16 January 2019

Dear OSU faculty and staff,

You likely are aware that Oregon State’s fall term undergraduate enrollment in Corvallis declined for the first time in many years even as we had projected for a very modest increase. We had both fewer resident and non-resident undergraduates enrolled in fall term classes than we forecasted. Our forecast was not met as significantly lower numbers of admitted students enrolled, fewer international students applied and enrolled, and fewer students returned to OSU than had been the case in recent years. Underlying factors include changing student demographics nationwide and in Oregon and rising regional and national competition among universities for all students—resident, non-resident domestic and international.

As a result, the university’s revenues from tuition for fiscal year 2019 are $7.2 million, or 1.9 percent, short of our projections. Meanwhile, OSU also faces difficult budget cycles this year and next due to state-mandated increased contributions to Oregon’s Public Employee Retirement System; uncertain levels of future legislative funding; possible continued declines in undergraduate enrollment in Corvallis; and a slowdown in the rate of Ecampus enrollment growth. This all occurs at a time when tuition revenues continue to fund the vast majority of OSU’s education and general expenses, while the state’s share of funding proportionately declines or remains constant.

In response, significant work is underway throughout the university to change OSU’s budget trajectory. This work—which includes new enrollment management strategies related to financial aid and scholarships, more proactive recruiting, and transfer student support; the streamlining of business processes; improvements in research administration to reduce management and compliance costs; and investments to better serve our Portland-based students and collaborative partners in the metro region—will put the university in a better financial position. It is worth noting that all of these actions are among the priorities articulated in OSU’s 2019-23 (SP4.0) strategic plan, *Transformation, Excellence and Impact.*

In addition, we are revising our enrollment projection processes and models to improve our forecast accuracy in an increasingly unstable and competitive enrollment climate. Of course, our leadership, students, and stakeholders also are advocating actively in Salem for the importance of state support for OSU and Oregon higher education in general.

During this time, it is vital that the university’s operating budget is balanced. That means we must reduce FY19 operating budgets through June 30 by the $7.2 million in unrealized tuition revenues. Nearly all major university budget units have been assigned a share of this reduction, and senior university administrative and academic leaders are responsible for distributing the budget reductions
to units within their organization as appropriate. The reductions are permanent, as the actual tuition revenues realized this year establish the university's base revenues for next year.

We will continue to support our faculty, staff and students by maintaining our commitment to competitive salaries; improving our support of research and instruction; investing in public safety measures; and budgeting additional capital renewal funds to repair our aging infrastructure, particularly those that advance the university's research mission and protect the safety of our community.

In keeping with those priorities, FY19 budget allocations for enrollment management, research office, and public safety will not be reduced. However, other central administrative functions will absorb a larger relative share of the reduction than academic units. Budgets for the units within the President’s Office, the Provost’s Office, the vice presidents of Finance and Administration and University Relations and Marketing will be reduced 1.8 to 2.7 percent. Budgets for colleges and academic units throughout the university will be reduced by 1.1 to 1.7 percent.

We regret having to take these actions and we realize these are challenging times for higher education in Oregon and across the United States. Yet, we firmly believe that our university’s outstanding faculty and staff, quality academic programs, research and engagement excellence, outstanding online programs, and presence throughout the state and the world will enable Oregon State University to succeed and contribute to the ongoing success of OSU’s faculty, staff and students.

We plan to hold campus meetings in Corvallis and Bend in the near future regarding these changes and will continue to share additional updates with you.

Sincerely,

Edward Feser
Provost and Executive Vice President
Mike Green
Vice President of Finance and Administration

Office of the Provost and Executive Vice President
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