



Eastern Oregon University

Board of Trustees

May 20, 2021 - Approved

EOU FY22 E&G PRELIMINARY BUDGET OVERVIEW

This report summarizes Education and General operating expense and revenue budgets for fiscal year 2022. A FY22 preliminary operating budget is being presented for your approval.

This preliminary revenue budget is based on a 3.4% enrollment increase, Undergraduate on campus and on-line residential tuition being held flat, with increases in nonresident on line tuition and graduate tuition increases. The budget also has an increase to fee remissions built in. Although still unknown, the preliminary budget is built on a state funding level of \$900M for all Oregon Public Universities. Because we are waiting on a final Legislatively Adopted Budget (LAB), this is only a preliminary budget. In November, a final operating budget will be presented for approval.

The preliminary budget addresses only the immediate needs associated with academic quality and expansion, salary and benefit increases, contract escalators and student support enhancements.

The Budget Process

FY22 E&G Operating Budget discussions and review began early in fall 2020.

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

FY22 PRELIMINARY OPERATING BUDGET: EDUCATION AND GENERAL (E&G)

The preliminary E&G revenue budget \$49.0M 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 \$3.4M. Fee remissions are applied as a reduction of tuition revenue. The state funding allocation is based on a \$62M increase to the Public University Support Fund and modifications made to the SSCM funding model.

The preliminary E&G expense budget 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 76.5% or \$40M of the overall E&G budget.

The expense budget includes increases for faculty as prescribed by the Collective Bargaining Agreements and a general salary increase for Administrative Professionals. Based on the SEIU CBA extension from June 30, 2021 to January 31, 2022, classified staff will receive their annual step increases and longevity bonus, however cost of living adjustments are being negotiated. The compensation budget also includes increases associated with retirement costs.

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) and the Wiley Educational Services (OPM) agreement. The direct expense category is budgeted at \$12.3 for FY22, and this includes all transfer activity within the E&G fund.

The total expenditure budget is \$51.3M. There is an additional \$800K in initiatives that have been proposed and EOU is working diligently to identify other savings and efficiencies or additional revenue streams to be able to fund those additional initiatives before presenting a final budget in the fall.

Based on the revenue assumptions and preliminary expenditure budget, EOU would need to use approximately \$2.3M in fund balance by the end of fiscal year 2022 to maintain a 20% fund balance. The projected ending fund balance equates to 2.5 months of operating expenses.

FY22 E&G PRELIMINARY OPERATING BUDGET ASSUMPTIONS

- Tuition for undergraduate on campus resident and non-resident no increase over 2020-21
- Tuition for undergraduate online/onsite (off campus) residents no increase over 2020-21
- Tuition increased for undergraduate online/onsite (off campus) nonresident by \$15/SCH
- Tuition increased for graduate courses 2.1%
- Revenue budget is based on 3.4% increase in enrollment
- Invest a minimum of \$3,393,000 of tuition revenue in fee remissions (negative impact on revenue)
- State allocation through the Student Success and Completion Model \$21,756,000 (estimate)
- State allocation of \$638,000 for State Energy Loan Program
- ETSF \$164K (estimate)
- Retirement contributions increase due to rate and salary increases
- Health care premiums are estimated to increase by 4%
- Increases for faculty salaries, classified salaries and Administrative Professionals
- Targeted investments for academic expansion, mandatory/compliance increases and programmatic needs.
- Expenditure reductions or savings of \$500K to be identified during the year

COMPENSATION OVERVIEW

Faculty will receive a 2.0% increase to their base salary on 9/16/21, plus a step for those that are eligible. Due to ongoing negotiations, classified are only guaranteed a step for those that are eligible on their anniversary date. There are also planned increases for Administrative Professionals; however, the amount and effective date are still being discussed.

Student Employees –The July 1, 2021 increase in Oregon’s minimum wage will drive increases for student wages. Minimum wage will be \$12.00/hour in La Grande.

Health Care costs increased by 4%, and the total cost to EOU is \$19,300 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, 2021, retirement rates will increase for all plans, except ORP Tier 1/2. The new retirement rates for EOU’s contribution based on the employee’s salary are PERS Tier 1/2 – 32.96%, Tier 3 – 28.89%, ORP, Tier 1/2- 32.30%. ORP Tier 2 15.63% and ORP Tier 4 – 8-12%. At this time, these rates will remain in effect until June 30, 2023.

FY22 PRELIMINARY E&G OPERATING BUDGET OVERVIEW

Revenue Budget Variance over FY21 Forecast

FY21 \$47,563,000

FY22 \$48,979,000

Increase of \$1.4M over FY21 forecast, includes:

- State Allocation increase of \$200K
- Tuition revenue increase of \$1.8M
- Fee and Other revenue decrease \$348K
- Additional Fee Remissions (\$213K)

Expense/Transfer Budget Variance over FY21 Forecast

FY21 \$45,800,000 (includes \$1.5M in temporary savings)

FY22 \$51,267,000 (includes \$500K in temporary savings/reductions)

Increase of \$5.4M or 11.9%, includes:

- Wage Increases \$1.5M, includes salary increase estimates
- \$680K increase over forecast for workshare savings in FY21
- Benefit increases \$825K
- Direct Expenditure/transfer increase \$2.4M

Fund balance impact

- Intentional use of fund balance \$2.3M
- Maintain fund balance percent at 22.1% of revenue
- Maintain fund balance percent at 21.1% of expenditures
- Months of operating at 2.5

FY22 PRELIMINARY E&G OPERATING BUDGET

<u>Eastern Oregon University</u> FY22 Preliminary Budget - Draft 5.5.21	FY21 Forecast	FY22 Preliminary Draft GRB + \$62M/\$899M 3.4% Enrollment Increase + Tuition Proposal
REVENUE		
State Allocation	\$ 21,550	\$ 21,756
Tuition	\$ 25,370	\$ 27,141
Other	\$ 3,824	\$ 3,475
Fee Remissions	\$ (3,180)	\$ (3,393)
TOTAL Revenue	\$ 47,564	\$ 48,979
EXPENDITURES		
TOTAL Expenditures/Transfers	\$ 45,800	\$ 51,267
YE Operating Net	\$ 1,764	\$ (2,288)
Fund Balance	\$ 13,100	\$ 10,812
<i>Fund Balance % Revenue</i>	<i>27.54%</i>	<i>22.07%</i>
<i>Months of Operation</i>	<i>3.43</i>	<i>2.53</i>

Increases to the expenditure budget includes contractual/compliance increases in the areas of:

- Software and maintenance contract escalators
- Property insurance, shared services increases
- Library collection/subscription increases
- Salary and OPE increases
- Faculty promotions

And additional investments:

- Academic course/program development
- Increases in adjunct/overload due to enrolment increase
- Student labor increases due to minimum wage
- Computer Science faculty for Cyber Security
- Early Childhood Education Faculty
- Special Education Faculty
- Data Analytics Faculty
- Sociology Faculty
- WES Payment increase (offset with revenue)

FUND BALANCE STATEMENT

Responsible fiscal management requires keeping adequate funds in reserve to fulfill the following purposes:

- 1) Risk Mitigation – To mitigate unexpected financial events, whether unanticipated cost increases or revenue declines
- 2) Investment Capital – To pursue strategic objectives, prepare for future investment in new initiatives, facilities investments, equipment and other such expenditures, and
- 3) Working Capital – to provide organizational liquidity to fund ongoing operations and annual cost escalation.

The fund balance is the difference between the assets and liabilities of a fund. Given this definition, fund balance can be described as the available resources of the fund. Fund balance is expressed in the form of a percent of total revenue. The goal level of the fund balance is a range of 20% - 25% of revenues.