



Date: July 2, 2009

To: President E. Gordon Gee
Executive Vice President and Provost Joseph Alutto

From: Ralph E.J. Boerner, Chair 
Senate Fiscal Committee

Re: Quarterly and Annual Reports

In most years, this submission would combine the annual reports of the Senate Fiscal Committee with those of its two standing subcommittees, Central Services and Central Distributions. Given the atypical timing of the state budget process, Senate Fiscal has not been able to complete its tasks for the year and will continue to meet at least through the month of July in an effort to do so. Thus, this submission will consist of a quarterly update of the activities of the full Senate Fiscal Committee and the annual reports for 2008-2009 of the two standing subcommittees.

Senate Fiscal Committee Summary of Activities: Spring Quarter 2009

The central theme which defined most of the work of Senate Fiscal Committee during the Spring Quarter 2009 was the on-going analysis of the impacts of the national and state economies on university resource planning for Fiscal Year 2010 and beyond. The action items on which the Committee made recommendations this quarter included:

- Recommendations for central units to be invited to request additional funds for FY 2010;
- Analysis of the draft Five Year Resource Goals;
- Initiation of an analysis of the new Board of Regents taxonomy for SSI distribution;
- Development and approval of recommendations for support unit budget allocations for FY 2010; and
- Consideration of FY 2010 General Funds budget allocations, with particular focus on ensuring sound fiscal footing for Fiscal Year 2011 and beyond.
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In the paragraphs that follow, I detail the specific topics discussed and substantive actions taken at the meetings that were held during this quarter.

At the meeting of April 14, the committee

- ✓ reviewed and revised the agenda for the remainder of the academic year;
- ✓ discussed the financial update for the Board of Trustees meeting with Senior Vice President Shkurti, including the latest information on state tax revenues, stimulus funding, and legislative action on the state budget for the next biennium;

- ✓ reviewed the budget invitation letters sent to selected central support units, and reviewed the processes that the Central Services Subcommittee and the full Senate Fiscal Committee will employ in reviewing both budget requests and reallocation models;
- ✓ discussed the SFC Orientation Manual that has been given to new members during their pre-service orientation to the committee. The consensus of the SFC was to convert the large majority of the documents in the manual to digital form, prepare a greatly shortened written briefing document for the new members' orientation session, and develop an annotated listing of documents and materials available on the SFC/RP web site.

At the meeting of April 28, the committee

- ✓ reviewed with Senior Vice President Shkurti the modifications to the biennial budget made by the House of Representatives as part of the passage of House Bill 1. Items of particular interest included restoration of funding of many (but not all) of the line items that affect OSU and the Chancellor's proposal to regular associates' degree tuition levels. Prospects for subsequent actions by the Senate and the eventual Senate/House conference committee were also discussed;
- ✓ received an update on current activities of the Central Distributions Subcommittee, which are focused on digesting the potential effects of the new SSI taxonomy on the performance of the budget model;
- ✓ received an update on the current activities of the Central Services Subcommittee, which are focused on the upcoming central support unit budget request hearings;
- ✓ discussed potential members for 2009-2010 from the ranks of continuing and newly elected senators to replace departing members Sweetland, Lee, and Boerner.

At the meeting of May 26, the committee

- ✓ heard a presentation from Paul Lenz on the current status and future plans for Project One, the expansion of the OSU Medical Center. The committee expressed concerns about pedestrian access/traffic flow, vehicular traffic arrangements, and the plans for moving/re-establishing the Spirit of Women Park; however, the committee was pleased to learn that the overall project remains on time and on budget;
- ✓ reviewed with Senior Vice President Shkurti the status and financial position of the university that was presented last week to the Council of Deans, a draft of the third quarter financial update that will, in revised form, be presented to the Board of Trustees in June, the proposed tuition and fee schedules for FY 2010 that will be acted upon by the Board at the same meeting, and the draft Five Year Resource Goals being developed by the Board and President. Overall, the goals and timetable contained in the latter were well received by the committee; however, two areas of concern were noted and discussed: (1) the draft target for Current Funds Revenue per Student FTE was criticized as it was a function of too many confounding variables, with the result that an improvement in this area could result from large tuition increases or from severe economic hardship among benchmark institutions rather than actual improvement in fiscal performance, and (2) the suite of targets related to the fundraising campaign were unrealistic in their expectations and also lacked quantitative performance criteria for assessment;

- ✓ elected Professor Harald Vaessin to be chair of the committee for the 2009-2010 academic year.

The meeting of June 9 was entirely devoted to reviewing the recommendations for central unit budget allocations from the Central Services Subcommittee. Those recommendations were approved with minor revisions and forwarded to Senior Vice President Shkurti and Executive Vice President and Provost Alutto.

At the meeting of June 23, the committee

- ✓ reviewed and discussed with Senior Vice President Shkurti the current status of state budget negotiations, status reports, and rumors;
- ✓ reviewed the preliminary Fiscal Year 2010 General Fund budget recommendations from the Senior Management Council, with particular attention to projected net marginal income among colleges, impacts of the larger than expected incoming freshman class, ameliorating perceived impacts of the GEC changes on the Arts and Sciences, allocation of the funds from the O.A.A. Enrollment Buffer to units that experience the impact of the incoming freshmen, the nature and sources of funds to be held back for Fiscal Year 2011, and sources of uncertainty to be incorporated in fiscal planning for Fiscal Years 2011 and 2012;
- ✓ received from Senior Vice President Shkurti an update on the status of the Capital Plans covering Fiscal Years 2011 - 2016;
- ✓ discussed the current status of the project designed to streamline internal loan processes being conducted by Allen Proctor;
- ✓ reviewed the proposed changes to the fee schedule for facilities design and construction and the plan to reduce the deficit that currently exists in the operation; and
- ✓ welcomed and oriented two new undergraduate student members and one new faculty member who will begin their terms of service on SFC with the beginning of Autumn Quarter.

At this time, no resolution on the budget of the State of Ohio for the 2009-2011 biennium has yet been reached, so no final recommendations concerning fiscal matters for the Fiscal Year 2010 operating budget can be made. A meeting of the SFC is scheduled for July 7 in hopes that a budget resolution is reached by that time.

Central Distributions Subcommittee – Major Activities – Academic Year 2008-2009

The following is a compilation of the topics and issues of substance acted upon by the Central Distributions Subcommittee during the 2008-2009 academic year.

Budget Reconciliation: The subcommittee reviewed the final tuition and fee reconciliations for FY08, and approved the recommended funds distributions and the full Senate Fiscal Committee approved the subcommittee's recommendations on October 21, 2008.

Composite Benefit Rates: The proposed composite benefits rates for FY10 were discussed and recommended by the subcommittee and approved by the Senate Fiscal Committee on February 17, 2009.

Overhead Rates: The subcommittee reviewed the proposed FY10 overhead rates for hospitals, regional campuses, instructional clinics, and other earnings units. The subcommittee's recommendations were reviewed and approved by the Senate Fiscal Committee on February 17, 2009.

Allocation of Marginal Income from Masters' Programs: The subcommittee completed a detailed analysis of total and marginal income from both Masters' and doctoral programs which began the previous academic year. The Central Distribution Subcommittee recommended that no change be made the allocation methodology for the distribution of marginal masters level SSI and fee income. This recommendation was accepted by the full committee and forwarded on to the Provost on February 17, 2009.

Plant Operation and Maintenance (POM): The subcommittee reviewed the recommended assessment rates for FY10 for utilities, maintenance, custodial services, and renewal. The subcommittee's recommendations were reviewed and approved by the Senate Fiscal Committee on March 3, 2009.

Student Activity Fee Review: The subcommittee reviewed a proposal to increase the Student Activity Fee from \$15 to \$25 per quarter, effective in Autumn 2009. The subcommittee developed a list of questions that were submitted to Ms. Kerry Hodak of the Council on Student Affairs. At its March 17, 2008 meeting, the Senate Fiscal Committee formally recommended the Student Activity Fee not be increased during the 2009-2010 academic year and that the stronger proposal be developed for the 2010-2011 academic year.

Analysis of Issues Regarding the Implementation of the New Board of Regents Taxonomy and Distribution Formula: The subcommittee began comparing the current vs. new Board of Regents distribution mechanism for State Share of Instruction (SSI), however the subcommittee was unable to complete this work before the end of the academic year. A detailed analysis of this conversion will be undertaken during the Autumn Quarter 2009 and submitted for consideration by the subcommittee during Winter Quarter 2010, which would allow for a new distribution methodology implemented in FY2011.

Central Services Subcommittee -- Major Activities -- Academic Year 2008-2009

CSS carried out three major sets of activities during academic year 2008-09:

- During Autumn Quarter, CSS completed a review of the Office of Research that began during academic year 2007-08.
- During Autumn and Winter Quarters, CSS revised the process for undertaking support unit reviews.
- During Spring Quarter, CSS reviewed budget requests for FY10 from support units and made funding recommendations.

Review of the Office of Research

In June 2008, CSS submitted a draft report on the Office of Research [OR] to OR for its comment and response. Attached to this report was the lengthy report of the external review team that visited OSU during Spring Quarter 2007-08. To this CSS added a four-page memo of its own, underscoring points made by the external team that CSS felt were of particular importance and adding some further points. The CSS memo contained sixteen recommendations. OR was asked to provide a written response to this draft report, and was invited to follow this with oral discussion with CSS.

The completion of the OR review unfolded during Autumn Quarter as follows:

- October 11: written response (six pages) from OR received
- October 27: CSS submitted to OR written response (four pages) to OR response
- October 28: CSS met with Jan Weisenberger (Associate Vice President, OR)
- November 3: CSS submitted report (review and recommendations) to Provost Alutto
- November 4: CSS discussed status of OR review with full Senate Fiscal Committee
- November 18: CSS met with Provost Alutto and Senior Vice President Shkurti
- November 26: Provost Alutto acknowledged and thanked CSS/SFC for the OR review

Revision of Process for Support Unit Reviews

CSS is charged with carrying out two types of support unit reviews: organizational reviews; functional reviews. In response to dissatisfaction in recent years with the support unit review process – dissatisfaction on the part of both CSS and the leadership of support units – two fundamental changes in the process were proposed and accepted during CSS discussions that began in Autumn and continued into Winter.

1. Timing of support unit reviews will be more sensitive to the “natural life” of the support units, including changes in leadership, changes in mission and the program of activities, etc. Moreover, it was felt that the pertinent vice presidents should have some voice in the timing of reviews to increase the likelihood of ownership of the review process by the support units. Note that in recent years support unit reviews have been conducted on a fixed and rather rigid cycle. It was agreed that:
 - Vice Presidents and CSS/SFC determine and ensure that the long-term schedule and sequence of unit-level and functional reviews is appropriately strategic;
 - The proposed schedule and sequence of unit-level and functional reviews is confirmed annually during early Winter and the plan for reviews to take place within the following three years is revised and adjusted accordingly;
 - Senior management (President, Provost, VP's, Board) align VP area goals and objectives to create a high performance culture supported by an effective, integrated review strategy that is informed by best practices.

2. The annual calendar for support unit reviews will also be adjusted. In recent years, the reviews have been launched in Autumn Quarter, with the aim of completion by the end of Spring Quarter. This often results (as with the recent OR review) in the review not being completed by the end of June and spilling spills over into Autumn Quarter. As SFC and CSS membership changes with the beginning of Autumn Quarter, this then results in one group completing a review that a different group began. In addition, the completion of support unit reviews during Spring Quarter becomes problematic as it is CSS's obligation to engage in the very time-consuming budget process during Spring Quarter. As a result of these concerns, CSS decided that a better staging of support unit reviews would be as follows:

Spring Quarter:	initial planning of review
Summer Quarter:	support unit conducts self-study
Autumn Quarter:	visit by external team, if required
Winter Quarter:	completion of review, agreement on action plan

Review of Central Unit Budget Requests

Annually, CSS reviews budget requests from central support units and makes recommendations to the Provost and Senior Vice President. In a departure from the procedure followed in recent years, this year support units received letters of invitation from the Provost and Senior Vice President specifying budget requests that would be favorably received. These letters were sent in March, after consultation with SFC/CSS. Six support units received letters:

- Business & Finance
- Campus Partners
- Development
- Health Sciences
- Academic Affairs
- Student Life

In April and early May, budget requests were received from these six support units, and from other units as well. During May, CSS held hearings with four of the units:

May 5	Campus Partners Development
May 15	OAA: Chief Information Officer OAA: Library OAA: Licensing – TLC OAA: OSU-Pro OAA: Semester conversion OAA: Undergraduate recruitment
May 22	Business & Finance

CSS decided that hearings were not required to assess the budget requests from Health Sciences and Student Life. CSS also considered the requests from support units that did not receive letters of invitation, but did not endorse funding for any of these units. On the basis of this intensive review, the CSS developed a set of funding recommendations that were presented and discussed at the June 9 meeting of the full Senate Fiscal Committee. The resulting SFC recommendations were submitted to Provost Alutto and Senior Vice President Shkurti on June 10 in a memo from SFC Chair Ralph Boerner. \$24,470,686 in funding was recommended, composed of \$19,728,646 in cash and \$4,742,040 in PBA.