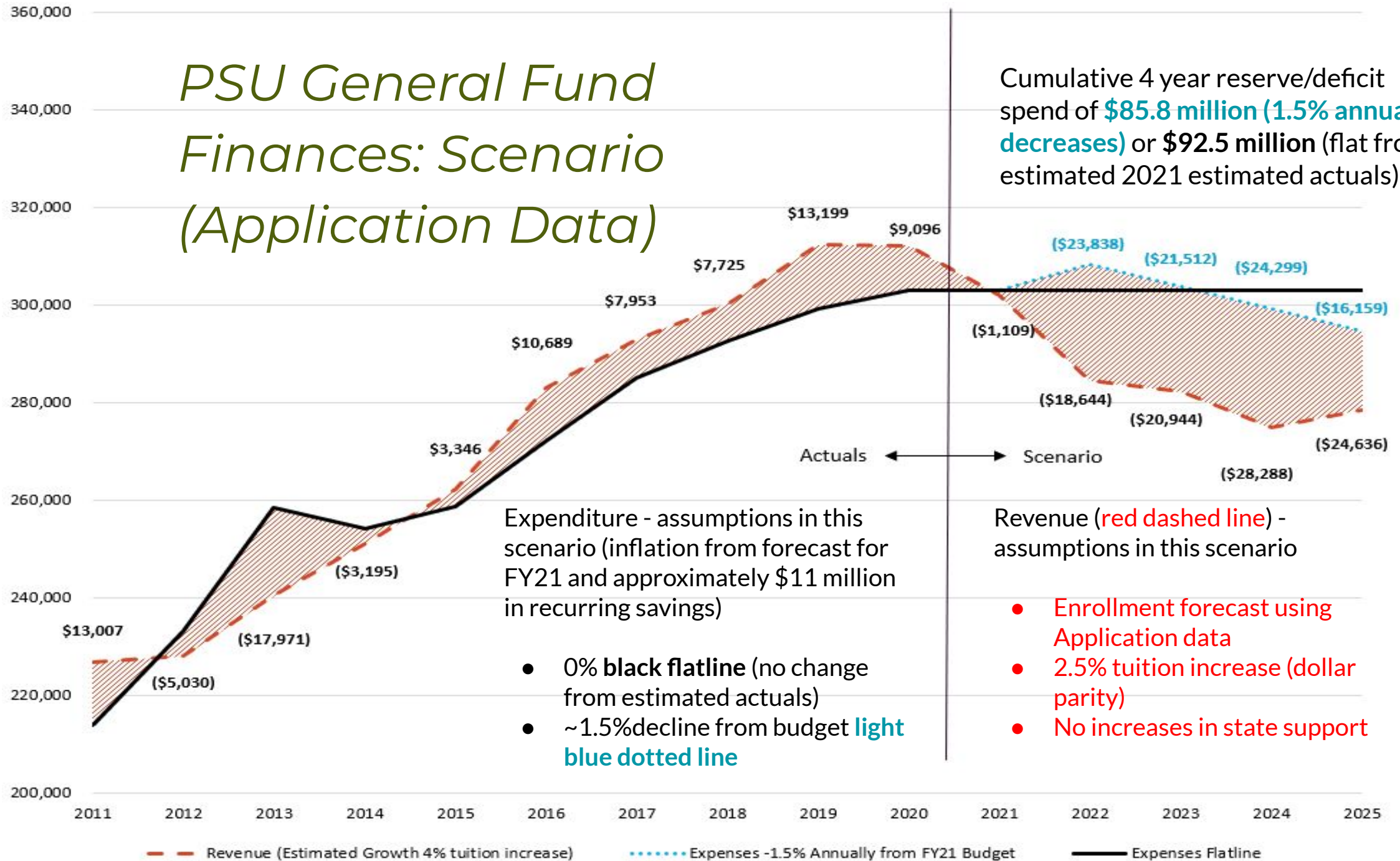
FY 2021-22 Deficit Spending Matrix and preliminary guidance from Board of Trustees

Approximate Budget Change	Approximate Undergraduate Resident Tuition Increase			
	0%	2.5%	3.9%	4.9%
-3% (~\$19M reduction from CSL)	\$14 to \$16 million	\$12 to \$14 million	\$10 to \$12 million	\$9 to \$11 million
-1.5% (~\$13M reduction from CSL)	\$19 to \$21 million	\$16 to \$18 million	\$15 to \$17 million	\$14 to \$16 million
Flat (~\$9M reduction from CSL)	\$24 to \$26 million	\$21 to \$23 million	\$20 to \$22 million	\$19 to \$21 million
1.5% (~\$5M reduction from CSL)	\$28 to \$30 million	\$26 to \$28 million	\$24 to \$26 million	\$23 to \$25 million
3% (CSL)	\$33 to \$35 million	\$30 to \$32 million	\$29 to \$31 million	\$28 to \$30 million

Even with significant reductions, a combination of tuition increases and deficit spending (use of reserves) will be required for the FY 2021-22 General Fund budget.

PSU General Fund Finances: Scenario (Application Data)

Cumulative 4 year reserve/deficit spend of **\$85.8 million (1.5% annual decreases)** or **\$92.5 million** (flat from estimated 2021 estimated actuals)





Strategy

Stephen Percy

Budget Goal

Implement a multi-year plan to achieve financial stability aligned with our core mission and values and responsive to the continuing evolution in higher education

Core University Values

- An abiding commitment to student learning
- Persistent effort to create social and economic mobility for every student
- Engaging actively with our community, carrying fourth our motto to *Let Knowledge Serve the City*
- Creating and disseminating knowledge, and empowering artistic expression, are key to making our community, our state, our world a better place
- An unmatched spirit of innovation

Presidential Strategic Priorities

- Acting on Equity and Racial Justice
- Maintaining a laser focus on student success and Students First
- Mobilizing engagement to strengthen our city

For additional details please visit:
www.pdx.edu/president/strategic-priorities

Tactics

Stephen Percy



Multi-Year Approach

- Use of reserves to allow for development and gradual implementation
- Active and persistent attention to enrollment
- Vigorous advocacy for state investment and other external support
- Pursuing opportunities for revenue growth
- Align resources, reduce expenditures, implement efficiencies
- Invest in promising opportunities

Year One

- A. Estimated use of \$18 million in reserves
- B. Use of one-time federal relief funds
- C. Possible limited tuition increase
- D. State budget advocacy
- E. Division level reductions - approx. 1.5% cut from 2021 budget level

Future Years

1. Continued use of reserves to bridge the gaps
 - The university has approximately \$100 million in Education & General (E&G) Fund Reserves
 - E&G reserves will be used as bridge funds in addition to changes over the next several years
 - Phased reduction avoids a larger immediate impact, allows for strategic reductions, and creates flexibility to adjust changes in enrollment and revenue

For more information on University Reserves, please see pages 21-24 of the Annual Financial Dashboard found here:

<https://drive.google.com/file/d/1jEEbWHbHHKhgFrNYhVriFpFtCacMoKPS/view>

Future Years

2. Implement Strategic Enrollment Plans for undergraduate and graduate admission
 - Innovative programs such as Open for Fall, Open for All
 - Commitment to diverse student body

3. Advocacy for state and other resources

Future Years

4. Pursue opportunities for revenue growth
 - Innovative ideas are welcome as is revenue sharing
 - Various campus units (e.g., OAI, CEPE, Graduate School) are engaged along with deans and academic units
 - Investing resources in areas with enrollment demand
 - Exploring expanded on-line offerings to reach new markets
 - Growing professional, executive non-credit offerings
 - Development of summer term as expanded learning opportunity

Future Years

5. Align resources, reduce expenditures, implement efficiencies
 - Engage in efforts to reduce overall expenditures
 - Potential reduction of 6-10% of current E&G budget by 2025
 - Assess administrative and academic programs for fidelity to values and priorities
 - Evaluate institutional structure to optimize outcomes
 - Create limited resources to enable investment in promising opportunities

Processes

- OAA budget model Lead: Provost Susan Jeffords
- Academic program review
 - Lead: Academic Leadership Team
 - Input: Faculty Senate
- Support services review Lead: Kevin Reynolds, VP for Finance & Administration
- Comprehensive review of athletics
 - Lead: Outside consultant
 - Input: Athletics
- Reduce lease costs and physical footprint Lead: Kevin Reynolds

Guiding Principles

- Protect PSU's core values and priorities
- Treat our employees with care and respect by minimizing reductions to the extent possible, while providing supportive benefits and professional development
- Preserve and promote the ability to respond to student demand for academic programs aligned with career and life interests
- Embrace transparency and respect and adhere to all established policies, procedures and practices for shared governance
- Use data to inform decision-making
- Consider big ideas that can lead to substantial innovation and respond effectively to the changing environment of higher education

THE TIME IS NOW

A hand is shown drawing architectural plans on a desk. The hand is holding a white marker and is in the process of drawing a line on a set of architectural drawings. The desk is cluttered with various tools and materials, including a yellow utility knife, a metal ruler with circular holes, several pens and pencils, and a clear plastic cup. The background is slightly blurred, focusing attention on the hand and the drawing process.

Budget Timeline and Upcoming Events

Susan Jeffords and Andria Johnson

Office of Academic Affairs

1. OAA Town Hall #1
March 9, 2021
TIME - TBD
2. OAA Town Hall #2
March 11, 2021
TIME - TBD

FY 2021-22 Outlook: Key Dates

January - March	General Fund Scenario Planning
February 2021	Co-Chairs Budget for State Appropriations
February 2021	Budget Context and Initial Guidance
February - March	FY22 Enrollment and Revenue Forecast Updated
April 2021	Tuition Proposal to Board of Trustees
April - June 2021	Budget Building
June 2021	Preliminary Operating Budget for Board Approval
June/July 2021	Final Budget for State Appropriations

Q&A

Jason Podrabsky





Budget Town Hall

February 22, 2021

*If you are attending the zoom meeting,
you can use the Q&A function to ask
questions at any time.*

*For those watching the live stream, you
may submit questions to:
townhall@pdx.edu*

Wrap Up Stephen Percy