The attached table summarizes the level of Other Funds Limited (OFL) Revenues required to cover projected expenses for 2005-2007. Other Funds Limited Revenues are comprised largely of tuition and resource fees and include a small amount of other revenues, including indirect charges to grants, investment earnings, and miscellaneous fees.

The table begins with the 2003-2005 Legislatively Adopted Budget and adjusts the salary base to reflect the latest estimates for spending in the current biennium, which are $58.8 million below the adopted budget. Current under-spending is a largely a result of a drop in projected enrollment and spending restraints due to revenue instability.

Projected cost increases of $51.8 million are added to the adjusted 2003-2005 base according to DAS guidelines to reach the Essential Budget Level (EBL) of $1.037 billion.

Labor costs increases above the EBL of $37.3 million include estimates of annual cost-of-living increases of 2 percent, health care benefits increases of 9 percent, and additional health insurance rollup costs from 2004-05 that are not covered by the EBL. The Essential Budget Level does not include 2005-2007 cost increases for employee salaries and health benefits, which are budgeted separately by the Governor’s Office. The Emergency Board normally distributes these funds to agencies after the end of the Legislative Session when labor cost increases have been determined. At that time the E-Board also allocates additional Other Fund Revenue expenditure limitation to the OUS for the portion of the labor cost increases covered by tuition dollars.

Funding for enrollment growth is also excluded from the EBL and is estimated here at $17.7 million, assuming that the general fund will cover the $14.7 million requested in the policy package.

Campuses are projecting that tuition revenue increases averaging 5 percent each year across the system (ranging from 4 percent to 6 percent in 2005-06 and from 3 percent to 6 percent in 2006-07) will be required to maintain current programs, cover increases in salary, benefits and student enrollment, and avoid budget reductions. These increases, which will generate an estimated $1.046 billion in Other Funds Limited Revenues in the Education and General Program and $1.092 billion including the OSU Statewide Public Service Programs, are based on the assumption that the state General Fund will cover the $50 million in cost increases identified in the following table as well as the state-funded portion of salary and benefit increases. Campus revenue projections will be updated in August 2004 prior to submission of the Agency Request Budget.

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