

**BUDGET PLANNING COUNCIL  
MINUTES  
June 15, 2007**

- Present:** Gary Neiman, Phyllis Bernt, Rich Carpinellie, Morgan Vis, Wendy Merb-Brown, Joe McLaughlin, Bill Decatur, David Thomas, Gail Houlette, Aimee Howley, Sergio Lopez, Kathy Krendl,
- Staff:** Darrell Winefordner, John Day
- Absent:** Dennis Irwin, Morgan Allen, Dominic Barbato, Greg Shepherd
- Guests:** Steve Flaherty, April Henderson

**1) State Budget Update**

Vice President Decatur updated BPC on the State budget picture that is still evolving. The Board of Trustees will deal with the most current information we have at their June 28-29 meeting. If we have a state budget bill, we will present an FY08 budget. If there is no bill, we plan to review the three budget scenarios (Executive, House and Senate) and have the Board act on providing the President with authority to finalize the OU FY08 budget in consultation with the Board President when a state budget bill is approved.

**a. Senate Version Has Passed**

- i. The bill provides additional money is “to replace the money that tuition and fees would have generated” – referred to as “Tuition/Fees replacement”; not coming through the formula; currently slated to be spread based on proportionately by utilizing institutional enrollments and tuition rates, (those with higher tuition rates will receive more than those with lower rates).
- ii. SII will be 3 % in FY 2008 and 10% in FY 2009.
- iii. Tuition and fees for the biennium will be frozen (0% increases).
- iv. For Ohio University, the Senate version will generate approximately \$300,000 than House version
- v. More money for scholarships to universities – will be directed to STEM<sup>2</sup> students and will be distributed on competitive basis
- vi. \$50M in research to universities; distributed on a competitive basis; with a university match requirement.

- vii. The efficiency improvements remain at 1% for Fiscal Year 2008 and 3% in Fiscal Year 2009. Vice President Decatur indicated that based on discussions that the IUC has had with the Regents, that the base for calculating the amount efficiencies will likely be the Unrestricted Instructional&General budget. It was also reported that there will be additional (output vs. input) reporting requirements.. reductions but evidence of cost reductions, shared services, colleges/universities sharing services

**b. Re-forecast of State Revenues**

- i. BPC was informed that it appears that the State revenue estimates are expected to revised downward. Darrell indicated that OBM typically provides an updated revenue picture prior to the start of the Conference Committee to allow for final fine tuning of the budget.
- ii. There still is uncertainty as to the magnitude of the shortfall and how it will impact higher education (may be enough to wipe out the Senate initiatives). Also, we have some concern that if the State uses one-time monies to cover revenue shortfall it could create a budget sustainability issue for the gains that higher education appears to receiving this biennium.

**2) General Fee Discussion**

**a. Handout outlining discussion**

- i. General Fee departments don't get any general fund monies with the newly implemented process; their revenue budgets are comprised of general fee support and departmental income
- ii. \$1 million in incremental costs are forecast for FY08 for salary increases, etc.; 3% fees increase in the House version would have covered costs increases but wouldn't have covered any of the requested program additions
- iii. While the 'Tuition/Fees replacement' in Senate language provides for more undergraduate revenue, it will leave a \$300K shortfall because we would lose the general fee that would have been charged to graduate students.
- iv. BPC discussed that there may be a scenario where t we need to cut the General fee areas in order to balance the General Fee budget.
- v. Need to develop a better understanding of the reallocation impacts for general fee areas.
- vi. It was pointed out that the General fee areas are not contributing to the building of the 'budgeted reserve' to improve the balance sheet.

- vii. Motion on how to cover any resultant shortfall for general fee areas:
  - 1. To the extent necessary to cover any shortfall to deal with incremental cost increases, use the same exemption methodology used for General fund areas to apply a cut to General fee areas. **Gary Neiman moved, Phyllis Bernt seconded, passed**
    - a. Lengthy discussion on ICA and the fact they currently have \$500K in expenditures beyond the allocated budget; they are responsible for solving that budget problem and should not be exempted when it comes to calculating the general fee area's budget cuts

### **3) Update on General Fund Budget**

#### **a. Hudson Health Center**

- i. BPC discussed the fact that we now feel that while Hudson Health Center project is progressing, we will not be able to accomplish the \$1.4 million savings that we have been planning for.
- ii. This assumption will be removed from our FY 2008 budget planning, but the project will be continue to move forward for savings in FY 2009 (and potentially for FY 2008).

#### **b. Enrollment Reserve**

- i. Budget planning had initially set in the budget at \$1 million enrollment reserve. Freshman enrollment is currently at 4,034 vs. 4,050 in budget; **will reduce the reserve to \$500K** since close to meeting enrollment targets
- ii. Freshman target looks good but still have concern about retention
- iii. Transfers are up and we are OK in relation to the budgeted target
- iv. Currently up in out-of-state and international although yield is more difficult on these students
- v. Opportunity to pursue Antioch students with recent announcement about the closing

#### **c. Reallocation implications**

- i. While State funding are still being determined and some University estimates are still being refined, we anticipate reallocation needs closer to a \$3.5 million.

**4) Discussion on how budget will improve the University's balance sheet:**

**a. Expendable net assets**

- i. To get our expendable net assets to an average of our peers we'd need influx of \$88 million today; \$147 million in 10 years.
- ii. We've put \$1 million aside in next year's budget to start a reserve
- iii. In addition, we have been conservative in only estimating \$4.6 million for investment income.
- iv. Plans are to increase the set aside \$1 million annually so that by the end of five years we will have weaned the budget from investment income and we will be using these funds to strengthen the balance sheet and to have a pool available to ensure budget stability and allow for strategic investments. It is estimated that with 6% compounding we would increase reserves by over \$80 million over the next 10 years.

**b. \$3.5M cut will keep the \$1M set aside for reserve – ~1.3% cut**

- i. Planning Units have gone through the exercise of identifying how they would achieve cuts at various levels.
- ii. The reallocation methodology results in Academic support units taking a larger share of the reallocations (due to the exemptions used). By using this methodology it is more strategic than a pure across-the-board reduction.

5) **Next meeting:** We have reserved a time for BPC to meet (3:00 to 5:00 on Monday, June 25) should we have additional information from the Conference Committee or other changes that warrant a discussion.