

2004/2005 Annual Report of the University Senate Fiscal Committee

submitted by Karla Zadnik, Fiscal Committee Chair

General Observations

During the 2004-05 academic year, the Fiscal Committee and its subcommittees achieved their desired objectives. The committee was able to deal with a massive workload, producing analyses and policy recommendations concerning a number of important matters.

Karla Zadnik chaired the Senate Fiscal Committee. Marvin Batte served as chair of the Central Services Subcommittee, and Donna Hobart and Richard Kass co-chaired the Central Distribution Subcommittee.

The Senate Fiscal Committee began the 2004-05 academic year with an action agenda. That agenda and a review of the Senate Fiscal Committee's work on that agenda are provided below.

- 1) Reassess the current and proper level of central taxation (currently set at 24%);
- 2) Study the long-term implications of the stagnation in state subsidy support;
- 3) Prepare data and tools to inform the next round of budget rebasing;

Items 1, 2, and 3 were delegated to the Central Distribution Subcommittee.

The Central Distribution Subcommittee spent considerable time and effort studying the various assessments and allocations of expense in the new budget system. The Central Distribution Sub-committee developed a "simple" description of the Student Services Assessment and the Research Assessment and is in the process of developing a similar description of the Physical Plant Assessment. These will be published on the University Web page along with detailed budget data for each of the assessments. The Central Distribution Subcommittee also requested that Resource Planning develop a sources-and-uses document for all academic support units' FY 2006 budgets. It is the Central Distribution Subcommittee's hope that these documents and the data supporting the documents will inform the debate of "proper taxation levels" as the new budget system, its processes and impacts are reviewed over the next year in preparation for the FY 2007 rebasing process.

The Central Distribution Subcommittee is finalizing a sources-and-uses tool (similar to the tool used to originally rebase college budgets) to inform the Provost as she reviews the impact of the new budget system on the college budgets in FY 2007. The subcommittee also reviewed the fiscal impact of the progressive decline of State Instructional Subsidy funds as a percentage of revenues supporting academic programs. The fund allocation formulas recommended by the Budget Advisory Committee had assumed that approximately half of general fund revenues would come from state subsidy funds, but state subsidy has become a smaller and smaller share of general revenues, leading to a corresponding increase in reliance on tuition and fees income. Because state subsidy is distributed in a manner that takes into

account differences in the cost of providing education among various academic disciplines, while tuition and fees do not, concern was expressed that if these trends were to continue over the long term, this could result in an erosion of support for high-cost academic disciplines. To address this concern the Central Distribution Subcommittee is finalizing alternate fee allocation methodologies that the Senate Fiscal Committee could provide to the Provost as she undertakes a review of the college budgets in FY 2007.

4) Review the funding of graduate education (among other things, to reconcile budget restructuring norms with the rigidity of the Board of Regents' doctoral funding cap).

The Provost appointed the Freeman Committee on Graduate Education at Ohio State to specifically look at this issue and make recommendations for change to the Provost. The Senate Fiscal Committee convened an ad hoc sub-committee, chaired by Joe Alutto to review the interim recommendations from the Freeman Committee on Graduate Education at Ohio State. The full Senate Fiscal Committee met over the summer to review and approve the comments and recommendations generated by the sub-committee.

5) Review funding plans for the next Development campaign;

No final funding plan is ready for review. This issue will be carried over into the Academic Year 2006-07 agenda.

6) Follow-up on the monitoring of issues raised in the report of the Ad Hoc Budget Restructuring Review Committee;

At its January 20, 2005 meeting the Senate Fiscal Committee reviewed the action agenda developed by the Ad Hoc Budget Restructuring Review Committee to ensure that someone or some group on campus was following up on each area of concern. Of particular concern to the members of the Senate Fiscal Committee was the flow of information and opportunities for education about the new budget process and its impact. Faculty participation and "transparency" of the budget decisions at the College and the University level were determined to be essential to the success of the budget process. Mike Sherman looked into how each college structures its internal budget decision process. That information is collected as part of the College Annual Report to OAA process and is published on the OAA web page.

7) Prepare for the next biennial budget round;

The Senate Fiscal Committee was briefed monthly by Bill Shkurti on the status of the Governor's budget proposals and the legislative budget proposals as they affected higher education in general and OSU in particular. Jack Hershey from Governmental Relations also met with the Senate Fiscal Committee to discuss strategy and how the faculty, students and staff could be helpful in influencing legislative decisions regarding the support of higher education.

8) Account for expenditure of tuition dollars;

This is an ongoing effort to communicate clearly and simply the allocation of tuition dollars to support college and academic support programs.

9) Plan to address immediate needs regarding Deferred Maintenance;

This is an ongoing effort working with Business and Finance to ensure the policies and

procedures are in place to keep the campus' physical facilities in good condition.

10) Evaluate of university-wide risk-management policies and practices;

Grant Frazer represented the Senate Fiscal Committee on the University Committee reviewing the University's risk management policies and initiatives. The risk management review is continuing into FY 2007 with recommendations expected in the fall.

11) Evaluate support units' five-year needs;

Bill Shkurti has advised the support units they will be required to submit five-year budget plans as part of the FY 2007 budget process.

12) Assess changes in the capital expenditure environment;

John Whitcom represents the Senate Fiscal Committee on the Space and Facilities Committee reviewing renovation funding requests and proposed University policies affecting space and the use of space on campus. The chair and John sat in on the FY 2007-08 capital request hearings, and the full Senate Fiscal Committee reviewed the capital recommendations Bill Shkurti and Barbara Snyder will make to the Board of Trustees in September, 2005.

13) Respond to forthcoming proposals to change health insurance coverage and services for University employees.

The full Senate Fiscal Committee met with Larry Lewellen and staff from the benefits office to review and comment on the planned changes in benefits and rates in FY 2006. The Central Distribution Subcommittee reviewed historical composite rates, benefit expenditures, and the benefit reserve levels. Several concerns were shared with the staff of the benefits office and are under review by that office. Work will continue in the upcoming year.

Highlights of other ad hoc and standing subcommittee activities:

- 1) The Central Services Subcommittee (chaired by Marvin Batte) participated in the review of central service units' FY 2006 budget requests, passing on its recommendations to the Senate Fiscal Committee and the Office of Finance. The subcommittee also completed program reviews of the offices of the Registrar, Fees and Deposits, Financial Aid and the CIO and a functional review of the student services these offices jointly perform. The Central Services Subcommittee also reviewed a request from the CIO and submitted to the Senate Fiscal Committee a recommendation for a methodology for funding the infrastructure for a wireless network.
- 2) The Central Distribution Subcommittee reviewed and recommended approval of the FY 2004 Fee Reconciliation and the FY 2006 physical plant charges. The recommendation was accepted by the full Senate Fiscal Committee. The Central Distribution Subcommittee also drafted a response to a report on the effect of the new budget model on graduate education circulated by Susan Huntington as she left the Graduate School. The Central Distribution Subcommittee's response clarified or corrected certain misinformation or false impressions the members believed needed to be correct on the

record.

- 3) An ad hoc subcommittee chaired by Joe Alutto reviewed (at Dean Freeman's and the Provost's request) the fiscal implications of the Interim Report of the Committee on Graduate Education.

A potential structural problem was averted when it was discovered both of the fiscal officers serving on the committee were appointed to terms that expire simultaneously. An informal arrangement was worked out with the appointing authorities so that Donna Hobart was appointed by the Executive Deans for another two-year term and Judy Kleen by USAC for a one-year term. The result of the FY 2007 appointments will be to stagger the two fiscal officers' terms.

A second structural problem that the Senate Fiscal Committee was unable to resolve informally was the Faculty Council rule that only faculty without administrative appointments can serve as members of the Senate Fiscal Committee. The Senate Fiscal Committee asked the Council to reconsider the rule for part-time administrative appointments. Faculty Council did not feel it could change the rule or interpret it differently. The result was that the Senate Fiscal Committee lost two experienced faculty members mid-term who were appointed to administrative positions in their Colleges in the middle of their Senate Fiscal term. This will continue to be a problem for which the Senate Fiscal Committee intends to continue to seek a solution.