New Unit Heads Series: Budgets 101

Jamie Moffitt
Feb. 6. 2019
Scenario One: Proposed Faculty Conference

Three faculty members in your department would like to sponsor a major three-day conference next year. They are expecting around 50 conference participants from universities across the country. They have $5,000 of carry-forward in their ICC funds, $2K in each of their ASA accounts, and $3K in a restricted gift fund that they would like to invest in the event. They also have asked that you contribute $4K of departmental general funds. The total budget for the event is around $25K and they intend to use these funds to support the following activities:

- They would like to pay three of the guest speakers $3,000 per day. Two of the speakers are from other universities, but one is from a different department at the UO.
- One of the guest lecturers is insisting that they fly first class from Chicago.
- They would like to organize a golf outing for the group at the Eugene Country Club. The greens fees will be $4,000 for the group ($200 per person)

They would like to take the group white water rafting on the McKenzie River. They have found a rafting company that can organize a four-hour trip for $95 per person.

They plan to organize two dinners for the conference participants:
- A working dinner on campus the first night of the conference. They have identified a wonderful new catering company based out of Springfield.
- A non-working dinner at Marche the second night of the conference
Scenario Two: Staffing Request

One of your most productive faculty members requested a meeting with you last week to talk about a part time staff position they would like to hire. Specifically, their research involves a lot of data analysis and they feel that they need a computer specialist to help with the work. They have around $20,000 of carry forward in their Chair foundation funds. They would like to hire an individual to work 30 hours per week at $20 per hour. They have a specific individual in mind and would like to put a personal services contract in place.
University of Oregon
Financial Briefing

February 6th, 2019
Agenda

- UO Budget Structure
- Key Sources of E&G Funding
- Historical & Comparative Data
- Projected FY20 Cost Drivers
- Tuition Revenue
- Campus Growth
UO Budget Structure

**E&G Funds**
- Tuition revenue
- State Appropriation
- F&A Return
- Overhead revenue
- Fee revenue, interest earnings

**Other Funds**
- Grants and Contracts revenue
- Auxiliary Revenue
- Service Center Revenue
- Designated Operations Revenue
- Restricted gifts

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School & College Budgets

Central Admin Budgets

Institutional Expenses (Debt, assessments, utilities, leases)

Grants & Contracts

Plant Funds

Auxiliary, Service Centers, and Designated Ops Funds

Restricted Gifts
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Decreased levels of State Appropriation

Loss of over $7 million of annual support per year
State Appropriation and Resident Tuition Revenue per Resident Student FTE

Note: The chart compares state appropriation and resident tuition revenue on a per student FTE basis. Figures are expressed in inflation-adjusted 2018 dollars. The Consumer Price Index (CPI) values are obtained from the Bureau of Labor Statistics and represent the Urban-West annual CPI as of June 30, 2018. 
Source: UO Office of Institutional Research.
<table>
<thead>
<tr>
<th>Revenue Stream</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation</td>
<td>$72.7 million</td>
</tr>
<tr>
<td>Resident Net Tuition</td>
<td>$103.4 million</td>
</tr>
<tr>
<td>Non-resident Net Tuition</td>
<td>$281.7 million</td>
</tr>
</tbody>
</table>
Increasing Dependence Upon Nonresident Tuition

FY2003 – Revenue Breakdown

- Nonresident Tuition as % of Total Three sources: 41.1%
- Resident Tuition as % of Total Three sources: 31.8%
- State Appropriation as % of Total Three sources: 27.1%

FY2018 – Revenue Breakdown

- Non-Resident Tuition as % of Total Three Sources: 61.5%
- Resident Tuition as % of Total Three Sources: 22.6%
- State Appropriation as % of Total Three Sources: 15.9%
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School & College Budgets
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Restricted Gifts
Context – E&G Fund

• E&G Fund - Characteristics
  • 80% funded with tuition revenue
  • Funds majority of activity in schools and colleges and administrative units
  • Over 80% invested in people

• E&G Fund – Recent History
  • FY15: $10 million deficit ($6.5 million related to recurring issues)
  • FY16: Balanced due to state investment and tuition increase
  • FY17: Balanced due to tuition increase and cost containment efforts
  • FY18: Balanced due to state investment, tuition increase, and cost cutting
  • FY19: $5.6 million deficit projected
Recent Cost Cutting and Savings Initiatives

• FY17 Administrative Cuts - $3.0M

• FY17 CAS Cost Cut - $3.3M

• FY18 Presidential Directed Cuts - $4.5M

• FY15 - FY18 Efficiencies Savings - $8.8M
  one time; $4.6 M - $5.6M recurring

• FY19 – cost cutting / efficiency savings initiatives are continuing
UO Faculty / Student Ratio – 78.3% of Mean of Peer Institutions

Note: The ratio of faculty to students is based on faculty FTE to student FTE.
Source: IPEDS Human Resources and Enrollment (FY2017).
UO Staff / Student Ratio – 60.1% of Mean of Peer Institutions

Comparison of Staffing per 1,000 Students among AAU Publics

FTE Non-Faculty Staff (Non-medical) per FTE Students

University of Oregon
Faculty per 1000 Students: 123.2
or 60.1% of the AAU Mean

Average: 205.0 Staff per 1000 Students

Note: The ratio of faculty to students is based on faculty FTE to student FTE.
Source: IPEDS Human Resources and Enrollment (FY2017).
State Appropriations per Student FTE among AAU Publics (FY2017)

Average State Appropriation per Student: $9,509

Notes:
1. University of Colorado, Penn State University, and University of Pittsburgh are excluded from the table because these institutions have an alternative state funding mechanism.
2. The Student FTE corresponds to a 12-month FTE.
3. In Illinois, the state failed to pass budgets in FY16 and FY17.
Source: IPEDS Finance (FY2017) and Enrollment (FY2017).
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## Summary – Major FY2020 E&G Fund Cost Drivers

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>FY20 Cost</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Staff and GE Salary and Wages</td>
<td>$10.6 million</td>
<td>E&amp;G employee increases per existing collective bargaining agreement for approximately 1,402 faculty. Also includes estimates of increases for 665 classified staff, 1,272 graduate employees, and approximately 1,034 unrepresented staff. Figures are for employees paid with E&amp;G funds only.</td>
</tr>
<tr>
<td>Medical Costs</td>
<td>$1.9 million</td>
<td>Assumed annual increase of 3.7%</td>
</tr>
<tr>
<td>Retirement Costs</td>
<td>$7.6 million</td>
<td>Based on new PERS rates released by PERS board in fall 2018.</td>
</tr>
<tr>
<td>Institutional Expenses</td>
<td>$1.0 million</td>
<td>Increases related to utilities, insurance, debt for academic buildings, assessments, and leases.</td>
</tr>
<tr>
<td>Strategic Investments</td>
<td>$2.0 million</td>
<td>Allocated via strategic investment process.</td>
</tr>
<tr>
<td>Minimum Wage Increase</td>
<td>$1.0 million</td>
<td>Increases per State of Oregon minimum wage increase to $11.25/hr</td>
</tr>
<tr>
<td><strong>Total Projected Cost Increases</strong></td>
<td><strong>$24.1 million</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Summary – Major FY2020 E&G Fund Cost Drivers

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>FY19 Base</th>
<th>FY20 Cost Increase</th>
<th>FY20 % increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Staff and GE Salary and Wages</td>
<td>$422.3 million</td>
<td>$10.6 million</td>
<td>2.5%</td>
</tr>
<tr>
<td>Medical Costs</td>
<td>$51.0 million</td>
<td>$1.9 million</td>
<td>3.7%</td>
</tr>
<tr>
<td>Retirement Costs</td>
<td>$54.4 million</td>
<td>$7.6 million</td>
<td>14.0%</td>
</tr>
<tr>
<td>Institutional Expenses</td>
<td>$36.6 million</td>
<td>$1.0 million</td>
<td>2.7%</td>
</tr>
<tr>
<td>Strategic Investments</td>
<td>$541.1 million</td>
<td>$2.0 million</td>
<td>0.4%</td>
</tr>
<tr>
<td>Minimum Wage Increase</td>
<td>$429.2 million</td>
<td>$1.0 million</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$541.1 million</strong></td>
<td><strong>$24.1 million</strong></td>
<td><strong>4.45%</strong></td>
</tr>
</tbody>
</table>
### Projected Annual Increases

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>E &amp; G Fund</td>
<td>$7.1M</td>
<td>$0</td>
<td>$7.6M</td>
<td>$0</td>
<td>$7.6M</td>
</tr>
<tr>
<td>Other</td>
<td>$3.4M</td>
<td>$0</td>
<td>$3.0M</td>
<td>$0</td>
<td>$3.0M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10.5M</td>
<td>$0</td>
<td>$10.6M</td>
<td>$0</td>
<td>$10.6M</td>
</tr>
</tbody>
</table>

If PERS unfunded liabilities continue to grow, charges to the University of Oregon could grow significantly in future years.

### Projected Cumulative Increases

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>E &amp; G Fund</td>
<td>$7.1M</td>
<td>$7.1M</td>
<td>$14.7M</td>
<td>$14.7M</td>
<td>$22.3M</td>
</tr>
<tr>
<td>Other</td>
<td>$3.4M</td>
<td>$3.4M</td>
<td>$6.4M</td>
<td>$6.4M</td>
<td>$9.4M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10.5M</td>
<td>$10.5M</td>
<td>$21.1M</td>
<td>$21.1M</td>
<td>$31.7M</td>
</tr>
</tbody>
</table>
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AAU Publics
2018-19 Tuition and Mandatory Fees
Resident Full-time Undergraduate

Source: AAUDE Tuition and Fees.
AAU Publics
2018-19 Tuition and Mandatory Fees
Nonresident Full-time Undergraduate

Source: AAUDE Tuition and Fees.

University of Oregon
Tuition Revenue

For each 1% increase in undergraduate tuition, overall revenue increases*:

<table>
<thead>
<tr>
<th>Resident</th>
<th>$800k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-resident</td>
<td>$2.5M</td>
</tr>
</tbody>
</table>

*Totals account for fee remissions and summer revenue
### Tuition Revenue

- FY20 annual cost drivers: $24.1 million

<table>
<thead>
<tr>
<th>Percent Increase (Per Student Annually)</th>
<th>2.0% ($650)</th>
<th>2.5% ($813)</th>
<th>3.0% ($976)</th>
<th>4.0% ($1,301)</th>
<th>5.0% ($1,627)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Tuition Rate Increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0% ($190)</td>
<td>$6.6M</td>
<td>$7.8M</td>
<td>$9.1M</td>
<td>$11.6M</td>
<td>$14.1M</td>
</tr>
<tr>
<td>3.0% ($285)</td>
<td>$7.4M</td>
<td>$8.6M</td>
<td>$9.9M</td>
<td>$12.4M</td>
<td>$14.9M</td>
</tr>
<tr>
<td>4.0% ($380)</td>
<td>$8.1M</td>
<td>$9.4M</td>
<td>$10.6M</td>
<td>$13.2M</td>
<td>$15.7M</td>
</tr>
<tr>
<td>5.0% ($475)</td>
<td>$8.9M</td>
<td>$10.1M</td>
<td>$11.4M</td>
<td>$13.9M</td>
<td>$16.5M</td>
</tr>
<tr>
<td>Non-resident Tuition Rate Increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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Campus Growth
Campus Growth

– Assumed Growth– 3,000 students over a period of eight years

– Necessary investments
  • Recruiting
  • Classroom/Faculty Office Building
    • Minimum of 45,000-60,000 gross square foot building needed to support classroom and faculty offices for student growth
  • Additional new residence hall capacity
  • Investments in Faculty and Staff – additional investments related to cost of education after the first 750 new additional students
# Campus Growth

## Financial Projections Presented to Board

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entering Freshmen</td>
<td>4,150</td>
<td>4,450</td>
<td>4,450</td>
<td>4,500</td>
<td>4,675</td>
<td>4,775</td>
<td>4,850</td>
<td>4,900</td>
</tr>
<tr>
<td>Total Undergrads</td>
<td>19,892</td>
<td>20,370</td>
<td>20,782</td>
<td>21,174</td>
<td>21,619</td>
<td>22,001</td>
<td>22,348</td>
<td>22,658</td>
</tr>
<tr>
<td>(Admitted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Enrollment Growth</td>
<td>$7.9M</td>
<td>$14.2M</td>
<td>$12.2M</td>
<td>$12.1M</td>
<td>$14.2M</td>
<td>$13.6M</td>
<td>$13.4M</td>
<td>$12.7M</td>
</tr>
<tr>
<td>Incremental Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruiting</td>
<td>$1.3M</td>
<td>$245k</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New Classroom Building</td>
<td>-</td>
<td>$3.1M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Faculty and Staff</td>
<td>-</td>
<td>$224k</td>
<td>$5.4M</td>
<td>$5.5M</td>
<td>$6.5M</td>
<td>$6.0M</td>
<td>$5.9M</td>
<td>$5.6M</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$6.6M</td>
<td>$10.6M</td>
<td>$6.8M</td>
<td>$6.6M</td>
<td>$7.7M</td>
<td>$7.6M</td>
<td>$7.5M</td>
<td>$7.1M</td>
</tr>
</tbody>
</table>
Governor’s Recommended Budget (GRB)

- Universities were “flat funded”
- Funding level for FY20 - FY21 is the same as funding level for FY18 - FY19
- No increases were provided for cost drivers such as salary increases, PERs, PEBB
- Due to 49% / 51% split of funds, UO would likely see cut of $2.7 million in FY20
- Governor’s “investment budget” would significantly increase PUSF funding
Summary of FY2020 E&G Fund Budget Challenge

- FY2019 Projected Deficit: $5.6 million
- FY2020 Cost Drivers: $24.1 million
- GRB Budget – FY20 impact: ($2.7 million)
- Total Gap to Fill: $32.4 million

Opportunities:
- Campus Growth
- Increased State Support