

**BUDGET PLANNING COUNCIL**  
**October 10, 2008**

In Attendance: Kathy Krendl, David Thomas, Chuck McWeeney, Jeff Fulk, Betty Sindelar, Peter Wickman, Brenda Noftz, Joe McLaughlin, Dennis Irwin, Ann Tickamyser, Bill Decatur, Sergio Lopez, Kent Smith, Michael Adeyanju

Absence: Hugh Sherman

Staff: Rebecca Vazquez-Skillings, Diane Lucas, Katie Quaranta, John Day, Rebecca Watts, Marjorie Mora, Chris Clifford, Craig Cornell, Mike Williford,

Guests: Steve Flaherty, Gina Calcamuggio

- I. Craig Cornell, Vice Provost for Enrollment Management Strategy and Dr. Mike Williford, Associate Provost for Institutional Research, presented an overview of Fall 2008 enrollments and the Strategic Enrollment Management activities at Ohio University. This information was provided to give members of the BPC insight into our current enrollments, trends and strategies to manage enrollments, a key driver of tuition and fee revenues. (Power Point presentation is attached.)
  - a. **Definition of Strategic Enrollment Management:** Craig Cornell defined strategic enrollment management (SEM) and Ohio University's approach to SEM. Enrollment management is "a comprehensive approach to integrating all of the University's programs, practices, policies and planning related to achieving the optimal recruitment, retention, and graduation of students with 'optimal' defined by the mission, academic vision, and strategic plan of the institution. Enrollment management becomes *Strategic Enrollment Management* when it actively integrates planning, strategies and structures in the formal enrollment management units with the institutions evolving strategic planning, its academic vision and its fundamental mission." Collaboration would be needed between all related offices/departments, including marketing, admissions, financial aid, etc. that help students attend Ohio University. This would also mean that enrollments could focus on programs with capacity and growth in the job market.
  - b. **Structure at OU:** The University has established a Strategic Enrollment Management Steering Committee (SEMC) to provide oversight, an Enrollment Management Advisory Committee (EMAC) and an Enrollment & Retention Monitoring Committee (ERMC) responsible for implementation of strategies developed by the SEMC and EMAC. The SEMC will provide enrollment targets to be used by the BPC to model revenues. The BPC will also ensure the SEMC is aware of any budget/financial information and potential constraints.
    - i. SEM requires collaborative efforts across campus
    - ii. Assessment
    - iii. Develop strategies to target enrollments, leverage scholarship programs, improve customer service
  - c. **Fall 2008 Enrollments (See attachments):** Mike Williford reviewed the expected final Fall 2008 enrollments. Overall, total enrollments for fall were on target with estimates, however there are variances by category of students:
    - i. Freshmen: Total of 3,985 or 65 below estimate
    - ii. Transfers: Total of 518 or 65 above estimate

- iii. Other New: Total of 684 or 84 below estimate
  - iv. Continuing from Spring: Total of 11,530 or 100 above estimate
- Graduate Members discussed the need for additional analysis of graduate fee waivers to determine the true revenue impact of the higher than planned graduate enrollments.

**d. Enrollments**

- i. Retention is up; the efforts to increase retention over the past few years are starting to be reflected in the continuing students enrolled.
- ii. In the next few years the high school graduating classes are decreasing in the number of students. OU will have to find other students to keep enrollments on target.
- iii. The enrollment/recruiting process will also have to take into account the economic times. Currently many lenders of private loans are not making student loans or are going out of business. This will effect the ability of students to pay for college.

**II. Unrestricted Educational & General (E&G) Fund Balance**

- a. Bill Decatur shared information regarding the university's current structural fund balance deficit and provided some history on how the structural deficit was created. The BPC was charged with addressing and developing recommendations to resolve this deficit.
- b. Decatur shared that the adjusted FY 2008 ending fund balance stands at approximately \$62.1 million while the preliminary FY 2008 unexpended budget authority (also known as "carry forward") totals approximately \$77.7 million. The calculation of the carry-forward balance will be finalized with the completion of the annual audit; however the preliminary data provides the order of magnitude of the structural deficit. The variance between the E&G fund balance and the preliminary carry-forward balance (the structural deficit) totals approximately -\$15.6 million.
- c. Decatur provided an overview of how the structural deficit was produced. The strategy to pay the debt service for the Oracle e-Business Suite project (the university's Financial and HR management system) is the primary contributor to the structural E&G fund balance deficit. In 2000, the university invested \$10 million from the E&G fund balance in a quasi-endowment for the purposes of generating interest income to help pay for the project. At the time, quasi-endowments were an accepted method for universities to create additional income. The funds of the quasi-endowment were invested in accordance with the university and foundation's investment guidelines. Shortly thereafter, the events of September 11, 2001 and the drop in the stock market led to significant losses in the quasi-endowment. As a result, the anticipated earnings from quasi-endowment never materialized to fully support the Oracle project nor was the university able to return the \$10 million to the E&G fund balance. An additional \$1 million dollars from the available fund balance was used to balance the budget that fiscal year.
- d. Decatur also explained there is a total of approximately \$4 million in outstanding working capital loans that continue to be paid in accordance with the established schedule. Presuming these loans will be fully repaid, the variance or structural deficit to be resolved can be reduced to approximately \$11.6 million (calculated variance of \$15.6 million minus \$4 million).
- e. Options to Address the Structural Deficit:
  - i. Members began discussion of options to address the structural deficit, including use of the managerial reserve (a reserve comprised of monthly

employee health care premiums and the university-supported contribution for health benefits). Decatur explained that the managerial reserve makes up approximately \$7 million of the total FY 2008 carry-forward balance. Another potential option discussed was a tax on carry-forward balances which would also reduce the amount of the unexpended FY 2008 spending authority. BPC will continue to discuss options to resolve this structural deficit.

### **III. FY 2009 Contingency Planning**

- a.** BPC members reviewed a potential budget scenario for FY 2009 with a potential total shortfall of c. \$9 million). The scenario includes the recently announced reductions to the state supported Success Challenge line item (c. \$300,000), under-attainment of investment income (-\$5.1 million), slight over-attainment in tuition revenue resulting from graduate enrollments exceeding the estimates (c. \$1 million), and potential additional reductions in state funding of \$5 million. (The scenario does not yet include the impact of graduate tuition fee waivers; review is underway.) BPC members also discussed the potential impact of the poor economy on the investment income for Advancement (c. \$3 million). The scenario will be revised to incorporate this additional impact.

### **Discussion:**

- All of the handouts are for planning purposes to build the FY10 budget. The assumptions (not yet reflected in the model) are to be recommended by the BPC.
- Investment income budget of \$5.1 million is at risk due to financial conditions, there will most likely be a net shortfall for FY09 due to loss of investment income.

It was asked how the planning unit targets were being established. Discussion occurred that the budget office is looking at this now and a variety of factors could be considered. Final methods of calculating targets might include a combination of the following - across-the-board reductions, hold certain categories of spending exempt, weight unit's targets by their level of vacancies. The proposed methodology will be brought to meetings of the Deans/VPs and BPC for discussion.

At yesterday's IUC Provost meeting Bruce Johnson said that state cuts were inevitable.

The hiring freeze and targets put in place now will help generate one time savings, but depending on the magnitude of the state situation, we could need to look at more serious spending cuts. Targets for one time savings can be from vacancies and are meant to help the units have savings for potential future cuts.

**NEXT MEETING: October 17, 2008 - Tentative**