



Eastern Oregon University

Board of Trustees

Presented and Approved May 23, 2019

EOU E&G BUDGET OVERVIEW

This report summarizes Education and General operating expense and revenue budgets for fiscal year 2020.

A FY20 preliminary operating budget is being presented to the EOU Board of Trustees for approval. The 2019-20 development of the EOU E&G Operating Budget followed the approved budget process. The budget process was thoughtful and mindful, given the internal decision to hold tuition and mandatory fee increases below 5% and the unknowns surrounding state allocations, including the potential loss of lottery funds and ETSF. The revenue budget is based on a 1% increase in enrollment in all areas, and it also includes \$611K in additional fee remission funding. This represents a 22.5% increase in the general fee remission pool, with the addition of \$460K to cover the potential loss of sports lottery scholarship funding.

The preliminary budget addresses immediate needs associated with academic quality and expansion, employee development, safety and security improvements, and student support enhancements. Unlike previous years, the preliminary budget provides little flexibility for additional initiatives and investments or unforeseen declines in revenue.

Due to the uncertainty of state funding levels, this is only a preliminary budget. In November, a final operating budget will be presented for your approval.

The Budget Process

FY20 E&G Operating Budget discussions and review began early in the fall with the Tuition Advisory Committee, ASEOU, Budget and Planning, EOU Cabinet and BOT F&A Committee. Budget discussions not only focused on current needs but also looked into future bienniums as various enrollment, tuition and expenses scenarios were modeled. Additional budget presentations were presented at Student Forums, EOU Chat Room and various departmental meetings.

February	<ul style="list-style-type: none">•Departments submit operating budgets to President or Vice President for review and prioritization.•EOU Cabinet, review and prioritize budget allocations and new requests for funding.•Draft budget prepared by President, VPFA, and Budget Director•Draft budget presented to Budget and Planning
March	<ul style="list-style-type: none">•Draft operating budget presented to Finance & Administration Committee, Budget & Planning Committee, and Executive Cabinet•New requests reviewed by Budget and Planning for recommendation.
April	<ul style="list-style-type: none">•New requests reviewed by Budget and Planning for recommendation.•Draft operating budget presented to Finance & Administration Committee and Budget & Planning Committee.
May	<ul style="list-style-type: none">•Preliminary Operating budget presented to Finance & Administration Committee for recommendation to Board of Trustees.•Preliminary Budget approved by EOU Board of Trustees
July	<ul style="list-style-type: none">•Preliminary budget entered into the Banner Finance System for reporting purposes.•Departments notified
October/November	<ul style="list-style-type: none">•Final Operating budget presented to Finance & Administration Committee for recommendation to Board of Trustees.•Final Budget approved by EOU Board of Trustees

The preliminary E&G revenue budget \$42.3M includes tuition, state allocations from Student Success and Completion Model (SSCM),) and Energy Loan Payments (SELP). In addition to the revenue received as part of the state allocation and tuition, EOU receives revenue through indirect cost recoveries from grants and contracts, interest and other revenue (primarily fee based). The preliminary revenue budget also includes fee remission allocations of \$3.3M, including \$460K to backfill the loss of state lottery funding. Fee remissions are applied as a reduction of tuition revenue. (The GRB flat funded the public universities over current biennium, and the Co Chair's budget only allotted \$40.5M in increase over the current biennium. Based on the funding model, both state funding scenarios create a reduction in state funding for EOU for the 2019-21 biennium. In addition, both the GRB and the Co Chair's budgets eliminated ETSF and sports lottery funding, which equates to a \$630,000 reduction for EOU in each year of the biennium. For this preliminary budget build, we are assuming funding at the Co Chair's level.)

The preliminary E&G expense budget \$43.6M is comprised of salaries and other payroll expenses (ope), services and supplies and net transfers. EOU's largest category of expense is personnel, consisting of approximately 81.3% or \$35.5M of the overall E&G budget.

The expense budget includes increases a salary pool for potential increases due to labor contracts and general salary increases, it also includes increases associated with retirement and health care plans.

Direct expenses, or service and supplies, include utility and facility operations and maintenance, general office supplies, professional services contracts, information technology services, as well as services payments for support provided by University Shared Services Enterprise (USSE). The direct expense category is budgeted at \$8.2M for FY20.

Based on the revenue assumptions and preliminary expenditure budget, EOU will use approximately \$1.4M in fund balance by the end of fiscal year 2020. The decrease will result in an ending fund balance of \$6.5M or 15.2% of current year operating revenue. This amount equates to 1.77 months of operating expenses.

- Tuition increased undergraduate on campus resident by 4.9%
- Tuition increased for undergraduate online/onsite by 4.9%
- Tuition increased for on campus non residents by 4.9%
- Tuition increased for on line graduates 4.9%
- Revenue budget based on 1% enrollment growth projections.
- Invest a minimum of \$2,856,000 of tuition revenue in fee remissions (negative impact on revenue)
- Invest \$460,000 to backfill the loss of sports lottery funding for athletic scholarships.
- State allocation through the Student Success and Completion Model \$19,979.660
- State allocation of \$638,000 for State Energy Loan Program
- Backfill \$170,000 in the ETSF funds that were eliminated in the GRB and Co Chair’s budget
- Retirement and Health care contribution increases
- Targeted investments, position, services, equipment or programmatic needs, which align with EOU’s core themes and strategic plan.

FY20 PRELIMINARY E&G OPERATING BUDGET OVERVIEW

Revenue Budget Variance over FY19 Budget

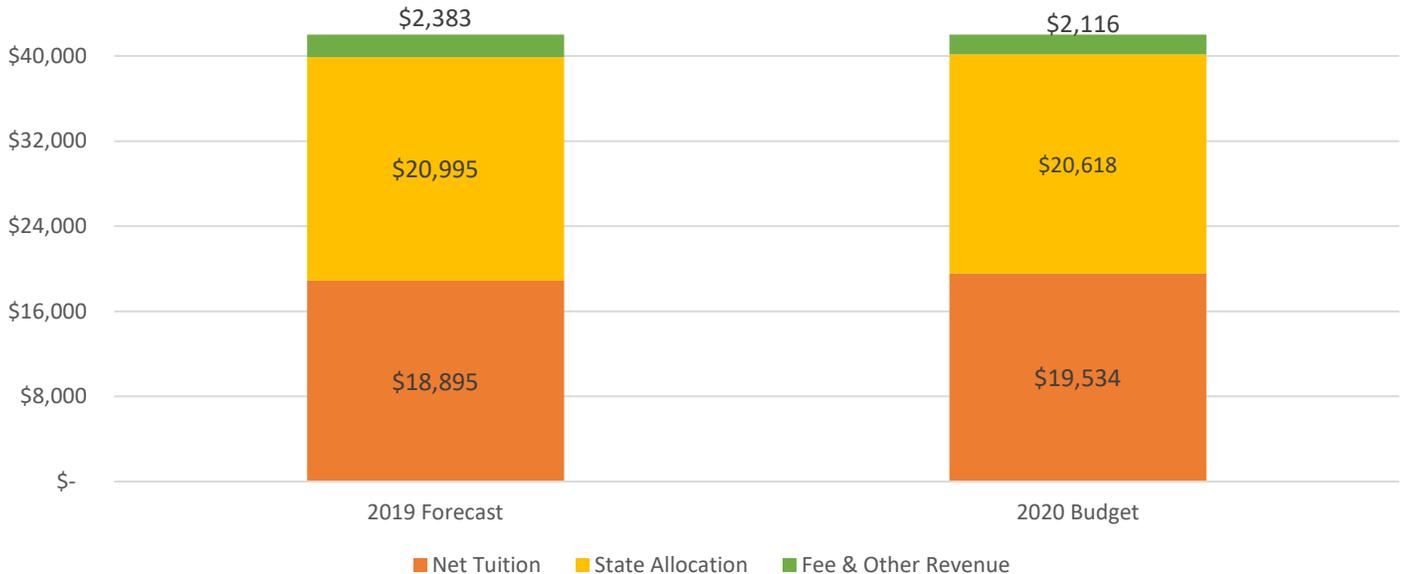
FY19 \$42,273,000

FY20 \$42,268,000

Decrease of \$5K over FY19 forecast, includes:

- State Allocation decrease of \$207K
- Loss of ETSF Funding \$170K
- Enrollment driven and tuition increases in **gross** tuition \$1.25M increase
- Fee and Other revenue decrease \$267K
- Additional Fee Remissions (\$611K)

E&G Operating Revenue Forecast Comparison with prior year forecast
(in thousands)



Expense/Transfer Budget Variance over FY19 Budget

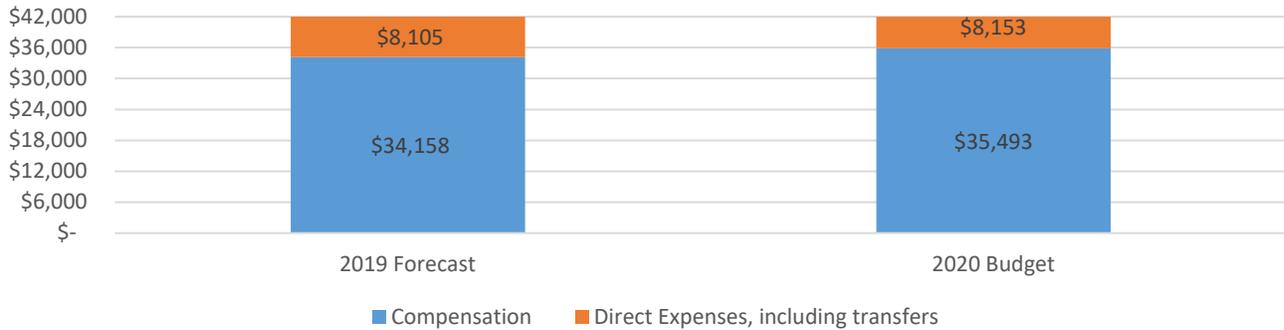
FY19 \$42,263,000

FY20 \$43,646,000

Increase of \$1,383K or 3.3%, includes:

- Wage Increases \$769K, includes salary pool
- Benefit increases \$566K, includes PERS, PEBB rate increases
- Direct Expenditure increases \$48K

E&G Operating Expenditure Budget Comparison with prior year forecast
(in thousands)



COMPENSATION OVERVIEW

EOU has established a budgetary salary pool for possible increases in Classified, Faculty and Administrative Professional employees.

Student Employees –The July 1, 2019 increase in Oregon’s minimum wage will drive increases for student wages. Minimum wage will be \$11.00/hour in La Grande.

Health Care costs increased by 4%, the impact to EOU is \$17,846 annually for each benefit eligible employee. This includes faculty and administrative professionals with an FTE of .5 and above, classified employees with an FTE of .75 and above and those employees that may qualify under the Affordable Care Act (ACA).

On July 1, 2019, retirement rates increased for all plans. The new retirement rates for EOU’s contribution based on the employee’s salary are PERS Tier 1/2 – 33.41%, Tier 3 – 26.95%, ORP, Tier 1/2- 33.20%. ORP Tier 2 15.85% and ORP Tier 4 – 8-12%.

EOU pays retirement contributions on over 380 employees. Ninety two employees are in tier 1 or 2 of the PERS system, and 217 are in tier 3. All new classified employees can only select PERS tier 3. In addition, 63 employees have selected the Optional Retirement Plan (ORP). Twenty-three employees are in tier 1 or 2, thirty are in tier 3 and 10 have selected tier 4 for their retirement plan.

(in thousands)	FY20 Budget
Revenue	\$42,268
Expenditures/Net Transfers	\$43,646
Change in Fund Balance	(\$1,383)
YE 2019 Ending Forecasted Fund Balance (unaudited)	\$7,823
YE 2020 Projected Ending Fund Balance	\$6,445
As a % of Revenues	15.2%
As months of operating expenditures	1.77

2019-20 E&G Revenue Budget

Revenue Category (in thousands)	FY20 Budget
State Allocation	\$20,618
Gross Tuition Revenue	\$22,850
Less: Tuition Remissions	(\$3,316)
Fee Revenue	\$1,126
Other Revenue	\$990
Net Operating Revenue	\$42,268

2019-20 E&G Expenditure/Transfers Budget

Expenditure Category (in thousands)	FY20 Budget
Total Compensation w/salary & ope pool	\$35,493
Direct Expenditures/Transfers	\$8,152
TOTAL	\$43,646

Funding additions include contractual/compliance increases in the areas of:

- Software and maintenance contract escalators
- Lab computer upgrades
- Safety and security improvements and training
- Utility, insurance, shared services increases
- Library collection/subscription increases
- Adjunct budget for CAHSS

And additional investments:

- Academic course/program development
- Student labor increases due to minimum wage
- Adjunct faculty for Hermiston center
- Computer Science faculty

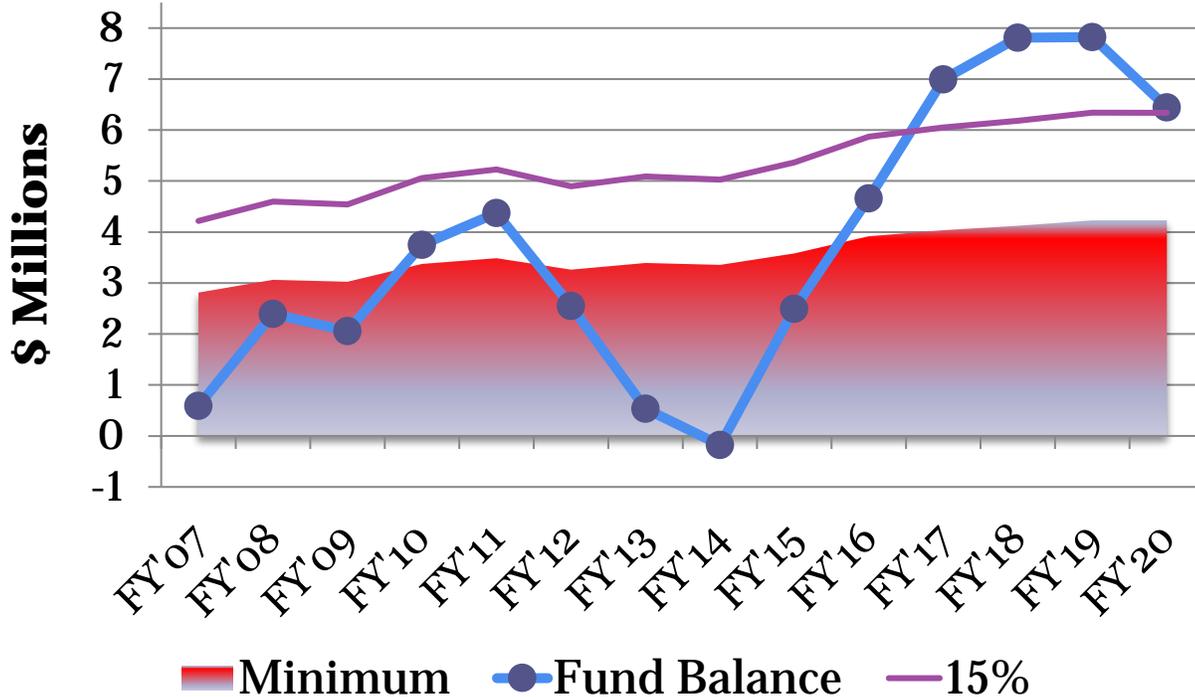
FUND BALANCE HISTORY

As always, EOU remains committed to maintaining an adequate fund balance to ensure fiscal stability. Responsible fiscal management requires adequate reserves, or fund balances, to mitigate current and future risks. Adequate fund balances are essential to offsetting cyclical variations in revenues and expenditures and to protect against:

1) Catastrophic events, 2) unforeseen revenue declines and expenditure gaps, 3) tuition mitigation, 4) unexpected legal obligations, and 5) failures of, and regulatory compliance issues in infrastructure or major business systems.

Adequate fund balances are also essential for prudent consideration of strategic investments that advance the mission of the university.

Fund balance at Year End (FY19 Forecast and FY20 Preliminary Budget)



Fund Balance Realities and Sensitivities and Planning

- Thoughtful planning for future tuition rates and mitigation of increases and impact on our students
- Create additional investment opportunities for new or enhanced programs
- Positive execution on strategic framework
- Invest in academic equipment
- Further developed organization-wide effective spending and analysis
- Offset enrollment changes
- Offset state funding reductions