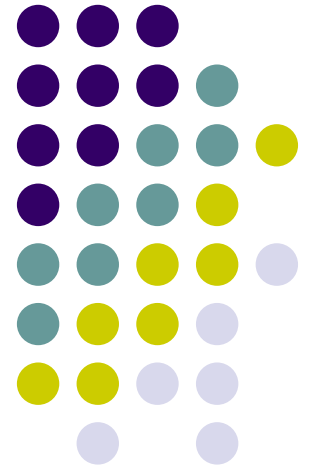


# FY09 & FY10 Budget Update

Budget Summits  
February 18 & 19, 2009



# FY09 and FY10 Budget Update



## Agenda

- FY 2009 Budget
  - Overall Economic Environment
  - Basis for Contingency Planning
  - Current Revised Budget
  - State Funding Cuts thru January
  - Actions to Address Shortfalls
- FY 2010 Budget
  - Budget Planning
  - Governor's Biennial Budget
  - FY 2010 Budget Building
    - Revenues, Expenditures, Projections
  - Strategies for Balancing the Budget
- We Are Not Alone!
- Stay Tuned for Updates



# FY 2009 Budget Economic

---

## Overall Economic Environment



- International financial crisis
  - The University budget includes investment income as a revenue source
- State budget cuts this year totaling nearly \$1.5 billion
  - SSI held harmless to date; program lines have been cut significantly
- State revenues continue to be below revised estimates
  - The state continues to report below anticipated monthly
  - Potential for additional mid-year cuts between now and June 30



# FY 2009 Budget

## Basis for Contingency Planning



<u>BUDGET ISSUES</u>	<u>Fall Qtr Planning</u>	<u>Current Planning</u>
Investment Income Shortfall for General Fund	\$5.1M	\$5.1M
Investment Income Shortfall for University Advancement Operations	\$1.5M	\$1.5M
Endowment Assessment	\$1.5M	-
State Funding	\$5.0M	?
State Success Challenge (includes \$500K formula reduction)	\$0.3M	\$1.1M
Graduate Tuition Shortfall	-	\$2.8M
Graduate Fee Waiver Overexpenditure	-	\$1.5M
<b>TOTAL</b>	<b>\$13.4M</b>	<b>\$12.0M</b>



# FY 2009 Budget

---

## Current Revised Budget



<u>FY09 Budget</u> (in millions)	<u>Original</u>	<u>Revised</u>	<u>Fav (Unfav)</u> <u>Variance</u>
<b>Revenue</b>			
Tuition & Fees	\$ 194.2	\$ 191.3	\$ (2.9)
State Support (incl \$500K formula adj)	\$ 108.2	\$ 107.1	\$ (1.1)
Other	\$ 15.2	\$ 10.2	\$ (5.0)
<b>Total Revenue</b>	<b>\$ 317.6</b>	<b>\$ 308.6</b>	<b>\$ (9.0)</b>
<b>Expenditures</b>			
Salaries & Benefits	\$ 213.8	\$ 213.8	\$ -
Scholarships & Waivers	\$ 45.1	\$ 46.6	\$ (1.5)
Other Expenditures (Advancement)	\$ 52.2	\$ 53.7	\$ (1.5)
	<b>\$ 311.1</b>	<b>\$ 314.1</b>	<b>\$ (3.0)</b>
<b>Net Transfers</b>	<b>\$ (6.5)</b>	<b>\$ (6.5)</b>	<b>\$ -</b>
<b>Net Inc (Dec) to Fund Balance</b>	<b>\$ -</b>	<b>\$ (12.0)</b>	<b>\$ (12.0)</b>



# FY 2009 Budget

## State Funding Cuts thru January

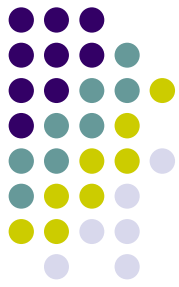


<b><u>Athens General Program</u></b>	<b><u>YTD Impact</u></b>
Success Challenge	\$582K
Voinovich School	\$429K
Libraries	\$25K
<b><u>College of Medicine</u></b>	
Clinical Teaching, Disciplines, and Economic Growth Challenge	\$581K
<b><u>Outreach and Regional Campuses</u></b>	
Access Challenge	\$219K
Jobs Challenge	\$44K
<b>TOTAL</b>	<b>\$1.88M</b>



# FY 2009 Budget

## Actions to Address Shortfalls



- Began contingency planning for the FY09 \$13.4 million projected deficit mid-Fall quarter
  - Instituted a position freeze to generate savings
  - Planning units were given preliminary savings targets to start accumulating contingency funds
- Our planning assumptions are still based on the \$13.4 million
- Planning units have set aside one-time funds to cover the contingency plan
- There are still a lot of unknowns . . . the contingency target will be adjusted as more information becomes available



# FY 2010 Budget

---

## Budget Planning

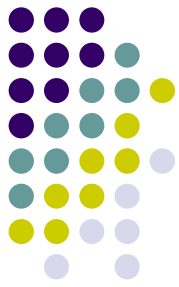


- Shortfalls in current FY09 budget must be addressed in the FY10 budget
- We must produce a balanced FY10 budget during a period of unparalleled uncertainty
  - Economic outlook is uncertain
  - State is projecting a \$7.4 billion shortfall for FY10
  - Final state budget will not be available until June/July
- Along with contingency planning for FY09, we have been analyzing potential scenarios to anticipate ranges of shortfall



# FY 2010 Budget

## Governor's Biennial Budget



- The Governor's budget again placed a priority on higher education:
  - Total Board of Regent funding declined only 1% while many other agencies experienced 15%+ decline
  - Success and Access Challenge lines have been collapsed into the State Share of Instruction line
    - 9% drop in the total of the three line items for FY10
- Governor's budget was built assuming significant Federal Stimulus which was subsequently reduced
  - uncertainty regarding the impact the reduction in stimulus funds will have on the Board of Regents budget



# FY 2010 Budget Building

## Starting Point - Governor's Budget

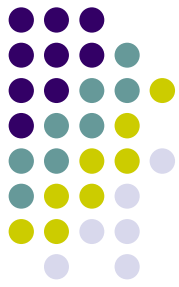


- We have been working with 3 budget scenarios
- State subsidy (SSI) is the only assumption that changes in the 3 budget scenarios
  - 4% increase in SSI to OU represents the Governor's budget and is considered 'best case'
  - The other 2 scenarios reflect a 0% increase, or flat SSI, and a 10% decrease
- All other revenue and expense variables are held constant



# FY 2010 Budget Building

## Starting Point - Governor's Budget



- Other Revenue assumptions
  - Tuition and fee increases – the Governor's budget called for a continuation of the 'freeze' on undergraduate, residential tuition and fees
    - 0% undergraduate and graduate tuition increases
    - 5% tuition increase for the College of Medicine
    - 0% general fee and non-resident surcharge increases
  - Investment Income is at \$0
  - Indirect Cost Recovery - 10% decrease



# FY 2010 Budget Building

## Revenue Assumptions



	<u>Governor's Budget</u>	<u>Flat</u>	<u>Governor's less Stimulus</u>
Tuition – COM	5%	5%	5%
Tuition – all other	0%	0%	0%
State subsidy	4%	0%	(10%)
Investment Income	\$0 budget	\$0 budget	\$0 budget
Indirect Recovery	(10%)	(10%)	(10%)



# FY 2010 Budget Building

## Revenue Line Items



REVENUE (in millions)	FY09 Revised Budget	FY10 Budget		
		Governor's	Flat	Governor's less Stimulus
Undergraduate Tuition & Fees	\$ 158.1	\$ 158.1	\$ 158.1	\$ 158.1
Graduate Tuition & Fees	\$ 33.1	\$ 33.1	\$ 33.1	\$ 33.1
Other Fees - SIS	\$ -	\$ 2.3	\$ 2.3	\$ 2.3
	\$ 191.2	\$ 193.5	\$ 193.5	\$ 193.5
<b>State Support</b>	<b>\$ 107.1</b>	<b>\$ 111.4</b>	<b>\$ 107.1</b>	<b>\$ 96.4</b>
Other Fees	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
Lease Income	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
Indirect Cost Recovery	\$ 7.2	\$ 6.5	\$ 6.5	\$ 6.5
Investment Income	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>\$ 308.6</b>	<b>\$ 314.5</b>	<b>\$ 310.2</b>	<b>\$ 299.5</b>



# FY 2010 Budget Building

## Starting Point - Governor's Budget



- Expenditure assumptions:
  - Salary assumptions
    - 3.25% AFSCME & FOP contractual increases
    - 0% for all other employees
    - Delay additional \$1.2M faculty salary investment
  - 4% health care inflation
  - 11% utility cost inflation
  - \$4M SIS and OIT Improvements debt service and noncapitalizable project costs
  - \$0.9M to cover the commitments of endowed scholarship accounts due to investment performance



# FY 2010 Budget Building

## Expenditure Assumptions



	<u>All 3 Scenarios</u>
Salary – AFSCME & FOP	3.25% inc
Salary – All other EEs	0%
Health Care	4%
Utilities – coal, natural gas, AEP	11%
POM (includes new space-ARC)	7.25%
SIS debt service & noncapital items	\$4M
Endowed scholarship shortages	\$.9M



# FY 2010 Budget Building

## Expenditure Line Items



EXPENDITURES (in millions)	FY09 Revised <u>Budget</u>	FY10 Budget <u>Expenditures</u>
Salaries & Wages	\$ 162.1	\$ 162.5
Benefits	\$ 51.7	\$ 53.1
Scholarships and Fee Waivers	\$ 46.6	\$ 46.6
Utilities	\$ 10.1	\$ 11.5
Maintenance & Operations	\$ 4.0	\$ 4.3
SIS Debt and Noncapital Costs	\$ -	\$ 4.0
Endowed Scholarship shortfall	\$ -	\$ 0.9
Advancement - replace investment income	\$ 1.5	\$ 1.9
Other	\$ 38.2	\$ 38.6
<b>Total Expenditures</b>	<b>\$ 314.2</b>	<b>\$ 323.4</b>



# FY 2010 Budget Building

## Projections



	<u>FY 2009</u>		<u>FY 2010 Projections</u>		
	<u>Original</u>	<u>Revised</u>	<u>Best</u>	<u>Most Likely</u>	<u>Worst</u>
Revenue	\$317.6	\$308.6	\$314.5	\$310.2	\$299.5
Expenditures	\$311.2	\$314.2	\$323.4	\$323.4	\$323.4
Overhead & Transfers In	\$17.1	\$17.1	\$17.1	\$17.1	\$17.1
Auxiliary Support	\$23.5	\$23.5	\$23.7	\$23.7	\$23.7
Net Increase (Decrease)	\$0	(\$12.0)	(\$15.5)	(\$19.8)	(\$30.5)



# Planning For FY2010 Budget

## Strategies for Balancing the Budget



- Enhance revenue
  - New Nursing Program
- Reduce expenditures
  - Take action on Dean/VP Efficiency workgroup priorities - savings to be effective July 1, 2009
  - Healthcare Benefits
    - BPC received recommendations on how to achieve \$1M, \$3M, & \$5M savings levels from the Health Benefits Advisory Committee



# Planning For FY2010 Budget Dean/VP Priority Projects



- Adjust target temperatures in buildings where control is possible
- Consolidate Residence Life and Housing
- Achieve return on investment in Conference Services
- Reengineer pre- and post- award activities
- Consolidate university procurement operations
- Automate purchasing via e-procurement application
- Pursue strategic sourcing opportunities
- Establish and 'agency' model for all marketing and media services
- Consolidate university human resources



# Planning For FY2010 Budget Dean/VP Priority Projects



- Consolidate non-specialized vehicle and transportation needs
- Determine optimal configuration for distributed and central IT
- Adopt university-wide IT standards
- Oversee all IT procurements and service agreements
- Consolidate university email and investigate outsourcing
- Complete shared services transitions for all non-academic business functions
- Recalculate internal overhead charges utilizing Maximus
- Centralize class and event scheduling
- Create USO regional agreements on purchasing, IT, administrative functions and academic programming



# Planning For FY2010 Budget

## Strategies for Balancing the Budget



- The deficit levels in the 3 scenarios are significant and range from \$15.5M to \$30.5M
- Targets for revenue enhancement and expenditure savings will be provided to Budget Planning and Analysis by February 23
  - Dean/VP Efficiency workgroups are developing savings targets for each of the 18 priority projects
  - BPC recommended the \$1M options be adopted and are continuing to explore additional measures in the \$3M and \$5M recommendations
- BPA will build those enhancements/reductions into the budget and develop planning unit reduction targets by February 27



# Planning For FY2010 Budget

## Strategies for Balancing the Budget



- Planning unit plans for achieving their reduction targets are due to BPA by March 5
  - Efficiency and budget reduction targets will be reduced from the applicable planning unit budget control totals
- By March 15 implementation of reductions will begin
- Additional adjustments will be made as necessary based upon final state budget



# Planning For FY2010 Budget

## We Are Not Alone!

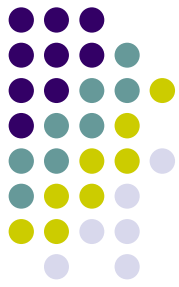


Entity	Actions Taken
Northern Arizona University	FY10 - 7 day furlough for employees making > \$40k, 2 day furlough < \$40k
Arizona State University	Approx. \$29M cut in FY09. Hiring freeze & eliminated 200 adjunct faculty, 100 staff, 90 vacant admin, 73 vacant faculty positions
Clemson University	ERIP; required 5 day furloughs for all employees; hiring freeze; travel restrictions; delayed construction projects to balance FY09.
State of California	10% across-the-board cut to the University of California and California State University systems, saving \$264.4M
Greenville Technical College (SC)	Considering 4 day work week
Tuffs University	No pay raises for employees
Bowling Green/Univ of Toledo	Collaboration between the two universities to consolidate both "back office" and some academic operations
State of Ohio	No pay raises for employees



# Planning For FY2010 Budget

## Stay Tuned for Updates

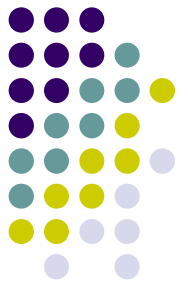


- We are still in an extremely volatile budget environment
  - The world economy is still in turmoil
  - State revenues are not bouncing back
  - Families are being significantly impacted -> enrollments
- 10% of the Governor's biennial budget is built on one-time funds - very ominous for the future
  - One-time sources include the federal stimulus funds and the state's entire 'rainy day' fund
- The federal stimulus funds coming to states were reduced - the Governor's budget is already out of balance
- How will the legislature react as they consider the FY10/11 budget?



# Planning For FY2010 Budget

## Stay Tuned for Updates



- Options for where you can stay current with budget updates...
  - Outlook articles on budget topics
  - Budget Planning Council website  
<http://www.ohio.edu/finance/bpa/council.cfm>
  - Budget website  
<http://www.ohio.edu/budget/>

