



UNIVERSITY OF OREGON

Department Head Training

University of Oregon Financial Briefing

December 6th, 2017



UNIVERSITY OF OREGON

Agenda

- UO Budget Structure
- Key Sources of University Financing
- 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*

School & College
Budgets

Central Admin
Budgets

Institutional Expenses
(Debt, assessments,
utilities, leases)

Other Funds

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

Grants & Contracts

Plant Funds

Auxiliary, Service Centers,
and Designated Ops
Funds

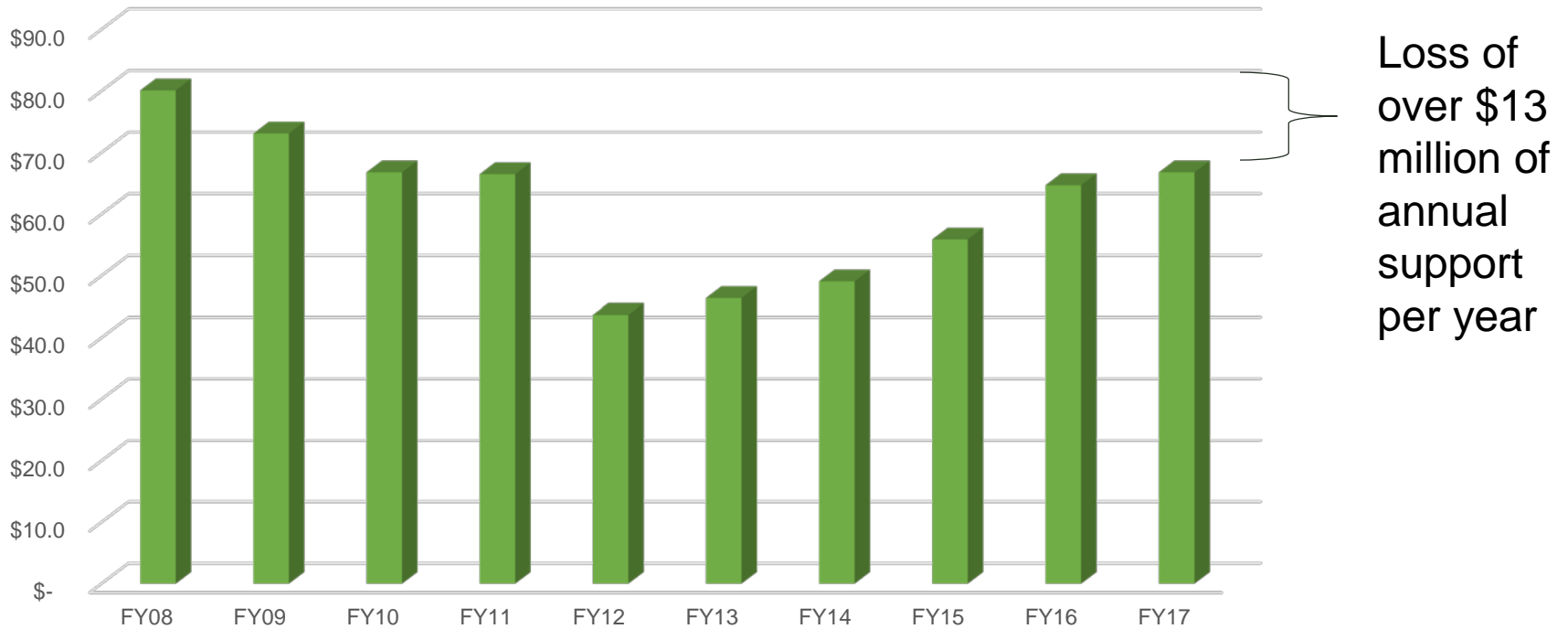
Restricted Gifts



Agenda

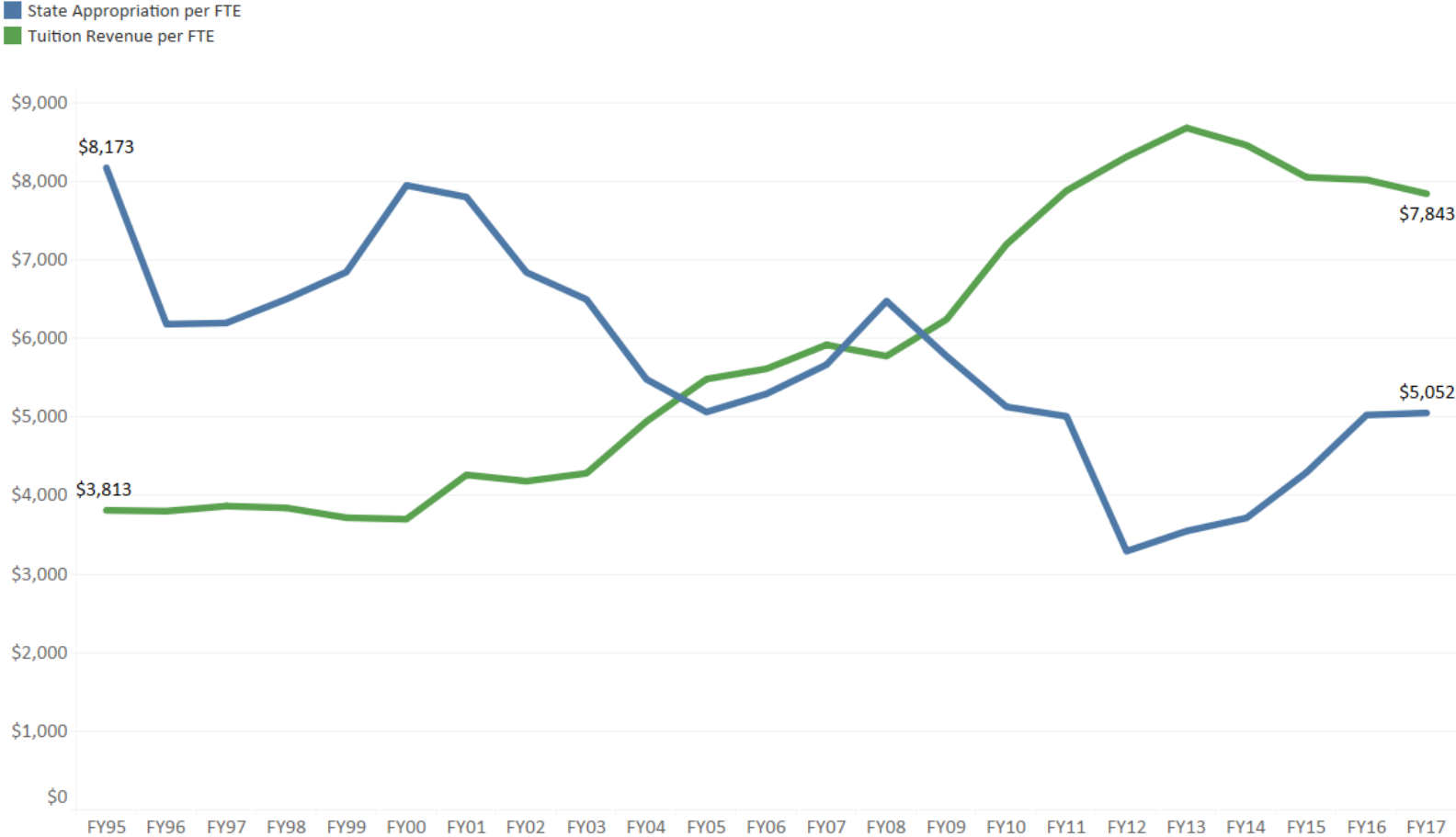
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Decreased levels of State Appropriation



State Appropriation and Tuition

State Appropriation and Resident Tuition Revenue per Resident Student FTE



The chart compares state appropriation and resident tuition revenue on a per student FTE basis. Figures are expressed in CPI-adjusted 2017 dollars. Source: UO Office of Institutional Research.

University Resources

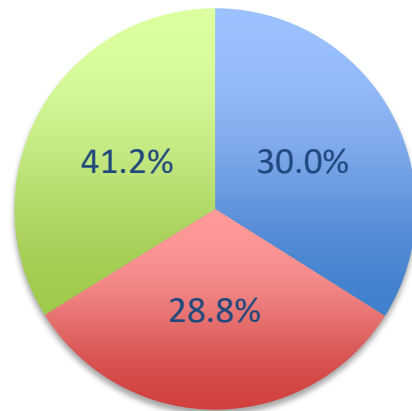
FY2017 Major Revenue Streams (E&G Fund)

State Appropriation	\$66.8 million
Resident Tuition	\$103.7 million
Non-resident Tuition	\$308.8 million



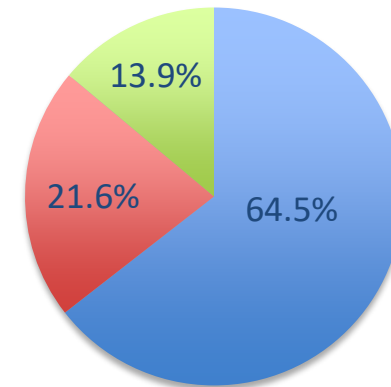
Increasing Dependence Upon Nonresident Tuition

FY2002 – Revenue Breakdown



- Nonresident Tuition as % of Total Three sources
- Resident Tuition as % of Total Three sources
- State Appropriation as % of Total Three sources

FY2017 – Revenue Breakdown



- Non-Resident Tuition as % of Total Three Sources
- Resident Tuition as % of Total Three Sources
- State Appropriation as % of Total Three Sources

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Cost Drivers - E&G Fund

Annual Typical Cost Drivers	FY17-FY18 Average Cost Increase
Faculty and Staff Salary and Wages	\$9.3M
GE Salary and Benefits	\$1.1M
Medical Costs	\$1.9M
Institutional Expenses	\$1.2M
Strategic Investments (includes \$1 million for new faculty)	\$2.0M
Investments in Tenure Track Faculty	\$1.5M
Total Project Cost Increases	\$17.0M

➤ However, these totals do not include rising PERS costs.



Cost Drivers – PERS Costs

Projected Increases	FY18	FY19	FY20	FY21	FY22
E & G Fund	\$7.1M	\$0	\$7.1M	\$0	\$7.1M
Other	\$3.4M	\$0	\$3.4M	\$0	\$3.4M
Total	\$10.5M	\$0	\$10.5M	\$0	\$10.5M

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



Cost Drivers

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Retirement Costs (\$7.1M every other year)	\$3.5M
Total Project Cost Increases	\$20.5M



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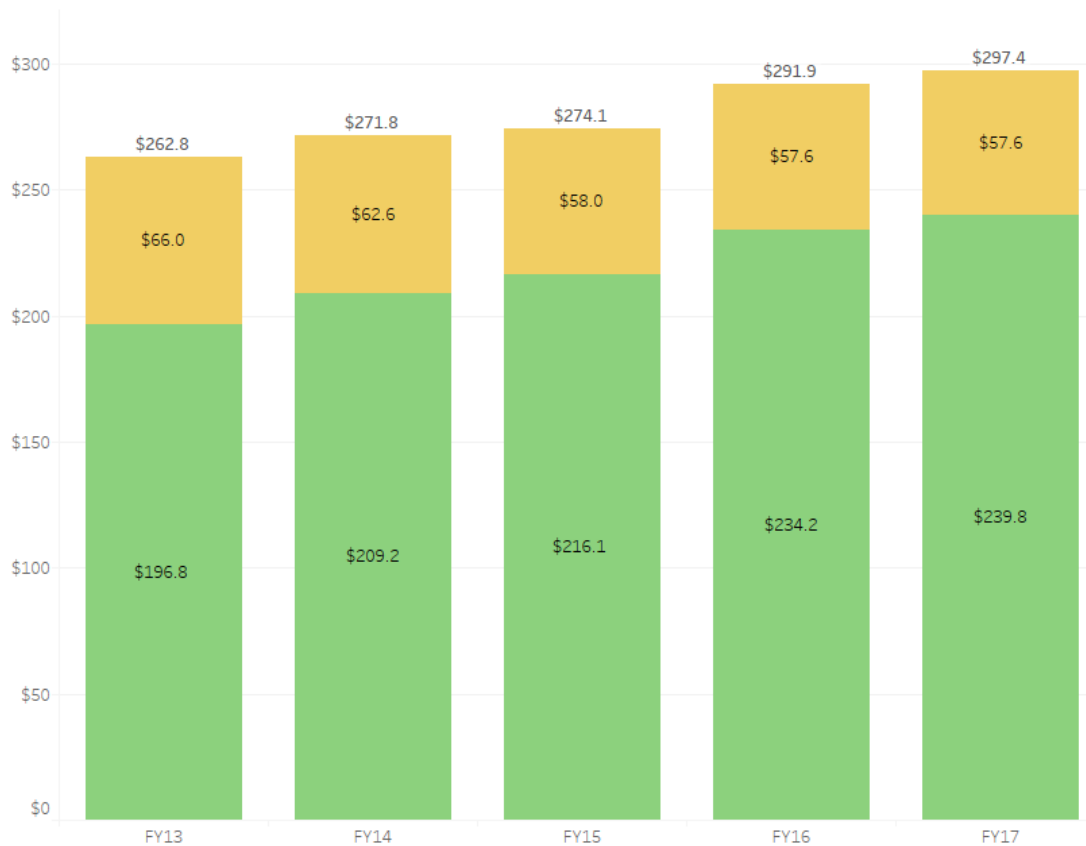
Tuition Revenue

In FY17, 80.6% of net tuition came from non-resident students

Undergraduate Tuition Revenue and Enrollment

Residency
Resident
Nonresident

Net Undergraduate Tuition Revenue (in millions)

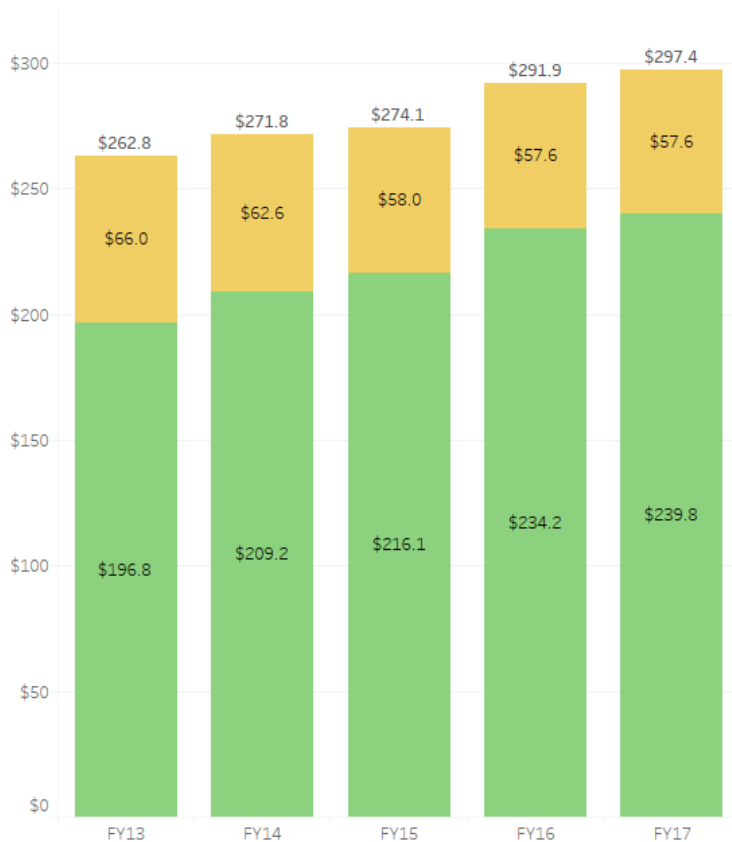


Tuition Revenue

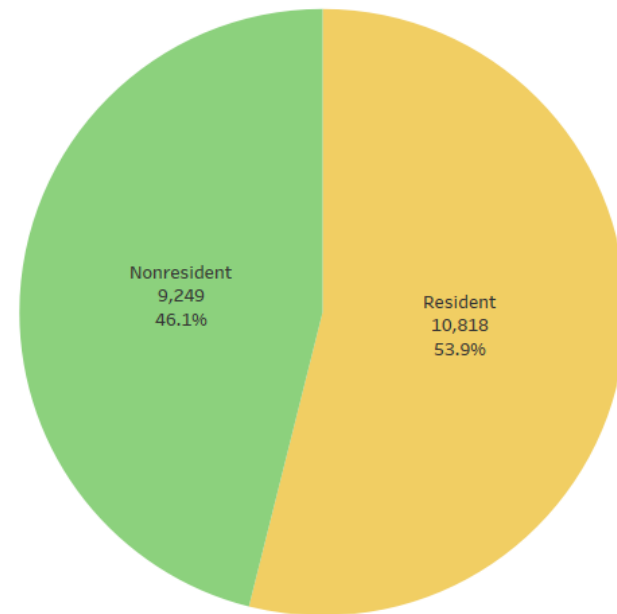
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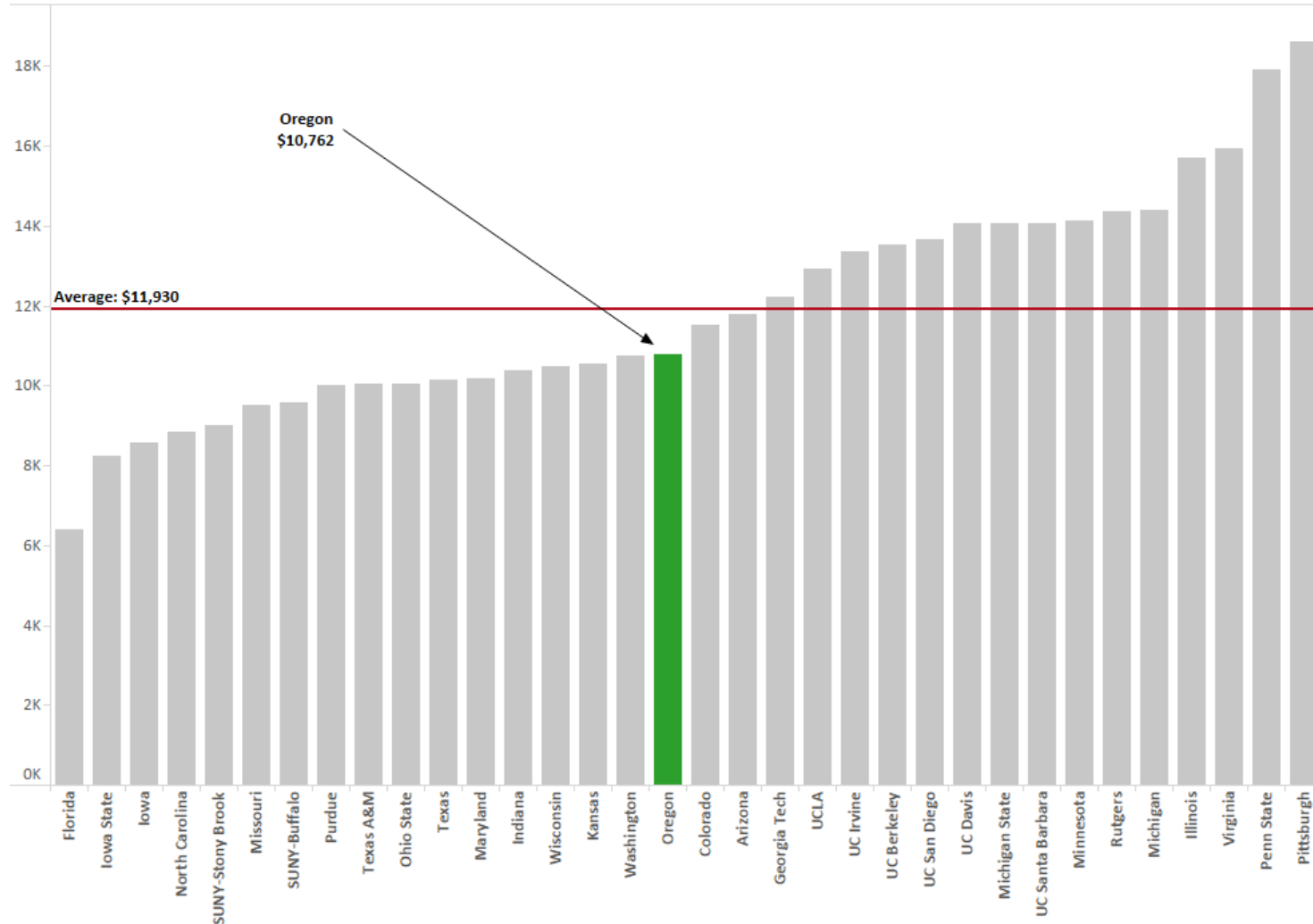
2016-17 Undergraduate Enrollment by Residency



Tuition Revenue

AAU Publics

2016-17 Tuition and Fees Resident Full-time Undergraduate

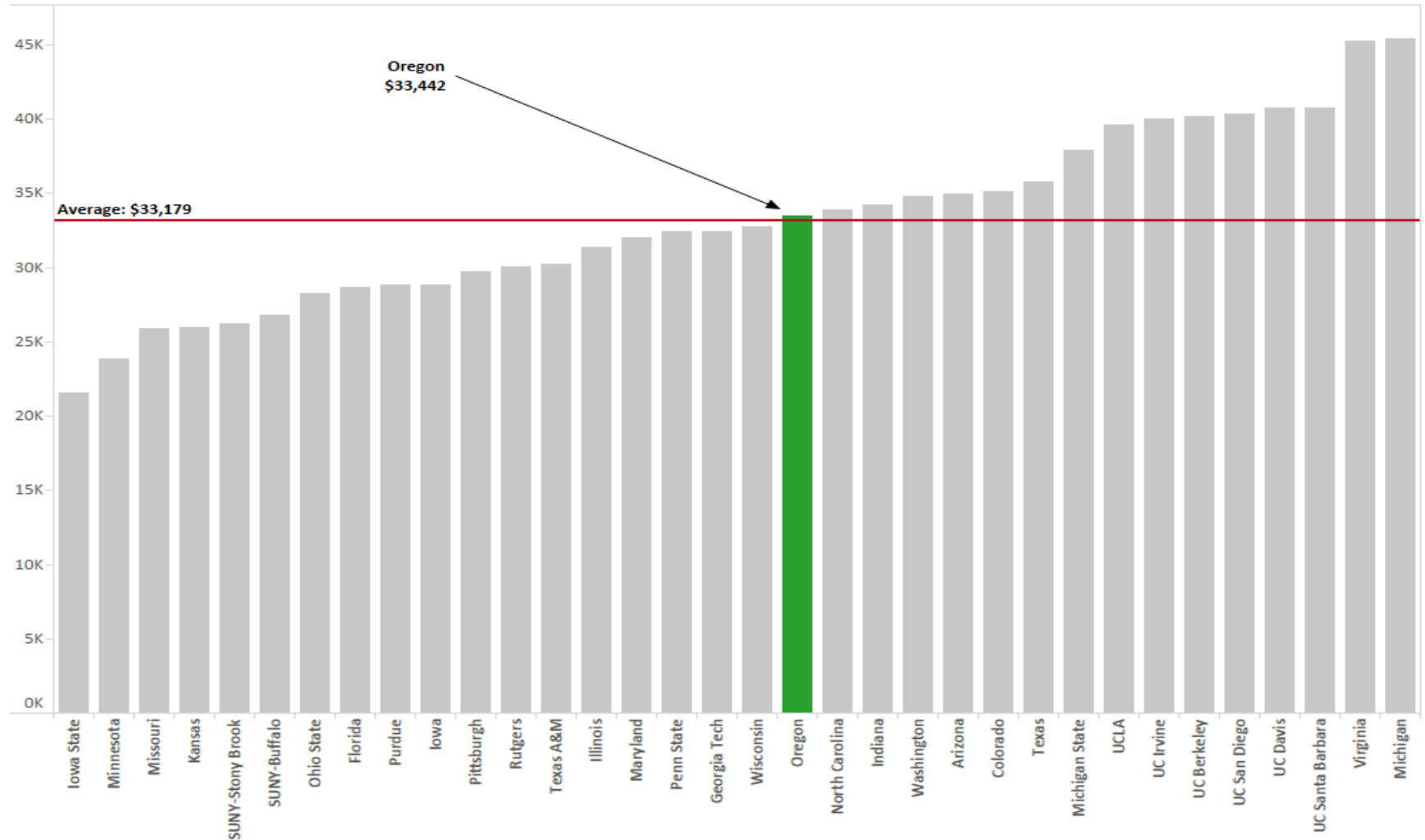


Source: AAUDE Tuition and Fees.

Tuition Revenue

AAU Publics

2016-17 Tuition and Fees Nonresident Full-time Undergraduate



Source: AAUDE Tuition and Fees.

Tuition Revenue

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

Resident	\$800k
Non-resident	\$2.5M

*Totals account for fee remissions and summer revenue

Tuition Revenue

- Annual E&G Cost drivers likely to be around \$20.5M

Non-resident Tuition Rate Increase

Resident Tuition Rate Increase	Percent Increase (Per Student Annually)	2.0% (\$650)	2.5% (\$813)	3.0% (\$976)	4.0% (\$1,301)	5.0% (\$1,627)
	2.0% (\$190)	\$6.6M	\$7.8M	\$9.1M	\$11.6M	\$14.1M
	3.0% (\$285)	\$7.4M	\$8.6M	\$9.9M	\$12.4M	\$14.9M
	4.0% (\$380)	\$8.1M	\$9.4M	\$10.6M	\$13.2M	\$15.7M
	5.0% (\$475)	\$8.9M	\$10.1M	\$11.4M	\$13.9M	\$16.5M

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Potential Ways to Close the Gap

- New and Expanded Graduate Programs
 - Expanded graduate revenue from programs in Business, Journalism and Design launched
 - After accounting for necessary teaching and administrative costs, new net revenue from all programs likely to be around \$1 million

Potential Ways to Close the Gap

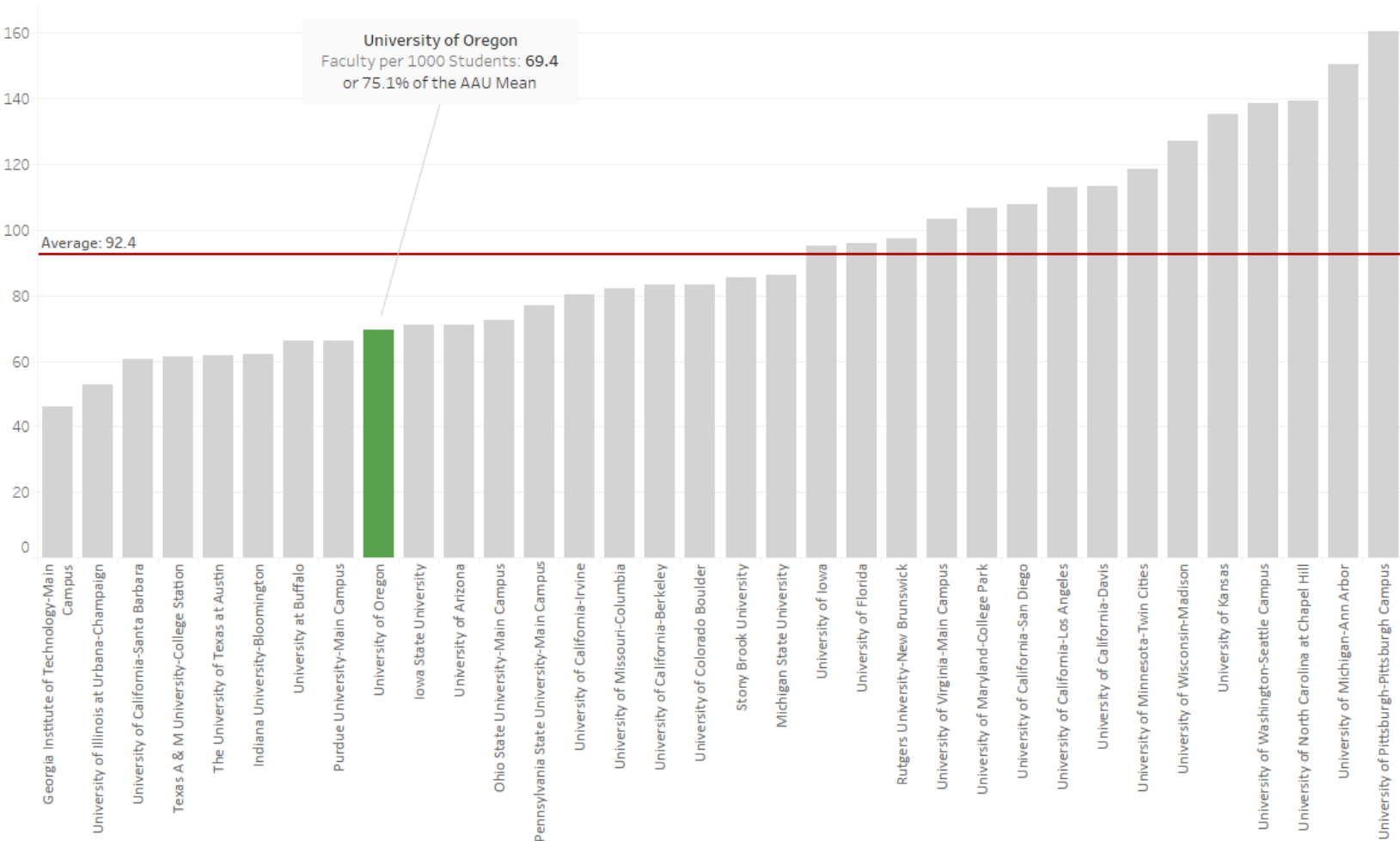
- Further Cost Cutting / Efficiencies
 - Historical Cost Cutting already incorporated into budgets:
 - FY17 Administrative Cuts - \$3.0M
 - FY17 CAS Cost Cut - \$3.3M
 - FY18 Presidential Directed Cuts- \$4.5M
 - FY15 - FY18 Efficiencies Savings - \$8.8M one time; \$4.6 M - \$5.6M recurring
 - University will continue to actively look for ways to operate more efficiently



Potential Ways to Close the Gap

Comparison of Faculty per 1,000 Students

Faculty per Students

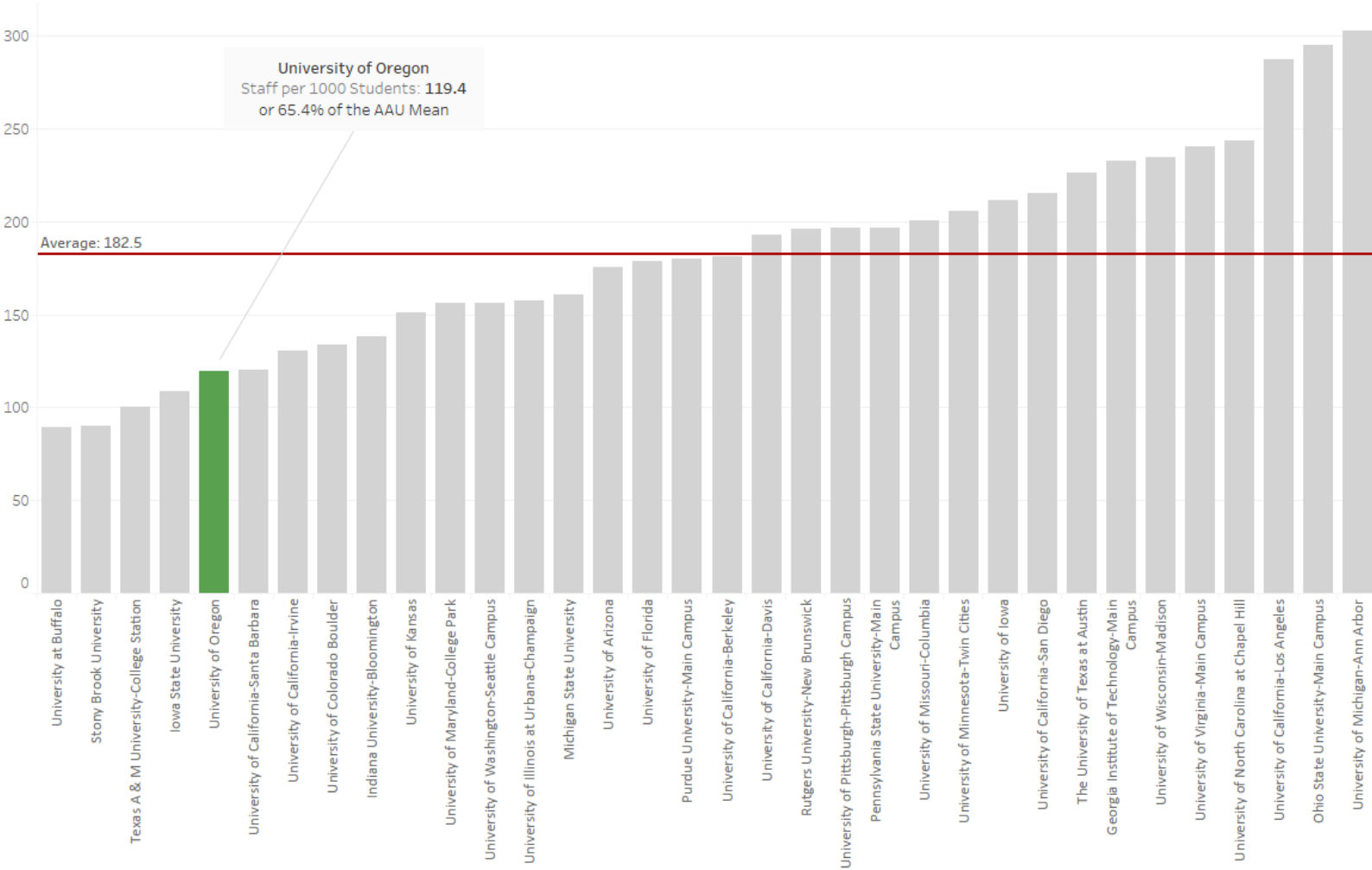


Note: The ratio of faculty to students is based on faculty FTE to student FTE.
 Source: IPEDS Human Resources and Enrollment (FY2016).

Potential Ways to Close the Gap

Comparison of Staffing per 1,000 Students

Noninstructional (Nonmedical) Staff per Students



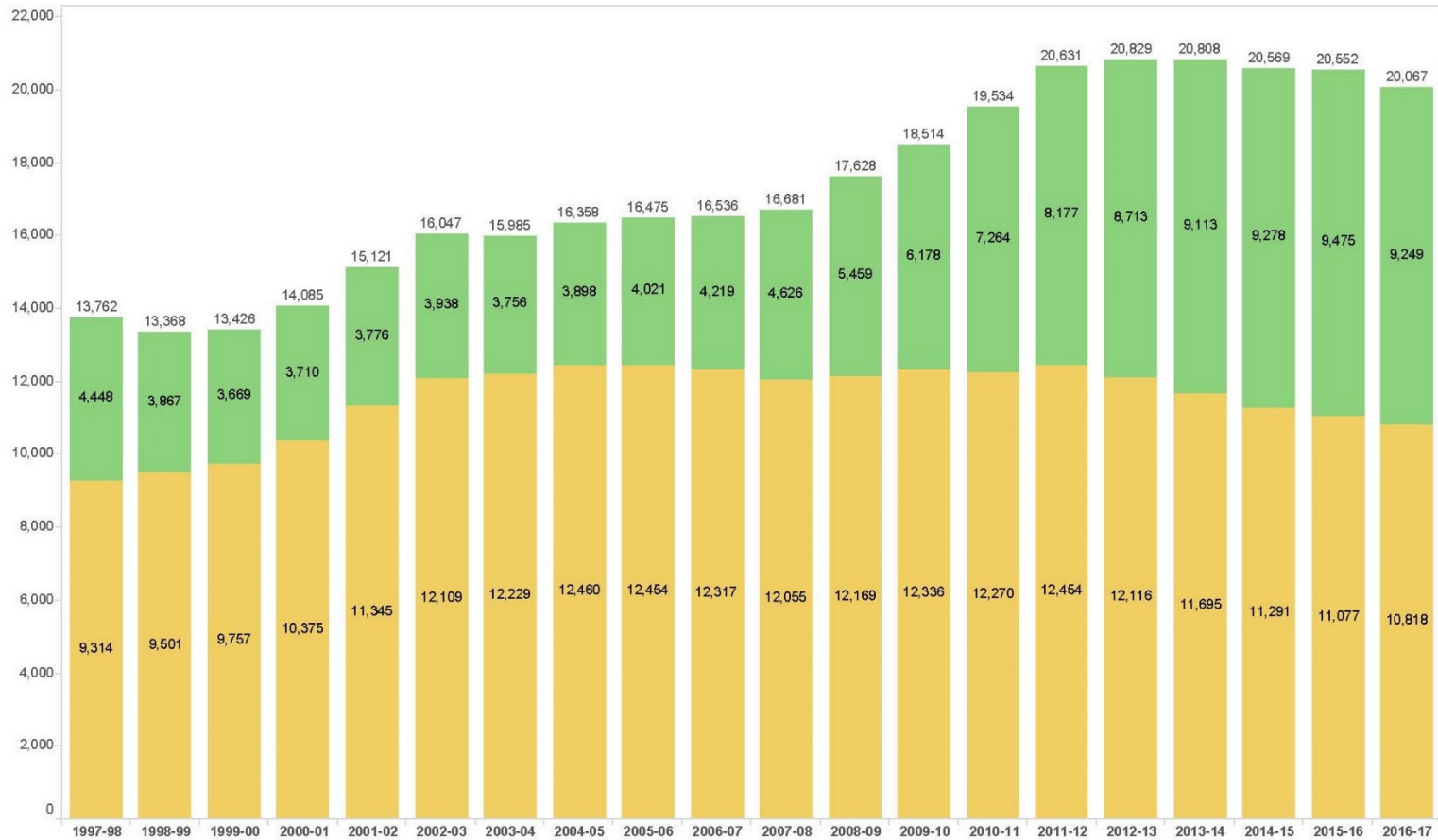
Potential Ways to Close the Gap

- Expand Online Education
 - College of Arts and Sciences (CAS) currently developing online options for current courses
 - TBD, but will require significant upfront investment
 - Coordination of online education assigned to Provost office and investment funds identified

Campus Growth

UNIVERSITY OF OREGON
Undergraduate Enrollment by Residency

Residency
■ Nonresident UG
■ Resident UG



Campus Growth

Financial Impact of Growth

	Resident	Non-Resident
Number of Additional New Students	100	100
Tuition Per Student	\$9,495	\$32,535
Gross Tuition Revenue (Net of fee remissions)	\$854,550	\$2,928,150

These totals represent gross revenue and do not account for costs.



Campus Growth

- Assumed Growth – adding 3,000 students over a period of eight years
- Necessary investments
 - Recruiting
 - Classroom/Faculty Office Building
 - Additional new residence hall
 - Variable Costs

Campus Growth

Financial Projections

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Entering Freshmen	4,150	4,450	4,450	4,500	4,675	4,775	4,850	4,900
Total Undergrads (Admitted)	19,892	20,370	20,782	21,174	21,619	22,001	22,348	22,658
Incremental Revenue from Enrollment Growth	\$7.9M	\$14.2M	\$12.2M	\$12.1M	\$14.2M	\$13.6M	\$13.4M	\$12.7M
Incremental Investment Recruiting	\$1.3M	\$245k	-	-	-	-	-	-
Incremental Investment New Classroom Building	-	\$3.1M	-	-	-	-	-	-
Incremental Investment Variable Costs	-	\$224k	\$5.4M	\$5.5M	\$6.5M	\$6.0M	\$5.9M	\$5.6M
Net Revenue	\$6.6M	\$10.6M	\$6.8M	\$6.6M	\$7.7M	\$7.6M	\$7.5M	\$7.1M



Summary

Annual Cost Drivers

\$20.5 million

Net Revenue from Tuition Rate
Increases

\$8.0 million - \$11.0 million



Tuition Revenue

- Annual E&G Cost drivers likely to be around \$20.5M

Non-resident Tuition Rate Increase

Resident Tuition Rate Increase	Percent Increase (Per Student Annually)	2.0% (\$650)	2.5% (\$813)	3.0% (\$976)	4.0% (\$1,301)	5.0% (\$1,627)
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Summary

Annual Cost Drivers	\$20.5 million
Net Revenue from Tuition Rate Increases	\$8.0 million - \$11.0 million
Net Revenue from Enrollment Growth (out years)	\$7.0 million - \$7.5 million
State Appropriation (estimate)	\$2.0 million
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Remainder (covered by further cost cutting, new grad programs, fundraising, additional growth, etc.)	\$0 - \$3.5 million



Risks

- Significant cut in state appropriation
- Drop in non-resident student demand
- Further deterioration of PERS
- Deferred maintenance in critical buildings