

# Ohio University FY 2009 Operating Budget

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## Budget Highlights

The leadership of Ohio University is pleased to present a balanced budget to the Board of Trustees that focuses on the priorities and goals established by the University community in its Vision Ohio Implementation Plan. In addition to \$2.3 million in support for the Vision Ohio Investments, the FY 2009 budget includes funding for enhanced faculty compensation of \$1.2 million and a 3% salary raise pool for faculty and staff. This plan is bolstered by the conservative estimation of revenue and the development of a budget management strategy and contingency plan that will be shared at the June meeting of the Board of Trustees.

Below is a summary of key highlights of the Ohio University FY 2009 Operating Budget, including:

- Planning Assumptions and the Budgeting Environment
- Summary of Accounting Changes
- Summary of Revenues & Expenditures
  - o Athens Campus
  - o University Outreach & Regional Campuses
  - o College of Medicine
- Highlights of the Intercollegiate Athletics Operating Budget

A comprehensive review of the FY 2009 Operating Budget will be presented at the June 26, 2008 meeting of the Board of Trustees.

### Planning Assumptions and the Budgeting Environment

The University continues to operate in an uncertain budgeting environment and efforts to monitor the primary revenue and cost drivers for the budget are routine and ongoing. However, our current year's enrollment experience brings tremendous encouragement and the Chancellor of the Board of Regents continues to assert the priority of higher education and diminish concerns regarding potential budget reductions.

#### *Enrollment Projections*

Tables 1 and 2 summarize recent enrollment trends and projections for the coming academic year. As displayed, the University is projecting slight growth in total enrollments (0.64%). During FY 2008, the Athens campus experienced a slight decrease in undergraduate resident enrollments with a notable increase in undergraduate non-resident enrollments, particularly international students, which more than offset the loss in resident undergraduates. There was an equal distribution of resident and non-resident graduate enrollments on the Athens campus. The FY 2009 estimated enrollments reflect anticipation that the number of non-resident enrollments will continue to grow while resident enrollments decline slightly.

#### *Estimated Tuition & Fee Revenue*

Consistent with Amended Substitute House Bill 119, the State of Ohio's current operating budget bill, instructional and general fees are frozen at the FY 2007 level of resident undergraduate students. The Board of Trustees recently approved the rebalancing of the student instructional and general fees to more accurately align instructional and general fee revenues and activities at the Athens Campus (including the College of Medicine). The rebalance results in a \$78 increase (c. 3%) in the instructional fee and an offsetting \$78 decrease (c. 13%) to the general fee – no new revenue is produced.

As with the preliminary FY 2009 budget estimates presented in April 2008, the final FY 2009 spending plan is built on the conservative estimate of tuition revenue (See Attachment B.2). Athens campus FY 2008 tuition and fee revenues exceeded the original estimates by \$1.3 million, largely due to an increase in non-resident enrollments and higher than anticipated retention rates. The FY 2009 budget uses Fall 2007 tuition revenues as its base. However, continuation of the high retention rates experienced in the current academic year and anticipated growth in international enrollments beyond what is reflected on Table 2, which would positively impact resources, are not factored into the revenue estimates. We continue to remain optimistic in light of the positive 2007-2008 enrollment experience, but have budgeted tuition and fee revenue with a degree of conservatism.

### Summary of Accounting Changes in FY 2009

Beginning in FY 2009, the University will modify its method to allocate space-related costs and employee fee waiver benefits by maintaining the budgets centrally, rather than distributing the budget and expense to planning units. Initial review of the process employed in FY 2008 to allocate these expenses identified the need for further consideration of the methodology for the allocation. Additional review will be undertaken during FY 2009 to refine the methodology for allocating space costs. The effects of the change in space cost allocation can be observed as a reduction in the Non-mandatory Transfers of Auxiliary Operations and General Fee supported organizations. The

discontinued allocation of the employee fee waiver costs yields lower rates of increase in the overall revenue and expenditure budgets for planning units.

### **Athens Campus Budget**

The proposed Athens General Program operating budget recommends General Fund spending authorizations of \$304.2 million (an increase of \$15.6 million or 5.4% over the FY 2008 base operating budget) and General Fee spending authorizations of \$30.5 million (a decrease of \$4.7 million or 13.4% below the FY 2008 operating budget), which reflects the change in accounting for space costs in FY 2009 as presented at the April 17, 2008 meeting of the Board of Trustees. Departmental activity is increased by \$2 million or 5.6% above FY 2008. The balanced Athens General Program budget is built on conservative estimates of tuition and fee revenue and a 10% increase in the State Share of Instruction as authorized by Amended House Bill 119, the State's operating budget. Additional details of the FY 2009 Athens General Program Operating Budget can be found in Attachment B, "*Athens Campus Operating Budget*," including detailed revenue and expenditure estimates.

#### *Vision Ohio & Continuing Investments*

As noted above, the FY 2009 Athens Campus General Fund and General Fee budgets include increases of \$20.3 million to support the Vision Ohio Implementation Plan, compensation increases and the maintenance of the University's facilities. The budget prioritizes support for the Vision Ohio Implementation Plan with new investments that exceed \$2.3 million plus additional faculty compensation of \$1.2 million. The largest share of the General Fund and General Fee increases (\$6.6 million) will support standard payroll increases and other compensation-related expenses. Plant operation and maintenance and utility budgets are increased by \$517,000 and \$1.7 million, respectively. Scholarships and student financial aid receive base increases of \$700,000.

### **College of Medicine**

The proposed operating budget for the College of Medicine recommends \$25.1 million in Unrestricted Funds (an increase of \$2.1 million or 8.8%) and \$11.3 million in Restricted Funds (an increase of \$235,000 or 2.1%). The increases will be invested in the college's Vision Ohio Initiatives, enhance support for the growing Centers for Osteopathic Research & Education postdoctoral training institution and augment accreditation-related activities. The proposed expenditure increases are supported by a 4% tuition increase (approved at the April 2008 meeting of the Board of Trustees), estimated enrollment increases and a 10% increase in state support. Additional details of the FY 2009 College of Medicine Operating Budget can be found in Attachment C, "*College of Medicine Operating Budget*."

### **University Outreach & Regional Campuses**

The proposed operating budget for University Outreach & Regional Campuses totals \$83.9 million (an increase of \$2.4 million or 2.9%). The proposed expenditure increases reflect the expansion of the Regional Campus Undergraduate Business Degree program and the establishment of the new Community College Partnership on-line baccalaureate degree completion program. Additional details regarding the FY 2009 University Outreach & Regional Campuses Operating Budget can be found in Attachment D, "*University Outreach Operating Budget*."

### **Auxiliary Operations**

Details regarding the operating budgets for each of the University's eight (8) Auxiliary Operations can be found in Attachment E, "*Auxiliary Operations Operating Budgets*." The narrative below focuses on the presentation of budgetary challenges facing Intercollegiate Athletics and measures to address these challenges.

#### *Intercollegiate Athletics Projected Deficit*

Intercollegiate Athletics (ICA) has projected a FY 2009 deficit which totals \$1.8 million (includes the use of \$382,000 in one-time resources). Significant effort has been made in the current fiscal year to conduct a full assessment of the ICA operating budget, both revenues and expenditures. This assessment has highlighted the need to disaggregate base revenues and expenditures from non-recurring or one-time revenues and expenditures to ensure future base budgets are built on sound assumptions of continuing, available resources. When one-time resources are factored out of the equation, we identify a larger structural deficit of \$1.9 million that must be addressed.

During FY 2009, ICA will be tasked with the identification of revenue generation and cost saving opportunities to address the structural deficit. Additionally, as recommended by the Budget Planning Council, ICA will be scheduled to participate in the Academic Support Unit Assessment. The University takes seriously its responsibility to manage within available resources and ensure the proper prioritization of its programs.