HIGHER EDUCATION COORDINATING COMMISSION
3225 25th Street SE, Salem, OR 97302
www.oregon.gov/HigherEd

Docket Item:

HB 5024 Budget Note Report

Summary:

The Commission and the public universities have been directed to coordinate on the collection of financial data. The goal is to create a common understanding of the financial reporting that will be used to assess financial health and provide a more robust understanding of the public universities. An attached working paper called *Collecting Institutional Financial Data* lays out the data to be collected and the potential uses of that data. Also, the attached report titled *Financial Condition Analysis of Oregon Public Universities* is a draft of one of the specific outcomes mentioned in the working paper.

Docket Material:

A budget note in HB 5024 (2019) directs the Commission and the universities to coordinate on the collection of financial data and measures that will be consistently provided to the HECC to improve transparency and accountability. Financial information may include administrative costs, financial activity by fund, fund reserve balances, and results of audits. The report is due to the Joint Committee on Ways and Means or the Emergency Board no later than September 2020. The full text of the budget note is included in the appendix.

HECC staff collaborated with the institutions on the data to be collected and the uses proposed for that data. Recommendations are included in an attached working paper called *Collecting Institutional Financial Data*. Much of the data is already being reported by the institutions or available via institutional websites. Consistency in reporting, especially related to fund balance information, will be the focus going forward.

Collecting additional facility related information will take time as collaboration with the institutions will be needed to better implement the recommendations in the working paper. An existing workgroup for the capital improvement and renewal (CIR) formula can coordinate and provide recommendations on how to collect the information to be reported.

Staff Recommendation:

Recommend approval.

Appendix

HB 5024 (2019) Budget Note, Full Text

> The seven Public Universities shall collectively report to the Joint Committee on Ways and Means in February 2020 on cost management measures implemented during the 2019-20 academic year. The report should include administration and program reductions, use of fund reserve balances, positions eliminated or left vacant for more than six months, and any new positions established. An updated report for the 2020-21 academic year shall be provided to the Emergency Board in December 2020. The seven Public Universities and the Higher Education Coordinating Commission (HECC) are also directed to coordinate in the interim to identify public university financial data and measures that will be consistently provided to HECC to improve transparency and accountability. Financial information may include administrative costs, financial activity by fund, fund reserve balances, and results of audits. HECC shall report to the Joint Committee on Ways and Means or the Emergency Board no later than September 2020 on this effort.

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Collecting Institutional Financial Data

August 2020

The HECC has a general obligation to the state to act in the best interests of the state as a whole and for students specifically. Staff of the State Higher Education Executive Officers Association (SHEEO) write that a higher education coordinating commission bears the responsibility of ensuring "that public institutions are financially viable, that they are good stewards of their public resources, and that they have the resources they need to best serve their students."

SHEEO recommends coordinating commissions engage in some way to monitor the fiscal health and risk of the institutions within their states. A number of monitoring tools exist to accomplish this task. All of which are predicated on quality, timely data collected from the institutions.

At least eleven other states that have a similar form of higher education governance as Oregon collect financial and capital data from institutions. The authority for doing so is in statute and in most cases has existed for at least the past decade. Including a requirement in statute is considered a best practice.

Ideally, statutory language should be added, consistent with existing language for the community colleges in ORS 341.670, outlining the submission of public university financial and capital data to the HECC. The full text of ORS 341.670 is included in the appendix. To that end, this document provides more information on what the data would be used to accomplish and what data should be collected on a routine basis including both financial and capital information.

HB 5024 (2019) Budget Note

A budget note in the Commission's current appropriations bill directs the Commission and the universities to coordinate on the collection of financial data and measures that will be consistently provided to the HECC to improve transparency and accountability. Financial information may include administrative costs, financial activity by fund, fund reserve balances, and results of audits. The report is due to the Joint Committee on Ways and Means or the Emergency Board no later than September 2020. The full text of the budget note is included in the appendix.

Potential Uses of Financial Data

Institutional financial data can be used to focus on the following areas to drive strategic decision making relative to the state's higher education goals. The fiscal health and risk of the institutions will

speak to the institutions' ability to serve Oregon students and will affect the achievement of the state's goals.

Institutional Cost Control Plans

Status Quo: Currently HECC staff only requests cost control data on an ad hoc basis when an institution is subject to a tuition review or during the university evaluation process which occurs every other year for each institution. This often leads to a lack of coherent and consistent analysis of university cost control plans.

Proposal: The routine collection of this data will help the HECC track university costs more accurately over time and led to a more robust understanding of institutional responses to HB 3288 (which requires a biennial university listing of cost drivers among other things).

Benefits: Although this recommendation will not lead to additional reporting to the Legislature, it will provide additional context to the information already reported.

Benchmarking and Measuring Financial Performance

Status Quo: Our current approach lacks the ability to benchmark university costs against peer institutions and to themselves over time. This makes measuring financial performance difficult to complete.

Proposal: The collection of this data will allow the HECC to benchmark institutional financial performance and efficiency (such as the cost of faculty, the ratio of staff and faculty to students, etc.)

Benefits: This will allow stakeholders to better understand the performance of our institutions over time and in comparison to their peers. Doing so could potentially help define better performance targets for evaluations. Potential metrics to consider are included in the appendix.

Financial Condition Analysis

Status Quo: Currently the main analysis the HECC does on the potential financial risk faced by institutions is through its biennial evaluations. These analyses currently rely on ratio analysis and are conducted every two years. The next iteration of university evaluations, focused on the technical, regional universities (TRUs) will include a more robust approach that goes beyond ratio analysis to consider revenue and expenditures trends, the impact of enrollment trends, fund balances and the impact of other institutional planning.

Proposal: Based on information currently available to the HECC, the Commission could continually monitor financial well-being and produce an annual report summarizing the financial position of each university. Other states already conduct this analysis with good examples coming from North Dakota, Mississippi, Ohio and Texas. The analytic approach would be the same as that used in the evaluations; however, this document would be produced annually and include all seven of the institutions as opposed to the evaluations that occur every other year.

Benefits: This would allow the HECC to more readily spot potential financial risks to an institution. Doing so will provide opportunity for state involvement should that become necessary to protect the interests of students and other stakeholders.

Measuring the Efficiency and Condition of Capital Assets

Status Quo: The institutions track capital assets in the manner best suited to their institutional need. The state does not collect consistent, quality data on room usage, room inventory, asset condition and other details.

Proposal: Collecting routine, quality data on capital assets would help the state gain a better understanding of the totality of the capital assets it owns and the risk to the state created by the condition and age of higher education facilities. Collecting this data will take time as some of the institutions do not have staffing or systems in place to accommodate this proposal. Ultimately this could take a number of years and substantial resources to implement. The existing workgroup for the capital improvement and renewal (CIR) formula can coordinate and provide recommendations on how to collect the information to be reported.

Benefits: Room inventory and usage data would provide a look at the efficiency of space needed for instructional delivery and would help spread a better understanding of those spaces targeted for renewal and improvement. There is a specific recommendation found in the Strategic Capital Development Plan (item 3.8 on page 21) for the development and maintenance of a room-level inventory.

Specific Requirements Collected Annually

The items below represent the information needed. Much of the data is already being reported or available via institutional websites. Consistency in reporting, especially related to fund balance information, will be the focus going forward. The facilities related information represents a new request.

A. **PDF version copies of annual financial reports (audits)**

B. **Financial data from annual audited financial reports** including component units**.**

   a. **Statements of Net Position** – all amounts associated with:
      - Current assets
      - Noncurrent assets
      - Deferred outflows of resources
      - Current liabilities
      - Noncurrent liabilities
      - Deferred outflows of resources
      - Net position

   b. **Statement of Revenues, Expenses and Changes in Net Position** – all amounts associated with:
      - Operating revenues
      - Operating expenses
      - Non-operating revenues (expenses)
      - Net position

C. **Fund financial information** – financial information by fund including revenues, expenses, fund transfers, and fund balances similar to information requested during the June 2019 tuition setting process and as prepared quarterly by most of the institutions for their own governing boards. The format to be consistent across all the institutions, collected at least annually, and reconciled to the annual financial report (audit).

D. **Existing revenue survey data** – the HECC currently collects E&G other funds data including tuition and fee revenue, remissions and other revenues such as sales of goods and services.

E. **Facilities related information** – collecting information on room usage, room inventory, asset condition. Other states already do so and can provide a blue print for collecting this data.

F. **Qualitative financial information**
   a. Audit findings
   b. Accreditation reports and/or related information
   c. Credit analyst (or other financial analysis) reports

Specific Outcomes

Financial Snapshot

There are a couple specific outcomes associated with this process. One is a financial snapshot intended for a broad range of stakeholders. The contents and metrics included are subject to discussion.

There are three sections of the financial snapshot. One for general financial characteristics including the sources and uses of funds, the split between student and subsidy share, an outcomes metric, and the total E&G spending per full-time equivalent student.

There is a section on the financial health of an institution. The four primary financial ratios and the composite financial index are considered in this section consistent with the framework laid out in the book *Strategic Financial Analysis in Higher Education*.

The third section of the snapshot includes an analysis of tuition revenue driven by existing survey data on E&G other funds revenue. Discussing the largest component of operating revenue in detail is useful for many stakeholders.

Financial Conditions Report

The other specific outcome is a financial conditions report. Many states do this type of work with good examples coming from North Dakota, Mississippi, Ohio and Texas. The contents and analysis included should be specific by institution but broad enough to provide an overall understanding of an institution's financial health.

The report could be built around the composite financial index approach which is already being used in the existing public university evaluations. Specific calculations along with trends over time for the primary financial ratios could be included. A calculation of the composite financial index both with postemployment benefit liabilities and without could be included to better consider the impact of those liabilities long-term. Additional contextual information on enrollment and E&G fund data would round out the perspective.

Appendix

ORS 341.670 System for reporting finances. (1) The community college districts of this state shall use the same system for reporting finances.

(2) The Office of Community Colleges and Workforce Development shall:

(a) Select the system, which may be an existing system; and

(b) Provide guidelines for implementation of the system.

(3) The system selected by the office shall include uniform identification of:

(a) Funds;

(b) Revenues by source; and

(c) Expenditures by function and object classification, as that term is defined in ORS 294.311.

(4) The office shall place data gathered from the system on the website of the office to ensure timely access to the information by the public.

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HIGHER EDUCATION COORDINATING COMMISSION

FINANCIAL CONDITION ANALYSIS OF OREGON PUBLIC UNIVERSITIES

2020

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OVERVIEW

This report contains a broad financial evaluation of each of Oregon's seven public universities. The objective of this report is to identify institutions in which the potential for financial stress exists.

Two perspectives are provided. The oversight perspective looks at all institutional funding, including foundation assets, and employs financial ratios to calculate a composite financial index (CFI) to provide an overall assessment of the institution's financial health. The governance perspective is limited to the education and general (E&G) fund, sometimes called the general fund, of the institution in which the financial activity related to instruction, research and public service is collected.

For the oversight perspective, the process starts with the identification of relevant financial indicators after which standards are then defined. The extent to which an institution meets all the standards will then provide insight as to whether or not the institution could potentially experience financial stress in the future. The best approach is to compare an institution to itself over time, rather than comparing peer to peer.

Two perspectives are provided. An oversight perspective, focused on all funds including foundation assets and a governance perspective focused solely on the general fund.

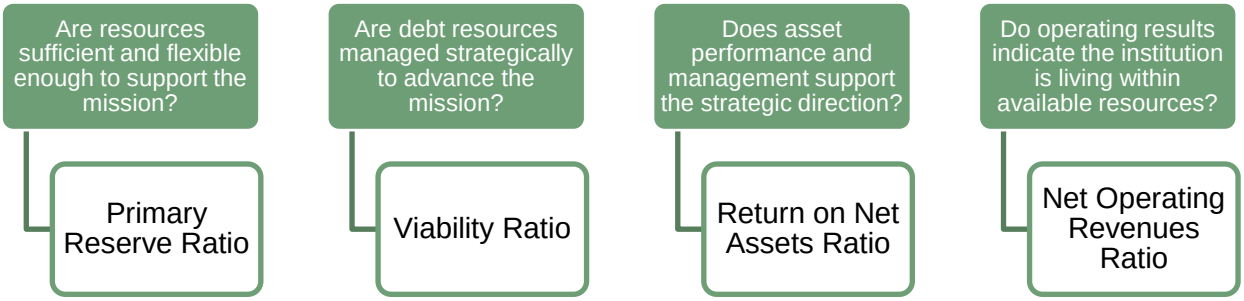
As such, this analysis considers each institution across all funds (i.e. general fund, plant fund, auxiliary fund, etc.) and includes component units (i.e. a foundation) that are included in the university's annual financial report. The framework for this analysis is a book called *Strategic Financial Analysis for Higher Education* written by KPMG and Prager, Sealy & Co. It has been in use since its first publication in the 1980's and is widely used by trustees, senior managers, financial analysts, and credit analysts to properly assess institutions of higher education. A version of this framework is also used by the US Department of Education in their financial responsibility score currently used to assess private institutions.

The governance perspective is a bit narrower in scope in that it only considers the E&G, or general fund, of the institution. The other funds are considered self-balancing, and although transfers between funds can and do occur, the general fund is often where governing board decision making is concentrated since it represents the majority of the institution's financial activity.

Information related to the governance perspective is presented for each institution alongside the calculations for the financial rations and CFI. The remainder of this section discusses the calculation of the financial ratios and other qualitative metrics used to consider an institution's financial health.

FINANCIAL ANALYSIS IN HIGHER EDUCATION

The overall financial health of an institution can be assessed via two dimensions of inquiry. First, is the institution financially capable of successfully carrying out its current programs? Second, is the institution able to carry out its intended programs well into the future? Along those two dimensions, four key financial questions need to be asked. A financial ratio is designed to measure the answer for each question.



Primary Reserve Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

This ratio measures the financial strength and flexibility of the institution by comparing expendable net assets to total expenses, providing a snapshot of how long the institution could continue operating without additional revenue. A decline in the primary reserve ratio indicates expenses are growing faster than revenues and certainly faster than the growth in expendable net assets.

Viability Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

The viability ratio measures one of the most basic elements of financial health: debt coverage. It considers what expendable net assets are available to cover long-term debt should the institution need to immediately settle its obligations. This ratio is similar to a coverage ratio used in the private sector to indicate the ability of an organization to cover its long term debt.

Expendable net assets, in this circumstance, are those resources that are readily available to the institution. Typically this includes unrestricted assets plus those assets that are restricted but expendable. Assets that are restricted but not expendable, like capital assets, are excluded. Donor assets are typically restricted but included if they are expendable. An example is endowment assets. The restricted but expendable portion is the current year earnings while the restricted but not expendable portion is the corpus of the endowment.

Return on Net Assets Ratio

$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

This ratio measures total economic return during the fiscal year. It answers the question "are they better off financially than they were a year ago?" It shows an institution's total economic return. A positive return on net assets means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic

investments. A temporary decline in this ratio could be reasonable should it reflect a strategy to improve the institution's financial condition.

Net Operating Revenues Ratio

$$\frac{\text{Net Operating Income}}{\text{Total Operating Revenue}}$$

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. Continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

Composite Financial Index

A widely accepted metric called the Composite Financial Index (CFI) is often used to address these four key questions. The CFI blends the four core financial ratios into one metric, providing a more balanced view of an institution's finances. Measuring the index over time provides a glimpse as to the progress institutions are making toward achieving financial goals.

This report includes calculated CFIs for Oregon's seven public universities for the past three fiscal years including 2017, 2018, and 2019.

BENCHMARKS

Ratio	Benchmark
Primary Reserve Ratio	>0.4
Viability Ratio	>1.0
Return on Net Assets	>6%
Net Operating Revenues	>4%
Composite Financial Index	No Benchmark
Adjusted Composite Financial Index*	>3.0
*adjusted to remove pension and OPEB related liabilities	

ACCOUNTING CHANGES

Changes in accounting practice can affect the calculations. For example, Governmental Accounting Standards Board (GASB) Statements No. 68, 71 and 75 attempt to improve financial reporting by accounting for pension-related and other postemployment benefit (OPEB) liabilities. The impact of these statements was the reduction in expendable net assets leading to a reduction in both the primary reserve and viability ratios as well as higher benefits expense leading to a reduction in the net operating revenues ratio. The additional liability is significant, accounting for approximately one third of total liabilities.

This report includes the CFI calculated both with these liabilities and also adjusted to remove them. The value of pension and OPEB liabilities is actuarially determined and subject to a number of assumptions driven by demographics and other factors. The discount rate assumption is particularly sensitive; each 1% change equals a 25-30% change in net liability.

Effective for FY2019, new guidance was issued by the Financial Accounting Standards Board (FASB) in Accounting Standards Update (ASU) 2016-14 (topic 958) which altered the categories of net assets presented for the foundations. Consequently, the calculation of expendable net assets was affected. Two ratios use the expendable net assets.

ADDITIONAL INDICATORS

In addition to the CFI, a more robust understanding is obtained through a number of additional, qualitative indicators. These include enrollment fluctuations, the dependency of revenues, audit findings and accreditation sanctions.

Enrollment Fluctuations

Consistent enrollments are integral to financial health. Net tuition revenue is typically the largest source of E&G revenue. The distribution of state funding is also influenced by enrollments. Extraordinary fluctuations in enrollment can cause volatility within these primary revenue sources. Credit rating agencies rely on enrollment data to determine student demand and market position both of which are factors in ratings analysis.

Enrollment data for all seven of the public universities is included in the appendix. This data looks at fall fourth week full-time student equivalent (FTE) enrollment going back to the 2002-03 academic year. Across all institutions, enrollment between 2002-03 and 2009-10 grew 14.3% with all but one of the institutions experiencing growth during that time. The trend has been decidedly different in the past decade. Since 2010-11, enrollment has declined 1.8% across all institutions will only two experiencing growth during that time. Future demographics of Oregon suggest enrollments will struggle to increase as the number of 18-25 year old residents stagnates.

Dependency of Revenues

The over reliance on any one source of revenue can subject an institution to volatility and risk should that revenue source substantially change. Considering each revenue source's percentage of total revenue gives some indication of an over dependence. There is no universally excepted benchmark for this metric or definition of over dependence.

Looking at the FY2019 E&G fund financial data included in the appendix for all seven public universities, net revenue is expressed as a percentage of the total of all E&G revenue. For all seven, 67% of E&G fund revenue comes from tuition with four at 60% with one institution near 80%. With such a dependence on net tuition revenue, the sensitivity of the institution's overall financial health to enrollment is magnified.

Audit Findings

The institutions are required to have an external audit performed of their annual financial reports every year. The auditor expresses an opinion of the financial statements, control systems, and other management issues. A qualified audit opinion, meaning the auditor was unable to establish to their satisfaction a proper determination, would lead to further scrutiny. Any material weaknesses identified by the auditor would also raise the level of concern about the institution's financial condition. All seven universities received an unqualified opinion for their FY2019 annual financial reports.

Accreditation Sanctions

Actions taken by the regional accrediting body are also considered. Oregon is served by the Northwest Commission on Colleges and Universities (NWCCU). The 2020 accreditation standards, specifically 2.E.1 through 2.E.3, used by NWCCU include reference to the financial stability and control expected of each institution and represent good practice. Accreditation is a prerequisite for an institution to participate in federal financial aid programs and is therefore fundamental to an institution's financial viability. The HECC is not aware of any current accreditation sanctions affecting the public universities.

DATA SOURCES AND APPENDIX

Data for the calculations in this report came from the Audited Financial Reports published by each institution, as well as the Audited Financial Statements published by each university's foundation(s). Enrollment data came from HECC's Office of Research and Data. General fund activity and tuition collection information came from survey data provided by the institutions.

Financial ratio calculations and general fund data is included within the body of the report for each individual institution. Summary financial data across all seven of the institutions is included in the appendix including more detail on tuition collections.

THE IMPACT OF COVID-19

The COVID-19 pandemic has had an extraordinary impact on both institutions and students. The California Student Aid Commission surveyed 76,000 students on the impact of the pandemic and found that:

- 71% of students lost some or all of their income
- About half have experienced disruption to their housing situation
- A quarter reported needing to drop one or more courses during the Spring 2020 term

The public universities have reported a financial impact of just over $140 million during the spring and summer terms. This figure includes almost $73 million in lost or foregone revenue mostly due to auxiliary activities including housing, dining, retail and athletics. The remaining $67 million is due to direct, additional costs including $42 million in tuition/fee refunds along with $6.5 million in distance delivery and student support, $6.5 million in cleaning, testing and personal protection equipment, and $12 million in personnel and other costs.

The current, unprecedented level of anxiety amongst institutional leadership centers on fall term enrollment. Enrollments may or may not be affected in the fall term largely based on student behavior. A number of organizations are conducting student research to provide insight in to students' intent. The California Student Aid Commission survey found that 15% of existing students were unsure about where they were going to attend college in the fall. This creates a number of potential headwinds for the institutions with varying impacts.

The vast majority of existing students are reporting they would like to continue their education. However, most have also reported the spring distance learning experience to be less than ideal. If they chose to sit out the fall term, that could have dire financial consequences. The existing E&G fund balance of most institutions is not sufficient to backfill a 15% drop in net tuition revenue. Additional uncertainly revolves around the intentions of new students.

Also, whether or not out of state students feel comfortable enough to travel to attend an Oregon institution could be an issue. According to the National Center for Education Statistics (NCES), Oregon is a net importer of students with over 3,100 students coming to Oregon for college in the fall of 2018. That represents roughly 3% of headcount enrollment. If those students chose to attend college closer to home in the fall, that could have an outsized impact on those institutions who enroll more than a third of their students from out of state including EOU, SOU, OSU and UO.

Although not related to enrollment, another headwind could be athletics. Should the major athletic programs in the state not be able to compete under normal conditions, the resulting revenue impact could create substantial financial challenges for the institutions.

EASTERN OREGON UNIVERSITY

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.15	0.17	0.21	>0.4
Viability Ratio	0.41	0.44	0.49	>1.0
Return on Net Assets	2.2%	3.8%	-0.2%	>6%
Net Operating Revenues	-3.9%	-8.3%	-2.9%	>4%
Composite Financial Index	0.66	0.56	0.72	No Benchmark
Adjusted CFI*	4.14	2.20	4.14	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$12,284	$10,268	$9,302
University/Foundation	*$6,355/$5,929*	*$2,925/$7,343*	*$3,305/$5,997*
Expenses	$58,004	$59,887	$62,597

EOU's primary reserve ratio has declined over the past three years, likely due to the drop in expendable net assets and is below the benchmark. A low primary reserve ratio indicates that available resources are not sufficient or flexible enough to support the institution's mission. This could leave the institution without the means to invest in new programs or opportunities without additional revenue.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$12,284	$10,268	$9,302
Total Long-Term Debt	$25,014	$23,474	$22,823

EOU's viability ratio has decreased over the past three years and is below the benchmark. The value of total expendable net assets has decreased by 24.2% from FY 17 to FY 19. The most significant factors in this were salary increases and benefit increases in PERS and health care rates, both of which occurred largely in FY 18. EOU's viability ratio has declined from FY 17 to FY 19 to the point where they can cover 41 cents out of every dollar currently owed. A viability ratio at this level indicates the institution needs to consider the use of debt in service of its mission.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	($145)	$2,603	$1,568
Total Beginning Net Position	$68,992	$68,274	$70,877

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investments. EOU showed slight improvement in this ratio over the past three years, although it is not much above 0%.

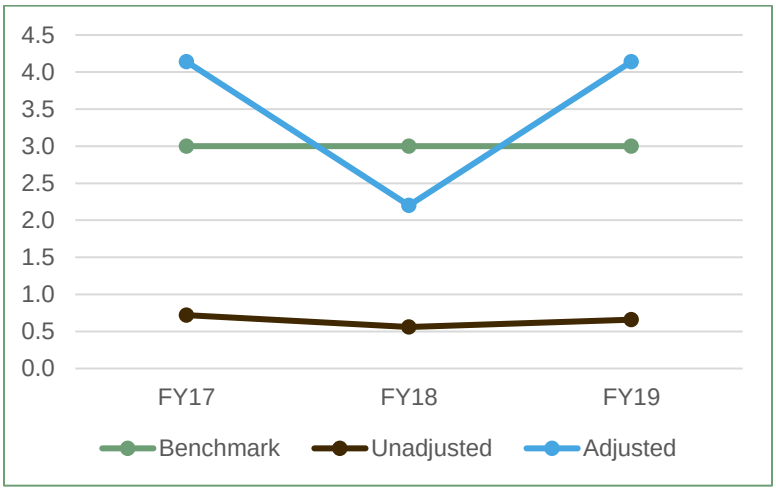
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($1,622)	($4,586)	($2,322)
Total Operating Revenues	$55,635	$55,301	$60,275

EOU's net operating revenues ratio remained relatively stable the past three years, although negative during all three years. Continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, EOU is in a stable financial position. EOU deserves credit for stabilizing their institution coming out of the financial conditions placed on them at the time of their board's creation in 2015. Still, EOU's financial position is potentially precarious and sensitive to enrollment changes as well as the balance between state formula revenues and other sources of revenue.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	20,952,498	21,870,942	23,376,590
Less fee remissions	(2,187,399)	(2,591,422)	(2,734,317)
Net tuition	18,765,098	19,279,520	20,642,273
State operating appropriations	19,870,936	20,051,272	20,357,177
State debt service appropriations	647,928	637,752	637,752
Indirect cost recovery	254,346	271,763	261,470
All other	805,623	975,701	1,059,051
Total revenues	**40,343,931**	**41,216,007**	**42,957,724**
Expenses			
Salary & Wages	19,735,924	20,430,341	21,484,588
Benefits: Health	4,855,723	5,195,859	5,361,139
Benefits: Retirement	3,614,425	4,572,831	4,943,380
Benefits: Other	1,519,540	1,774,647	1,769,863
Supplies & Services	7,927,102	7,713,981	7,938,061
Capital Expenditures	566,064	533,549	452,770
Institutional Student Aid	3,312	-	
Net Fund Transfers	(289,462)	172,754	(172,531)
Total expenses	**37,932,627**	**40,393,961**	**41,777,270**
Net Income (Loss)	**2,411,304**	**822,047**	**1,180,454**
As a % of Revenue	6%	2%	3%
Fund Balance Information			
Beginning Fund Balance	4,579,000	6,990,304	7,812,351
Ending Fund Balance	6,990,304	7,812,351	8,992,805
Balance as a % of Revenue	17%	19%	21%
Months of Operating Balance	2.1	2.3	2.5
Additional Information			
% of Revenue that is Tuition	47%	47%	48%
Remission Rate	10%	12%	12%
Wages and Benefits as % of Total:	78%	79%	80%

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.31	0.39	0.41	>0.4
Viability Ratio	0.73	0.83	0.79	>1.0
Return on Net Assets	10.6%	8.0%	8.2%	>6%
Net Operating Revenues	-3.9%	-8.6%	2.1%	>4%
Composite Financial Index	2.18	1.85	2.73	No Benchmark
Adjusted CFI*	3.09	2.74	4.76	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$32,300	$32,538	$30,386
University/Foundation	*$16,678/$15,622*	*$13,098/$19,440*	*$10,313/$20,073*
Expenses	$78,147	$84,064	$98,770

OIT's primary reserve ratio had been right at the benchmark in FY 17 and FY 18 but fell in FY 19. OIT staff indicate this is partially due to increases in expenses related to the Oregon Manufacturing Innovation Center (OMIC) which is a component of the overall expense base. With no other significant, extraordinary draws on reserves, OIT is maintaining its reserves at a reasonable level by balancing expenses with revenues. Still, this could leave the institution without the means to invest in new programs or opportunities without additional revenue.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$32,300	$32,538	$30,386
Total Long-Term Debt	$41,091	$39,343	$41,840

OIT's expendable net assets fell 5.9% from FY 17 to FY 19 with this drop occurring entirely in FY 19. By the same token, OIT's viability ratio increased slightly between FY 17 and FY 18 and decreased in FY 19 to the point where it could cover just under three fourths of every dollar currently owed with currently available assets. As a result, and although their viability ratio is below the benchmark, it appears the institution is in a relatively stable position.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$7,754	$8,121	$11,618
Total Beginning Net Position	$94,403	$101,391	$109,512

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. OIT's performance on this ratio was both stable and above the established benchmark during the past three years.

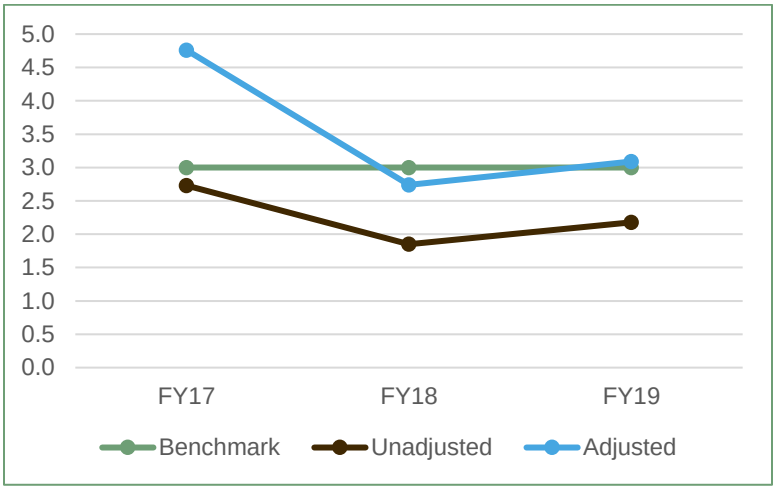
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	$1,612	($6,787)	($3,700)
Total Operating Revenues	$77,782	$78,980	$95,070

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. OIT's net operating revenues ratio has been negative the past three years and has decreased slightly since FY 17. Although the losses are relatively small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, OIT remains financially stable with a relatively strong financial position. Short-term declines in their financial ratios in the past year, due in part to extraordinary OMIC expenses, are not likely indicative of any longer term financial risk.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	32,052,517	33,638,763	35,790,588
Less fee remissions	(3,578,238)	(3,843,240)	(3,945,695)
Net tuition	28,474,278	29,795,523	31,844,893
State operating appropriations	26,198,093	27,500,434	28,811,561
State debt service appropriations	189,564	156,536	133,536
Indirect cost recovery	139,109	201,849	297,157
All other	2,042,702	1,626,051	6,769,828
Total revenues	**57,043,747**	**59,280,392**	**67,856,975**
Expenses			
Salary & Wages	28,366,096	29,899,185	32,200,472
Benefits: Health	6,169,519	6,794,124	7,878,239
Benefits: Retirement	4,689,975	5,582,871	6,275,227
Benefits: Other	2,097,227	2,204,576	1,911,715
Supplies & Services	11,232,691	11,807,574	18,233,974
Capital Expenditures	375,530	729,718	766,219
Institutional Student Aid	408	250	1,838
Net Fund Transfers	10,075,909	1,614,046	3,443,573
Total expenses	**63,007,356**	**58,632,343**	**70,711,256**
Net Income (Loss)	**(5,963,608)**	**648,049**	**(2,854,282)**
As a % of Revenue	-10%	1%	-4%
Fund Balance Information			
Beginning Fund Balance	18,945,000	13,114,000	13,649,000
Ending Fund Balance	12,981,392	13,762,049	10,794,718
Balance as a % of Revenue	23%	23%	16%
Months of Operating Balance	2.7	2.8	1.9
Additional Information			
% of Revenue that is Tuition	50%	50%	47%
Remission Rate	11%	11%	11%
Wages and Benefits as % of Total:	66%	76%	68%

OREGON STATE UNIVERSITY

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.16	0.25	0.27	>0.4
Viability Ratio	0.33	0.63	0.71	>1.0
Return on Net Assets	4.0%	3.4%	4.2%	>6%
Net Operating Revenues	-2.6%	-4.6%	-2.3%	>4%
Composite Financial Index	0.89	1.18	1.54	No Benchmark
Adjusted CFI*	2.10	2.40	4.57	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$330,750	$329,397	$213,682
University/Foundation	*$37,551/$293,199*	*$2,087/$327,310*	*($38,736)/$252,418*
Expenses	$1,235,207	$1,306,489	$1,356,898

OSU's primary reserve ratio was relatively steady from FY 17 to FY 18 and dropped significantly in FY 19, at a level well short of the established benchmark. Overall, OSU's expendable net assets dropped 35.4% from FY 17 to FY 19, with almost all of that drop occurring from FY 18 to FY 19.

The reasons for this drop are largely twofold. First, accounting rule changes on foundation assets, which principally impacted the much larger of OSU's two foundations, OSU's main foundation, saw a $70M drop in expendable assets even as foundation assets overall increased. It did not have as much of an impact on OSU's second foundation, its agricultural research foundation, whose assets are much smaller. Second, OSU's capital assets increased $70M from FY 18 to FY 19 as projects were completed, an increase which is subtracted out of their expendable net assets.

Overall, OSU's primary reserve ratio equates to two months' worth of expenses, which puts them at some risk if revenues were to decline. However, OSU's positon may be somewhat stronger than this as their foundation assets actually increased, indicating that they may have some more flexibility than it might appear at first.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$330,750	$329,397	$213,682
Total Long-Term Debt	$467,324	$521,425	$642,982

OSU's viability ratio decreased slightly from FY 17 to FY 18 before a sharp 30% drop from FY 18 to FY 19. This drop was due to three factors. First, as with the primary reserve ratio there was a $70M increase in capital assets. Second, again as with the primary reserve ratio, there was a $70M drop in foundation expendable assets due to accounting rule changes even as foundation assets as a whole grew. Third, OSU increased its long term debt by $60M from FY 17 to FY 18 and by $124M from FY 18 to FY 19. At this point, OSU could cover just thirty three cents of every dollar owed with currently available assets. As a result, OSU should strongly consider limiting new debt until this picture improves. However, as with the primary reserve ratio, the re-classification of OSU's foundation assets may make their performance on this ratio appear worse than it actually is.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$58,610	$49,281	$59,560
Total Beginning Net Position	$1,389,112	$1,434,877	$1,484,158

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. OSU's performance on this ratio was stable at a level just below the benchmark the past three years, indicating they may have some additional resources to invest should this trend continue.

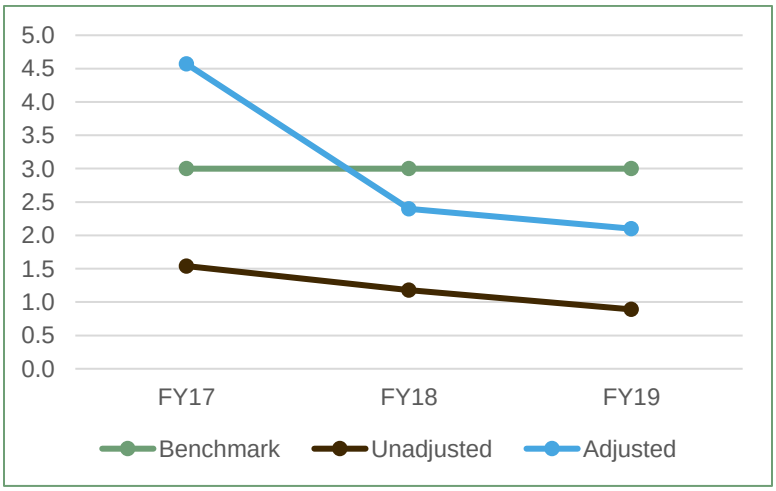
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	$1,612	($6,787)	($3,700)
Total Operating Revenues	$77,782	$78,980	$95,070

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. OSU's net operating revenues ratio has been negative the past three years and at relatively stable levels since FY 17. Although the losses are relatively small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, OSU's finances are in a relatively stable position. Although there was a sharp drop between FY 17 and FY 18, it stabilized between FY 18 and FY 19. OSU remains well positioned financially to fulfill its mission and carry out its fiduciary responsibilities.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	387,963,322	407,197,656	421,774,551
Less fee remissions	(37,680,269)	(39,918,755)	(42,746,331)
Net tuition	350,283,053	367,278,901	379,028,220
State operating appropriations	117,656,107	125,467,980	135,686,951
State debt service appropriations	1,084,152	1,072,584	1,072,584
Indirect cost recovery	38,942,493	42,057,377	41,471,387
All other	25,487,930	27,052,954	30,442,249
Total revenues	**533,453,736**	**562,929,795**	**587,701,391**
Expenses			
Salary & Wages	267,341,287	279,480,083	295,551,671
Benefits: Health	51,420,069	54,819,115	58,363,725
Benefits: Retirement	43,942,573	53,680,508	55,501,500
Benefits: Other	37,356,848	37,931,930	40,769,100
Supplies & Services	98,560,991	104,839,742	114,123,087
Capital Expenditures	6,926,741	4,754,414	9,994,979
Institutional Student Aid	893,243	1,274,923	1,706,882
Net Fund Transfers	12,243,897	25,085,848	22,512,848
Total expenses	**518,685,650**	**561,866,563**	**598,523,791**
Net Income (Loss)	**14,768,086**	**1,063,233**	**(10,822,401)**
As a % of Revenue	3%	0%	-2%
Fund Balance Information			
Beginning Fund Balance	68,563,430	83,331,516	84,394,749
Ending Fund Balance	83,331,516	84,394,749	73,572,348
Balance as a % of Revenue	16%	15%	13%
Months of Operating Balance	1.9	1.8	1.5
Additional Information			
% of Revenue that is Tuition	66%	65%	64%
Remission Rate	10%	10%	10%
Wages and Benefits as % of Total:	77%	76%	75%

PORTLAND STATE UNIVERSITY

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.18	0.15	0.17	>0.4
Viability Ratio	0.43	0.35	0.35	>1.0
Return on Net Assets	15.9%	2.7%	16.9%	>6%
Net Operating Revenues	0.8%	-3.9%	1.1%	>4%
Composite Financial Index	2.48	0.66	2.51	No Benchmark
Adjusted CFI*	3.19	1.40	3.81	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$91,855	$85,976	$102,522
University/Foundation	*$31,486/$60,369*	*$17,772/$68,204*	*$29,609/$72,913*
Expenses	$543,840	$568,512	$569,354

PSU's primary reserve ratio was relatively steady from FY 17 to FY 19, although at a level well below the established benchmark. Overall, PSU's expendable net assets increased 11.6% from FY 17 to FY 19, with the entire increase coming from FY 18 to FY 19. This was due to a $9M decrease in pension expenses, which is likely to be a one-time event in the short to mid-term, and a slight increase in foundation assets. Overall, PSU's primary reserve ratio equates to just over two months' worth of expenses, which puts them at some risk if revenues were to decline.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$91,855	$85,976	$102,522
Total Long-Term Debt	$265,020	$247,472	$239,001

PSU's viability ratio was stable from FY 17 to FY 18 before an 8% increase from FY 18 to FY 19. This increase was due largely both to the $9M decrease in pension expense that fueled the increase in primary reserve ratio as well as an $8M drop in long term debt. Despite this improvement, at this point, PSU could cover just four three cents of every dollar owed with currently available assets. As a result, PSU should strongly consider limiting new debt until this picture improves

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$67,987	$12,419	$75,704
Total Beginning Net Position	$401,586	$465,136	$477,555

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. PSU's performance on this ratio was well above the benchmark in FY 17 and FY 19 and dropped to about half the benchmark for FY 18. These swings were due primarily to the completion of large capital projects in FYs 17 and 19, which increased PSU's net position. A return on net assets ratio at this level indicates that PSU may have some additional resources to invest should this trend continue.

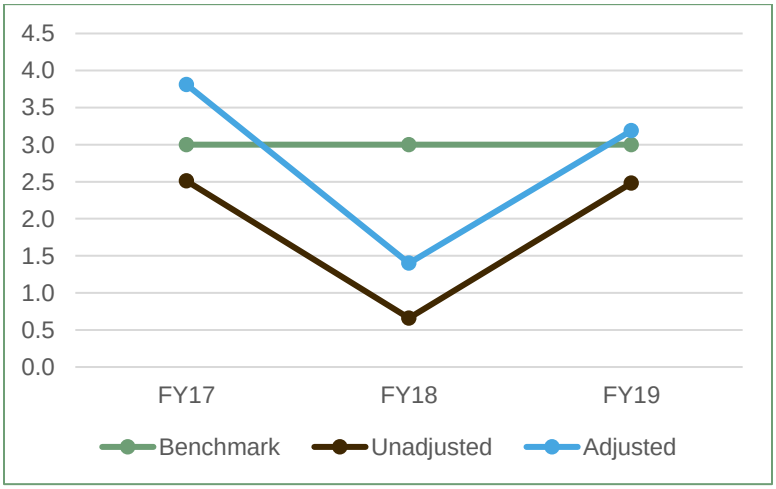
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	$5,859	($21,345)	$4,867
Total Operating Revenues	$554,980	$554,132	$578,400

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. PSU's net operating revenues ratio was just above zero in FYs 17 and 19 and slightly negative in FY 18. Although was positive in the prior year, a barely positive operating revenues ratio may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, PSU's finances have been largely stable despite the one year drop in FY 18. PSU had an unadjusted CFI of above 3 in two of three years examined in this report, indicating that its finances are in a relatively strong position and that it is not likely to be unable to meet is fiduciary responsibilities in the near term.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	234,982,158	240,681,375	240,674,823
Less fee remissions	(20,530,674)	(22,737,697)	(21,100,540)
Net tuition	214,451,484	217,943,679	219,574,284
State operating appropriations	86,595,683	93,205,018	96,604,069
State debt service appropriations	2,240,976	2,182,248	2,182,248
Indirect cost recovery	10,584,033	10,925,243	11,621,777
All other	12,383,047	10,815,053	19,411,451
Total revenues	**326,255,223**	**335,071,241**	**349,393,829**
Expenses			
Salary & Wages	169,430,156	174,978,679	179,464,327
Benefits: Health	28,185,526	28,758,037	28,919,047
Benefits: Retirement	29,523,363	34,430,801	35,538,750
Benefits: Other	20,348,376	21,044,659	20,693,209
Supplies & Services	60,062,149	62,441,001	62,942,625
Capital Expenditures	1,783,871	1,481,927	1,973,124
Institutional Student Aid	263,973	317,413	710,650
Net Fund Transfers	4,291,693	2,790,392	1,391,201
Total expenses	**313,889,106**	**326,242,909**	**331,632,933**
Net Income (Loss)	**12,366,117**	**8,828,332**	**17,760,896**
As a % of Revenue	4%	3%	5%
Fund Balance Information			
Beginning Fund Balance	55,096,681	67,462,798	76,291,130
Ending Fund Balance	67,462,798	76,291,130	94,052,026
Balance as a % of Revenue	21%	23%	27%
Months of Operating Balance	2.5	2.7	3.2
Additional Information			
% of Revenue that is Tuition	66%	65%	63%
Remission Rate	9%	9%	9%
Wages and Benefits as % of Total:	79%	79%	80%

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.03	0.08	0.10	>0.4
Viability Ratio	0.07	0.16	0.21	>1.0
Return on Net Assets	2.9%	15.3%	11.2%	>6%
Net Operating Revenues	-9.3%	-3.7%	-4.1%	>4%
Composite Financial Index	-0.86	1.59	1.25	No Benchmark
Adjusted CFI*	1.17	3.53	4.24	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$10,275	$7,553	$3,137
University/Foundation	*$1,861/$8,414*	*($3,480)/$11,033*	*($8,560)/$11,697*
Expenses	$98,187	$95,756	$101,930

SOU's primary reserve has fallen substantially over the past three years and is now just above zero in FY19. A low primary reserve ratio indicates that available resources may be not sufficient or flexible enough to support the institution's mission. In SOU's case, they had less than half a month's worth of primary reserve at the end of the last fiscal year.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$10,275	$7,553	$3,137
Total Long-Term Debt	$48,679	$45,935	$43,580

The value of total expendable net assets has declined 69.5% since FY17. As a result, SOU's viability ratio has declined from FY 17 to FY 19 to the point where they can only cover seven cents of every dollar owed for debt with expendable assets. This is primarily due to a combination of increasing expenses and declining revenues.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$11,419	$17,415	($3,728)
Total Beginning Net Position	$130,289	$113,648	$130,289

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future.

SOU's performance on this ratio had been positive, and above the benchmark in FY 17 and FY 18, but was slightly negative in FY 19 due to substantial expense increases coupled with revenue declines. If this ratio is negative in future years, it could limit SOU's financial flexibility going forward.

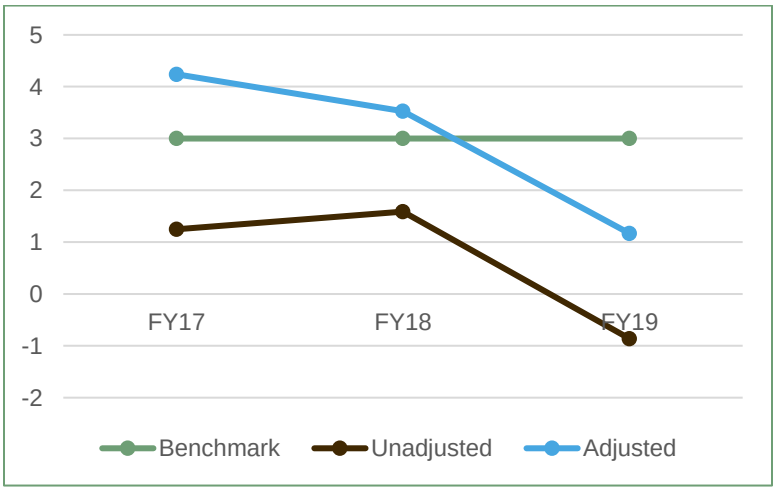
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($3,851)	($3,454)	($8,655)
Total Operating Revenues	$93,151	$92,302	$93,275

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. SOU's net operating revenues ratio has been increasingly negative the past three years even with sizable tuition increases. Continued negative operating revenues may indicate an institution does not have the capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, SOU faces a challenging financial future with limited flexibility. Given declining enrollment and increasing expenses, the need remains clear to further reengineer the institution to identify opportunities while preserving academic quality. Hopefully the current proposed 4% cut in spending and Presidential Task Force on Financial Sustainability will allow SOU to make some much needed headway.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	37,698,244	41,003,792	41,003,163
Less fee remissions	(3,586,840)	(4,243,385)	(3,637,765)
Net tuition	34,111,404	36,760,407	37,365,398
State operating appropriations	21,360,666	21,093,467	21,471,767
State debt service appropriations	179,160	179,160	179,160
Indirect cost recovery	200,424	206,958	150,967
All other	3,113,341	2,597,260	2,862,313
Total revenues	**58,964,995**	**60,837,252**	**62,029,605**
Expenses			
Salary & Wages	31,008,806	31,763,153	33,013,914
Benefits: Health	6,878,403	7,331,563	7,305,707
Benefits: Retirement	5,703,198	6,841,000	7,007,008
Benefits: Other	2,674,014	2,838,967	3,018,151
Supplies & Services	8,907,896	9,093,321	11,555,647
Capital Expenditures	193,507	193,744	176,436
Institutional Student Aid	-	-	-
Net Fund Transfers	2,266,381	2,481,400	1,738,814
Total expenses	**57,632,205**	**60,543,147**	**63,815,677**
Net Income (Loss)	**1,332,790**	**294,105**	**(1,786,072)**
As a % of Revenue	2%	0%	-3%
Fund Balance Information			
Beginning Fund Balance	6,876,000	8,208,790	8,502,895
Ending Fund Balance	8,208,790	8,502,895	6,716,823
Balance as a % of Revenue	14%	14%	11%
Months of Operating Balance	1.7	1.7	1.3
Additional Information			
% of Revenue that is Tuition	58%	60%	60%
Remission Rate	10%	10%	9%
Wages and Benefits as % of Total:	80%	81%	79%

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.72	0.69	0.70	>0.4
Viability Ratio	1.12	0.96	1.10	>1.0
Return on Net Assets	9.1%	3.0%	29.2%	>6%
Net Operating Revenues	-2.0%	-4.7%	-4.0%	>4%
Composite Financial Index	3.58	2.58	5.38	No Benchmark
Adjusted CFI*	4.64	3.74	7.25	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$757,194	$764,401	$831,506
University/Foundation	*$41,151/$716,043*	*$2,593/$761,808*	*($36,425)/$867,931*
Expenses	$1,080,401	$1,103,329	$1,160,391

UO's primary reserve ratio was relatively steady from FY 17 to FY 19, at a level that was well above the established benchmark. Overall, UO's expendable net assets increased 9.8% from FY 17 to FY 19. This increase was due to a substantial increase in foundation assets over this time period, which more than offset increases in expenses. Overall, UO's primary reserve ratio equates to just under eight months' worth of expenses which puts them in a good position if revenues were to suddenly decline. However, this is due to almost entirely to foundation assets which are restricted but expendable. Indeed, without foundation assets, UO's expendable net position is in FY 19 would have bene negative, indicating that they likely do not have the same flexibility it may first appear.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$757,194	$764,401	$831,506
Total Long-Term Debt	$751,454	$793,529	$744,041

UO's viability ratio was stable from FY 17 to FY 19 at a level just below the benchmark due to strong overall expendable revenues and relatively low long term debt. As with the primary reserve ratio, this strong performance on the viability ratio has been bolstered primarily by significant assets held by the UO foundation. At this point, UO could cover slightly more than the full cost of every dollar in debt owed with currently available assets. This indicates that UO would be in a good position to issue additional debt to finance improvements, should it so choose. However, once again this is due to the UO's foundation assets. Without these assets, UO would be in a significantly worse position.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	$543,785	$72,183	$224,878
Total Beginning Net Position	$1,860,764	$2,390,144	$2,462,327

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investment in strategies that will enhance net assets in the future. UO's performance on this ratio was well above the benchmark in FY 17 and FY 19 and dropped to about half the benchmark for FY 18. These swings were due primarily to increases in foundation assets in FY 17 and FY 19. A return on net assets ratio at this level indicates that UO may have some additional resources to invest should this trend continue.

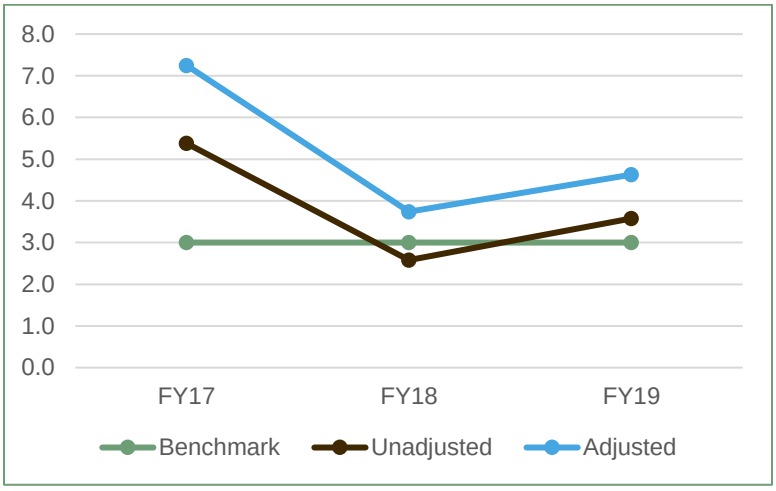
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($42,114)	($49,050)	($23,296)
Total Operating Revenues	$1,555,742	$1,127,112	$1,262,608

The net operating revenues ratio indicates whether total operating activities for the fiscal year generated a surplus or created a deficit. It attempts to demonstrate whether an institution is living within its available resources. UO's net operating revenues ratio was slightly negative from FY 17 to FY 19. Although these losses were small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, UO is a relatively strong financial position. Its CFI has been above the 3.0 benchmark all three years and, with the exception of a negative operating revenues ratio, all of its overall trends are positive. Hopefully, UO can leverage its considerable foundation assets, in particular, in order to be able to further meet both its fiduciary responsibilities and its mission.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	444,251,249	460,983,516	462,631,526
Less fee remissions	(42,666,154)	(45,617,725)	(44,177,455)
Net tuition	401,585,095	415,365,791	418,454,072
State operating appropriations	65,999,988	70,210,908	71,910,651
State debt service appropriations	801,356	801,356	801,359
Indirect cost recovery	22,253,118	22,921,382	24,644,322
All other	21,460,981	17,193,033	16,440,094
Total revenues	**512,100,538**	**526,492,470**	**532,250,497**
Expenses			
Salary & Wages	256,363,605	258,672,559	267,859,709
Benefits: Health	53,067,352	56,689,658	58,927,666
Benefits: Retirement	43,685,075	52,116,227	53,010,665
Benefits: Other	42,733,242	42,644,132	44,145,097
Supplies & Services	79,322,106	84,606,266	96,089,085
Capital Expenditures	7,437,754	5,011,157	5,215,820
Institutional Student Aid	6,882,243	7,648,291	7,499,778
Net Fund Transfers	20,542,861	12,665,677	11,829,666
Total expenses	**510,034,237**	**520,053,967**	**544,577,485**
Net Income (Loss)	**2,066,301**	**6,438,504**	**(12,326,989)**
As a % of Revenue	0%	1%	-2%
Fund Balance Information			
Beginning Fund Balance	71,715,684	73,781,985	80,220,489
Ending Fund Balance	73,781,985	80,220,489	67,893,500
Balance as a % of Revenue	14%	15%	13%
Months of Operating Balance	1.7	1.8	1.5
Additional Information			
% of Revenue that is Tuition	78%	79%	79%
Remission Rate	10%	10%	10%
Wages and Benefits as % of Total:	78%	79%	78%

WESTERN OREGON UNIVERSITY

FINANCIAL RATIOS 2017-2019

Ratio	FY19	FY18	FY17	Benchmark
Primary Reserve Ratio	0.24	0.23	0.21	>0.4
Viability Ratio	0.48	0.47	0.42	>1.0
Return on Net Assets	7.2%	7.3%	-2.5%	>6%
Net Operating Revenues	-1.3%	-1.8%	-5.6%	>4%
Composite Financial Index	1.65	1.58	0.22	No Benchmark
Adjusted CFI*	2.67	3.04	4.59	>3.0
*adjusted to remove pension and OPEB related liabilities				

PRIMARY RESERVE RATIO

Are resources sufficient and flexible enough to support the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$24,267	$24,716	$26,676
University/Foundation	*$18,487/$5,780*	*$18,692/$6,024*	*$19,949/$6,727*
Expenses	$115,215	$112,452	$112,157

WOU's primary reserve ratio has been largely stable over the past three years, although short of the benchmark. This indicates that although WOU has been successfully balancing revenues with expenses, its relatively small reserves may be it at risk if institutional finances worsen.

VIABILITY RATIO

Are debt resources managed strategically to advance the mission?

Amounts in $ Thousands	2017	2018	2019
Expendable Net Assets	$24,267	$24,716	$26,676
Total Long-Term Debt	$58,040	$55,184	$55,205

WOU's expendable net assets have increased 9.9% since FY 17, a promising sign for an institution that two years ago had been in a far more precarious financial position. Ideally, an institution would have enough expendable resources available to more than cover debt. WOU's viability ratio has increased from FY 17 to FY 19 to the point where they can cover just under half of every dollar currently owed. WOU's viability ratio, its trend and the related increase in expendable net assets indicate the institution is in a stable position.

RETURN ON NET ASSETS RATIO

Does asset performance and management support the strategic direction?

Amounts in $ Thousands	2017	2018	2019
Total Change in Net Position	($2,367)	$6,670	$7,043
Total Beginning Net Position	$95,277	$91,651	$98,321

The return on net assets ratio demonstrates whether an institution is financially better off than in previous years. It shows an institution's total economic return. A positive return on net assets ratio means an institution is increasing its net assets and is likely to have increased financial flexibility and ability to invest in strategic priorities. A negative return on net assets ratio may indicate the opposite, unless the negative ratio is the result of strategic investments. WOU showed substantial improvement in this ratio from FY 17 to FY 18, which was sustained in FY 19, both of which were just above the established benchmark. This indicates that WOU may have additional assets to invest should this trend continue.

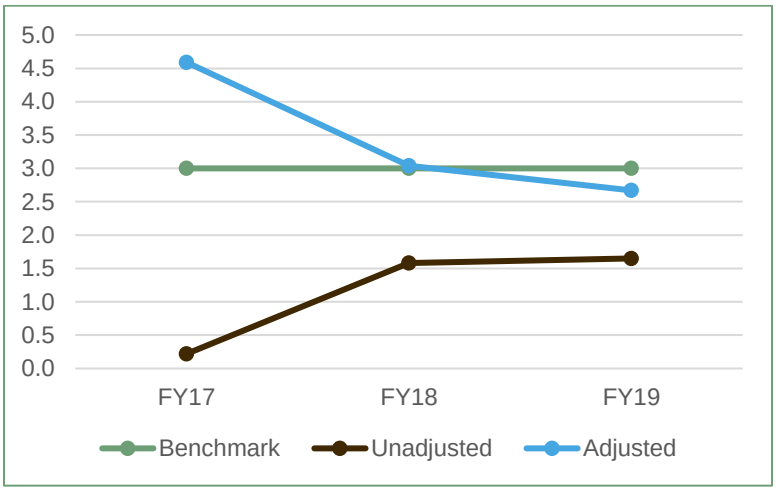
NET OPERATING REVENUES RATIO

Do operating results indicate the institution is living within available resources?

Amounts in $ Thousands	2017	2018	2019
Net Operating Income	($6,102)	($1,973)	($1,419)
Total Operating Revenues	$108,287	$110,479	$110,738

WOU's net operating revenues ratio has increased since FY 17, although they have posted an operating loss the past three years. Although the losses are relatively small, continuing negative operating revenues ratios may indicate that an institution does not currently have capacity to develop a stronger fund balance or make strategic operating investments without the use of existing fund balance, expense reductions, or revenue enhancements.

COMPOSITE FINANCIAL INDEX



RATIO ANALYSIS SUMMARY

Overall, WOU's finances have seen quite the turnaround over the past two years. WOU deserves a lot of credit for improving their financial position, especially in an environment with declining enrollment. Continued improvement could make WOU better positioned to weather potential future financial shocks.

GENERAL FUND FINANCIAL DATA

	FY2017	FY2018	FY2019
Revenues			
Gross tuition and fees	43,546,146	45,924,279	44,900,840
Less fee remissions	(4,218,552)	(4,136,254)	(5,097,159)
Net tuition	39,327,594	41,788,025	39,803,681
State operating appropriations	23,496,204	24,123,769	24,965,879
State debt service appropriations	391,692	382,188	382,188
Indirect cost recovery	617,307	533,604	739,683
All other	3,765,372	3,705,233	4,317,434
Total revenues	**67,598,169**	**70,532,819**	**70,208,865**
Expenses			
Salary & Wages	36,160,923	35,626,207	39,172,215
Benefits: Health	8,367,576	8,581,398	8,851,894
Benefits: Retirement	7,306,094	8,348,409	8,521,015
Benefits: Other	2,636,022	2,653,149	3,007,108
Supplies & Services	7,383,436	6,745,532	7,555,483
Capital Expenditures	454,125	264,117	453,612
Institutional Student Aid	-	-	384
Net Fund Transfers	4,770,793	3,999,260	4,834,025
Total expenses	**67,078,968**	**66,218,071**	**72,395,735**
Net Income (Loss)	**519,201**	**4,314,748**	**(2,186,870)**
As a % of Revenue	1%	6%	-3%
Fund Balance Information			
Beginning Fund Balance	11,293,642	11,322,843	15,637,591
Additions/Deductions	(490,000)	-	(495,000)
Ending Fund Balance	11,322,843	15,637,591	12,955,720
Balance as a % of Revenue	17%	22%	18%
Months of Operating Balance	2.0	2.7	2.2
Additional Information			
% of Revenue that is Tuition	58%	59%	57%
Remission Rate	10%	9%	11%
Wages and Benefits as % of Total:	81%	83%	82%

Public Universities Enrollment

FTE Count, All Students, Fall Fourth Week

	EOU	OIT	OSU	PSU	SOU	UO	WOU	TOTAL	
2002-03	2,551	2,380	18,124	15,564	4,243	19,128	4,380	66,369	
2003-04	2,412	2,413	18,310	16,362	4,312	19,301	4,324	67,433	
2004-05	2,342	2,410	18,141	16,348	4,021	19,750	4,140	67,151	
2005-06	2,424	2,316	18,172	16,812	3,853	19,697	4,106	67,378	
2006-07	2,332	2,212	18,205	16,981	3,762	19,609	4,011	67,111	**+14.3%**
2007-08	2,294	2,267	18,381	17,299	3,765	19,496	4,201	67,703	
2008-09	2,389	2,381	18,767	18,753	3,850	20,762	4,412	71,315	
2009-10	2,647	2,588	20,304	19,996	3,930	21,689	4,697	75,851	
2010-11	2,838	2,576	21,994	20,476	4,524	22,631	5,049	80,090	
2011-12	2,906	2,624	23,066	20,459	4,678	23,450	5,127	82,309	
2012-13	2,903	2,809	23,957	20,226	4,573	23,378	5,106	82,953	
2013-14	2,694	2,941	25,023	20,270	4,351	23,230	4,974	83,483	
2014-15	2,392	2,905	25,431	20,214	4,347	22,832	4,761	82,883	
2015-16	2,274	3,108	25,878	20,162	4,408	22,598	4,513	82,941	**+1.8%**
2016-17	2,221	3,239	26,527	19,721	4,293	22,629	4,529	83,159	
2017-18	2,152	3,236	26,865	19,563	4,383	22,207	4,452	82,857	
2018-19	2,171	3,218	26,779	19,252	4,204	22,081	4,310	82,015	
2019-20	2,133	3,247	27,120	18,816	4,029	22,105	4,068	81,520	
Change from 2002-3 to 2009-10									
	3.8%	**8.8%**	**12.0%**	**28.5%**	**-7.4%**	**13.4%**	**7.2%**	**14.3%**	
10 Year Change (10-11 to 19-20)									
	-24.9%	**26.0%**	**23.3%**	**-8.1%**	**-10.9%**	**-2.3%**	**-19.4%**	**1.8%**	
1 Year Change (18-19 to 19-20)									
	-1.7%	**0.9%**	**1.3%**	**-2.3%**	**-4.1%**	**0.1%**	**-5.6%**	**-0.6%**	

FY2019 Annual Financial Report Data

(Amounts in $ Thousands)

	EOU	OIT	OSU	PSU	SOU	UO	WOU	Total
Net Tuition and Fees	17,598	27,352	340,451	193,994	30,812	385,387	32,253	1,027,847
Govt Appropriations	21,452	29,401	238,422	158,058	22,107	74,397	25,929	569,766
Grants and Contracts	11,278	11,366	290,097	122,703	12,617	159,769	22,318	630,148
Sales/Services/Auxiliary	6,634	14,868	236,345	94,551	15,666	226,072	20,713	614,849
Gifts	3,738	19,503	132,658	6,343	7,870	141,230	8,556	319,898
Investments and Other	531	416	9,917	22,676	1,125	72,712	3,788	111,165
Total Revenues	**61,231**	**102,906**	**1,247,890**	**598,325**	**90,197**	**1,059,567**	**113,557**	**3,273,673**
Instruction	15,968	32,568	321,792	184,996	35,909	293,053	39,915	924,201
Research	604	4,601	216,199	42,248	416	81,412	810	346,290
Public Service	3,008	154	145,034	23,138	3,733	50,695	360	226,122
Academic Support	7,520	10,070	90,234	39,672	7,859	68,384	10,245	233,984
Student Services	3,260	6,427	33,651	21,900	5,860	48,299	7,410	126,807
Auxiliary Programs	8,248	11,698	181,288	83,346	15,176	209,328	23,527	532,611
Institutional Support	9,691	13,133	91,279	53,825	12,556	74,681	7,377	262,542
O&M of Plant	3,747	4,713	40,401	22,219	5,759	53,072	5,371	135,282
Student Aid	4,040	5,135	29,988	34,238	4,082	37,247	6,007	120,737
Other Expenses	3,732	3,519	63,556	22,624	3,974	51,658	6,882	155,945
Total Expenses	**59,818**	**92,018**	**1,213,422**	**528,206**	**95,324**	**967,829**	**107,904**	**3,064,521**
Net Income (Loss)	**1,413**	**10,888**	**34,468**	**70,119**	**(5,127)**	**91,738**	**5,653**	**209,152**
As a % of Revenue	**2%**	**11%**	**3%**	**12%**	**-6%**	**9%**	**5%**	**6%**

FY2019 E&G Fund Financial Data

(Amounts in $ Thousands)

	EOU	OIT	OSU	PSU	SOU	UO	WOU	TOTAL
Revenues								
Gross tuition and fees	23,377	35,791	421,775	240,675	41,003	462,632	44,901	1,270,152
Less fee remissions	(2,734)	(3,946)	(42,746)	(21,101)	(3,638)	(44,177)	(5,097)	(123,439)
Net tuition	20,642	31,845	379,028	219,574	37,365	418,454	39,804	1,146,713
State operating appropriations	20,357	28,812	135,687	96,604	21,472	71,911	24,966	399,808
State debt service appropriations	638	134	1,073	2,182	179	801	382	5,389
Indirect cost recovery	261	297	41,471	11,622	151	24,644	740	79,187
Other	1,059	6,770	30,442	19,411	2,862	16,440	4,317	81,302
Total revenues	**42,958**	**67,857**	**587,701**	**349,394**	**62,030**	**532,250**	**70,209**	**1,712,399**
Expenses								
Salary & Wages	21,485	32,200	295,552	179,464	33,014	267,860	39,172	868,747
Benefits: Health	5,361	7,878	58,364	28,919	7,306	58,928	8,852	175,607
Benefits: Retirement	4,943	6,275	55,502	35,539	7,007	53,011	8,521	170,798
Benefits: Other	1,770	1,912	40,769	20,693	3,018	44,145	3,007	115,314
Supplies & Services	7,938	18,234	114,123	62,943	11,556	96,089	7,555	318,438
Capital Expenditures	453	766	9,995	1,973	176	5,216	454	19,033
Institutional Student Aid	-	2	1,707	711	-	7,500	0	9,920
Net Fund Transfers	(173)	3,444	22,513	1,391	1,739	11,830	4,834	45,578
Total expenses	**41,777**	**70,711**	**598,524**	**331,633**	**63,816**	**544,577**	**72,396**	**1,723,434**
Net Income (Loss)	**1,180**	**(2,854)**	**(10,822)**	**17,761**	**(1,786)**	**(12,327)**	**(2,187)**	**(11,035)**
As a % of Revenue	3%	-4%	-2%	5%	-3%	-2%	-3%	-1%
% of Revenue that is Tuition	48%	47%	64%	63%	60%	79%	57%	67%
Remission Rate	12%	11%	10%	9%	9%	10%	11%	10%
Wages and Benefits as % of Total:	80%	68%	75%	80%	79%	78%	82%	77%

FY2019 Tuition Collections and Related Information

Institution	Resident Tuition	Nonresident Tuition	Other Tuition*	Total Tuition	Remissions	Net Tuition
Eastern Oregon University	18,702,624	3,278,412	1,395,553	23,376,589	2,734,316	20,642,273
Oregon Institute of Technology	16,749,085	8,936,738	10,104,765	35,790,588	3,945,695	31,844,893
Oregon State University	155,908,594	141,440,346	124,425,613	421,774,553	42,746,333	379,028,220
Portland State University	138,008,752	77,456,326	25,209,746	240,674,824	21,100,540	219,574,284
Southern Oregon University	20,762,823	15,093,504	5,146,835	41,003,162	3,637,765	37,365,397
University of Oregon	151,758,496	315,057,820	1,803,298	468,619,614	81,372,850	387,246,764
Western Oregon University	20,995,809	11,689,804	12,215,226	44,900,839	5,097,159	39,803,680
TOTAL	**522,886,183**	**572,952,950**	**180,301,036**	**1,276,140,169**	**160,634,658**	**1,115,505,511**

*Other tuition includes online, CTE, professional development, etc.

				Net Tuition per FTE		Split by Type	
Institution	Resident FTE	Non-Resident FTE	Total FTE**	Resident	Non-Resident	Resident	Non-Resident
Eastern Oregon University	1,594	738	2,332	11,733	4,442	68%	32%
Oregon Institute of Technology	2,572	780	3,352	6,512	11,461	77%	23%
Oregon State University	16,150	11,971	28,121	9,654	11,815	57%	43%
Portland State University	15,299	4,936	20,234	9,021	15,693	76%	24%
Southern Oregon University	2,637	1,632	4,269	7,873	9,251	62%	38%
University of Oregon	11,343	11,343	22,687	13,379	27,775	50%	50%
Western Oregon University	3,648	987	4,634	5,756	11,847	79%	21%
TOTAL	**53,242**	**32,386**	**85,628**	**$ 9,821**	**$ 17,691**	**62%**	**38%**

**annualized FTE number including data from all terms during an academic year

HIGHER EDUCATION
COORDINATING COMMISSION

Oregon
Kate Brown, Governor

Higher Education Coordinating Commission
Office of the Executive Director
3225 25th Street SE
Salem, OR 97302
www.oregon.gov/HigherEd

August XX, 2020

Senator Betsy Johnson
Senator Elizabeth Steiner Hayward
Representative Dan Rayfield
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

During the 2019 Legislative session, House Bill 5024, relating to the financial administration of the Higher Education Coordinating Commission, included a budget note directing the seven public universities to collaborate with the HECC and report to the Joint Committee on Ways and Means no later than September 2020 on financial data and measures that will be consistently provided to HECC to improve transparency and accountability.

The HECC currently has access to a variety of financial information related to the institutions. However, an annual summary of financial activity by fund reconciled to each institution's annual financial report will provide additional data helpful to improved transparency. It is the HECC's intent to undertake additional reporting efforts to more effectively communicate the financial condition of the institutions to stakeholders.

The attached working paper titled *Collecting Institutional Financial Data* lays out the data to be collected and its potential uses. Also, the attached report titled *Financial Condition Analysis of Oregon Public Universities* is one of the specific outcomes mentioned in the working paper. We request the Joint Committee take action to acknowledge receipt.

Sincerely,

Ben Cannon
Executive Director

Attachments

cc: Amanda Beitel, Legislative Fiscal Office
Debbie Koreski, Budget Director for Governor Kate Brown
Tamara Brickman, Department of Administrative Services, Chief Financial Office
Kyle Thomas, Legislative Director, HECC
Dana Richardson, Executive Director, Oregon Council of Presidents

DRAFT