

## **OSU College of Forestry 2006-2010 Budget Strategy**

It is certainly not news that costs of delivering higher education to Oregonians have risen faster than state and federal budgets could keep pace with in recent years. Some of the cost increase is due to higher fees for supplies, services and technology and some is due to much needed increases in employee salary and benefits packages. We are fortunate to have constituents who believe so strongly in the work that we do in the College of Forestry that they went to bat for us in legislative and congressional budget sessions. In fact, had our constituents not worked so hard and with notable success during recent budget sessions our programs would be in even more dire circumstances than we find ourselves today. The frustrating reality is that declining state support for higher education coupled with state policies to constrain tuition and fees charged for education services have left Oregon's public institutions of higher education with enormous financial challenges. Our College is not alone in having to confront these challenges.

While our current college budgets for this year and next are balanced, that balance is achieved only by exhausting all current financial reserves. The future gap between our projected expenses and projected revenues on current paths would grow to over \$4 million per year by 2008 unless we take immediate steps to change our revenue sources, or expenses, or both. \$4 million represents approximately 25% of our current annual expenditures, and this figure does not include Extension forestry and research supported by grants and contracts.

For the past decade, the College of Forestry has trimmed faculty and staff to the bare essentials needed to administer one of the nation's top-tier university forest resources programs. We have used non-state revenues from private gifts and College Forests to maintain excellence and cover differences between state-supplied funding and the resources required to deliver top quality programs. Private gifts allowed us to build Richardson Hall, help students offset rising tuition costs, and attract and retain top quality faculty. Revenues from our College Forests allowed us to improve our education programs without charging students extra fees and to fund innovation projects that can attract new constituents and support. But projections for fiscal years that start in July 2007 and beyond show that we can no longer maintain even the course that we have been on for the past decade. Projected cost increases over the next few years exceed our ability to draw on existing sources of non-state revenues to make up differences in what the state provides and what it costs to deliver our programs.

We must now explore ways to again increase revenues and/or decrease expenditures. The magnitude of our challenge is such that creating a sustainable long-term future budget cannot be done in one year and delay only exacerbates the problem. So the sooner we begin to bring revenues and expenses into alignment, the sooner we will be able to sustain a balanced budget in future years. If we do not begin to make some of the necessary changes in the next budget year that starts in July 2006, it will be impossible to balance our budget by the start of the budget year that begins in July 2007. And we must close the entire gap by the time we enter budget year 2009-2010. Thus, we have adopted both a short and long-term strategy to balance expenses with revenues.

Common to both strategies is our steadfast commitment to affordable access to excellent degree programs followed closely by maintaining as much capacity as possible in our research and outreach enterprises. These are the core of what it means to be a land grant university. Our short-term actions are guided by the need for quick turnaround on the near-term budget and necessity of making immediate decisions to affect that end. Long-term actions will carefully build on our College and University strategic plans and objectives.

**There are 4 key actions in our short-term strategy and the first 3 are to cut costs:**

1. We have suspended ongoing searches for 3 new tenure-track faculty and 1 college level administrator.

This will affect tenure-track faculty staffing in Wood Engineering, Soil Science, and Landscape Ecology and the permanent appointment of an Associate Dean for Forestry Extension and Outreach Education. We will fill our need for leadership in Extension Forestry through an internal search for an Interim Director supported by funds that we receive from Extension for delivering this program.

2. In addition to suspending the active searches, we will not fill 2 currently vacant positions in Forest Wildlife Ecology and in Forest Soils and Hydrology.

These first two actions do not reflect our strategic priorities for the college we want in the future. They are simply the only options available at this time to reduce current expenses and future obligations on positions for which currently projected future revenues are insufficient.

3. Beginning with our planning for the budget year that starts next July, we will trim \$1 million from anticipated annual expenditures.

We will do this with as much attention to program excellence as we can afford, with highest concern for quality of degree programs then research and outreach capacity. We will strive to have as little impact on our existing people as possible given that we must make cuts.

4. We will work hard to generate at least \$1 million in new sustainable revenues from various sources by the budget year that starts in July 2008.

If we are unsuccessful in this endeavor, we will need to trim another \$1 million in expenditures beginning in that budget year.

**Our long-term strategy has 5 key actions and they are all to raise revenues to rebuild capacity.**

Here is where we see our biggest long-term potentials for increasing revenues. Success will come not from one big initiative but from many different sources.

1. The OSU Capital Campaign for financial support of students and faculty.

This will take several years before full potential is realized and it could eventually generate half of new revenues needed.

2. Enhanced state and/or federal appropriations for highly focused education, research and extension programs.

This will also take several years of hard work by many people and favorable economic conditions in both the state and nation.

3. Increased revenues from research and education grants and contracts secured by our faculty.

Given trends in federal formula funds and state appropriations capacity for Forest Research Laboratory this is the only way we see to grow the research enterprise.

4. Revenues from patents and licenses on new knowledge and technologies.

This could be significant but very uncertain as to magnitude and timing.

5. Increased revenue from the wealth that forest products generate for this state.

There are only two ways to do this: increase the tax on harvests in the state or increase the volume harvested. The need to increase harvests as part of forest health treatments on federal lands could be a significant part of increased volumes. Support for increasing harvest tax rate will depend on how forestland owners perceive value returned by College programs, hence our need to make sure our programs are aligned with their needs and that they know what we are delivering.

If we are successful in raising sustainable revenues that exceed planned expenditures, we will begin to refill vacant faculty and staff positions guided by our strategic plan and our highest priorities for future excellence in degree programs, research and outreach. This could include filling some or all of the positions for which we have suspended searches and left unfilled.

We have no rabbits to pull out of the hat in doing this. We will need support and substantial help from our entire College's faculty, staff, clients and constituencies to maintain as high a level of quality as is possible while taking these short-term actions. And while the first three of these actions are extremely painful, they alone will not solve

our long-term challenge. The four actions in our short-term strategy will still leave us with a need to either increase revenues or decrease expenditures by another \$2 million to achieve balance by 2010. Thus, our long-term challenge is to either trim another \$2 million from faculty and staff expenses by 2010 or to raise \$2 million more in new, sustainable revenues. Our plan is to do the latter so we don't have to do the former.

The challenge to College leadership, to faculty and staff who are active in obtaining grants and contracts, and to constituents who depend on our programs for their success is to balance future budgets as quickly as we can by increasing new sustainable revenues rather than through additional cuts. This would allow us to restore faculty and staff capacity that has been declining since 2001, including the positions and cuts cited above in our short-term strategy. Most importantly, it is the only way we can maintain excellence and affordable access to the College's teaching, research and outreach programs. It is also the only way we can continue to have positive impacts on the health and vitality of Oregon's forest-related environment, economy and communities.

Obviously, no institution can sustain excellent programs if they reach balance through continual cuts in capacity. So our commitment to faculty, staff, students and constituents is to do everything we can to rebuild capacity through higher and more sustainable revenues. We need help from every corner in doing this. If you are so inclined, I encourage you to work closely with the OSU Foundation and University Advancement staff as they build communication and promotional strategies intended to introduce your work and the college to donors, granting agencies and opinion leaders. Allowing our work to receive greater exposure in the public can only help us showcase our excellence and build new friends in our communities. I will ask Vice President for University Advancement Luanne Lawrence and College Development Director Lisa French to make presentations to the college community this coming year on how we can all be more effective at advancing our own cause.

### **Why do we think we can succeed in our long-term strategy?**

Because we have remarkable people who give this College great strengths and capabilities.

- Just this year, the College of Forestry generated over \$13 million in research grants and contracts to add to OSU's milestone \$209 million year. Indirect costs recovered from these grants and contracts help support our facilities and staff.
- We have very generous donors including most recently a gift of land from the family of Marvin Boone Noble, a distant relative of Daniel Boone, and Eva Barclay Noble. They wanted their parents' legacy in the wood products industry and their passion for forest wildlife perpetuated at OSU through a wildlife ecosystem health fund to support graduate students.

- Kaichang Li recently brought to market a new wood adhesive product that may revolutionize the industry and could bring sizeable royalty revenues to OSU and the College.
- Barbara Bond was the first member of our College to engage in University Advancement's focused faculty promotion efforts, getting the word out on our incredible people by appearing in the OSU television advertisement, on the Jefferson Street banners, in the cover story of the President's Annual Report and through various speaking and national media efforts.
- We are currently working with College alums and other friends as they aim to build their already generous support of our programs into endowments for faculty positions, scholarships and fellowships, and innovation investments.
- Over the next few years we will increase our work with constituents who can help us with state and federal legislative strategies to build stronger, more sustainable funding.

We have an abiding commitment to the goals and vision that drive our College and University strategic plans, to be the nation's premier university forest resources program and a top-ten land grant university by delivering the best, most relevant education, research and outreach possible. We will succeed in making our vision reality only through a highly focused, multi-pronged strategy that brings our future budgets into balance through aggressive revenue building combined with prudent investment and management of the financial resources available to support delivery of our programs.