



**Oregon State**  
University

# FY26 Budget Realignment

Building Financial Resilience and Flexibility  
Budget Conversation  
February 6, 2025

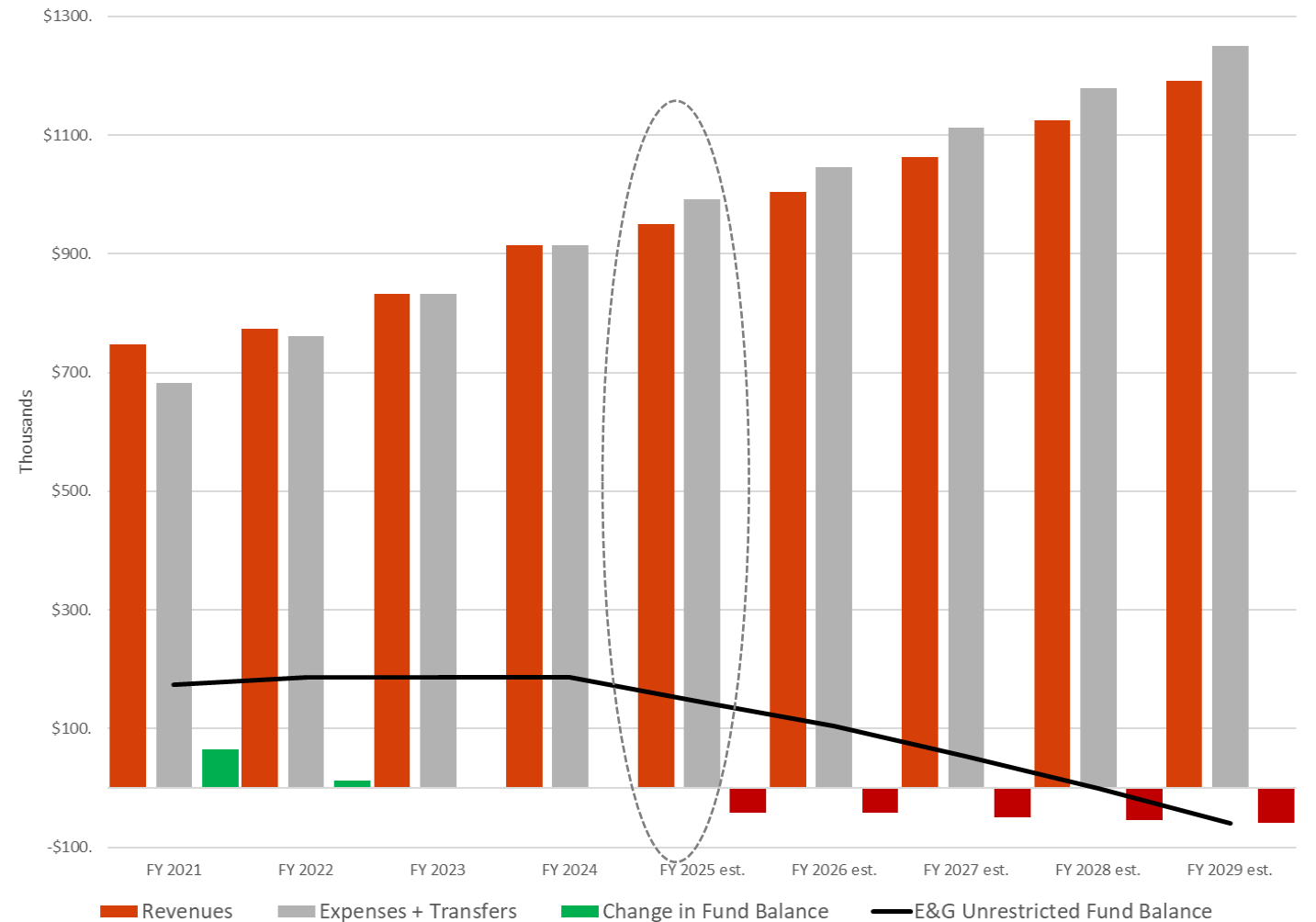
# Current state of the budget

Funding is currently stable, but there are headwinds ahead

- State funding has risen modestly, and less optimistic for the future.
  - FY25 state funding is \$1.7M less than projected.
- Student enrollment is strong, but tuition revenue fell short of initial budget projections.
  - FY25 tuition revenue grew by \$53M but is \$4.5M less than projected.
- Compensation is a major driver of cost increases and the university's ability to sustain these increases has become a greater challenge.
- We have reached a point where expenses are outpacing revenues.
  - Each 1% increase to compensation is ~\$7.1M
  - Each 1% increase to state funding is ~\$2.9M
  - Each 1% increase to net tuition and fee revenue is ~\$5.2M

# Challenges ahead: *Expenses* projected to outpace *Revenues*

We face an inflection point where OSU must shift from the status quo, reassess investments and find opportunities for realignment



Note: These amounts represent preliminary estimates, and further refinement will be needed



# Revenue considerations

OSU's ability to grow certain types of E&G revenue has limitations

- **1% enrollment growth = ~\$5.2M**
  - 1% increase to incoming first-year undergraduate class: ~\$0.9M
  - 1% increase to undergraduate retention: \$2.6 M
  - 1% increase in Ecampus enrollment: \$2.2M
- **1% increase to tuition rates = ~\$5.2M**
  - The Oregon HECC has statutory authority to review and must approve any tuition increases exceeding 5.0% by any Oregon public university for resident undergraduate rates.
- **1% increase to state funding is ~\$2.9M**
  - The most recent economic forecast indicates state funding may be tight in future years



# Expense Considerations

Certain categories of E&G expenses are more likely to be impacted based on the proportion of investment

## **Total Compensation**

Personnel costs (salary and benefits) comprise approximately 75 percent of the overall university budget and while we value our employees, increases to compensation place the greatest pressure on the expense budget.

This percent increases to 90-95% in most school, college, and department budgets

Each 1% increase to compensation requires \$7.1 million in new, ongoing funding. This amount compounds in subsequent years.

## **Operating Costs**

The operating budget makes up about 25 percent of the overall budget.

Not all budgeted operating costs are discretionary (e.g., utilities).



# Why is realignment necessary?

- The rate of projected expense growth is outpacing expected revenues.
- University reserves, as a critical resource for resilience and opportunity, are declining.
- OSU's ability to position itself for success in an increasingly competitive environment requires sharp refocusing of resources.
- OSU's strategic plan assumes new revenue, but it will take time to realize those revenues.

## **Realignment of resources is an opportunity to:**

- **Assess** the state of current investments
- **Improve** efficiency and effectiveness
- Maintain **focus** on key priorities



# Realignment – What's Next

Realignment will include a combination of reallocations of existing budgets and an overall reduction to expense budgets

- The university has initiated a budget scenario planning process that considers different scenarios for reduction and reallocation
- The process includes guiding principles, clear priorities and leadership commitments on how decisions will be made
- There will be intentional engagement with unit leaders to understand the impact of the different planning scenarios
- There are common targets, but decisions will differ by unit based on strategic priorities and expected impacts
- Decisions will be made before FY26 budgets are finalized in the spring to allow clarity for planning purposes



# Guiding Principles

- **Students First:** prioritizing the needs of student and their academic success, providing an equitable environment that ensures well-being, learning and timely graduation.
- **Value Employees:** striving to minimize impacts to existing employees and supporting strategic workforce planing.
- **Strategic Goals & Financial Resilience:** aligning resources with OSU's strategic goals while building financial strength and maintaining flexibility to adapt to changing circumstances.
- **University Engagement:** harnessing expertise across the OSU community to make well-informed decisions and providing transparent and timely communications.
- **Shared Commitments:** ensuring that decisions at all levels are made collaboratively and reflect the collective priorities of our whole community.





# Leadership Commitments

**As leaders within Oregon State University, we will:**

- Be transparent with our financial situation and how we will address gaps at a university-wide level.
- Minimize impacts to our institutional mission by not reducing more or sooner than is necessary.
- Approach needed reductions strategically and avoid across-the-board decisions.

# Planning Timeline

## January - February

- University-wide communication
- Budget Office distributes budget planning guidance, reallocation targets and scenario templates for each major budget unit (school, college, division)
- Meetings with OSU community and governance bodies

## March

- Submission of spreadsheets with detailed reallocation options
- Meet with unit leaders to understand options, priorities, and feasibility of scenarios
- *Potential:* Full day Budget Forum for extended leadership team (academic and administrative)
  - Presentations of priorities, pressures, general direction of options
- Determine university-wide realignment target

## April

- Decide and communicate unit-level targets

## July

- Implement budget adjustments

**Questions?**