



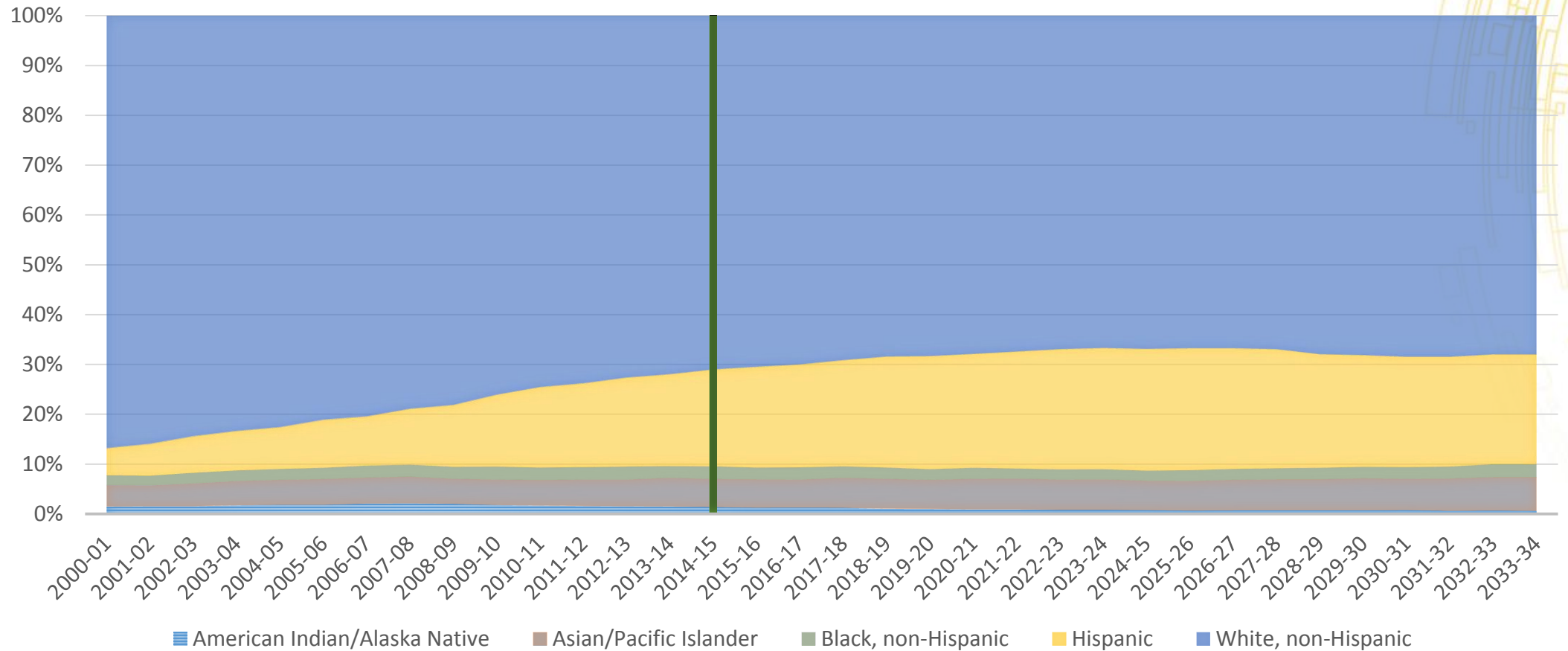
State Budget Context and Tuition and Budget Process

Brian Fox | Vice President of Finance and Administration | Oregon Tech



Student Pipeline Demographics

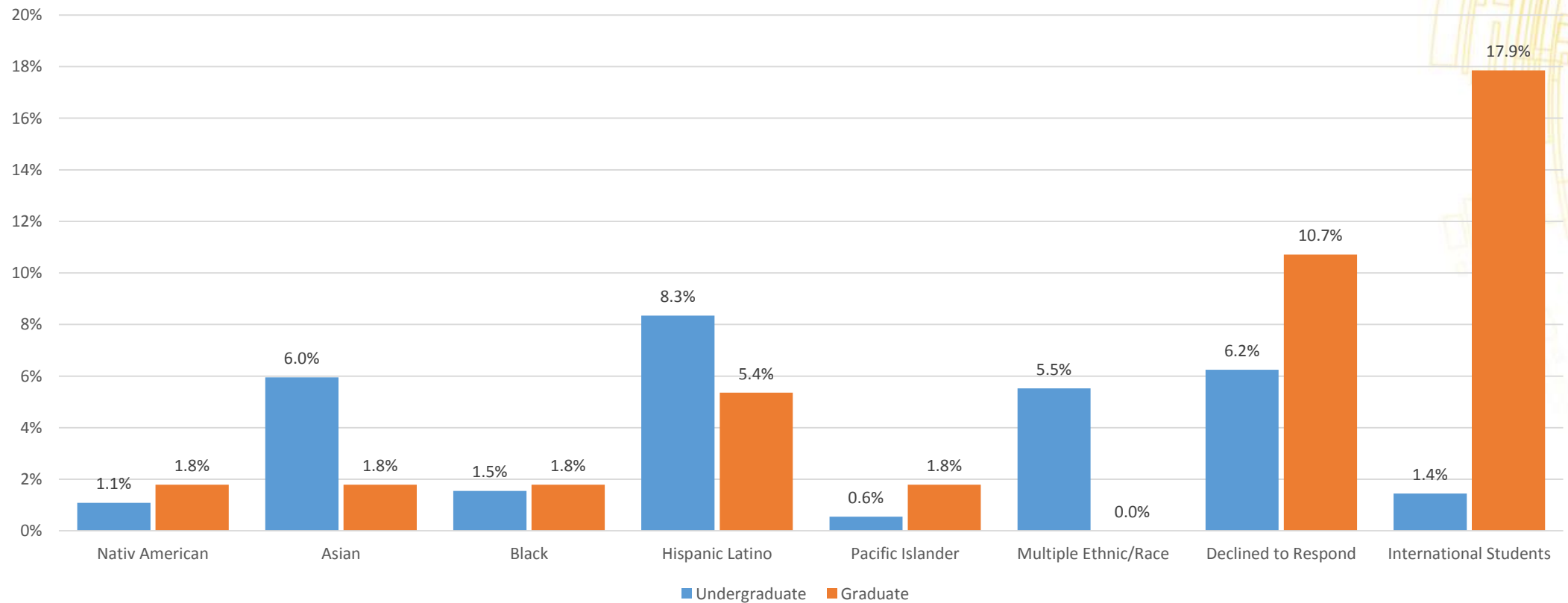
Increasing Ethnic Diversity



Oregon Tech Ethnic/Racial Diversity

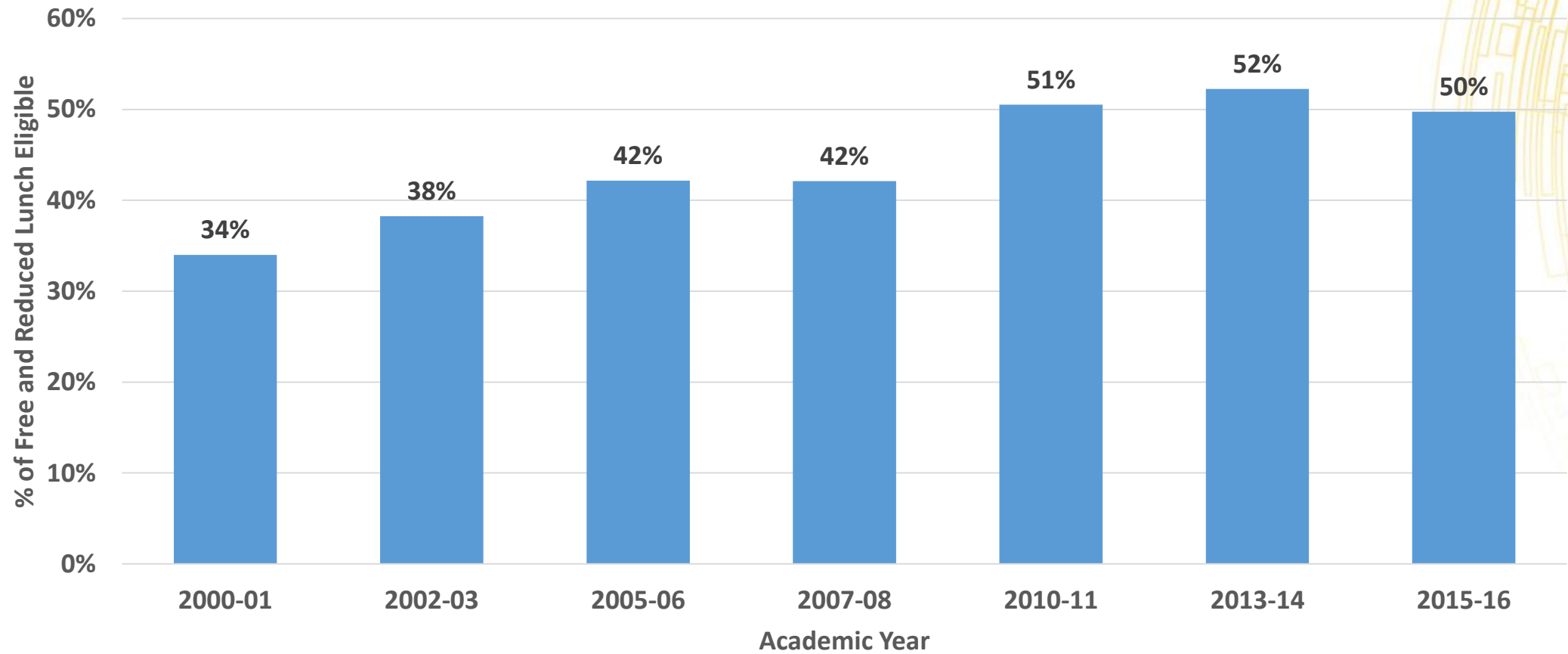


Oregon Tech Enrollment by Race and Ethnicity



Oregon K-12 Low Income¹ Students

as a percent of total enrollment

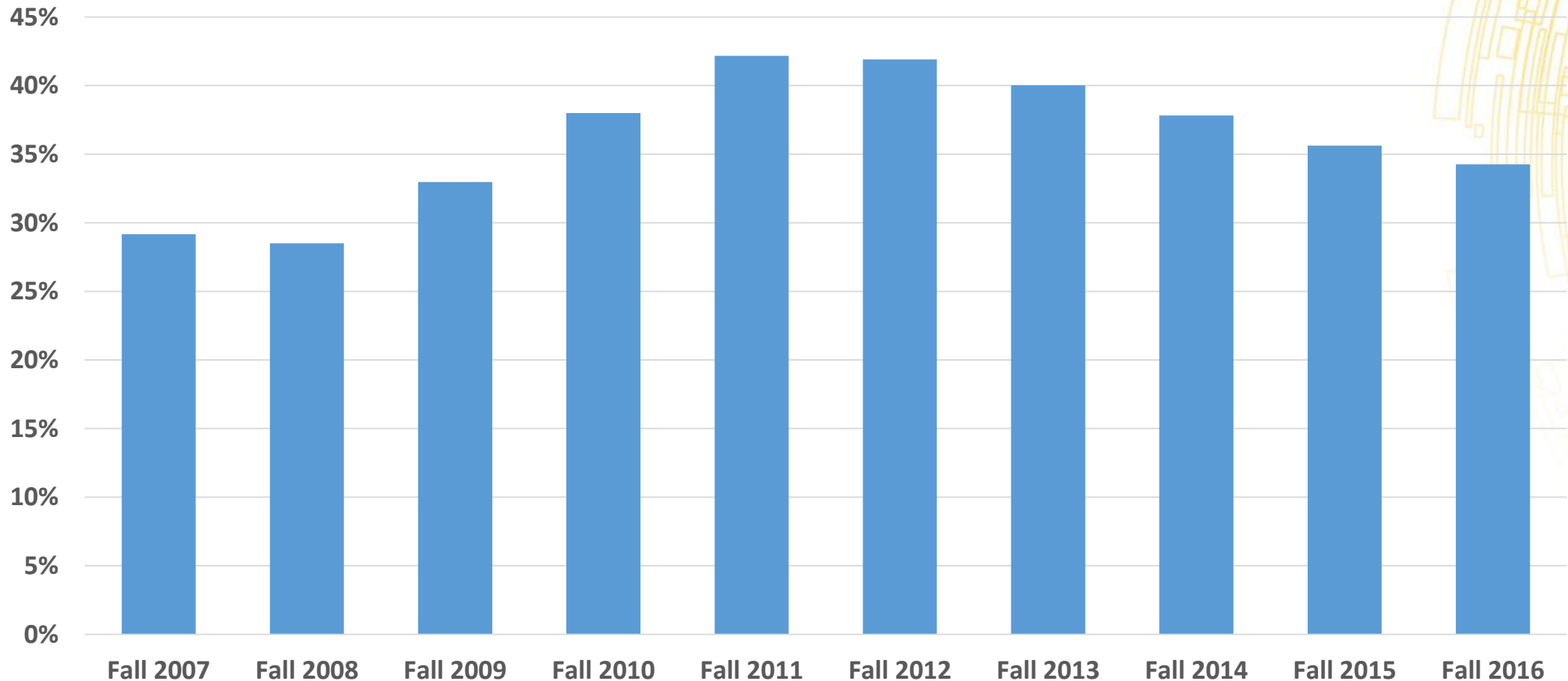


Source: Oregon Department of Education

¹ Low Income defined as free or reduced lunch eligible students

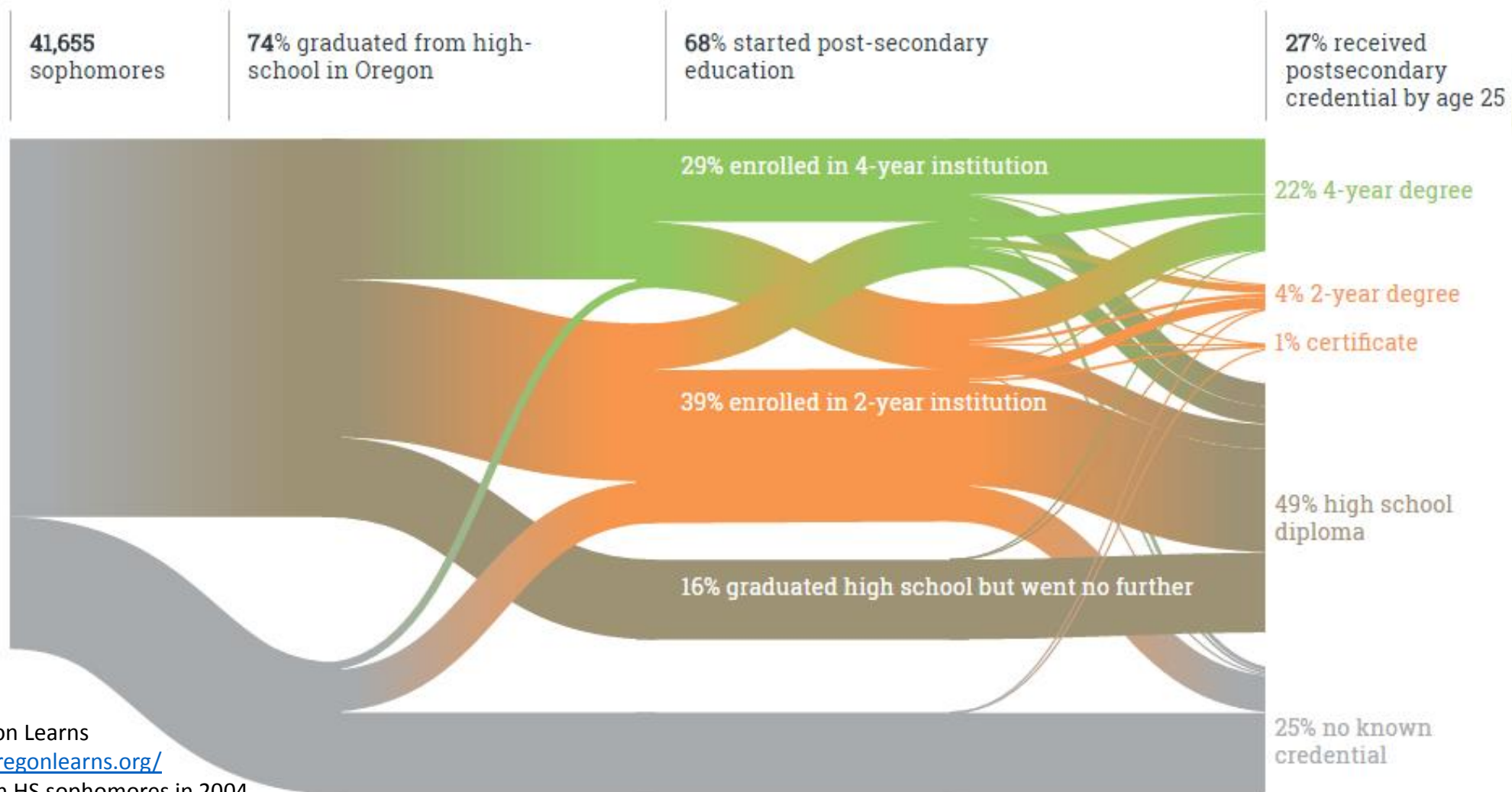
Pell Grant Eligible Admitted Students

as a % of total resident student FTE



Educational Pathways:

All Oregon Students



Source: Oregon Learns

<http://data.oregonlearns.org/>

Data = Oregon HS sophomores in 2004

Educational Pathways:

Latino Students

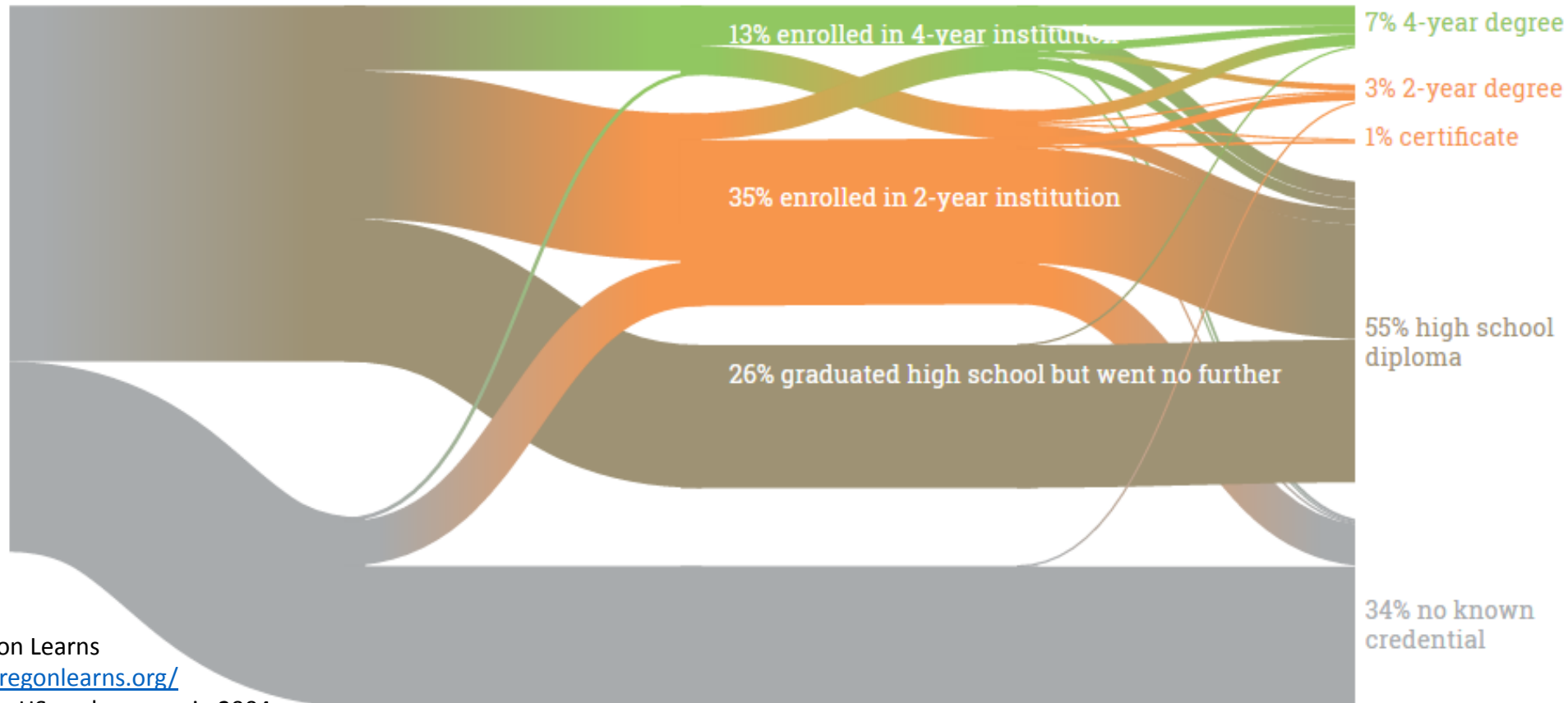


4,197
sophomores

65% graduated from high-
school in Oregon

48% started post-secondary
education

11% received
postsecondary
credential by age 25



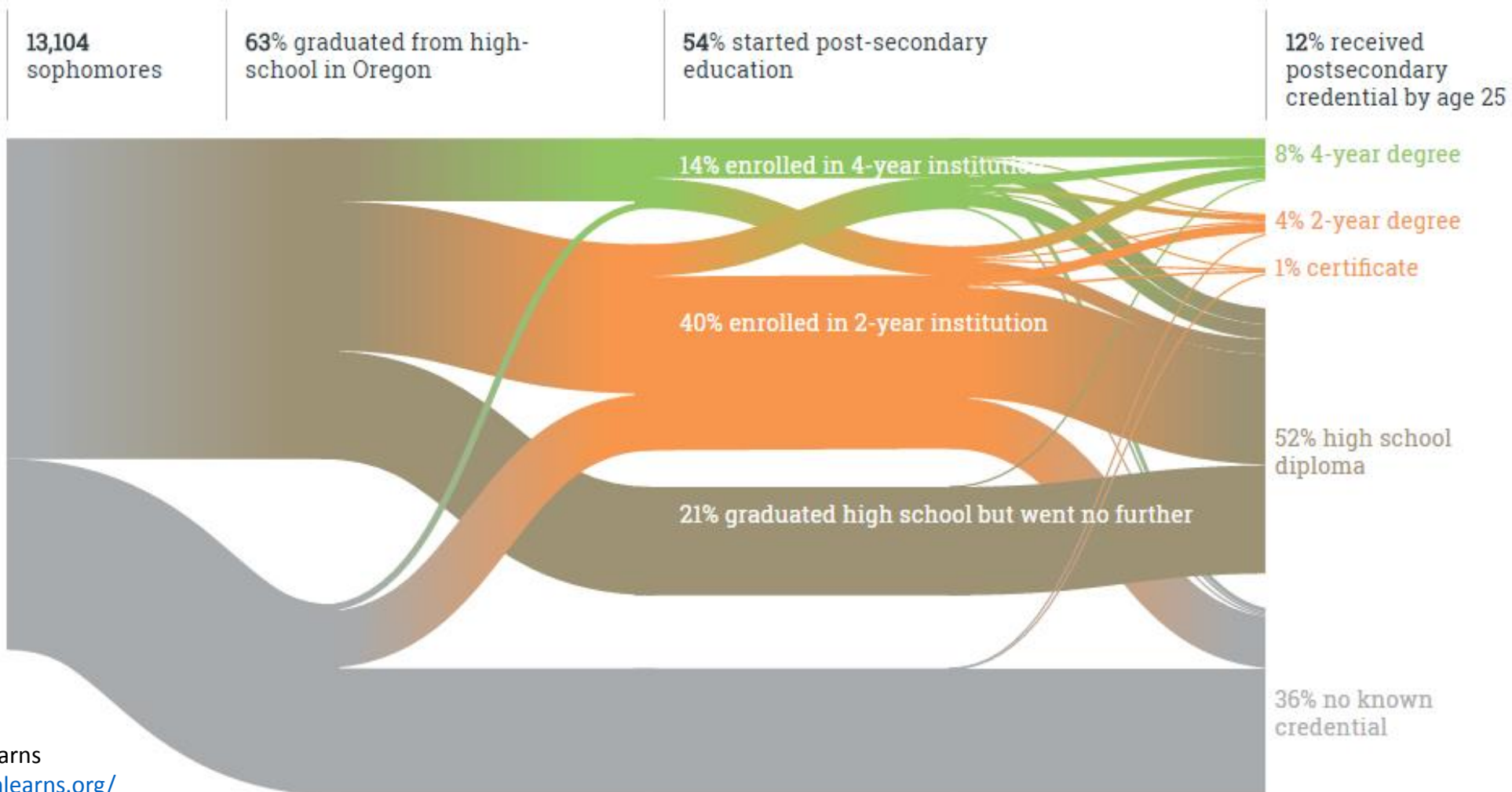
Source: Oregon Learns

<http://data.oregonlearns.org/>

Data = Oregon HS sophomores in 2004

Educational Pathways:

Low Income Students



Source: Oregon Learns

<http://data.oregonlearns.org/>

Data = Oregon HS sophomores in 2004



State Budget Background

Long Term General Fund Forecast



Oregon General Fund Revenue		
Biennia	Revenue	Growth
2013-15	\$16.0B	13.3%
2015-17	\$18.0B	12.1%
2017-19*	\$19.5B	8.3%
2019-21*	\$21.4B	10.0%
2021-23*	\$23.7B	10.7%
2023-25*	\$25.8B	8.8%
* Forecast		

2017-19 Biennial Revenue and Expenditures



	Legislatively Approved	Current Service Level plus Ballot Measures	Co-Chair Working Budget	Co-Chair Working Change from LAB		Co-Chair Working Change from CSL	
	<u>2015-17</u> GF/LF	<u>2017-19</u> GF/LF	<u>2017-19</u> GF/LF	#	%	#	%
Revenues							
Projected Beginning Balance	549.3	292.0	292.0				
Carryforward (Lottery)	12.3	31.0	31.0				
1% Appropriations to Rainy Day Fund	(158.3)	(180.7)	(180.7)				
TANs	(14.0)	(20.2)	(20.2)				
Projected Revenues	19,239.6	20,779.2	20,779.2				
General Fund Revenue Reductions	(44.2)	(72.3)	(72.3)				
Less Dedications (ESF, County)	(259.0)	(262.2)	(262.2)				
One-time Resources/Expenditures							
2015-17 Emergency Fund Balance			28.3				
2015-17 Net Debt Service Savings			4.8				
CFA Savings (Costs) Relative to Forecast			0.2				
OLCC Analyst Package Adjustment			14.8				
State Agency GF/LF Assessment Savings			25.0				
2015-17 Budget Rebalance Issues			(33.9)				
Total Resources	19,325.6	20,566.8	20,606.0				

2017-19 Biennial Revenue and Expenditures



Expenditures*							
Education - State School Fund (K-12)	7,373.0	8,012.6	7,725.8	352.8	4.8	(286.9)	(3.6)
Education - Post Secondary (HECC)	1,855.4	2,019.7	1,990.9	135.4	7.3	(28.8)	(1.4)
Education - All Other	595.1	944.2	827.3	232.2	39.0	(116.9)	(12.4)
Human Services - Oregon Health Authority	2,181.3	3,203.1	2,321.6	140.3	6.4	(881.5)	(27.5)
Human Services - Dept. of Human Services	2,778.7	3,275.1	2,990.1	211.4	7.6	(285.0)	(8.7)
Human Services - All Other	12.7	13.6	13.1	0.4	3.5	(0.5)	(3.1)
Public Safety	2,378.9	2,570.9	2,490.8	111.9	4.7	(80.1)	(3.1)
Judicial	713.4	764.4	738.3	24.9	3.5	(26.1)	(3.4)
Economic Development	189.2	237.8	230.4	41.2	21.8	(7.4)	(3.1)
Natural Resources	413.6	414.1	405.1	(8.5)	(2.1)	(9.1)	(2.2)
Transportation	130.1	174.9	145.5	15.4	11.9	(29.4)	(16.8)
Consumer & Business Services	14.7	13.7	13.3	(1.5)	(9.9)	(0.4)	(2.8)
Administration	264.5	279.5	266.1	1.6	0.6	(13.5)	(4.8)
Legislative Branch	104.3	111.6	107.7	3.4	3.3	(3.9)	(3.5)
Total Expenditures	19,004.9	22,035.3	20,265.9	1,261.0	6.6	(1,769.4)	(8.0)
Emergency Fund	28.3	30.0	80.0				
Compensation Adjustment	-	145.0	50.0				
Forestry Fire SPA	-	6.0	6.0				
Target Ending Balance = 1% by formula		222.2	204.0				
Net Fiscal Position		(1,871.7)	0.0				

Source: Legislative Fiscal Office "Co-Chairs' Existing Resources Budget Framework, 2017-2019"

<https://www.oregonlegislature.gov/lfo/Documents/2017%20Co-Chair%20Document.pdf>

What's Causing the Imbalance

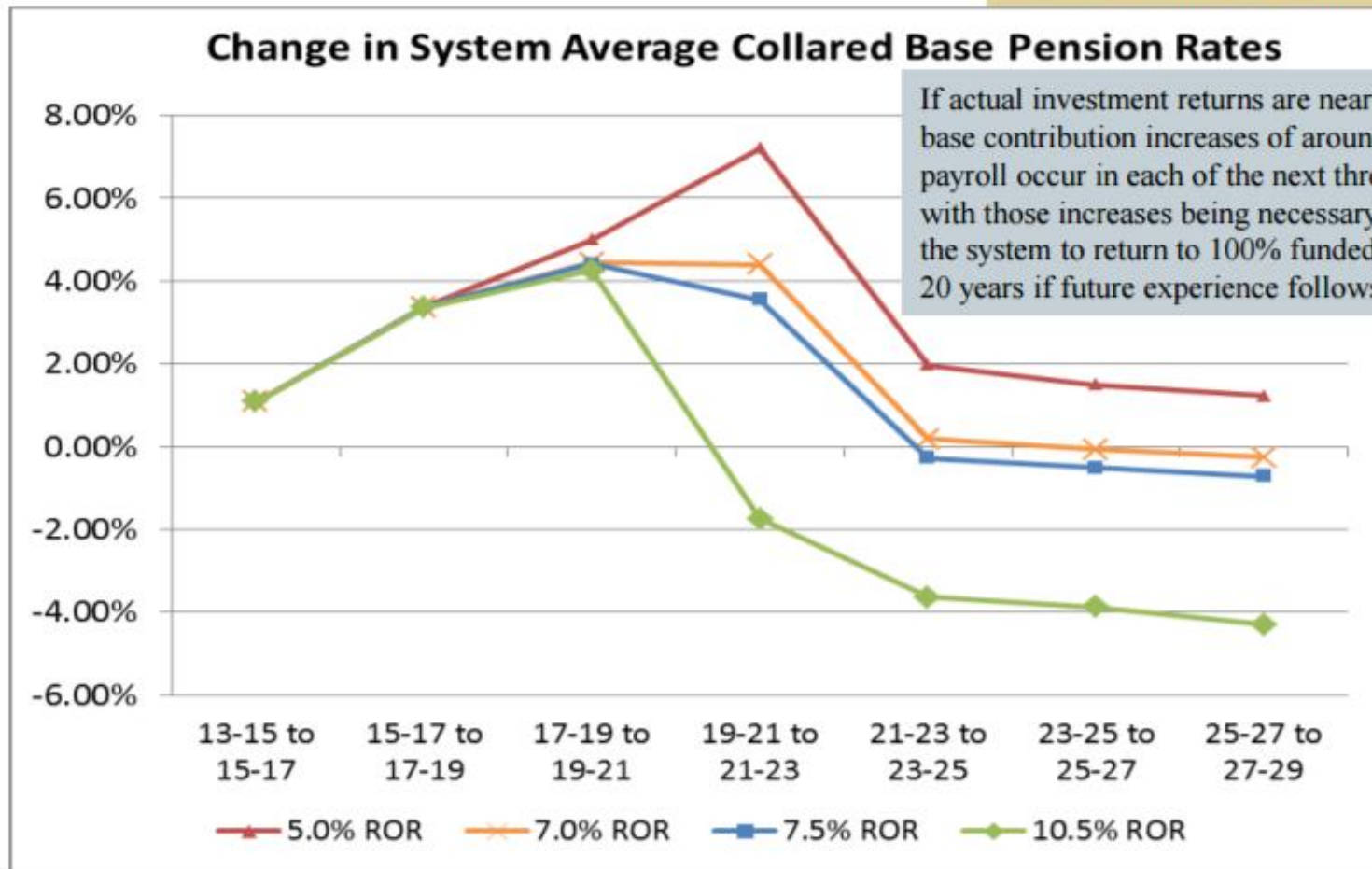


- State budgets are increasing at 4-5% per year over recent history and are forecast to continue at this rate, however;
- Calls on state revenues are increasing at a faster rate
 - Bargaining unit and unrepresented compensation increases
 - *Oregon Tech: COLA's and Step Increases*
 - *Health care costs continue to increase*
 - *Oregon Tech: PEBB ~8% increase next year*
 - *PERS unfunded liability increasing dramatically over next three biennia*
 - *Oregon Tech: PERS will increase ~19% next biennium*
 - *Medicaid expansion cost shifting from federal government to state*
 - *City, county and school district funding limited by property tax laws*

Contribution Increases (November 2015 Financial Modeling)

From Nov. 2015 PERS Board materials:

- Based on published returns through October 2015
- Does not reflect \$0.3 billion in 2015 demographic experience losses



Shows biennium to biennium changes under steady return projections

Milliman presentation; July 29, 2016 Board meeting

PERS Returns



Returns for periods ending DEC-2016

Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	32.5-42.5%	37.5%	\$ 26,646,819	38.1%	9.80	9.80	3.86	3.68	9.00	10.65	8.42	4.19
Private Equity	13.5-21.5%	17.5%	\$ 13,873,866	19.9%	6.26	6.26	7.02	9.90	11.44	12.03	12.51	9.62
Total Equity	50.0-60.0%	55.0%	\$ 40,520,685	58.0%								
Opportunity Portfolio	0-3%	0%	\$ 1,472,796	2.1%	2.65	2.65	2.40	4.49	7.02	9.22	8.52	6.55
Total Fixed	15-25%	20.0%	\$ 14,881,965	21.3%	3.07	3.07	1.80	2.37	2.03	3.64	4.99	5.27
Real Estate	9.5-15.5%	12.5%	\$ 8,634,135	12.4%	6.58	6.58	8.23	10.17	10.83	11.38	9.81	5.20
Alternative Investments	0-12.5%	12.5%	\$ 4,033,611	5.8%	6.61	6.61	1.00	2.13	3.09	2.29		
Cash w/Overlay	0-3%	0%	\$ 311,169	0.4%	1.20	1.20	0.85	0.74	0.72	0.91	0.79	1.45
TOTAL OPERF Regular Account					6.88	6.88	4.47	5.40	7.86	9.11	8.59	5.47
OPERF Policy Benchmark					9.04	9.04	5.24	6.23	8.50	10.07	8.87	5.94
Value Added					(2.16)	(2.16)	(0.77)	(0.83)	(0.64)	(0.95)	(0.28)	(0.48)
TOTAL OPERF Variable Account			\$ 606,050		8.77	8.77	3.35	3.63	8.32	10.00	7.93	3.18

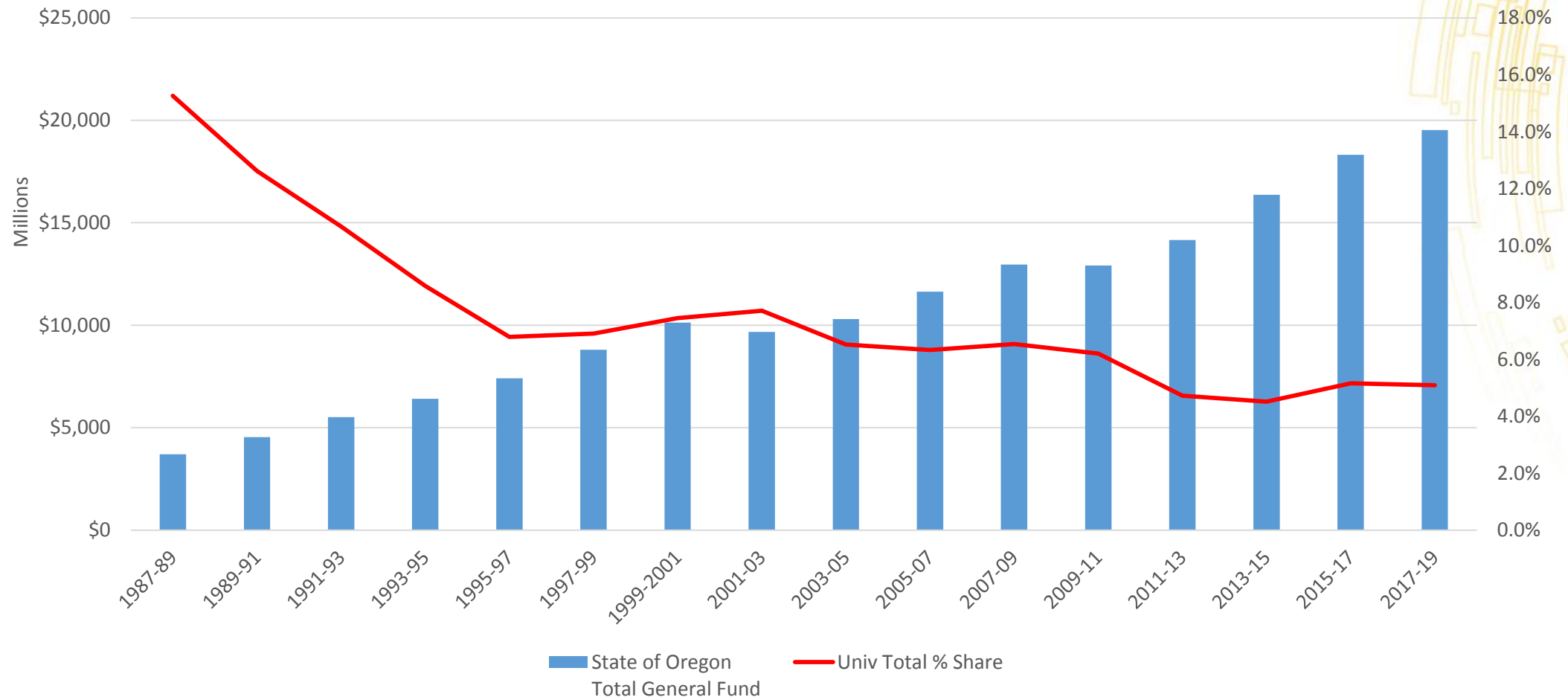
Source: Oregon PERS Monthly Returns – December 31, 2016

<http://www.oregon.gov/treasury/Divisions/Investment/Documents/OPERS/Monthly%20Returns/2016/OPERF%2012312016.pdf>

State's Continued Dis-investment



Public University Funding¹ as Percentage of the Total State Budget

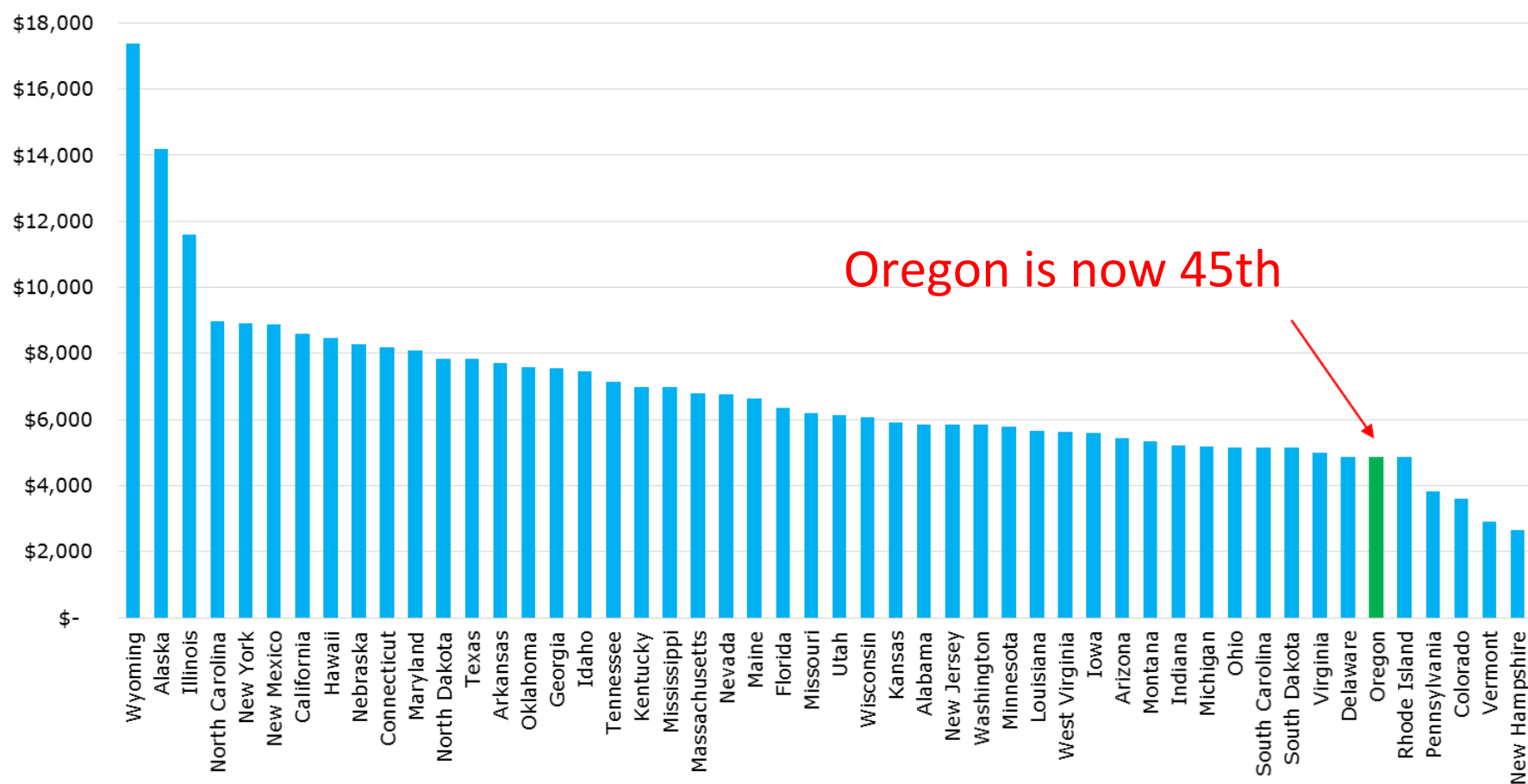


¹Public University state funding includes total state general fund support.

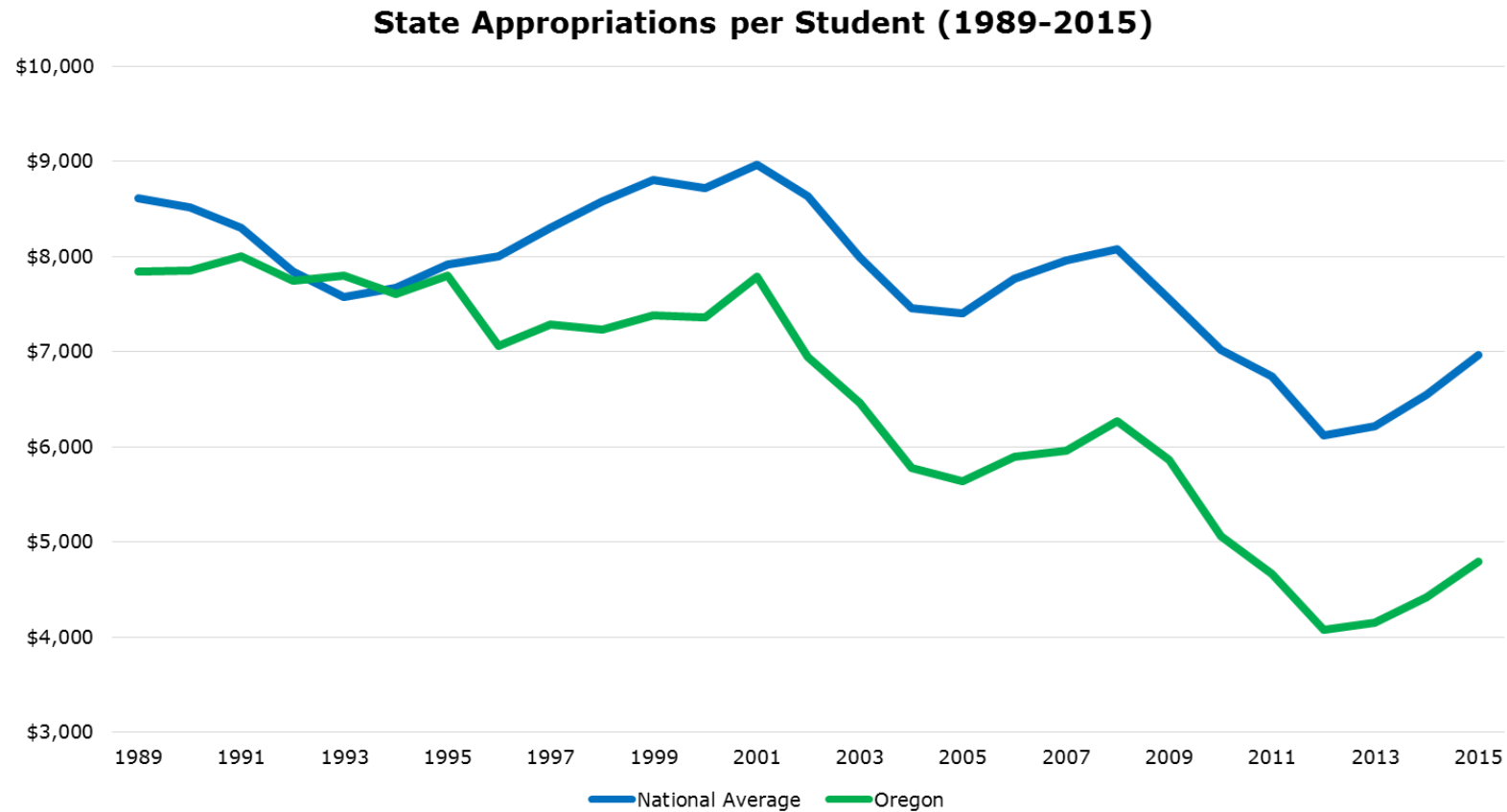
State Support for Public Higher Education



2015 Educational Appropriations per Student



Oregon is below the National Average in State Investment per FTE





Oregon Tech Budget and Tuition Planning

Tuition Setting Calendar



Week	Meeting Outcomes
✓ Jan 27	First Meeting: Introductions and process <ul style="list-style-type: none"> - Committee member introductions - Develop shared principles to guide process - Establish tuition setting calendar/process - Oregon Tech budget background/scenarios
✓ Feb 17	Second Meeting: Information and comparisons <ul style="list-style-type: none"> - Finalize principles - Peer tuition comparisons - Tuition structure review - Tuition ranges and budget scenarios
Feb 23/24	Board of Trustees Meeting <ul style="list-style-type: none"> - Report on tuition and budget setting principles and receive feedback
Mar 2	Third Meeting: Relay Board Feedback and establish ranges/scenarios <ul style="list-style-type: none"> - Establishing tuition ranges - Plan student/community forums
Mar 6-10	Student Forums: Information sharing and collect input from students
Mar 13-17	Fourth Meeting: Set recommendation <ul style="list-style-type: none"> - Establish tuition recommendation
Apr 3-7	ASOIT Letter to President regarding tuition recommendation
Apr 10-14	President establishes Tuition Recommendation <ul style="list-style-type: none"> - Develop finalized 2017-18 Academic Year Fee Book
May 8	Submit tuition recommendation to Board of Trustees
May 11	HECC Commission Meeting <ul style="list-style-type: none"> - possible request approval for tuition increase in excess of 5%
May 26	Board of Trustees vote on Tuition
June 10	HECC Commission Meeting <ul style="list-style-type: none"> - possible request approval for tuition increase in excess of 5%

VII. Tuition Principles & Process



Guiding Principles

- Tuition levels shall have a solid rationale and justification
- Tuition shall be appropriate to ensure that quality is maintained in all academic and support programs, thus assuring an excellent return on investment for our students and their families
- The Committee shall ensure that they communicate openly and transparently with all stakeholders
- Tuition levels shall be appropriate to support the long-term financial stability of the institution and be in alignment with its mission, vision and values
- The Committee shall strive to reduce complexity in the tuition structure where possible

Principles & Process Continued



Process Requirements

- The Committee shall use data and comparisons to other peer institutions
- The Committee shall understand the institution's overall budget and significant cost drivers, including which expenses and revenues are within the institution's control
- The Committee shall be open to and respectful of dialogue, constructive criticism and feedback
- The Committee shall strive to create conditions for real and substantive feedback from all campus constituencies including students, faculty and staff

Budget Development Process



Budget Review

VPFA and Exec. Staff

Baseline Budget Development

VPFA

Establish Draft Budget

VP's, Deans and President

Budget Presentations

FOAC, Open Forum

Budget Recommendation

President

Budget Adoption

Board of Trustees

2017-18 Budgeting Principles



- Preserve and enhance the long-term fiscal stability of the institution
- Strengthen growing and in-demand programs
- Strategic investments focused on enrollment and degree completion

Budget and Tuition Development Timeline

Budget Development Process

		2016		2017					
Owner	Action	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Voters	Election with significant state revenue ramifications								
DAS OEA	Revenue Forecast								
VPFA	Budget Forecasting and Scenario Planning								
Governor	Governor's Recommended Budget Released								
	Strategic Initiatives and Investment Planning								
	- Aggregate and organize academic strategic plans								
ELT/PLT	- Internal budget reviews at VP level								
	- Enrollment forecast								
	- Workload and departmental demand forecasting								
Co-Chairs	Co-Chairs Budget Released								
ELT/FOAC	Develop proposed budget objectives, priorities and final calendar								
BOT	Approve budget objectives and philosophy								
VPFA, PLT	Develop draft budget for FOAC/PLT review								
ELT	Establish draft budget for open forum								
VPFA/PLT/FOAC	Campus Budget Open Forum								
ELT/President	Finalize budget recommendation to Board								
F&F	F&F Committee meets to make budget recommendation								
BOT	Board of Trustees meets to make budget adoption decision								
VPFA	Load Budget for FY 2018								

Tuition Development Process

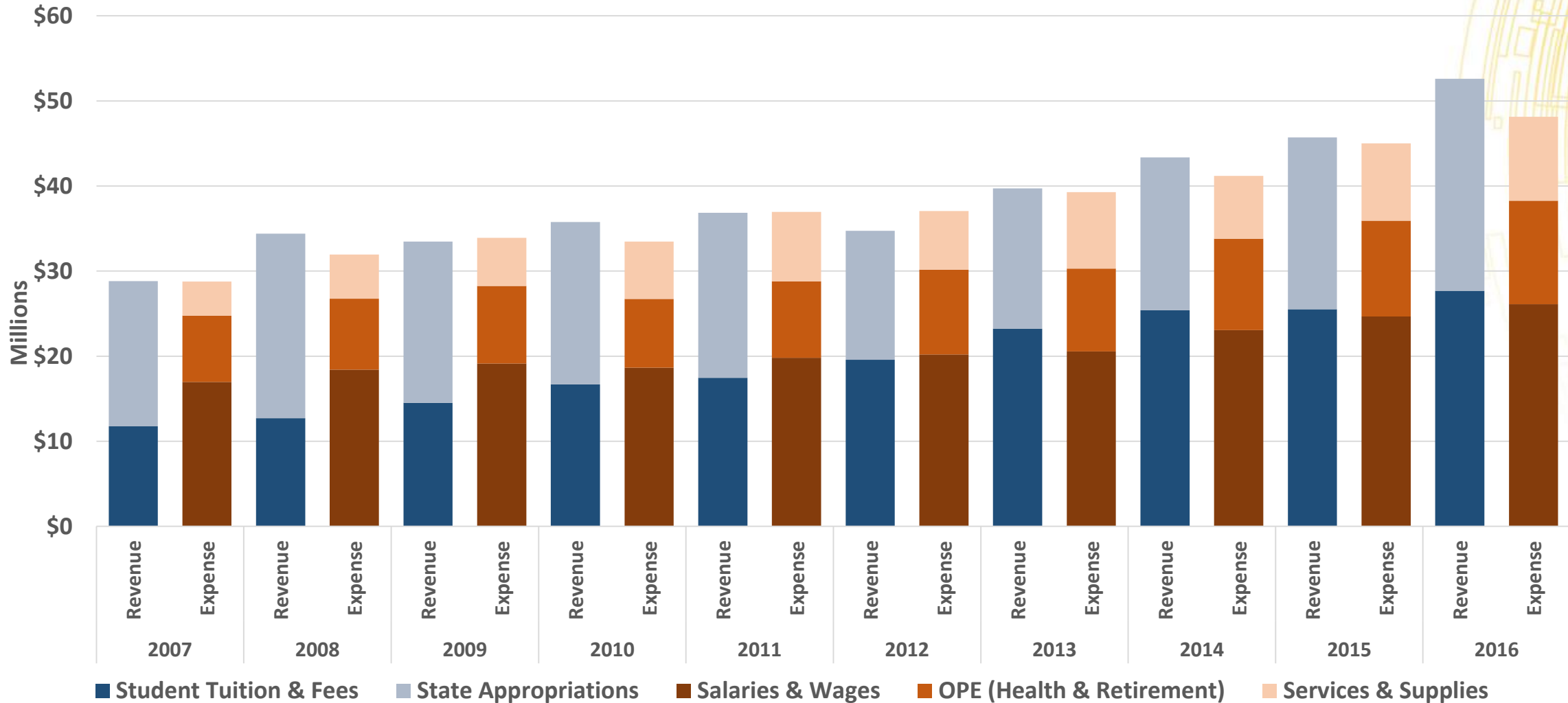
		2016		2017					
Owner	Action	Nov	Dec	Jan	Feb	Mar	Apr	May	June
TRC	TRC Meets to establish meeting dates, process and review needs								
TRC	TRC meets for tuition review and budget information								
TRC	TRC meets to establish tuition range								
TRC	TRC hosts student forum for input								
TRC	TRC meets to establish tuition recommendation								
BOT	Board of Trustees meet and hear budget and tuition scenarios								
I Fee	Incidental Fee Committees meets to set fee recommendation								
TRC	TRC makes tuition recommendation to President								
ASOIT	ASOIT Tuition Recommendation Letter sent to Pres.								
ASOIT	ASOIT Incidental Fee Recommendation Letter sent to Pres.								
President	President makes tuition recommendation to BOT								
F&F	F&F Committee meets to make tuition recommendation								
BOT	Board of Trustees meets to make budget adoption decision								
HECC	HECC meets to consider tuition approvals in excess of 5%								



Oregon Tech Budget Hydraulics



OIT Tuition and Appropriations vs Major Expenses Categories



Budget Planning Assumptions



- Establish baseline budget frameworks under certain likely conditions to begin stakeholder engagement around budget priorities and assess investment, reduction and revenue scenarios
- Three budget scenarios based on legislative funding of the PUSF at the following amounts:
 - \$616M
 - \$660M (Governor's Recommended Budget – GRB)
 - \$720M
- Focus on establishing sustainability over two biennial cycles:
 - 2017-19
 - 2019-21
- Assume flat funding from 2017-19 biennia through 2021-23
- Assume PERS increases from 2017-19 biennia through 2021-23
- Assume 2nd year of biennia tuition capped at $\leq 5\%$ increase
- Assume no change to HECC SSCM Funding Model

University Cost Increases



Calls on Revenues

Cost Driver	Budget Impact
PERS (+18.4%)	\$1,066,000
PEBB (+5%)	\$323,000
S&S & Utilities (+5%)	\$544,000
Approved Faculty Hires (incl. PEBB)	\$430,000
Strategic Investments	\$300,000
Impact of 4% mid-year raise	\$461,000
Total	\$3,124,000

\$720M PUSF Appropriations



State Funding	\$25.6M (FY 18) \$26.9M (FY 19) \$52.5 M (biennial) -- \$48.8 M (2015-17 biennia)
Enrollment	+3.0%
Fund Balance Used (2017-19)	-\$1.0M
Investment in Programs and Student Support	\$0
Tuition Range	+5-10%
Remissions	11% of Tuition Revenue

Overview:

- Optimistic state appropriation scenario
- Broadly stable budget, allowing no or limited additional hiring and increases in tuition above 5%
- Creates long-term scarcity and requires continued growth in student completion rates to maintain funding



\$720M PUSF Fund Balance Trajectory



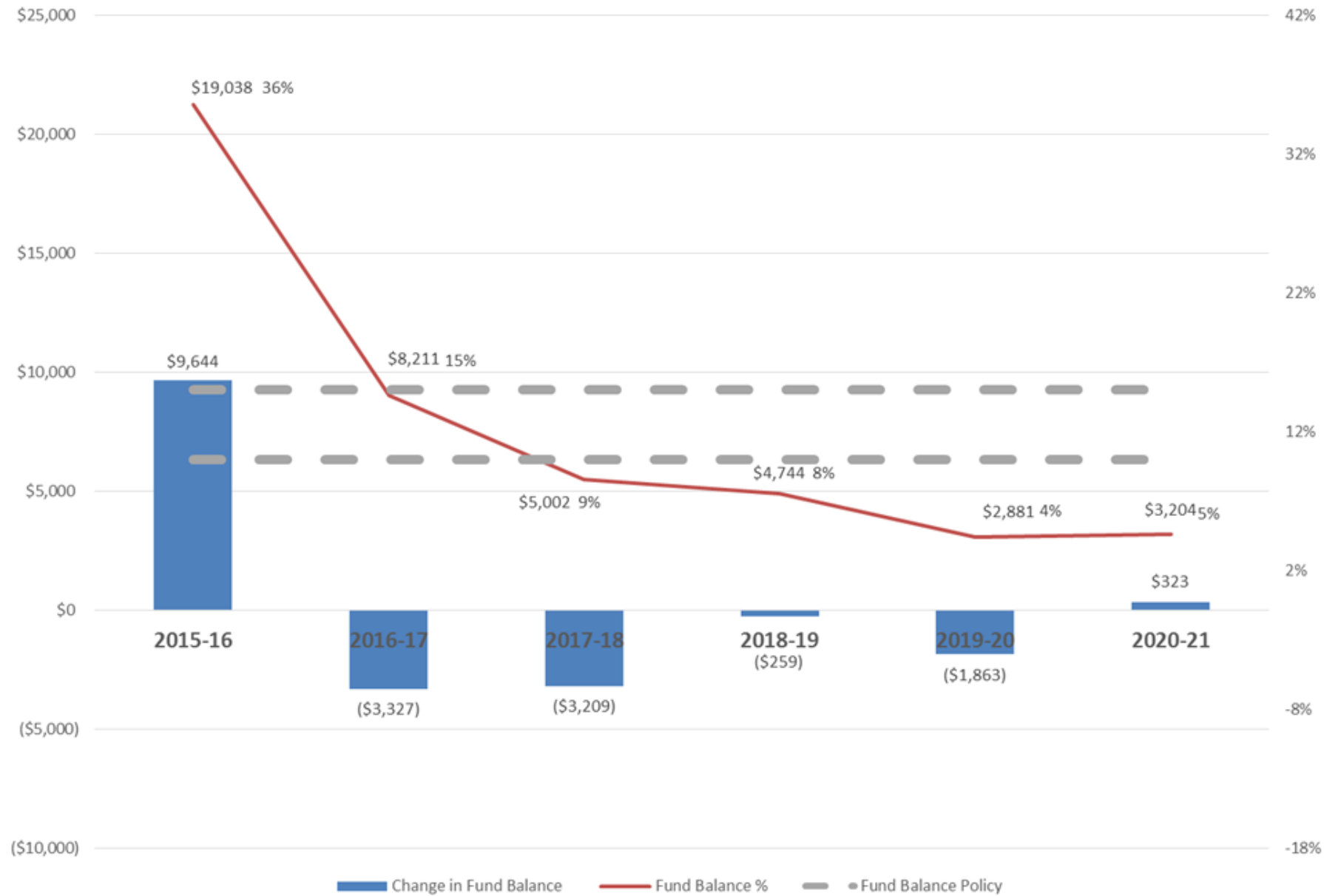
\$660M PUSF Appropriations (GRB)



State Funding	\$23.5M (FY18) \$24.8M (FY19) \$48.3 M (biennial) -- \$48.8 M (2015-17 biennia)
Enrollment	+3.0%
Fund Balance Used (2017-19)	-\$3.5M
Investment in Programs and Student Support	-\$1.0M
Tuition Range	+10-15%
Remissions	11% of Tuition Revenue
Overview: <ul style="list-style-type: none">- Governor's Recommended Budget and most likely state funding level- Creates persistent funding scarcity, depletes reserves and requires tuition increases in 10-15% range- Necessitates cost cutting in core services and accelerated investment in enrollment initiatives	



\$660M PUSF Fund Balance Trajectory



\$620M PUSF Appropriations



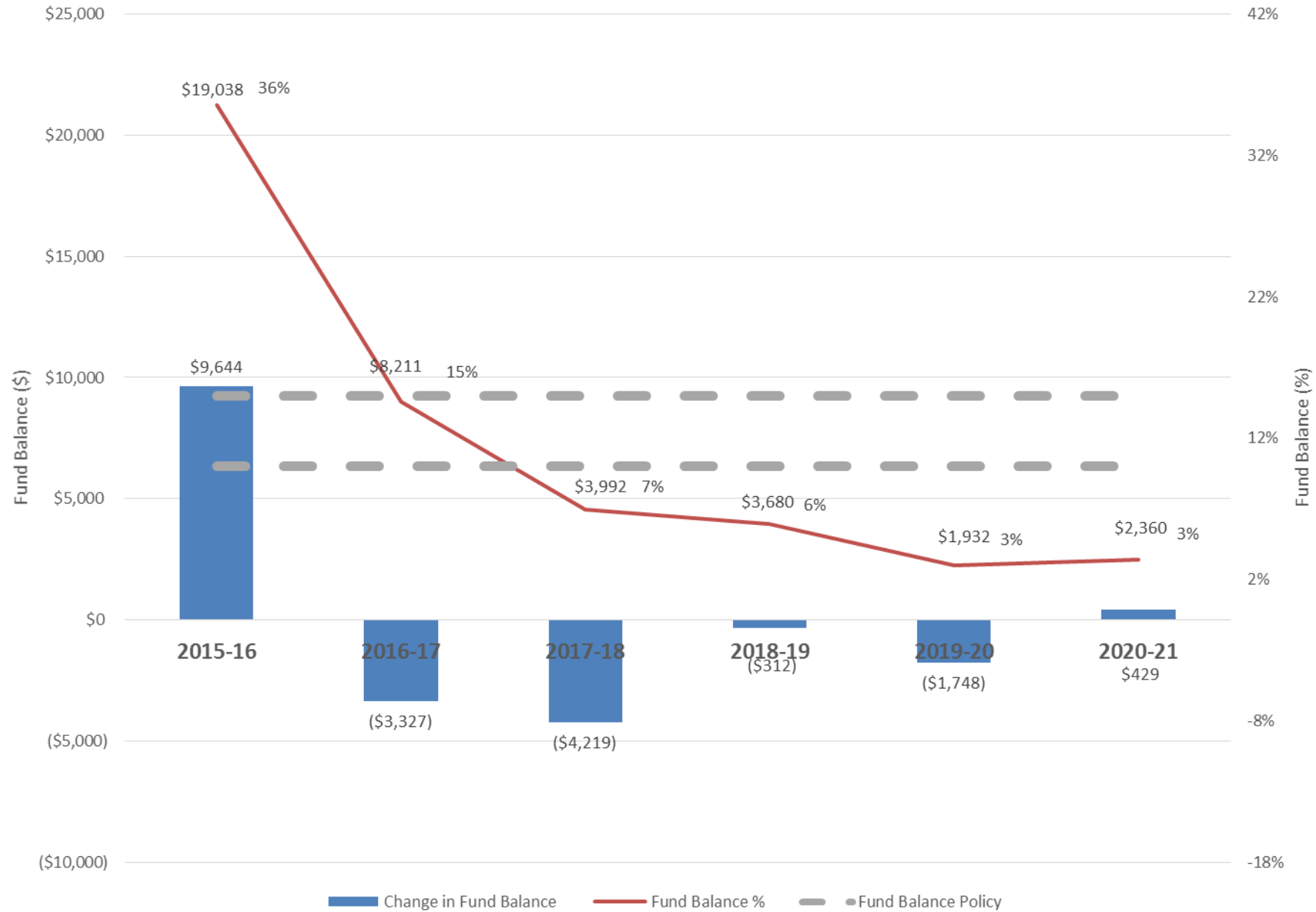
State Funding	\$21.9M (FY18) \$23.1M (FY19) \$45.1 M (biennial) -- \$48.8 M (2015-17 biennia)
Enrollment	+3.0%
Fund Balance Used (2017-19)	-\$4.5M
Investment in Programs and Student Support	-\$2.0M
Tuition Range	+10-15%
Remissions	12% of Tuition Revenue

Overview:

- Significant funding cut to higher education, within range of possible outcomes
- Requires significant cut in ongoing operating costs, rapidly depletes reserves and 10-15% tuition increase
- Requires rapid focus on increasing enrollment, retention and completion, and limits investment opportunity



\$616M PUSF Fund Balance Trajectory



Conclusion



State Budget:

- Long-term decline in state funding will likely continue over the medium term
- PERS, PEBB and other state mandated benefits will drive increased costs over the medium term

University Budget

- Focus on long-term sustainability, enrollment and program quality
- Protect core programs and rationalize expenses