

July 1, 2014

TO: President Michael Drake  
Interim President Joseph Alutto  
Joseph Steinmetz, Executive Vice President and Provost  
Geoff Chatas, Senior Vice President and Chief Financial Officer  
Tim Gerber, Secretary of the University Senate

From: Dick Dietrich  
Chair, Senate Fiscal Committee

Subject: Senate Fiscal Committee Annual Report - Fiscal Year 2014

The Senate Fiscal Committee (SFC) had a very active and full calendar this year. The members of SFC for FY 2013-2014 are listed below:

- Richard Dietrich, Chair – Fisher College of Business
- Harald Vaessin, Chair of the Central Distribution Subcommittee (CDS); College of ASC, Natural and Math Sciences
- Paul Rose, Chair of the Central Services Subcommittee (CSS); Moritz College of Law
- George Billman - College of ASC, Physiology and Cell Biology
- Jozef Raadschelders - John Glenn School of Public Affairs
- Robert Lee - College of Engineering
- Ray Noe - Fisher College of Business
- Linda Lobao - College of Food, Agricultural and Environmental Sciences
- Carl Zulauf – College of Food, Agricultural and Environmental Sciences
- Morgan Cichon – Council of Graduate Students Representative; College of Food, Agricultural and Environmental Sciences
- Andrew Tichenor – Inter-Professional Council Representative; Moritz College of Law
- Shane Ingalls – Undergraduate Student Government Representative; Fisher College of Business
- Celia Wright - Undergraduate Student Government Representative; College of Public Health
- Justin Costa – USAC Staff Representative; OARnet
- Betsy Lindsey – Executive Dean Staff Representative and SFO; College of Education and Human Ecology
- Donna Hobart – President’s Staff Representative and former SFO; President’s Office
- David Manderscheid- Executive Dean for Arts and Sciences
- Steve Gavazzi – Executive Dean for Regional Campuses Representative; Mansfield Dean
- Lonnie King – Executive Dean for Health Sciences; Dean of College of Veterinary Medicine
- David Williams – Executive Dean for Professional Schools; Dean of the College of Engineering
- Geoff Chatas – Central Administration President’s Appointment; Office of Business and Finance
- Mike Boehm – Central Administration President’s Appointment ; Office of Academic Affairs

Major projects included a Program Fiscal Review of the Office of Facilities Operations and Development, a review of the May Session Funding Policy, a review of the Student Fee Structure, review and input on the Parking Concession Agreement status and report, a discussion on Regional Campus roles and financial structure and a proposal for the FY 2015 regional campus allocations, as well as the annual review and analysis of various components of the FY 15 budget. The review of the Student Fee Structure is still underway and the work will continue into the summer.

A major task undertaken by members of SFC, along with other faculty and administration members was an in-depth review of the University's budget model. This work was accomplished through the establishment of an Ad Hoc Budget Review committee that included the following members:

- Deborah Larsen – co-chair, Faculty (Director, School of Health and Rehab. Sciences, Assoc. Dean, COM)
- Jozef Raadschelders – co-chair, Faculty (Glenn School) and member of SFC
- Anil Arya – Faculty (Accounting)
- Morgan Cichon – Council of Graduate Students Representative and member of SFC
- Kris Devine – Non-voting (Business and Finance)
- Brad Harris – Non-voting (Provost)
- Donna Hobart – Office of the President
- Shane Ingalls – USG/Student Representative and member of SFC
- Betsy Lindsey – SFO (EHE) and member of SFC
- Marie Mead – SFO (Engineering) and a second for David Williams, member of SFC
- Robert Perry – Faculty (Physics) and former member of SFC
- James Phelan – Faculty (English)

Please see the attached Ad Hoc Budget Review Committee Report for reference. SFC reviewed the report and recommended support for the final report. The report was then transmitted to the University Senate Steering Committee for its review, discussion and analysis.

This report includes a summary by semester of the work and topics discussed in the Senate Fiscal Committee and a summary of the work completed by each subcommittee – the Central Services Subcommittee (CSS) and the Central Distribution Subcommittee (CDS). I have also attached the meetings summaries.

### **Senate Fiscal Committee – Summary of Activities, Autumn 2013 Semester**

August 27, 2013

The meeting opened with the introductions of the members and an overview of SFC and its subcommittees, CDS and CSS. SFC resolved to form an ad hoc budget review committee and consult with faculty leadership to formulate the group. In addition, Kris Devine presented a

Financial Overview that was previously shared with the Board of Trustees (BOT). The presentation included information on tuition rates, revenue impacts of investments and research and benchmarking.

September 10, 2013

Kris Devine continued her presentation from the prior meeting, touching on Investment Income, BOT scorecards, Health System and OSUP and the College of Medicine. Pam Doseck attended the meeting to provide an overview of the Benefits Plans. She reviewed the changes coming and the financial impact of those changes.

September 24, 2013

Donna Hobart provided an overview of the University's budget model and explained what funds are impacted by the model and what units are impacted by changes in the model. Jim Schiefferle provided an overview of the FY 15 budget process. Goals are to improve visibility, accelerate the timeframe and streamline the process. Dick Dietrich distributed a list of those items that SFC will be addressing this year.

October 8, 2013

Jay Kasey updated the committee on the status of the performance of the Parking Concession agreement, the use of the generated revenue, the growth and level of funding in the endowment due to the parking concession agreement, and performance metrics and customer satisfaction. In addition, questions were raised concerning the payment of the debt service for garages, customer survey data, and on the usage of different types of spaces. In addition, a discussion of the proper format and distribution of the annual report was held.

The May Session Financial Review proposal was brought to the meeting by CDS. After discussion, a motion to accept the report and concur in the recommendation to begin charging tuition in May 2015 was approved. Kris Devine also provided an overview of the impact of a Federal Government shutdown on the University.

October 22, 2013

Jim Schiefferle gave a presentation on the SSI formula changes for FY 2014-2015 and the potential financial impact of these changes on OSU.

November 5, 2013

Geoff Chatas gave a presentation on Credit Ratings – Why Ratings Matter. This included bonding capacity discussions, rating agencies' process, and risks outlined. OSU is currently rated AA1 and is stable. In addition, the OSU Online Revised proposal was brought to SFC by CDS and Michael Hofherr. The revised proposal would include nine existing programs as well as all new on-line programs. Extensive discussion was undertaken and the proposal was recommended for approval.

November 19, 2013

Lynn Readey attended the meeting and gave a detailed presentation on the Plant Operation and Maintenance (POM). This included an explanation of each cost pool and what is included, how the costs per square foot are calculated, the impact of energy initiatives and market pressures. This provided background for both the CSS FOD review and for SFC in general in preparation for reviewing the FY 2015 POM rates during Spring Term.

Dolan Evanovich gave a presentation and update on the current Enrollment Plan and Financial Aid. There was much discussion, as the impact of the financial aid to support the enrollment plan has been significant to the colleges.

Tom Ewing provided a presentation and overview of the overhead rates in order to provide background information for SFC in preparation for reviewing the FY 2015 overhead rates during Spring Term.

December 3, 2013

Mike Papadakis, Doug Huffner and Gates Garrity-Rokous did a joint presentation on Risk Management and Compliance. Jay Kasey and Mark Evans attended the meeting a second time and provided additional information on metrics for the parking concession and a follow-up to the meeting on October 8<sup>th</sup>. Paul Rose also informed the committee that a new proposal has been brought to CSS by Shane Ingalls on behalf of USG. This proposal would allow students to donate excess blocks/meal balances to the Mid-Ohio Food Bank. The subcommittee will work with Student Life on this proposal.

### **Senate Fiscal Committee – Summary of Activities, Spring 2014 Semester**

January 7, 2014

Meeting was cancelled due to the university being closed for extreme cold weather.

January 21, 2014

The first presentation of the proposed changes in the Student Fee Structure was brought to SFC. The proposal was reviewed and there were many questions and concerns related to the proposal. After much discussion, the Chair asked CDS to continue to work on and refine the report for long term changes and to work on a proposal specifically for FY 2015.

Tom Ewing, Pam Doseck and Nicole Root provided a detailed presentation on the development of the Benefit Rate calculation and of the impact of the health plan changes. This included an explanation of items in the benefit rate and the methodology for calculating the cost estimates. This provided background for SFC in preparation for reviewing the FY 2015 Benefit Rates during Spring Term.

February 4, 2014

Gates Garrity-Rokous attended a second meeting for the year and gave a detailed presentation on the Office of Compliance and Integrity as well as the detailed information on what our key risks, mitigation strategies, metrics and reporting are.

Harald Vaessin gave a detailed update on the Student Fee Structure work and discussions. Guiding principles were reviewed and agreed upon. The FY 2015 proposal and long term proposals will be brought to SFC in subsequent meetings.

Tom Ewing presented the FY 15 Overhead Rates. The impact of adding the e-mail system to the rate was discussed as was the impact of the salary and benefit increases. The recommendation from CDS was approved.

February 18, 2014

The Student Fee Structure proposals were discussed further. The overall proposal as to guiding principles, reporting and streamlining was accepted. More detailed proposals for FY 2015 and FY 2016 and beyond will be presented to the committee at a later date.

Kris Devine discussed the current thinking on tuition increases and AMCP.

The FY 2015 Composite Benefit Rate proposal was presented by Tom Ewing, Joanne McGoldrick, Pam Doseck and Nicole Root. Discussion included the drivers of the rates, the plan design changes, and rate calculations. Discussion ensued on the information provided and the need to possibly see proposed rates earlier in the year in order to delve into it deeper. The proposal as brought to the committee by CDS was approved.

March 4, 2014

Paul Rose discussed the initial submissions that were submitted by Support Offices for the Budget Request Process. He discussed the process of determining which requests would move forward to the hearing process, the hearing process and timeline to return to SFC with the recommendations of CSS.

The FY 2015 POM rate was presented and discussed. The motion was presented with one change: the preventative maintenance rate for FY 2015 would remain flat

March 18, 2014

The FOD Financial Review was presented to the committee by Paul Rose for substantial discussion. This included the main drivers of the analysis (data collection, preventative maintenance, communication, utilities and reserves.) An overview of each focus topic was given and recommendations were discussed. The report will be brought back at a later date encompassing the conversation and final recommendations with the committee.

Parking charges for Buckeye Village were discussed.

Dr. Steven Gabbe and Peter Geier presented the strategic direction and finances for the Wexner Medical Center. Topics included key challenges, performance indicators, revenue mix and potential shifts in such mix, the new Tower and timeline to open, and debt service.

April 1, 2014

Mike Boehm led a discussion on Regional Campus issues. This included discussions on the roles of the regional campuses, their financial structure and risks and how to integrate the regionals into the OSU structure in a logical manner.

CDS is in the middle of discussing the potential changes to the regional campus funding strategies and structures. CDS has spent several meetings reviewing past funding by campus, the changes due to the state funding model and what financial relationship between the Columbus Campus and its regionals is appropriate in the future. CDS will bring a recommendation for the FY 2015 regional campus allocations to the committee by the end of the month.

April 15, 2014

Paul Rose presented the support office budget recommendations to the committee. After discussion, the Committee voted to forward the recommendations to the Provost and CFO. There was discussion on one item in particular – the IRB staffing request. While all thought funding was needed for this activity, there was a strong message sent that metrics needed to improve if staff were hired. In addition, a recommendation was advanced to have a task force work with the Office of Compliance on its funding model.

Jos Raaderschelders, along with members of the Ad Hoc Budget Review Committee, presented the Ad Hoc Budget Review report. The report was accepted and the committee will do further work related to the recommendations of this report after Senate Steering reviews and comments in the fall.

The Chair recapped the year for the committee and thanked the student members for their hard work and dedication. In addition, there was a short discussion on potential topics for next year.

April 29, 2014

The FOD report was brought before the committee, discussed and approved. In addition, the official report on the support office recommendations was reviewed and approved.

The FY 2015 Regional Campus Allocation recommendation was presented. The proposal as recommended was not approved and an alternative recommendation was developed, discussed and recommended for approval by the CFO and the Provost.

Kris Devine provided a high-level overview of the FY 2015 budget, its assumptions and parameters and next steps.

May 13, 2014

This was the final meeting of the committee for the year. New members that have been appointed for next year were announced and were invited to attend.

Geoff Chatas called for nominations for the Chair of the committee for FY 2015. Harald Vaessin nominated Dick Dietrich for a second term. Dick accepted and was subsequently unanimously elected to be Chair for next year.

Brad Harris provided a detailed overview of the AMCP decision by the Provost and CFO.

Dick Dietrich provided an overview and highlights of the year as well as topics for next year's committee. See below for a list of potential items for FY 2015.

Remaining Tasks and Topics:

- CDS is continuing its work on the Student Fee Structure and will bring a proposal to SFC in the fall
- SFC members will continue to assist in the review of the Ad Hoc Budget Review Report as needed when Steering Committee begins its discussion and review of the report in the fall.

## **Possible Topics for the 2014-2015 Senate Fiscal Committee**

- Plan for addressing recommendations in the Executive Summary of the Ad Hoc Budget Review Committee
- Financial Budget Review by CSS
  - Student Life
  - Administration and Planning
- Support Office Budget Requests Timeframe and Process
- Student Fee Philosophy and Structure
- Advancement Funding Model
- Regional Funding Model
- Benefit Rate Deep Dive and Health Plan Review
- Student Financial Aid and New Enrollment Plan
- FY 2016 Budget Work
- State of Ohio Budget and Higher Education Funding Model

The following members are finishing their terms on the committee and I would like to thank them personally:

- George Billman
- Linda Lobao
- Shane Ingalls
- Betsy Lindsey
- Donna Hobart

### **Central Services Subcommittee Annual Report**

The CSS subcommittee focused on two main items this year, the support office budget request process and support office reviews.

The subcommittee was tasked with review of one support offices: the Office of Facilities Operations and Development. Please see attached report.

The subcommittee also reviewed all FY 15 Support Office budget request submissions, held individual office budget hearings and forwarded it recommendations to SFC, which approved the proposal and forwarded it to university leadership.

### **Central Distribution Subcommittee Annual Report**

CDS had a very busy year which included the review of the May Session Tuition Policy, a review of the Student Fee Structure (ongoing), a beginning review of the financial structure of the regional campuses and a proposal for FY 2015 funding allocations for the regional campuses and a revision of the OSU Online funding structure approved the previous year.

The subcommittee also addressed the standard FY 15 budget tasks as outlined in the meeting summaries above. These included:

- FY 15 Benefit Rates
- FY 15 Overhead Rates
- FY 15 POM Rates

#### Appendices:

- Meeting Summaries for all Committee meetings during FY2014
- Facilities, Operations and Development Budget Review Report, prepared by Central Services Subcommittee, dated April 15, 2014
- Report of the Ad Hoc Budget Review Committee, dated April 9, 2014



# MEETING SUMMARY

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## Senate Fiscal Committee | August 27, 2013

200 Bricker Hall

**Attendance:** Geoff Chatas, Dick Dietrich, Harald Vaessin, Paul Rose, Linda Lobao, Justin Costa, Shane Ingalls, George Billman, Morgan Cichon, Betsy Lindsey, Donna Hobart, Joz Raadschelders, Celia Wright, Rob Lee Carl Zulauf, David Manderscheid, Julie Carpenter-Hubin, David Williams, Suzi Ballinger

**Guests:** Provost Steinmetz, Kris Devine, Brad Harris

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- 1 Dr. Dietrich welcomed the committee and discussed the importance of the work ahead. SFC fiscal duties and responsibilities were discussed. This committee is the body that makes recommendations to the administration, not decisions. His expectations are:
- Meetings to start and end on time
  - Attendance is expected, however if conflicts arise, please make him aware
  - Agenda to go out Friday prior to Tuesday's meetings

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- 2 Provost Steinmetz addressed the committee and also expressed the importance of their role. He outlined six priorities for Office of Academic Affairs:
1. Student experience (holistically)
  2. Discovery Themes (funded by bulk of parking deal)
  3. Faculty evaluations and reward structure
  4. Affordability vs. excellence in the quality of students enrolled
  5. Development in E-Learning – Aggressively moving forward
  6. Arts on campus and in the community

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- 3 Roundtable Introductions of Committee & Ice breaker. Committee was asked to introduce themselves and then comment on "One stupid thing OSU does that should change". The committee will address and develop responses to some of the items mentioned.

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- 4 Harald Vaessin moved to have an ad hoc committee formed to review the budget process. Dick is charged with contacting and consulting with faculty leadership in order to formulate the group. Linda Lobao seconded.

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- 5 Subcommittees
- Central Distribution – Harald Vaessin, Chair. Focuses on college funding issues and monitoring all components of the budget model.
  - Central Services – Paul Rose, Chair. Focuses on support office funding issues, program reviews of support offices, and support office budget request process. CSS meeting time will be adjusted to accommodate for teaching commitments.
- All SFC members were asked to email Suzi Ballinger with their subcommittee preference.

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- 6 Financial Review Presentation
- Kris Devine presented the Financial Overview previously shared with the Board of Trustees. Tuition rates for in-state and out of state students, revenue impacts of investments and research, and various benchmarking comparisons were discussed. Discussion will continue at the next meeting.

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- 7 Dr. Dietrich asked the committee to send him their ideas for effective and informative presentations and any feedback they may have. The next meeting will be **September 10<sup>th</sup> at 1:30 p.m. in 385 Bricker Hall.**
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# MEETING SUMMARY

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## Senate Fiscal Committee | September 10, 2013 385 Bricker Hall

**Attendance:** Dick Dietrich, Harald Vaessin, Paul Rose, Linda Lobao, Justin Costa, Shane Ingalls, George Billman, Donna Hobart, Jos Raadschelders, Celia Wright, Rob Lee Carl Zulauf, David Manderscheid, Mike Boehm, Steve Gravazzi, Andrew Tichenor, Suzi Ballinger

**Guests:** Kris Devine, Brad Harris, Renne Komula

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- 1 Dr. Dietrich welcomed the committee
- Geoff Chatas is traveling this week
  - Annual agenda will be distributed at next week's meeting
  - Guest speakers will be based on their availability and relevance to the committee work
  - Guest suggestions should be directed to Dr. Dietrich

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- 2 Subcommittee Membership Discussion
- Subcommittee Chairs and SFC Chair will talk to all individuals and request flexibility if the committees are unbalanced.
  - Request that members be respectful of the interest of the group they are serving
  - Subcommittee groups to be announced by Friday

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- 3 8/27/13 Minutes were approved with a spelling correction to Jozef Raadschelder's name.

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- 4 Kris Devine continued with her presentation from last meeting on The Ohio State University Financial Overview focusing on Investment Income, BOT scorecards, Health System & OSUP, Medical Center, College of Medicine. It was suggested to have Jonathan Hook come to a future meeting with an investment update, as well as either Pete Geier or Dr. Gabbe to report on the impact of Obama Care on the medical center. Once the Buckeye Box is link is established, this presentation will be posted.

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- 6 HR Benefit Plan Overview – Pam Doseck reviewed the changes coming and the financial implications. A copy of her presentation will be sent to the committee separately.

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- 7 Dr. Dietrich announced there will be an 8-person ad hoc committee looking at the budget process (5 faculty members from across campus, 2 SFOs and 1 student). The next meeting will be **September 24<sup>th</sup> at 1:30 p.m. in 385 Bricker Hall.**
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# MEETING SUMMARY

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## Senate Fiscal Committee | September 24, 2013

385 Bricker Hall

**Attendance:** Geoff Chatas, Dick Dietrich, Harald Vaessin, Paul Rose, Linda Lobao, Shane Ingalls, Donna Hobart, Jos Raadschelders, Celia Wright, Carl Zulauf, David Manderscheid, Steve Gavazzi, Andrew Tichenor, Julie Carpenter-Hubin, Betsy Lindsey, Renne Komula attending for Lonnie King, Marie Mendenhall-Mead attending for David Williams, Morgan Cichon

**Guests:** Kris Devine, Brad Harris, Suzi Ballinger, Jim Schiefferle

**Absent:** George Billman, Robert Lee, Ray Noe, Justin Costa, Mike Boehm

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Dr. Dietrich welcomed the committee

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- Dr. Dietrich reported that the proposed Ad Hoc Budget Committee is on hold. Senate Fiscal has no authority to create subcommittees. He is working through this with University Senate and will report back with updates.

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9/10/13 Minutes were approved with the addition of Marie Mendenhall-Mead's attendance for Dean Williams.

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Budget Model Overview. Donna Hobart provided a snapshot review, general funds only flow through the budget model, state funding dramatically declined, historical information and weaknesses discussed. Budget Model vs. Budget System clarified. Indirect Cost (IDC) distribution is up to the Deans of colleges. Discussion of transparency to deans and departments ensued. Copy of presentation will be sent to SFC.

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4

FY15 Budget Process – Jim Schiefferle. Jim gave an overview of the budget objectives: Improve visibility, accelerate the timeline and streamline the process. Feedback from the FY 2014 process is being addressed. Presentation to be distributed.

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Dr. Dietrich distributed a draft of the FY 2014 SFC Agendas and Topics. Next meeting topics :

- May Term Proposal
- Parking Update
- Risk Management

Next meeting will be held in 385 Bricker on October 8<sup>th</sup>

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# MEETING SUMMARY

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## Senate Fiscal Committee | October 8, 2013

385 Bricker Hall

**Attendance:** Dick Dietrich, Harald Vaessin, Paul Rose, Linda Lobao, Shane Ingalls, Jos Raadschelders, Celia Wright, Carl Zulauf, David Manderscheid, Steve Gavazzi, Andrew Tichenor, Betsy Lindsey, Lonnie King, David Williams, Morgan Cichon, Justin Costa, George Billman, Mike Boehm, Robert Lee,

**Guests:** Kris Devine, Brad Harris, Suzi Ballinger, Jim Schiefferle, Jay Kasey, Enricho Bonillo, Bruce Weide, David Goss, Tim Gerber, Trish Van Zandt, Brad Harris, Mike Papadakis, Mark Evans, Lindsay Komlanc

**Absent:** Donna Hobart, Geoff Chatas

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- 1** Dr. Dietrich welcomed the committee
- Introductions were completed due to the large number of guests attending the meeting
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- 2** 9/24/13 Minutes were approved with the addition of Morgan Cichon to the list of attendees.
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**Parking Concession Overview** – Jay Kasey updated the committee on the status of the performance of the Parking Concession, the use of the generated revenue, the growth and level of the funding remaining in the endowment, metrics and customer satisfaction, CABS funding, report format. Specific items:

- 3**
- Parking Garage Debt Service – questions were raised as to how and why the parking garage debt service was paid. Mike Papadakis stated that the debt service was fully paid through the debt service reserve. Other options considered were discussed.
  - Customer Service – data was provided on complaints, wait time, etc. (see attached report). A request was made for similar data for FY 2012-2013. Jay Kasey stated that the metrics may not be the same as provided by the vendor, but historical data as it existed will be provided.
    - The point was made that many of the complaints (such as Wexner Center Garage renovation) would have been the same if OSU had kept the parking line of business in-house. A committee member pointed out that another non-concession activity that may impact parking satisfaction was the shift to semesters and the impact this changed calendar may have had on the campus traffic flow.
  - Jay Kasey will also share the results of the campus survey that was completed earlier this year.
  - A request was made for the amount of incremental increases for programs that were generated from the parking agreement for FY 13 and FY 14. This revenue is supporting the students, faculty, Arts District and CABS.
    - It was explained that CABS wasn't incremental - the direct cost of the CABS is funded from parking proceeds in the same manner as it was funded when the parking revenue came to the university.
    - The arts funding was used to support the Sullivant Hall renovation.
    - Faculty funding will be used to hire Discovery Theme faculty.
    - The student support funding went to the implementation of the Eminent Scholar program, which is a new program beginning in FY 13. SFA funding did not decline.
  - Questions related to parking spaces were raised:
    - Why are A/B spots now available for pay-by-hour purchases and how many spots have been re-assigned? Information will be provided.
    - Is the new license plate registration system working? And what precautions have been taken to assure that multiple family members aren't on campus at the same time? Jay Kasey stated that the effectiveness of this system will be reviewed.
    - Tickets were not issued at the normal level at the beginning of the implementation of CampusParc. This has been restored and is almost back up to pre-agreement levels.
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CampusParc receives the funding and uses it to cover its cover its costs. Any balance is returned to the university.

- A discussion of the appropriate format and distribution of the report was discussed.
  - It was decided that the historical metrics will be added to the report.
  - Report will be updated and re-submitted to SFC, who will then forward it to the Steering Committee
  - Building renovations and garage and surface lots on- and off-line information should be included

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**May Term Financial Review and Proposal** – See attached for the report.

- The recommendation to accept the proposal from CDS was made (Harald Vaessin) and seconded (Dick Dietrich)
- The main recommendation is to charge tuition beginning with the 2015 May Term. For full recommendations, see report.
- Shane Ingalls stated that USG is reviewing options for discounted tuition for summer in the future. They believe May should be part of this discussion. Agree with charging for May, but believe it could be somewhere between free and full tuition rates. Discussion of this resulted in the statement that this recommendation does not preclude analysis and recommendations of further tuition options for May and Summer going forward.
- David Williams called for a vote
- Vote was unanimous in support of the recommendation
- The recommendation will be officially forwarded to Geoff Chatas and the Provost.

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**Federal Government Shutdown** – Kris Devine updated the committee on possible impacts of the Federal Government shut down

- At this time, there are 80 proposed research grants being held
- 25 cases for VISAs are pending
- TRC – there are some stop-work orders that are impacting approximately 70 employees
- National Longitudinal Survey on Youth has a stop-work order that is also impacting approximately 70 people
- Continuing award funding may be held at the rate of \$28 million/month
- Military Tuition Assistance for 40 students may be impacted if this continues to December.
- Financial Aid for all students for Spring Semester may be impacted if this continues to December
- Research grants on which we are a sub-awardee may get held up to the amount of \$7 million/month
- Don't know the status of FBI and Homeland Security for large events such as football games
- Medicare and Medicaid funding is exempt
- State appropriation line item funding is not impacted
- There will be a weekly meeting on the status of the federal government shutdown and its continued impact. SFC will be updated.

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**Budget Model Review Committee** – the Committee has been officially charged by Ken Lee from Steering Committee. Target date to complete review is January. The members are:

- Robert Perry – Faculty (Physics)
  - Jozef Raadschelders – Faculty (Glenn School)
  - Deborah Larsen – Faculty (Director, School of Health and Rehab. Sciences, Assoc. Dean, COM)
  - James Phelan – Faculty (English)
  - Anil Arya – Faculty (Accounting)
  - Betsy Lindsey – SFO (EHE)
  - Marie Mead – SFO (Engineering)
  - Shane Ingalls – USG/Student Representative
  - Brad Harris – Non-voting (Provost)
  - Donna Hobart – Non-voting (President)
  - Kris Devine – Non-voting (B and F)
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- **CSS Update**

- CSS has begun the process of reviewing information on FOD and formulating questions to send to FOD to begin the process of the Program Review.
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Next Meeting October 22, 2013

1:30 to 3:30

Room 385 Bricker Hall

# MEETING SUMMARY

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## Senate Fiscal Committee | October 22, 2013

385 Bricker Hall

**Attendance:** Dick Dietrich, Harald Vaessin, Linda Lobao, Donna Hobart, Jos Raadschelders, Celia Wright, David Manderscheid, Steve Gravazzi, Rob Lee, Justin Costa, George Billman, Lonnie King, Morgan Cichon

**Guests:** Jim Schiefferle, Brad Harris, Suzi Ballinger

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- 1 Dr. Dietrich welcomed the committee
- Editorial changes to May term were discussed. Any cosmetic changes should be deferred to Dr. Dietrich
  - It was discussed that members should be present at meetings or send written suggestions or options to Dr. Dietrich prior to the committees' recommendations/votes
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- 2 10/08/13 Minutes were discussed:
- Parking concessions
    - How \$480M was invested
    - Endowment payout
    - Interpreting reporting framework
    - Transparency - revenue operations received
    - Expenditures
    - Satisfaction Survey
    - Process identified going forward – proper involvement
  - Minutes were approved
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- 3 Jim Schiefferle – SSI Formula Presentation (See attached)
- Committee requested similar data for regional campuses
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- 4 CDS – Harald Vaessin
- Distance Learning Recommendations
    - Revisiting to add existing degree programs
    - Original recommendation only addressed new programs
    - Uniform model for all courses
  - Fee structure
    - Being analyzed
- 

- 5 CSS – Paul Rose
- Committee will submit questions to FOD - won't have updates for a few weeks
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- 6 Budget Model Review Ad Hoc Committee – Dick Dietrich
- No Chair chosen at this point
  - Formative stages – scope to review
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- 7 Miscellaneous
- Senate Fiscal Buckeye Box has been created and all meeting materials will be uploaded. Committee members will receive an invitation to join from Suzi Ballinger
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# MEETING SUMMARY

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## Senate Fiscal Committee | November 5, 2013

200 Bricker Hall

**Attendance:** Geoff Chatas, Dick Dietrich, Harald Vaessin, Linda Lobao, Donna Hobart, Jos Raadschelders, Steve Gravazzi, Rob Lee, Justin Costa, George Billman, Lonnie King, Morgan Cichon, Paul Rose

**Guests:** Brad Harris, Suzi Ballinger, Mike Hofherr, Clay Michalowski

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- 1 Dr. Dietrich welcomed the committee
- Buckeye Box created and loaded with meeting materials and minutes
  - Minutes from last meeting were approved
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- 2 Geoff Chatas – Credit Rating Presentation “Why Ratings Matter” (Will be uploaded to Box)
- Bonding capacity discussed
  - Under Ohio law the university can only borrow to “build things”
  - Current debt at \$3 billion – mostly due to the Medical Center expansion
    - Comfortable – not much room to go
  - Three rating agencies evaluate, assess and determine issuers credit rating based on a wide range of factors – Ohio State currently rated AA1, which is stable
  - Discussion ensued on the volatility of the ratings due to the Medical Center and it’s competition (higher costs due to the academic/teaching component)
    - Invite Pete Geier and Dr. Steve Gabbe to attend future meeting to discuss
  - Risks discussed
    - Medical Center success
    - Information security
    - e-Learning
    - Business disruption
    - Security
  - Risk Management representatives to attend December 3<sup>rd</sup> meeting
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- 3 CDS – Harald Vaessin
- Fee structure to be discussed at next meeting
  - Ad Hoc Budget Committee proceeding independently on fees and tuition
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- 4 CSS – Paul Rose
- Submitted questions to FOD
  - Waiting on final report
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- 5 OSU Online Revised Proposal – Michael Hofherr
- Mike presented Distance Education Budget Model and requested approval of 9 program in the model
  - Vigorous discussion ensued
    - SSI for out-of-state students
    - State permissions for enrolling out-of-state students
    - Services fees for on-line students vs. traditional students
    - International opportunities – India & China
  - Motion presented to approve – motion approved
-



# MEETING SUMMARY

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## Senate Fiscal Committee | November 19, 2013

385 Bricker Hall

**Attendance:** Geoff Chatas, Dick Dietrich, Kris Devine, Harald Vaessin, Linda Lobao, Donna Hobart, Jos Raadschelders, Steve Gravazzi, Rob Lee, George Billman, Lonnie King, Morgan Cichon, Paul Rose, Julie Carpenter-Hubin, Mike Boehm, Carl Zulauf, Shane Ingalls,

**Guests:** Brad Harris, Suzi Ballinger, Tom Ewing, David Abbot, Ellen LePera, Ross Parkman, Peter Calamari, Dolan Evanovich, Diane Stemper, Gail Capel-Stephenoff

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- 1** Dr. Dietrich welcomed the committee
- Minutes from last meeting were approved
- 

Overview of POM (Plant Operations Maintenance)– Lynn Readey, Facilities Management

- 2**
- Physical plant costs
  - Six Cost Pools
    - (3) main costs (Utilities, Maintenance, Custodial)
    - (3) Restricted costs (Deferred maintenance & renewal, Preventive maintenance, Priority deferred maintenance)
  - Formula recalculated every year
  - Based on Assigned Square Footage (ASF)
    - Academic buildings (offices, labs and classrooms)
    - No POM for auxiliary buildings (Student Life, Athletics, Medical Center)
    - Medical Center – Service based (functional integration into Medical Center)
    - Regional campuses not included in POM
    - \$46 million budget
  - IPPLG reviews prior to specific projects
  - Roads and grounds not covered under General Funds budget – covered by central tax
  - All energy contracts to expire in May, 2014
    - Expectation is to leverage size and get lower rates
    - Deregulated utilities
  - Significant Focus
    - Planned maintenance
    - Monitor workforce in planned maintenance
  - Custodial Services – Discussion ensued on satisfaction of service
  - Utilities General Fund Budget - \$96 M
    - \$33.5M billed out (revenue from Medical Center, Athletics, Student Life)
  - 5 to 7 years away from all areas metered
  - Rate trends discussed
    - Comparisons against selected peer institutions discussed
  - Energy Initiatives Committee
    - Chiller
    - Pilot energy conservation measures
      - Cleaner
      - Lowered air change rates
      - Commercial standards
- 

Enrollment Plan & Financial Aid – Dolan Evanovich

- 3**
- Presentation recently shared with Board of Trustees
  - Dip after semester conversion
  - Undergraduate applications up 11,000 for Fall of 2013
  - Bulk of transfers are from Ohio (largest transfer population)
  - Regional Campus snapshot – challenging times
  - Common application – up 6000 in non-Ohio residents
-

- 
- Goal of 30% non-residents
  - International 7%
  - Minority students – record high (no goal)
  - Up 19% in first generation students
  - Quality matrix – record high ACT/SAT scores
    - ESL and cultural challenges
      - Spoken English
      - Working in groups
  - Reduction in Honors Program
    - Curriculum too expensive
    - Increase Scholars program
  - Survey discussed on reasons students did not come to Ohio State
    - “Didn’t know enough about Ohio State”
  - Marketing OSU – focusing on academic message across country
    - Institution image
    - Discovery themes
    - Value
    - Living/Learning Experience
    - High-ranking programs
  - Current plan goes through next two years
  - New President will change the plan
  - Will plan to come back to SFC in the spring

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#### Overview of Overhead Charges – Tom Ewing

- Presentation and explanation of Overhead Rates ensued
- Cost Accounting
  - Direct costs – Salaries
  - Indirect costs – Activity
- Using Revenue Base
- Based on Federal Cost Accounting Rules
- Facilities Costs and Administrative Costs – Inclusions and Exclusions discussed
- Rates are generally applied to the monthly gross revenues of each earning fund
- Overhead Recoveries – credited to the University’s general revenue fund
- Q&A ensued

4

5

CSS and CDS Updates tabled for next meeting scheduled for December 3<sup>rd</sup>.

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# MEETING SUMMARY

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## Senate Fiscal Committee | December 3, 2013 200 Bricker Hall

**Attendance:** Geoff Chatas, Dick Dietrich, Kris Devine, Harald Vaessin, Linda Lobao, Donna Hobart, Steve Gavazzi, George Billman, Lonnie King, Paul Rose, Julie Carpenter-Hubin, Mike Boehm, Carl Zulauf, Shane Ingalls, Justin Costa, Marie Mead (for Dave Williams), Paul Rose, Betsy Lindsey, David Manderscheid, Brad Harris

**Guests:** Suzi Ballinger, Mike Papadakis, Gates Garrity-Rokous, Jay Kasey, Mark Evans, Doug Huffner

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- 1** Dr. Dietrich welcomed the committee
- Minutes from last meeting were approved
  - Today's meeting is the last of the semester. The next meeting will be January 7<sup>th</sup>.
- 

- 2** Risk Management & Compliance Update – Mike Papadakis, Doug Huffner & Gates Garrity-Rokous discussed related issues with SFC
- 

- 3** Parking Update/Presentation – Jay Kasey & Mark Evans
- Going before University Senate on Thursday with baseline information
  - Problems reported back on parking have mostly been driven by decisions the university has made (Medical Center)
  - Minimal changes from initial resolution (passed January 2012)
  - Committed to reporting back to SFC annually
  - Discussion ensued on where the money went
  - Change to “How OSU Benefited from the Parking Money”
  - New initiatives clarified
  - Link to endowment site to be created
- 

- 4** CDS Update – Harald Vaessin
- Report will hopefully finalized and presented to SFC in January
  - Recommendations discussed
  - Rationalization for course fees to justify fees
  - Need for course fee transparency for students
  - Enrollment shifts – reviewed every 3 years
    - Full discussion for January 7<sup>th</sup> meeting
    - Invite students for their perspective
  - Regional campus course fees discussed – transparent fees
- 

- 5** CSS Update – Paul Rose
- Discussions on-going with FOD
  - Proposal to donate excess to Mid-Ohio Food Bank
  - Request financial data from Dining Services – how it is being used
    - Historical meal swipe usage
    - Historical budget for blocks
    - Does Dining Services plan for 100% meal swipe usage or what is the plan for non-usage
    - No objection for request from committee
    - Student Life will not support
    - Provost is in support of information
    - Brad Harris volunteered to reach out to Dave Wiseley
    - Brad will work with Shane Ingalls to look into inefficiencies in the current model
-

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6

Ad Hoc Budget Committee ongoing. Deadline for report in March

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DRAFT

# MEETING SUMMARY

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## Senate Fiscal Committee | January 21, 2014

385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, Harald Vaessin, Linda Lobao, Donna Hobart, Steve Gavazzi, George Billman, Renne Komula (for Lonnie King), Paul Rose, Carl Zulauf, Shane Ingalls, Justin Costa, David Williams, Paul Rose, Betsy Lindsey, David Manderscheid, Brad Harris, Jos Raadschelders, Robert Lee, Morgan Cichon

**Absent:** Geoff Chatas, Mike Boehm

**Guests:** Suzi Ballinger, Marie Mead, Julie Carpenter-Hubin, Tom Ewing, Nicole Root, Pam Doseck,

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1

Dr. Dietrich welcomed the committee

- Minutes from last meeting will be reviewed and approved at the next meeting along with this meeting's minutes
- 

2

Fee Structure Proposal – Harald Vaessin

- Harald reviewed the proposal as posted on the Buckeye Box.
  - Overall, the proposal as it focused on the guiding principles was viewed positively.
  - Concerns were raised about eliminating existing course fees and assuring that colleges are held harmless for the current level of revenue generated.
  - Support for more stringent justification of fee changes and reporting on revenue generated and use of the revenue
  - Shane Ingalls requested that an annual report be submitted to USG after it is produced and approved by FP&A and OAA.
  - Strong feeling that OSU needs to be able to defend the fees and use of the money as well as showing transparency to students. In addition, we need to be able to defend the implementation of these fees to the Ohio General Assembly.
  - Dick requested tha the subcommittee continue work on this issue through Spring Semester and to bring to the next meeting recommendations that will apply specifically to FY 2015.
- 

3

Benefit Composite Rate Overview – Tom Ewing, Pam Doseck and Nicole Root

- Tom, Nicole and Pam presented an educations presentation on the development of the Composite Benefit rate in preparation for bringing the FY 15 rate to CDS and SFC during February
  - Questions for the presenters to be answered when FY 15 rate is presented:
    - Does 50% of the costs of the plan run through the Wexner Medical Center and doctors
    - What administrative costs are included in the rate.
    - How are the changes due to the ACA being included in the rates and hoiw are you educating staff/communicating these changes.
      - Per Pam Doseck – the Cadillac Plan provision needs to be addressed through the adjustment of the health care options currently provided.
    - How have changes made in the plans impacted the growth of the programs/services. How have costs per employee changed overtime>
- 

4

CDS Update – Harald Vaessin

- Overhead Rate will be coming to the subcommittee on 1/28 and will be on the agenda for 2/4
  - Regional Campus funding structure discussions will also be starting at the next meeting
-

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5

CSS Update – Paul Rose

- FOD program/finance review report is being drafted
    - Proposal for students to donate excess meal blocks to Mid-Ohio Food Bank is being discussed. Student Life will be attending the next meeting to discuss
- 

6

Ad Hoc Budget Committee ongoing. Deadline for report in March

---

DRAFT

# MEETING SUMMARY

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## Senate Fiscal Committee | February 4, 2014

200 Bricker Hall

**Attendance:** Geoff Chatas, Dick Dietrich, Kris Devine, Harald Vaessin, Linda Lobao, George Billman, Mike Boehm, Carl Zulauf, Shane Ingalls, Marie Mead (for Dave Williams), Betsy Lindsey, David Manderscheid, Brad Harris, Morgan Cichon, Robert Lee, Jos Raadschelders

**Guests:** Suzi Ballinger, Gates Garrity-Rokous, Chris Glaros, Tom Ewing

---

1

Dr. Dietrich welcomed the committee

- Minutes from last two meeting (12/2 and 1/21) were approved
- 

Office of University Compliance & Integrity Presentation – Gates Garrity-Rokous, Chris Glaros

- Compliance Activity Report was presented
  - Overview of how compliance and program issues were presented to the Board
  - Challenges presented to the Board discussed
    - Compliance Framework
    - Compliance Plan
    - Issue Response – how we are handling findings
  - External requirements set – explanation of how we meet these requirement
  - Higher education is THE most regulated industry
    - Held to standards of industry – complexity of university/research in multiple industries
    - Challenges – “doing the right things in the right places”
  - Simplifying requirements
    - Centers around leaders – how does it affect the units
    - Building score cards for units reflecting relevant requests for public records, audit findings, investigations
  - Current Key External Environment Challenges
    - Education Enforcement
      - Title IX
      - Sexual misconduct
    - Disability Rights in Ohio
      - Software for the blind
    - Federal Office of Research Integrity
    - Ohio election season
  - Key Internal Environment Challenges
    - Title IX
    - Clery Act
    - Ohio Ethics Law – numerous significant investigations
  - Key initiatives discussed
    - Simplify policy framework
    - Better engagement of Code of Values
  - Compliance Board Scorecard discussed
  - Tracking reports
    - Annual Compliance Plan Tracker
    - Public Records – Weekly meetings on all requests
    - Internal Audit
    - Investigations
  - Q&A ensued
- 

Budget Ad Hoc Review – Jos

3

- Developing questions to send the Executive Deans, Chairs and SFOs
  - Email going out from Jos requesting 30 minutes in Executive Dean’s meeting to discuss four questions
  - Chairs will get a longer questionnaire
  - Detailed report due in March
-

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## Student Fee Structure Review – Harald Vaessin

- 4
- Hope to have a recommendation by the end of the semester
  - Potential political sensitivity
  - Significant implications to colleges
  - Candid conversation regarding the transparency of fees for next year
    - New course fees
    - High standard for existing courses
  - Document provides room for interpretation
  - Course versus program fee discussion ensued
    - Transparency to students (equitable and realistic fees)
    - Cost justification for students – return value
    - Subsidy rate levels
    - Educational objectives of course
    - Cost buckets
    - Model to provide transparency – fees may need to regularly
    - Recommendation made to re
  - USG’s review of document
    - Overall approval of document
    - Baseline class category – percentage above baseline?
    - Amendment – Would like see the report be sent to USG prior to recommendation
  - Regional campus
    - Parity of fees across our campuses and adjusted – discussion ensued
  - Multi-year Plan (Phase II)
    - Need clarity on the criteria for Geoff and Joe
    - Units required to report how fees are used
    - Match Columbus Campus with Regionals
  - Guiding Principles
    - Collapsing course fees back to program fees where possible
    - Critical breakpoint of course fees/programs – what is covered by tuition
    - Recommend that requirements for next fiscal year implementation of funds be segregated and documented
    - Quarter to semester lab/instruction fee discussion ensued
  - After CDS meeting next week - present proposal sent to Executive Deans in advance to review before recommendation to Geoff and Joe

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## Overhead Rates – Tom Ewing

- 5
- What was driving the central support costs increases explained and discussed
  - University email system add-on questions explained and discussed
  - Q&A session ensued
    - Salary and benefit increases (new staffing changes/severance packages, etc)
  - Motion to recommend – motion passed

---

## CSS Update – Paul unable to attend

- 6
- Meal/block plan – currently in discussion with Ken Lee
  - Meeting time has changed to 12:30 to 2:30 due to Paul’s teaching commitment

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## Closing

- 7
- Semester will conclude in April. Appreciate all the hard work from the committee.
  - Tuition and salary discussion next week.
-



## Senate Fiscal Committee | February 18, 2014 Meeting Summary | 385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, David Williams, David Manderscheid, Lonnie King, Harald Vaessin, George Billman, Mike Boehm, Steve Gavazzi, Carl Zulauf, Shane Ingalls, Robert Lee, Jos Raadschelders, Betsy Lindsey, Donna Hobart, Julie Carpenter-Hubin, Paul Rose, Justin Costa, Morgan Cichon

**Guests:** Suzi Ballinger, Tom Ewing, Joanne McGoldrick, Pam Doseck, Nicole Root, Ken Gast

- 
- 1** Dr. Dietrich welcomed the committee
- Minutes from February 4<sup>th</sup> were approved

- 
- 2** Student Fee Structure Proposal – Harald Vaessin
- Harald reviewed the background of the student fee increases, new fee requests investigation and the process of how CDS reached their recommendations
  - Edits created by Carl Zulauf were included in the document as presented
  - A second round of recommendations will be presented to SFC by the end of Spring Semester 2014
  - Streamlining and managing course fees across the university, including regionals ensued
    - Reporting requirements placed on colleges' administration time stated
    - Cost of gaining flexibility
  - Timing on increases and the effects on tuition
  - Shane Ingalls proposed an amendment to allow USG General Assembly to receive the report on fee increases to allow transparency to students so they can see where their fees are going
    - Motion to allow amendment was presented, but was not passed by the committee
    - Student SFC member to report back to USG and General Assembly
  - Recommendation as presented to committee was presented and passed.

- 
- 3** FY15 Tuition and AMCP Scenario Discussion – Kris Devine
- Currently in discussion and looking at four models
    - 5% out-of-state increase
    - 1 or 2% in-state increase
    - AMCP 0-2% (Annual Merit Compensation Plan)
  - Lonnie King voiced concern with a 5% out-of-state increase and how that may affect his college in the market

- 
- 4** FY 15 Composite Benefit Rate Proposal – Tom Ewing, Joanne McGoldrick, Pam Doseck, Nicole Root
- Joanne McGoldrick discussed the complexity of what is driving benefit rate increases:
    - Federal, State, Legislative and regulatory requirements
    - Increasing staff to handle compliance requirements
    - 60,000 benefit members
    - Increasing medical costs
    - Demographics
    - Multiple vendors
    - 97% PHA – 60% overweight
    - \$308 million spend, including employee contributions
  - Design changes for 2015
    - Employees shoulder the costs
    - PHA – Lifestyle changes
    - Cost of providers
    - Self-insurance for Worker's Compensation
    - Centralized FML
    - Dependent eligibility
    - Retirement
  - Tom Ewing reviewed the recommended composite benefit rates for 2014-2015 (as a percentage of salaries) as outlined in the presented report
    - Increases for Faculty, Unclassified and Classified Civil Services are primarily due to
-

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medical costs, estimated to increase 7% per year

- Proposed rates include an estimated \$3.5 million in fees associated with the Affordable Care Act
- Discussion ensued on whether enough information is available to make recommendations before Steve Gabbe and Pete Geier's March 18<sup>th</sup> presentation
- Kris Devine suggested a possible draft rate giving more time for discussion
- Motion to approve the Benefit Rates increase recommendation was made and passed

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**5**

CDS Update – Harald Vaessin

- Discussion regarding regional campus' has begun on data information, etc.

---

**6**

CSS Update – Paul Rose had to leave for his class. Will provide recommendations from CSS next meeting

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Budget Ad Hoc Update - Jos Raadschelders

**7**

- Data collected by Marie Mendenhall-Mead, Betsy Lindsey, Donna Hobart and Brad Harris will be presented at Thursday's meeting for the final report
  - Meetings with the Executive Deans have been scheduled. Staff member from Julie Carpenter-Hubin's office will sit in on the meetings to take notes.
  - An email will be going out to the Department Chairs with a slightly longer survey that the Deans have seen.
-

## Senate Fiscal Committee | March 4, 2014 Meeting Summary | 385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, David Manderscheid, Lonnie King, Harald Vaessin, George Billman, Carl Zulauf, Shane Ingalls, Robert Lee, Jos Raadschelders, Betsy Lindsey, Donna Hobart, Julie Carpenter-Hubin, Paul Rose, Justin Costa, Linda Lobao, Marie Mendenhall-Mead (substituting for David Williams)

**Guests:** Suzi Ballinger, Kristany Berger, Lynn Readey, Ellen LePera

- 
- 1** Dr. Dietrich welcomed the committee
- Goal to finish committee work by end of April, but expect some activity in May
  - Minutes from February 18<sup>th</sup> were approved
- 
- 2** FY15 Support Office Initial Request Recommendations – Paul Rose
- Discussed requests guiding principles
    - Supports academic mission
    - Had requests been reviewed in the past and were not approved
  - Paul gave an overview of the hand-out on how the committee came to their recommendations
    - CSS will hold budget hearings on items approved for further review (Green)
    - CSS recommends against funding without further review (Red)
  - Monies categorized as mandates in OAA discussion ensued – Money has already been spent/committed
  - Sustainability on-going funding discussion ensued
  - Harald pointed out funding for additional police/security staff funded by Student Life – ensure this is not a double commitment
  - Process – Hearings will be held with the units identified in green.
    - Suggest to ensure enough time for review prior to recommendations
    - Information will be placed on Buckeye Box
    - A CSS member will be assigned one of the areas and develop list of questions
    - CSS welcomes any help in formulating questions or comments
    - Feedback needed by last 2 weeks of March before April 1<sup>st</sup> hearings
  - Need to look at multi-year forecasts
  - Parameters given for the requests - discussion ensued
- 
- 3** POM Discussion – Kristany Berger, Lynn Readey & Ellen LePera
- The proposed POM rates for Utilities, Maintenance, Custodial, Deferred Maintenance/Renewal, Preventative Maintenance were presented to the committee (handouts were distributed to committee)
  - Discussion of cost savings going back to colleges ensued
  - Motion was made to approve the POM budget as proposed except for:
    - Preventive maintenance for FY15 will remain \$4.37 million
    - Will recommit to CDS to consider whether a subsequent motion should be made with respect to changes in preventive maintenance
    - Motion was approved
- 
- 4** CDS Update – Harald Vaessin
- Regional Campus data – discussions continues
- 
- 5** Budget Ad Hoc Update – Dick Dietrich for Jos Raaderschelders
- Committee has started to draft a report
  - Report by Marie, Betsy, Brad and Donna – request to have it put on the SFC box
  - Have been meeting with Executive Deans, Chairs and SFOs – Survey on how the budget model works for them
  - Recommendations will come to SFC, Steering and Senate
  - Have not had a good response from Chairs and SFOs
-

## Senate Fiscal Committee | March 18, 2014 Meeting Summary | 385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, David Manderscheid, Renne Komula (for Lonnie King), Harald Vaessin, George Billman, Carl Zulauf, Shane Ingalls, Robert Lee, Betsy Lindsey, Donna Hobart, Julie Carpenter-Hubin, Paul Rose, Justin Costa, Linda Lobao, Marie Mendenhall-Mead (for David Williams)

**Guests:** Brad Harris, Dr. Steven Gabbe, Pete Geier, Suzi Ballinger

- 
- 1** Dr. Dietrich welcomed the committee
- Minutes from March 4<sup>th</sup> were approved

---

FOD Report Draft – Paul Rose

- 2**
- A draft report was distributed to the committee for substantial discussion
    - All information has been put on the box
  - Main drivers of analysis
    - Data Collection
    - Preventative Maintenance
    - Communication
    - Utilities
    - Reserves
  - Overview of areas of focus and recommendations were discussed
  - Q&A from the committee ensued
    - Total expenditures?
    - Unfilled positions and why?
    - Target balances reserves by fund? – Requesting to develop targets and present a rationale why they select particular targets
    - Are plant funds all committed? Suzi will check and send to committee
    - Decision making process for consolidation of resources discussion ensued

---

CSS Update – Paul Rose

- 3**
- Continued work on the FOD report
  - Planning phase for support office budget requests
  - Schedule will be placed on the Buckeye Box

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CDS Update – Linda Lobeo

- 4**
- Discussed Regional Campus – organizing funding
    - Discuss changing funding model
    - Long-term strategy for main campus to deal with regionals
  - POM budget
  - Student Fee Structure – will be on the agenda next week
  - May tuition – Recommendation going to Provost for May 2015. Provost wants to make an announcement before the end of this academic semester

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Budget Ad Hoc Update – Dick Dietrich & Marie Mendenhall-Mead

- 5**
- Marie will post a report draft on the box and will be discussed at Thursday's Ad Hoc meeting
  - Marie requested the Ad Hoc members to keep the report confidential and not to share
  - Going forward – the senate is in the process of resetting committees assignments for next year
    - Need to set agendas for SFC and subcommittees
    - Discussion on who makes recommendations ensued – Dick will contact steering for clarification
  - Parking charges for Buckeye Village discussion ensued
    - CampusParc is charging residents ~ \$500.00 per year
    - Housing will not pay for parking
    - Advisory Committee e in negotiations to lower the parking permit
    - CGS was told the university has authority to reassign the parking spots and is in discussion with Student Life
    - Most Buckeye Village residents are international graduate students

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Medical Center Financial Presentation – Dr. Steven Gabbe & Peter Geier

- 6**
- Copies of the presentation were distributed to the committee
  - The Wexner Medical Center org chart was broken down
-

- 
- James Cancer Center – exempt on payment – paid for days patients in beds
    - Medical Center – paid on contract amount
  - Academic hospitals are 20% high than community hospitals (Riverside, Mount Carmel)
    - Trainees
    - Interns
    - Faculty and Administration salaries
  - DISH payments discussed – supplemental payments for “no-pays”
  - Key challenges discussed
    - Funding physicians, teaching and research
    - External grant funding significantly below levels of top academic medical centers
    - Royalty and commercialization revenues are minimal
    - Endowment and philanthropy to fund research is below top academic medical centers
  - Key performance indicators discussed
  - Bond rating discussion ensued
  - Ratios that drive strategic decisions discussed
    - Days Cash on Hand – Goal of 100 days (1 day equals \$5 million)
    - Margin – WMC enjoys a higher operating margin within the industry. Rely heavily on operating margin for as an academic medical center
    - Debit Service Coverage – Margin divided by annual payments
  - Debt service in 2013 \$27 grows to \$90 million in 2014 due to new hospital
  - Patients serviced discussed
    - Robust transfer center
    - Specialists
  - OSUWMC perceived as best overall healthcare, serious care. Ohio Health higher in routine care
  - OSUWMC 4% statewide market share
  - Hospital beds today at 1,193 will grow to 1,613
    - Goal to make all rooms private
  - Occupancy measured at midnight – routine that hospital is full and patients are waiting
  - Surgical volume is 65% outpatient
  - Primary Care Network discussed
    - 100 Primary Care Physicians short – essential for referrals
    - Partnering with COPC – largest in the country
      - Major referral source
      - More OSU health plan members
      - Consult within 48 hours
  - Average resident salary is \$80,000 (salary and benefits)
    - Paid time off issue discussion ensued
    - Restrictions in duty hours discussed
  - Strategies to cost savings discussed
    - Pharmacy – reduce use of expensive drugs
    - Credential pharmacists to change orders - more proactive
    - \$12 million in savings
  - Fully integrated health information system for medical records
    - Reduced medication errors by 90%
    - Empowers patients, as they have access to their records
    - Takes more time for physicians – cultural changes
-

# MEETING SUMMARY

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## Senate Fiscal Committee | April 1, 2014

385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, Lonnie King, David Manderscheid, David Williams, Harald Vaessin, Mike Boehm, Carl Zulauf, Shane Ingalls, Betsy Lindsey, Jos Raadschelders, Steve Gavazzi, Justin Costa, Paul Rose, Donna Hobart, Morgan Cichon

**Guests:** Suzi Ballinger, Melissa Boyd for Dawn Romie

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- 1** Dr. Dietrich welcomed the committee
- Minutes from March 18<sup>th</sup> were approved
- 

- 2** Mr. Rose spoke as he had to leave early
- FOD Report
    - Asked FOD to come back one more time during the second week of April
    - Drafts submitted for FOD report meeting next week at 12:30pm; 200 Bricker
    - Sub-committee to complete report
  - Support Offices Hearings scheduled; Will report back on April 15th
- 

### Regional Campus Issues

- Provided a strategic plan handout
  - Provided an overview of Regional Campus Structure
  - Significant demographic shifts
    - 25%-35% are first generation students that attend the regional campuses
  - Regional Campuses have been about access, budget, affordability; Main Campus is about selective admissions
    - What does "Access" mean in the 21<sup>st</sup> Century?
  - Two regional campuses have student life and housing
  - 3 Financial Questions
    - What is the right level of tuition for regional campuses?
    - What kind of program and course fee structure should exist?
    - What will happen with SSI now that it is part the total OSU SSI pool.
      - For FY 15, we need to have an allocation methodology by mid April.
      - Simple model to lump together and distribute the funds accordingly
- 3**
- There are historical reasons as to why Regional Campuses exist
  - What is the role of the regional campuses moving forward? (Harold)
  - Who are the competitors to consider?
  - What are the strategic enablers?: Housing, Geographic's
  - Regional campuses do not have a parking fee?; There are real costs barriers
  - Regional Campuses have to be empowered and make their own way
  - What drives these differences in campuses and with main campus
    - Cost per instruction, salaries, work load, less student life
  - Need to focus on how to grow the resource pie and how to get the resources to the regional campuses
  - Would it be a possibility to have the Deans from main campus also be responsible for budgets at the regional campuses- Force integration to form "One University". Producing this model (Alternative) would be revolutionary.
  - We need to be treated all under the same plate- No differences
  - Campus Perception
    - Students who get a 26 on ACT told that they cannot attend main campus and must go to a regional campus- Selective Admissions. This send a message that regional campus
-

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is not the same as attending the main campus and is at a lower or different level.

- Students attend the Regional campus because of the cost difference, Geographic's.

Some student may attend a regional campus for 3 years before attending main campus

- We've got to understand elasticity of demand. The worst thing we could do is raise tuition
- Short term questions: Why/ How can course costs differ from campus to campus?
- Harold's sub-committee will be presenting cost differences across campuses.
- Assignment for everyone: Encourage discussions offline, get something back to the committee for next year

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## 4

Harald Vaessin and Paul Rose provided CDS and CSS updates respectively

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## Senate Fiscal Committee | April 15, 2014 Meeting Summary | 385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, David Manderscheid, Lonnie King, Brad Harris, Harald Vaessin, George Billman, Carl Zulauf, Steve Gavazzi, Morgan Cichon, Shane Ingalls, Jos Raadschelders, Betsy Lindsey, Donna Hobart, Julie Carpenter-Hubin, Paul Rose, Justin Costa, Linda Lobao, Marie Mendenhall-Mead (substituting for David Williams)

**Guests:** Suzi Ballinger

- 
- 1** Dr. Dietrich welcomed the committee
- May 13<sup>th</sup> meeting will be a planning meeting
  - Minutes from April 1<sup>st</sup> were not available. Approval of minutes from April 1<sup>st</sup> and today will be postponed until April 29<sup>th</sup>
- 
- 2** CSS FY15 Support Office Recommendations – Paul Rose
- Paul reported on how the committee's recommendations following support office budget hearings held last week. A spreadsheet with their findings was provided.
    - OCIO sat in on HR's session to provide support
  - Discussion ensued on the IRB staffing approvals
  - Suggestion was made to form a task force to work with the Office of Compliance on their funding needs
  - Renne Komula was recognized for his participation and hard work with the hearing process
  - Recommendations presented were passed by the Committee and will now go to the Provost, President and CFO for final approvals
- 
- 3** CSS Update – Paul Rose
- FOD report was discussed – how reserved funds are being used
  - Memo with changes have been placed on the buckeye box
  - Paul requested any comments to be sent and will bring for approval by next SFC meeting
- 
- 4** CDS Update – Harald Vaessin
- Working on recommendations for Regionals SSI and Student Fee Structure
  - Report will be on next meeting's agenda
- 
- 5** Budget Ad Hoc Report – Jos Raaderschelders
- Recommendations were reviewed by the committee
  - Preliminary discussion with Senate Steering will be held on Thursday
  - Detailed discussion will take place in Steering when Dr. Drake is in place
  - Shane Ingalls will present SFC's annual report to Senate at their last meeting
  - Dr. King commented on the return on investment – discussion ensued
    - Review frequency
    - Procedures in place
  - Marie Mead, Betsy Lindsey and Donna Hobart were recognized for their significant participation and work
- 
- 6** Chairman's Recap
- Shane Ingalls and Morgan Cichon were commended for their hard work and participation on SFC
  - Morgan will continue as the Graduate Student representative for 2015
  - Faculty Council to name new SFC members
  - Faculty member to pick a new Chairman – Dick noted he would be willing to Chair again next year
  - Task force to discuss charge of the committee over summer
    - Clarification of CDS & CSS
    - Review work of subcommittees
  - Final reports and reference materials to be added to website – Buckeye Box not accessible to everyone
  - Send any suggestions of specific items to include for next year. Dick Dietrich wants basic structure for next year set up before the May 13<sup>th</sup> meeting. Requested that ideas, topics, or work flow issues be sent to Kris Devine or Dick.
-



## Senate Fiscal Committee | April 29, 2014 Meeting Summary | 385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, Geoff Chatas, Lonnie King, Brad Harris, Harald Vaessin, Carl Zulauf, Steve Gavazzi, Morgan Cichon, Shane Ingalls, Donna Hobart, Paul Rose, Justin Costa, Mike Boehm, Robert Lee, Marie Mendenhall-Mead (for David Williams), John Nisbet (for David Manderscheid)

**Guests:** Suzi Ballinger

- 
- 1 Dr. Dietrich welcomed the committee
    - Minutes from April 1<sup>st</sup> and April 29<sup>th</sup> were approved.
- 
- 2 FOD Financial Review Report – Paul Rose
    - The Executive Summary and Report was put to the committee for approval.
    - Motion carried
- 
- 3 Support Office Recommendation Report – Paul Rose
    - Memo provided more discussion on how decisions were made
    - Correction to Geoff Chatas' title was noted
    - Discussion ensued on incorporating university-wide issues mandated from the Board of Trustees for next year's agenda for long-term budget planning
    - Motion to recommend report as prepared was made and passed
- 
- 3 FY 15 Regional Campus SSI Allocation Recommendation – Harald Vaessin
    - Major change discussed is the Regional SSI collapsing with Columbus Campus
    - Report was made with consultation with regional campus administration
    - Final report was discussed and reviewed
    - Final report recommendation was not voted – motion was made to vote
    - Concern there is no model – shifting of subsidies discussion ensued
    - After much discussion, the recommendation was voted down
    - A motion for Proposal #2 was made: Preliminary SSI for FY15 will be allocated among campuses based on SSI allocation in FY14. Adjustments will be made to each campus' FY15 allocation prior to the end of FY15 as outlined by these two principles:
      - Allocate the total amount of course-related SSI received by Ohio State to each campus based on the proportion of course-related SSI generated on each campus on a rolling two-year average with a one year delay. Course related SSI is generated through the successful course completion in the 24 non-medical subsidy categories. (Course-based allocation principle.)
      - Allocate the total amount of degree-related SSI received by Ohio State to each campus based on the campus where the student was enrolled during his/her final term. (Degree-based allocation principle). (Note this point incorporates a correction of the wording that appeared in the draft recommendation; otherwise the language of both principles is intended to be the same as in the draft recommendation)
    - Motion passed
    - True-up for end of FY15 to be added to FY16 as outlined by principles
- 
- 4 FY 15 Budget Discussion – Kris Devine
    - High-level Schedule A's have not gone out. Need them for June Board meeting
    - SSI is flat
    - Funding Enrollment Plan – Moving toward Central cash
    - Funding new enrollment plan committee (OAA)
    - Fees not through Board of Trustees yet – going to the June Board meeting
    - AMCP guidance will come out through a memo
    - Support Office budget requests pushed through: Research & IRB
      - Remaining funding for Support Office requests have not been determined
- 
- 5 CDS Update – Harald Vaessin
    - Fee Structure – Collecting data
    - Annual Report – Working on the template
-

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6

CSS - Paul Rose

- Work is done for this year
  - Hope to have discussion with committee on how the process can be improved and made more efficient
- 

7

Chairman's closing

- Next meeting will be the final meeting of the year.
  - Allocate all time to planning next year's activities
  - What office is CSS reviewing
  - Budget model committee recommendation and how to move up the process
  - Discuss how efficiency can be improved
  - New members have been selected by Faculty Council
  - SFO appointee – Executive Deans to determine
  - Student members: Morgan is staying on the committee, Celia Wright, USG President will attend next year, IPC has not been determined
  - President's appointee, due to Donna's retirement will be named
-

## Senate Fiscal Committee | May 13, 2014 Meeting Summary | 385 Bricker Hall

**Attendance:** Dick Dietrich, Kris Devine, Geoff Chatas, David Williams, David Manderscheid, Renne Komula for Lonnie King, Brad Harris, Harald Vaessin, Carl Zulauf, Steve Gavazzi, Betsy Lindsey, Morgan Cichon, Donna Hobart, Paul Rose, Justin Costa, Mike Boehm, Linda Lobao, George Billman, Anil Arya, Marie Mendenhall-Mead

**Guests:** Suzi Ballinger

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Dr. Dietrich welcomed the committee

1

- Today is last SFC meeting for academic year
- New members were announced: Susan Olesik, Chemistry/Bio Chemistry, Anil Arya, Gerlach Chair of Accounting (served on Budget Ad Hoc Committee), Morgan Cichon, CGS, Celia Wright, USG. Another USG member to be announced.
- Outgoing members were recognized for their committee service: George Billman, Linda Lobao, Shane Ingalls, Betsy Lindsey (SFO named by Executive Deans)
- Chairman's term completed
- Geoff Chatas called for nominations for Chairman
- Harald Vaessin nominated Dick Dietrich for another term, no other nominations
- Dick was elected for another term
- Donna Hobart was recognized for her service to the committee as she is retiring on June 30<sup>th</sup>

2

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CDS Update – Harald Vaessin

- CDS meeting following today's SFC meeting

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AMCP Process – Brad Harris

- Working with OHR, Susan Williams, OAA, Provost, Geoff, AJ and others to prepare the guidance for AMCP this year.
- AMCP discussion currently in progress. Document on proposal was distributed to committee
- Guidance – each unit will determine its own aggregate in range of 0.5% to 2%
- Turn in aggregate by June 27<sup>th</sup>
- Not to be more than 0.5% difference in the aggregate between faculty and staff (exceptions discussed)
- Graduate Associates to receive generally consistent increases as proposed for staff
- Merit process discussion ensued
- Cash awards can be excluded from aggregate pool. Must be sent in by end of July
- Counter offers - timing and market equitability discussed
- Due dates, exceptions, etc. were reviewed.
- Q&A/Discussion ensued
  - Question if adjustments will be made on GA stipend – Brad will check and report back
- Unit = Dean/VP Level for aggregate
- Philosophy for 0.5% logic meant to pay twice the average for parking and benefit increases
- Exceptions process substantially remains the same – questions on turnaround. Depends on volume
- Combining Civil Service and AP aggregate discussion ensued
- Motion made to recommend AMCP policy for next year – passed

3

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Recap of this year's activities – Dick Dietrich

- Minutes from last meeting was approved
  - An outline to develop the annual report was distributed. Any suggestions for additions are to be sent to Suzi Ballinger
  - Highlights from FY2014 were reviewed
    - Student Fee Structure recommendations will rollover for next year – ongoing
    - Budget Ad Hoc recommendations critical to adopt
    - Parking – continued oversight conversation
  - Rate setting activities
  - Budget request process – through CSS
  - FOD review – through CSS
-

- 
- SSI better than expected
- 

Next Year's SFC Focus – Annual Agenda Topics for FY2015 - Dick Dietrich

4

- Agenda topics handout distributed and discussed
  - Frequency of follow-up reviews
  - Recommendations from Budget Ad Hoc committee
  - Determine which unit(s) to review – determined with communication with Steering
    - Organize over summer
    - Agenda to unit in advance
    - Possible review of Student Life – substantial risks
    - Provide more transparency
  - Task force discussion ensued
  - Appropriate course fees – reconcile fees with tuition
  - Advancement funding model discussion (combined areas of Development, Foundation, Fundraising, Alumni and WOSU)
  - Benefits and Health Plan – OHR discussions
  - Importance of Executive Dean's representation noted. Representative requested if Executive Dean cannot attend.
  - Financial Aid & new enrollment plan - Need-based scholarships
  - FY2016 Budget – speed up the process. Goal to have guidelines by spring semester
  - Suggested emeritus professor would bring value to committee
  - Homework – send ideas and suggestions to Kris Devine and Dick Dietrich
    - Prioritize list of ideas over summer for discussion next year and new items to consider
    - Discussion of bonuses transparency and compensation package issues
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## Facilities, Operations and Development Budget Review Report Executive Summary

Central Services Subcommittee of the Senate Fiscal Committee  
April 15, 2014

### Budget Review Process

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The responsibilities assigned by the University Senate to the Senate Fiscal Committee (SFC) include the task of reviewing, providing input, offering interpretations, and assessing the Unit Fiscal Review documents of central support units. SFC has assigned this work to the Central Services Subcommittee (CSS).

In the fall of 2013, the SFC asked CSS to review the Facilities Operations and Development group (FOD). In conducting the resource and budget review of FOD, CSS met several times with Administration & Planning and FOD leadership, received thorough presentations and documentation, and received answers to follow-up questions by email. CSS then convened to discuss the documentation and presentations, develop recommendations for FOD, and draft this report for the Senate Fiscal Committee.

After examination of the documentation and presentations provided by FOD, CSS identified the following issues as the main drivers of its analysis:

**Preventative maintenance:** Increased investment in preventative maintenance is a substantive change in managerial philosophy and could pay dividends for years. However, although it is clear that preventative maintenance has emerged as a priority, it is not clear if an integrated system exists between preventative maintenance and decisions on replacement and upgrades.

**Data collection:** Contract custodial and other services are a flashpoint issue for many in the University community. FOD has made significant progress in developing a customer oriented culture. Developing additional measures of performance—aided through sophisticated data collection efforts—would further enhance this important shift.

**Communication:** FOD does extremely important work for the university, and has increased efforts to make the campus community more aware of its efforts. However, some aspects of its work remain misunderstood.

**Utilities:** Electricity is the utility cost that has increased the most over the last 5 years. We applaud FOD's decision to bargain as a University rather than as individual units when new electrical contracts are negotiated. However, additional effort and initiatives could be developed to incentivize individual behavior to further reduce electricity spending.

**Reserves and future expenditures:** Reserves are an important but challenging issue for publicly-funded institutions. We note that FOD has a large reserve, yet we also note that FOD has predicted large operating deficits for FY 2016 and FY 2017. Related to reserves and future expenditures, we also note that a significant amount of positions remained unfilled in FOD, which raises questions of how FOD is currently maintaining service levels without these employees.

## Overview of Areas of Focus and Recommendations

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### Data Collection

FOD has improved its ability to collect various data points as it relates to the services it provides. We recommend enhanced efforts to analyze the data in order to achieve maximum customer satisfaction and possible financial savings. CSS recommends that:

- FOD create custodial inspection reports, based on physical building location. These reports should be shared and discussed with building managers on a quarterly basis. By doing this FOD could see two important outcomes. First, a building specific, work plan could be developed to address specific needs or deficiencies. Second, FOD could analyze the true cost-benefit analysis of outsourced versus insourced custodial services.
- FOD communicate and meet with key stake holders as it relates to performance metrics.
- FOD work with the OCIO to continue to develop its internal data capture and analytics capabilities to allow for more efficient planning, purchasing, resource allocation, and budgeting. In connection with this recommendation, FOD should consider hiring a data analytics specialist to help in designing and implementing such a system.
- In connection with the preceding recommendation, FOD should work with the OCIO to integrate its data collection and analysis systems with the University's data warehouse, so that it could be linked to other relevant university datasets and could also be used by central campus planning and, potentially, by colleges.

### Communications

In a large, complex entity such as The Ohio State University, communication between parties is a key element for success. We recommend several communications improvements we believe would benefit FOD and the campus community. CSS recommends that:

- FOD develop a short description of how the ASF rate is determined. The description could be distributed to end-users via email, and should also be prominently identified on the FOD website.
- On a rotating basis, FOD hold discussions with appropriate units across campus on the determination of the ASF rate, and consider soliciting the help of a University advisory committee in this process.
- FOD continue to ensure that proper signage is visible and up-to-date throughout buildings to inform building coordinators about appropriate contacts.
- FOD create online listings where building coordinators can easily locate whom to contact and how to contact them, and that FOD regularly advertise this resource.
- FOD hold quarterly meetings between building coordinators, zone leaders, district leaders, and FOD.
- FOD continue to strive for regular interaction with building coordinators and the appropriate college leadership. Doing so will help improve communication in both directions, not just with

regards to custodial issues, but all areas in which FOD and Colleges need to interact. CSS recommends that FOD develop best practices to encourage building coordinators to transmit information to all building users.

- FOD consider creating a periodic (yearly or once a semester) electronic newsletter to describe FOD work and projects of interest to the campus community, including construction projects, sustainability initiatives, and maintenance projects.

## Preventative Maintenance

Preventative maintenance offers the potential to extend the life of university facilities; however, it is not clear whether there is a systematic process defined for selecting which facility will receive preventative maintenance and when. CSS recommends that:

- FOD conduct or commission a study to determine the benefits of preventative maintenance and determine at what level preventative maintenance is a cost-effective approach for the university. The study could, among other things, survey peer universities to see how they have chosen to invest into preventative maintenance.
- Concurrent with the preceding recommendation, FOD lead a University wide examination of how best to fund future preventative maintenance.
- FOD consider creating a best practices document to aid decision-making on when to conduct preventative maintenance and to advise college leaders and building coordinators on preventative maintenance scheduling.

## Utilities

FOD's decision to prioritize investments that increased local control over utilities offers the potential to reduce the cost of utilities, as does the decision to bargain as a University rather than as individual units when new electrical contracts are negotiated in the coming future. Nevertheless, the high cost of utilities warrants additional attention. CSS recommends that:

- FOD and the broader University community engage in a cost-benefit assessment of options for reducing utility cost. CSS encourages development of a system of incentives for local individuals and units to reduce their use of utilities. This system of incentives may require changes in the POM model to encourage less use of utilities.

## Reserves

As of June 30, 2013, FOD had a cash balance of \$25.1 million, of which \$15 million is allocated to operating cash and \$10.1 million to a reserve fund. For purposes of comparison, the FOD FY14 expense budget totaled \$81.1 million. Questions have arisen over the appropriate size of the operating cash and reserve funds. Moreover, reserves are often a difficult issue for publicly-funded institutions since it can give the impression the institution is hoarding money the public intends to be spent. On the other hand, it is clear that known futures expenses are not trivial and preventative maintenance is a campus need that can reduce future expenditures. CSS recommends that:

- FOD, Business & Finance, and other appropriate parties review the level and sufficiency of FOD's operating cash balance and reserves, develop a strategic rationale for these two funds, and create a monitoring system to insure that the strategic rationale and identified targets are being followed. This approach increases the likelihood that the operating cash balance and reserve can withstand public scrutiny and is consistent with the broader objectives of the University.

The University also maintains a utility reserve of \$33.3 million, as of the end of February, which FOD uses to hedge utilities that cannot be hedged on futures markets. FOD will likely be drawing it down in FY15 by \$3.6 - \$6.1 million to cushion the increase in electricity costs, and by a further \$2.5 million to smooth

rate increases due to utilities debt service. As with the other reserves, CSS believes that it is crucial that reserve balances are set at appropriate level, particularly because the University is a public institution. CSS recommends that:

- FOD, Business & Finance, and other appropriate parties review the level and sufficiency of FOD's utility reserve balance, develop a strategic rationale for the fund, and create a monitoring system to insure that the strategic rationale and identified targets are being followed. This approach increases the likelihood that the reserve can withstand public scrutiny and is consistent with the broader objectives of the University. Possible approaches to setting appropriate levels include 1) calculating the annual standard deviation over, for example, the last 10 years, then setting the reserve fund as some percent of this annual standard deviation, or 2) basing the reserve on margin requirements for crude oil or natural gas contracts. For example, the initial margin for a crude oil contract is currently \$3,410, with a maintenance margin of \$3,100. The initial margin is approximately 3.4% of the value of the contract (approximately \$100 per barrel times 1000 barrels). Hence, the equivalent margin for electricity would be 3.4% of the annual electricity bill, which could then be adjusted by the ratio of the standard deviation in electricity costs to the ratio of crude oil prices on an annual basis.

Finally, related to reserves and future expenditures, we also note that a significant amount of positions remained unfilled in FOD. CSS recommends that:

- FOD undertake an analysis of which positions must be filled. For positions that are not to be filled, CSS requests a plan of how the funds can be utilized to (1) provide increased service in other areas of FOD, (2) allow for smoothing of the POM rate, or (3) distributed back to customers. For positions that are not to be filled, CSS requests a plan for how and when such positions will be filled.



# Facilities, Operations and Development Budget Review Report

Central Services Subcommittee of the Senate Fiscal Committee  
April 15, 2014

## Budget Review Process

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The responsibilities assigned by the University Senate to the Senate Fiscal Committee (SFC) include the task of reviewing, providing input, offering interpretations, and assessing the Unit Fiscal Review documents of central support units. SFC has assigned this work to the Central Services Subcommittee (CSS).

In the fall of 2013, the SFC asked CSS to review the Facilities Operations and Development group (FOD). In conducting the resource and budget review of FOD, CSS:

- Met on November 12, 2013 with Jay Casey (Senior Vice President, Administration and Planning), Mark Evans (Associate Vice President, Office of Administration & Planning), Lynn Readey (Associate Vice President, FOD), and critical FOD staff members, who provided an overview of FOD. The overview included a discussion of the organization of the unit within Administration and Planning, the major units and responsibilities within FOD, performance metrics used by FOD, and introductory financial information.
- Met on November 26, 2013 and December 10, 2013 with Lynn Readey, Mike Dixon (Senior Director, Operations), and Aparna Dial (Director of Energy Services and Sustainability), to discuss operations, metrics, zero waste and sustainability.
- Reviewed a number of documents from FOD regarding FOD's administration, budget and other financial information. Information packages included:
  - A 58-slide overview, including a discussion of FOD's units, performance metrics, utilities services, employee information, work order systems, and financials
  - An 80-slide overview of the Operations unit, including information on customer satisfaction, efficiency, custodial services, operations metrics, and energy services and sustainability
  - Responses to a series of questions on administrative, financial, and department-specific questions, as well as responses to follow-up questions from the overview presentations.
- Convened as a committee to discuss the documentation and presentations, develop recommendations for FOD, and draft this report for the Senate Fiscal Committee

## Areas of Focus and Recommendations

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FOD has achieved significant efficiency gains through a variety of important decisions, including integration with the Wexner Medical Center, early retirement incentives, use of contract labor, investment in preventative maintenance and new technology, installation of more localized control and monitoring measures, and change in state regulations regarding design and construction. In addition to FOD's efforts to increase operations efficiency, CSS was impressed with FOD's efforts to equip its employees with state-of-the-art tools to maximize their effectiveness, to develop a customer-service oriented culture, and to promote sustainability.

CSS also noted areas in which it believes FOD could continue to make improvements, including preventative maintenance, data collection and analysis, communication, utilities expenditures, and use of reserves. The following sections detail specific issues and offer actionable recommendations.

## 1. Data Collection

The success of each service FOD has is highly dependent on the outcomes of data collection efforts on associate customer satisfaction currently under way. For many services (including custodial, preventative and planned maintenance) FOD has already implemented some level of metric and customer satisfaction data collection effort. Customer satisfaction is currently measured using tools like the Work Order Satisfaction Surveys, Annual Customer Satisfaction Surveys, and a 3<sup>rd</sup> party survey from Sightlines in fiscal year 2012.

The Sightline survey included 652 customers and results were benchmarked against 10 similar campuses. The overall inspection index achieved was 81% which ranked 5<sup>th</sup> out of the 10 benchmarked campuses. Surveys are also taken for work orders related to faculty support, landscaping, and other FOD services. FOD received a 10.1% response rate for work order surveys and an overall rating of 4.5 out of 5. Results for September 2013 are listed in the graphic below.

### SURVEY Result Totals

	District 1	District 2	Facility Support	Landscape	Sep-13 Total	Aug-13 Total
Surveys Sent	956	1147	596	21	2720	2689
Surveys taken	88	94	92	0	274	336
% Taken	9.2%	8.2%	15.4%	0.0%	10.1%	12.5% Decline

### RATINGS per Question and Service Area

	Communication							Sep-13 Avg per Area	Aug-13 Avg per District	Change	FY2013 Avg per District
	Surveys Taken	Ease of Request	Initial Response	Adequate Comm.	Quality Comm.	Quality of Work	Overall				
District 1	88	4.4	4.4	4.2	4.2	4.5	4.4	4.4	4.6	Decline	4.2
District 2	94	4.7	4.3	4.2	4.2	4.4	4.4	4.4	4.2	Improvement	4.1
Facility Support	92	4.7	4.6	4.4	4.6	4.7	4.6	4.6	4.6	no change	4.5
Total / Average	274	4.7	4.5	4.3	4.3	4.5	4.5	4.5	4.5	no change	4.2
			Targets	4.1	4.0			4.3			

More detailed metrics are collected using technology products like Smart Inspect (Custodial Services) and iDesk (Facilities Operations). The Smart Inspect is currently being integrated into the custodial management operations as a replacement to current paper inspection forms. This new technology will allow for real-time inspections to be collected by site. iDesk, is a product which allows FOD workers to have real time access to current work orders, maintenance manuals, and up-to-date inventory for repairs. This product, as implemented, has saved employees time and money when making repairs in the field.

For iDesk, FOD has invested \$140K for hardware and software to implement the new solution. This initial investment is expected to save FOD approximately \$372K on an annual basis in both real cost savings as well as cost avoidance.

FOD does a good job at collecting various data points as it relates to the services it provides. The following recommendations focus on better efforts to analyze the data in order to achieve maximum customer satisfaction and possible financial savings. CSS recommends that:

- FOD create custodial inspection reports, based on physical building location. These reports should be shared and discussed with building managers on a quarterly basis. By doing this FOD

could see two important outcomes. First, a building specific, work plan could be developed to address specific needs or deficiencies. Second, FOD could analyze the true cost-benefit analysis of outsourced versus insourced custodial services.

- FOD communicate and meet with key stake holders as it relates to performance metrics.
- FOD work with the OCIO to continue to develop its internal data capture and analytics capabilities to allow for more efficient planning, purchasing, resource allocation, and budgeting. In connection with this recommendation, FOD should consider hiring a data analytics specialist to help in designing and implementing such a system.
- In connection with the preceding recommendation, FOD should work with the OCIO to integrate its data collection and analysis systems with the University's data warehouse, so that it could be linked to other relevant university datasets and could also be used by central campus planning and, potentially, by colleges.

## 2. Communications

In a large, complex entity such as The Ohio State University, communication between parties is a key element for success. The following sections outline the areas in which CSS has determined that FOD would stand to benefit if communication were to improve.

### a. Assigned Square Footage Charges

For many users across the University one of the most fundamental yet misunderstood elements of FOD operations is the charge of space. This confusion creates a scenario in which end-users are not able to fully understand and properly assess costs of assigned square footage (ASF), and thus decreases the management ability of users. In order to help facilitate a more comprehensive understanding of ASF rates across the University, CSS recommends that:

- FOD develop a short description of how the ASF rate is determined. The description could be distributed to end-users via email, and should also be prominently identified on the FOD website.
- On a rotating basis, FOD hold discussions with appropriate units across campus on the determination of the ASF rate, and consider soliciting the help of a University advisory committee in this process.

### b. When Issues Arise

A documented concern from end-users is the lack of knowledge regarding whom to call to discuss current custodial quality levels and other custodial related issues. To educate building coordinators and the appropriate college leadership on the correct channels of communication when issues arise, CSS recommends that:

- FOD continue to ensure that proper signage is visible and up-to-date throughout buildings to inform building coordinators about appropriate contacts.
- FOD create online listings where building coordinators can easily locate whom to contact and how to contact them, and that FOD regularly advertise this resource.
- FOD hold quarterly meetings between building coordinators, zone leaders, district leaders, and FOD.
- FOD continue to strive for regular interaction with building coordinators and the appropriate college leadership. Doing so will help improve communication in both directions, not just with regards to custodial issues, but all areas in which FOD and Colleges need to interact. CSS recommends that FOD develop best practices to encourage building coordinators to transmit information to all building users.

- FOD consider creating a periodic (yearly or once a semester) electronic newsletter to describe FOD work and projects of interest to the campus community, including construction projects, sustainability initiatives, and maintenance projects.

### 3. Preventative Maintenance

Preventative maintenance offers the potential for significant savings for overall building maintenance and may extend the life of specific university facilities. However, it is not clear whether there is a systematic process defined for selecting which facility will receive preventative maintenance and when. FOD reports that the preventative maintenance budget is planned to be \$600K in FY14 and increased to \$750K for FY15 to FY19. It was not clear to CSS how these numbers were chosen and whether this amount of funding is appropriate. CSS recommends that:

- FOD conduct or commission a study to determine the benefits of preventative maintenance and determine at what level preventative maintenance is a cost-effective approach for the university. The study could, among other things, survey peer universities to see how they have chosen to invest into preventative maintenance.
- Concurrent with the preceding recommendation, FOD lead a University wide examination of how best to fund future preventative maintenance.
- FOD consider creating a best practices document to aid decision-making on when to conduct preventative maintenance and to advise college leaders and building coordinators on preventative maintenance scheduling.

### 4. Utilities

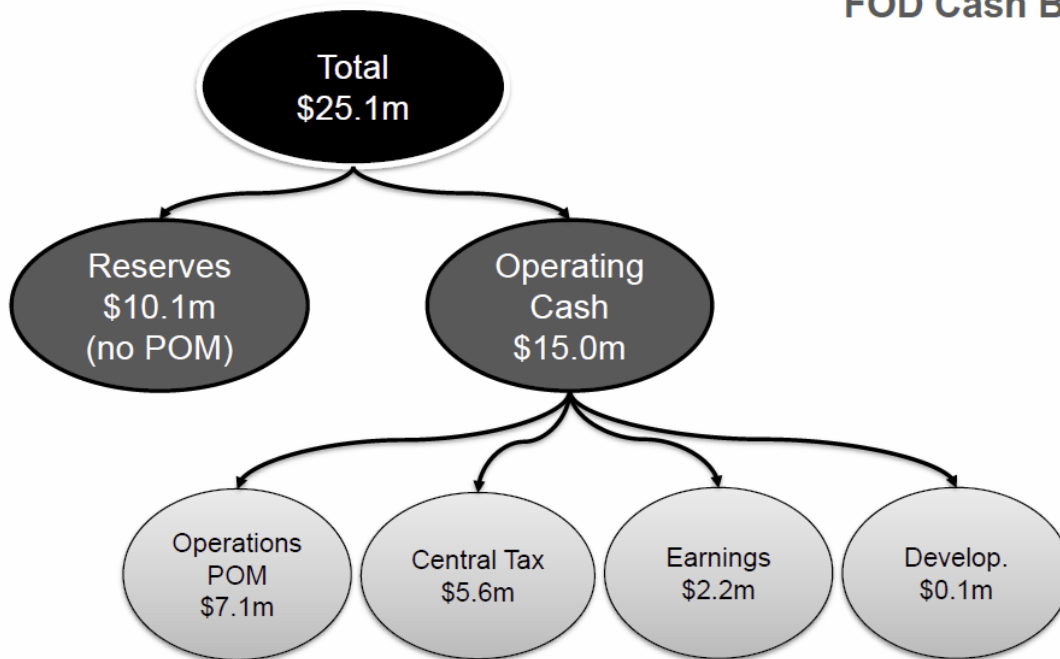
Projected FY14 utility purchases for the University and Medical Center are \$35.7 million for electricity, \$14.7 million for gas and fuels, and \$10.1 million for water and sewer. Since FY98, cost of electricity and water and sewer has nearly tripled while cost of fuels has more than doubled. The purchase of wind-generated electricity has improved the University's carbon footprint but also increased the cost of electricity. The smaller increase in the cost of fuels has been partly due to the successful hedging of natural gas prices FOD's decision to prioritize investments that increased local control over utilities offers the potential to reduce the cost of utilities, as does the decision to bargain as a University rather than as individual units when new electrical contracts are negotiated in the coming future. Nevertheless, the high cost of utilities warrants additional attention. CSS therefore recommends that:

- FOD and the broader University community engage in a cost-benefit assessment of options for reducing utility cost. CSS encourages development of a system of incentives for local individuals and units to reduce their use of utilities. This system of incentives may require changes in the POM model to encourage less use of utilities.

### 5. Operating Cash Balance and Reserves

#### a. Cash Balance

As of June 30, 2013, FOD had a cash balance of \$25.1 million (see figure below). For purposes of comparison, the FOD FY14 expense budget totaled \$81.1 million. The cash balance does not include the University Utility Reserve, which is projected to total \$32.9 million at the end of FY 2014.



### 1. Operating Cash Balance

The operating cash balance was \$15 million as of June 30, 2013 (see figure). This balance arises out of the flow of work. It is composed of these types of uses - planned or contingency, designated or undesignated, committed or uncommitted. The balance reflects expenditures for which a commitment has been made but not spent, for activities completed and billed but not yet paid, and for unplanned, emergency-type expenditures that can be expected to arise with some probability in an institution as large and diverse as Ohio State University.

Two commitments exist against the FY13 ending balance: \$5.2 million in preventative maintenance that have been identified and planned but not yet spent, and \$650 thousand for replacement vehicles. FOD has also identified other intended uses for the cash balances:

- Administration is budgeted to spend \$3.6m on A&P shared services annually
- Earnings (primarily Facilities Design & Construction (FDC)) cash balance of \$2.2m covers FY14 first quarter expenses as FDC bills at the end of each quarter.
- Development funds cash balance \$0.1m: designated/restricted uses

### 2. Reserves

Reserves total \$10.1 million as of June 30, 2013 (see figure). Reserves do not include POM. Specific uses have been identified, which may be planned or contingency in nature. The funds tend to reside in the administrative center of the organization as opposed to one of its four main operating divisions. No target has officially been identified but historical reserves are consistent with a 10% to 20% target.

FOD has identified the following strategic uses for the reserves:

- EHS will utilize \$608k by the end of FY19 to fund their select agent position which is a mandated position that is unfunded.
- FDC will utilize \$5.7m by the end of FY20 to fund potential deficits should construction projects decrease as budgeted.
- FOD Administration will utilize \$3.5m for 1) FOD occupied building maintenance/renovations if approved in the CNI; 2) accident litigation/settlements; and 3) developing service initiatives.

Questions have arisen over the size of the operating cash balance, and in particular the reserve fund. Reserves are often a difficult issue for publicly funded institutions since it can give the impression the institution is hoarding money the public intends to be spent. On the other hand, it is clear that known future expenses are not trivial and preventative maintenance is a campus need that can reduce future expenditures. CSS therefore recommends that:

- FOD, Business & Finance, and other appropriate parties review the level and sufficiency of FOD's operating cash balance and reserves, develop a strategic rationale for these two funds, and create a monitoring system to insure that the strategic rationale and identified targets are being followed. This approach increases the likelihood that the operating cash balance and reserve can withstand public scrutiny and is consistent with the broader objectives of the University.

#### b. University Utility Reserve

The University Utility Reserve is projected to total \$32.9 million at the end of FY 2014. The reserve equals POM rates + direct billed customers – actual annual costs. Annual costs equal utility invoices, metering charges, chemicals, and debt service. The utility reserve is held centrally, but FOD administers the fund except for debt service. The reserve is a contingency fund that in part is retained as a hedge for utilities that cannot be hedged on futures markets.

The utility reserve will likely be drawn down in FY15 by \$3.6 - \$6.1 million to cushion the increase in electricity costs and by a further \$2.5 million to smooth rate increases due to utilities debt service. As with the other reserves, CSS believes that it is crucial that reserve balances are set at appropriate level, particularly because the University is a public institution. CSS therefore recommends that:

- FOD, Business & Finance, and other appropriate parties review the level and sufficiency of FOD's utility reserve balance, develop a strategic rationale for the fund, and create a monitoring system to insure that the strategic rationale and identified targets are being followed. This approach increases the likelihood that the reserve can withstand public scrutiny and is consistent with the broader objectives of the University. Possible approaches to setting appropriate levels include 1) calculating the annual standard deviation over, for example, the last 10 years, then setting the reserve fund as some percent of this annual standard deviation, or 2) basing the reserve on margin requirements for crude oil or natural gas contracts. For example, the initial margin for a crude oil contract is currently \$3,410, with a maintenance margin of \$3,100. The initial margin is approximately 3.4% of the value of the contract (approximately \$100 per barrel times 1000 barrels). Hence, the equivalent margin for electricity would be 3.4% of the annual electricity bill, which could then be adjusted by the ratio of the standard deviation in electricity costs to the ratio of crude oil prices on an annual basis.

### c. Unfilled Employee Positions

Finally, related to reserves and future expenditures, we also note that a significant amount of positions remained unfilled in FOD. FOD has a total of 740 FTE with significant turnover in some areas which results in a number of vacancies at any one time. The majority of administrative vacancies are accounted for by the move of staff into the A&P Shared Services which FOD funds with cash. CSS recommends that:

- FOD undertake an analysis of which positions must be filled. For positions that are not to be filled, CSS requests a plan of how the funds can be utilized to (1) provide increased service in other areas of FOD, (2) allow for smoothing of the POM rate, or (3) distributed back to customers. For positions that are not to be filled, CSS requests a plan for how and when such positions will be filled.



## REPORT OF THE AD HOC BUDGET REVIEW COMMITTEE

APRIL 9, 2014

### **Members**

Deborah Larsen, Co-Chair, College of Medicine  
Jozef C. Raadschelders, Co-Chair, John Glenn School of Public Affairs  
Anil Arya, Fisher College of Business  
Morgan Cichon, Council of Graduate Students  
Donna Hobart, Office of the President  
Shane Ingalls, Undergraduate Student Government  
Betsy Lindsey, College of Education and Human Ecology  
Marie Mead, College of Engineering  
Robert Perry, College of Arts and Sciences  
James Phelan, College of Arts and Sciences  
Kris Devine, Office of Business and Finance, ex officio  
Brad Harris, Office of Academic Affairs, ex officio

### **Staff Support**

Suzi Ballinger, Financial Planning and Analysis  
Dawn Romie, Financial Planning and Analysis  
Jim Schiefferle, Financial Planning and Analysis



## ■ EXECUTIVE SUMMARY

The Ad-Hoc Budget Committee was convened by the Senate Steering Committee and charged with reviewing the current budgeting principles and budget model of the university. The committee approached the review by developing an in-depth understanding of the university budget, examining the historical context of the last five years, and conducting a detailed data analysis. In addition, colleges were surveyed regarding their viewpoint of the budget model. Next, the committee evaluated the outcomes of recommendations from the last budget review conducted in 2008. Then, the committee had extensive discussions on the risks, challenges and opportunities with the budget model. After this review and analysis process was completed, the committee developed our recommendations.

### **Overarching Recommendation**

1. The guiding principles and design of the university budget model are fundamentally sound. The committee recommends the budget model should be retained. To fully take advantage of the budget model, central university decisions must be made in a coordinated, holistic, transparent manner with the impact of decisions on colleges and support units modeled prior to the decisions being finalized.

### **Annual Planning and Review Process**

2. The Senate Fiscal Committee (SFC) should comprehensively review annually the tax and all assessments in the budget model (for example, student services, research administration, and physical plant assessments) and other assessments outside of the model, both cash and PBA (present budget allocation) based.
3. A robust multi-year projection model should be developed that can be used by colleges to model budget scenarios based on a variety of inputs.
4. The review process for central administration offices should include a subsequent review focusing on the impact of the recommendations.
5. Three institutional risks, the Wexner Medical Center and the changing healthcare environment, the cost north residential housing, and the ongoing cost of STEP, should be carefully evaluated and monitored to ensure their impact is understood, and strategic decisions should be made to minimize the impact to the model.

### **Budget Model**

6. Assessments outside of the budget model should be limited.
7. The subsidy allocation methodology should be re-evaluated when the Ohio Board of Regents (OBOR) methodology is finalized.
8. A “re-basing” analysis should be completed for all colleges.

### **Management Reporting and Training**

9. Colleges should have a college level committee for fiscal and budget issues with adequate department level faculty and staff representation.
10. To increase transparency, fiscal presentations by college leadership, such as the dean and senior fiscal officer, to faculty and staff are desirable and expected.
11. Financial training for unit leaders, including deans, associate deans, department chairs and senior fiscal officers, should be implemented.
12. Centralized financial reports that are easily accessible and provide multi-year data by college and department should be developed and maintained.
13. The Senate Fiscal Committee should review the recommendations above in early FY2016 to determine the status of the implementation of these recommendations.

## ■ SECTION 1: BACKGROUND AND CHARGE

In FY2003 the university implemented a new budget system. The university budget system is comprised of two distinct components: the *budget model*, which is a responsibility-based model allocating revenue and expenses to colleges and support units based on a series of allocation methodologies commonly known as “budget restructuring”, and *strategic allocations*, which are strategic investments in colleges and support units made by the president and provost. The university budget system is just one component of the entire university operating budget and focuses on general funds revenue, comprised of tuition and fees, state subsidy, and indirect cost recovery from sponsored projects, totaling \$1.5B for colleges and support units combined. For some colleges, general funds are a significant portion of their overall budget and in other colleges, general funds are a much smaller portion with those colleges having significant non general funds revenue streams including endowment, gifts, and sponsored research. The total operating revenues for the university are budgeted at \$4.3B in FY2014, with over half, \$2.4B, attributed to the OSU Health System and OSU Physicians, Inc.

The original principles and recommendations for the budget system are detailed in “*University Goals and Resource Allocations*”, November 1999. The recommendations included a requirement that the university review the budget model every five years. The first review was completed in 2004 by the Ad Hoc Budget Restructuring Review Committee. The last review was conducted in 2008 by the Budget System Advisory Committee (BSAC).

The current Ad Hoc Budget Review Committee was appointed by the Senate Steering Committee in September 2013. The charge is:

Review the current budgeting principles and budget model of the university. Consider all parts of the university budget that do not currently fall under this budget model.

## ■ SECTION 2: REVIEW PROCESS CONDUCTED BY COMMITTEE

**Understand the university budget** - Given that many of the members of the committee were unfamiliar with the university budget, including the principles and components, meeting agendas were developed with topics aimed at providing the committee members information and context on all facets of the university budget. Meetings included invited guests and conversations about the budget system and areas of potential risk to the university’s finances.

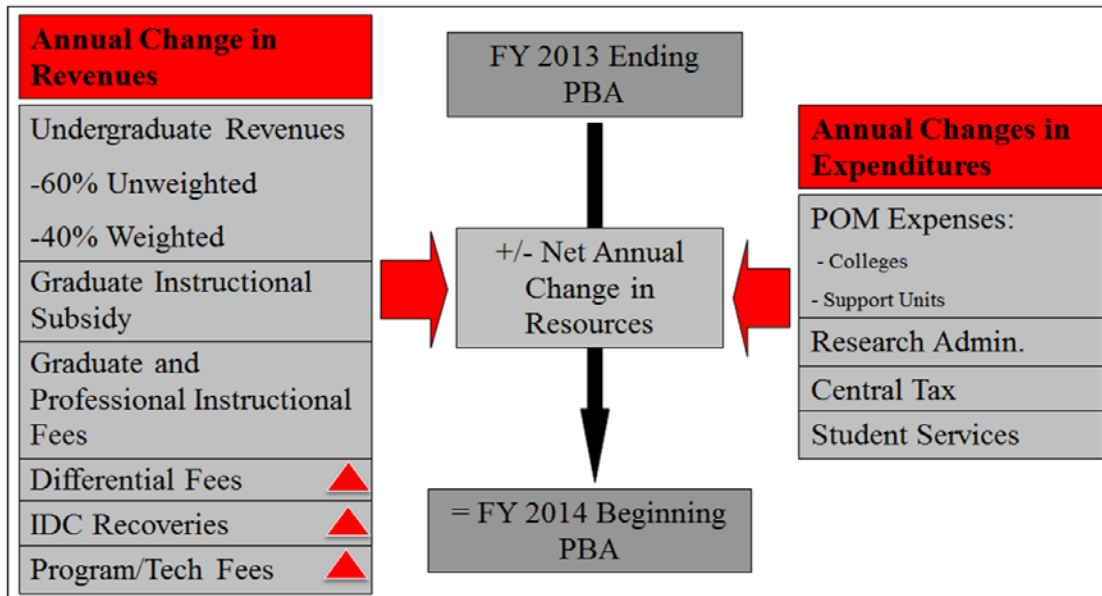
Areas covered are listed below.

- OSU Revenue Structure, University Budget System Overview and University Budget Model – Jim Schiefferle, Senior Director, Financial Planning and Analysis
- Management reports, including College Profiles and Sources & Uses – Donna Hobart, Special Assistant to the Interim President
- History of the University Budget System – Bill Shkurti, former OSU Senior Vice President, Office of Business and Finance and Chief Financial Officer
- Office of Student Life Budget – Dave Wiseley, CFO, Office of Student Life, and Donna Lewis, Director, Budget and Planning, Office of Student Life
- University Athletics Budget – Pete Hagan, Associate Director and CFO, Athletics
- President and Provost Strategic Reserves – Donna Hobart, Kris Devine, Deputy Chief Financial Officer, and Brad Harris, Assistant Provost and Chief Administrative Officer, Office of Academic Affairs

**Understand the University Budget Model and Budget System** – The university’s budget system is comprised of two components: a modified responsibility center management (RCM) model and the strategic investment of central funds. The university budget model allows for decentralized decision making and control of financial resources at the individual college and support unit level. Colleges are incentivized to increase their resources by teaching more credit hours and increasing research activity and decrease expense by releasing unneeded space back to the university. **Chart 1** provides a visual representation of the university budget model to allocate general funds revenue and expenses to colleges. Marginal revenue from tuition and fees, indirect cost recovery and college specific fees are allocated to the colleges. Marginal changes to expenditures for centrally provided services are also allocated to colleges, including a central tax, research administration, student services, and physical plant. The net of the marginal resources less marginal expenditures is the net marginal revenue (NMR) allocated to each college annually. The colleges’ general funds budget allocation, known as PBA (Present Budget Allocation), changes annually according to the changes in the NMR. It is important to note that PBA can increase or decrease annually based on the NMR calculated through the university budget model.

**Chart 1**

**Budget Process for Colleges: The Big Picture**



▲ Revenue not subject to central tax

**Understand Historical Context of Last Five Years** – Based on a review of the data, both internal and external events of the last five years contributed significantly to the budget outcomes. The historical context is discussed in Section 3.

**Understand the Data** – Given the vast amount of data available to analyze, a subset of the committee, comprised of the senior fiscal officers who have a high level of expertise with the budget, focused on the data analysis and presented those results to the entire committee. The details of the analysis are discussed in Section 4.

**Survey the Colleges** – Consistent with the BSAC report, the committee solicited the viewpoints of colleges regarding the budget. The deans were interviewed in person by college cluster (Arts and Sciences, Professional, Health Sciences). The deans, in collaboration with the college senior fiscal officers, were also asked to answer seven questions about how they manage their budgets. In addition, all department chairs were sent a brief survey to complete. The details of the surveys and discussions are discussed in Section 5.

**Evaluate the BSAC Recommendations and Outcomes** – The committee reviewed the BSAC recommendations and evaluated the outcomes to determine if the recommendations were implemented and successful. This evaluation is discussed in Section 6.

**Discussion of Risks, Challenges and Opportunities** – The committee identified risks, challenges and opportunities that are discussed in Section 7.

**Formulation of Conclusions and Recommendations** – After completing the process above, the committee developed a list of conclusions and recommendations forming the basis of this report. The recommendations are discussed in Section 8.

### **SECTION 3 - HISTORICAL CONTEXT OF THE BUDGET FROM 2008 – 2014**

The committee reviewed the historical context of the university budget from FY2008 to FY2014 to better understand and evaluate the impact of the budget model on colleges. The budget model was directly impacted by both internal and external forces since FY2008, and the combination of these forces formed what the committee refers to as the “perfect storm of FY2012.”

#### **External Forces**

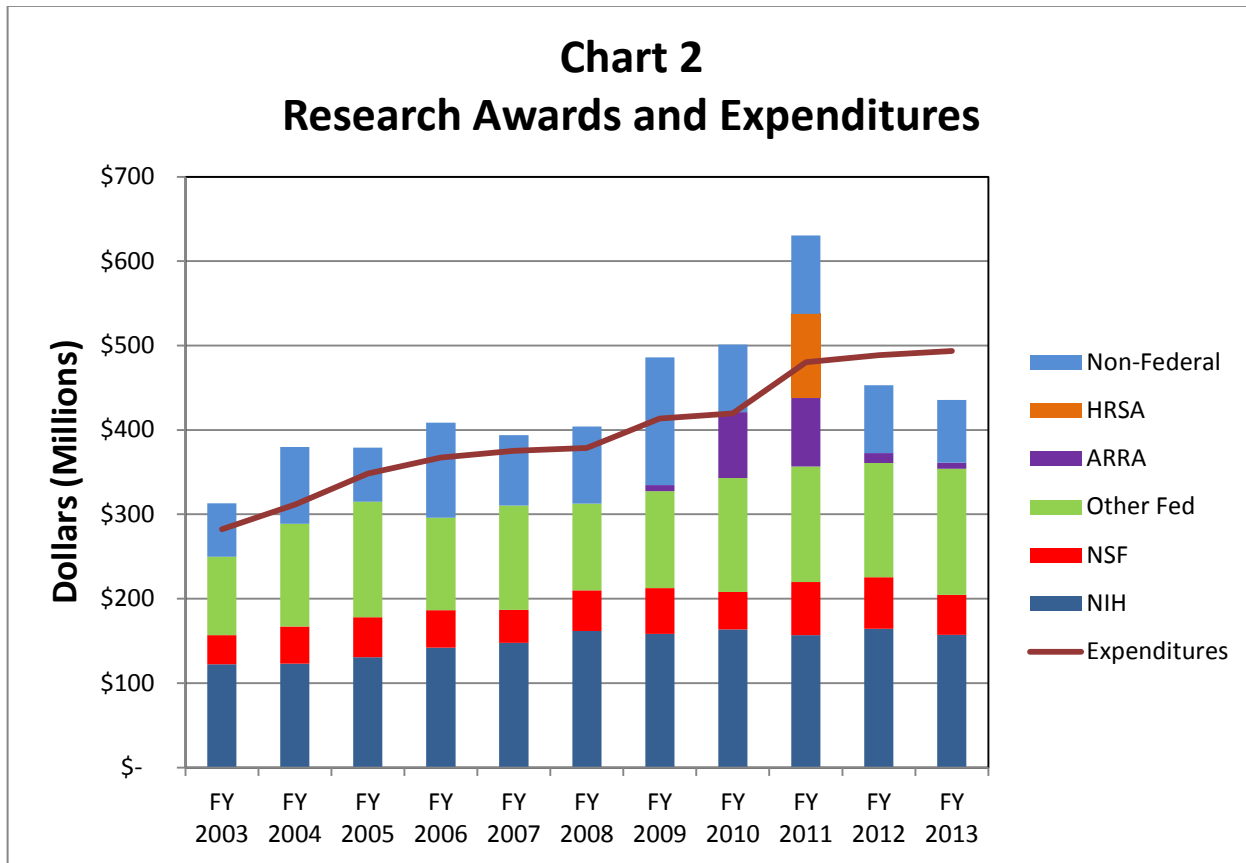
The most significant external event impacting the budget was the financial recession beginning in 2008 and lasting for several years. The recession had many negative effects, but the most notable were a decline in state funding, a decline in federal funding for research, a decline in endowment earnings, and the pressure to keep tuition growth low in order to minimize the student debt load.

Beginning in FY2011, the state funding to the university, known as the State Share of Instruction or SSI, was cut 15 percent, representing a significant funding decline. In FY2011, the SSI funding gap was covered by one-time federal funds. The university used this one-time infusion of funds to keep SSI allocations at their pre-cut levels for FY2011, but in FY2012 the 15% reduction, which totaled to \$64M, was passed on to the colleges, and in turn, also impacted support units through a reduction in the taxable revenue. Although this reduction was unavoidable, it presented colleges and support units with significant challenges whose effects are continuing to be felt.

The decline in federal and state funding for research grants has also impacted colleges. Beginning in FY2009, federal funding increased due to the American Recovery and Reinvestment (ARRA) funding. However, after

ARRA funding ceased, overall federal funding has declined. Since the budget model directly allocates both direct research expenditures and the marginal change in indirect cost recovery to colleges, the decline in funding has negatively impacted their revenue streams.

**Chart 2** below displays the trends of research awards and expenditures. The university received \$185M in ARRA funding over five years beginning in FY2009. In FY2011, the university also received one-time federal funds from HRSA (Health Resources and Services Administration – a unit of Health and Human Services) to fund a capital investment in radiation oncology in the hospital.



During this time period, as we noted above, negative economic factors converged with pressure from students, parents and legislators to limit tuition increases, especially for undergraduates, and the university responded accordingly. Since FY2008, undergraduate tuition for Ohio residents was frozen for three years, and the average annual increase over the seven years has only been 2.3%. The committee understands the societal concerns with increasing student debt load and the need to mitigate tuition growth. However, since tuition is a sizable portion of the university budget model, limits on tuition growth negatively impacts college budgets.

In addition to the impact of the recession, the Ohio Board of Regents (OBOR) has changed their SSI funding model twice in the last five years. These allocation changes directly impact how much SSI the university receives. In FY2010, the OBOR SSI allocation model changed to increase the number of subsidy categories based on cost of instruction and academic subject. The university, based on recommendations from Senate Fiscal Committee, changed the allocation methodology to mirror the OBOR changes. The changes included expanding the number of subsidy categories based on average statewide cost of instruction and moving to

credit hours completed rather than enrollment based on 15<sup>th</sup> day data. In FY2013, the OBOR allocation model changed again to shift the emphasis onto degrees completed, the education of at-risk students, and the development of on-line academic programs. These more recent changes to the OBOR model are still being evaluated to determine the impact on the university's SSI revenues.

### **Internal Forces**

Several internal forces have affected the funding allocated to the colleges via the university budget model. Based on the recommendations of BSAC, the university implemented a three-year budget reallocation plan to create strategic reserves for the president and provost. Beginning in FY2011, all colleges and support units reallocated 1% of their total base PBA back to the provost (colleges) or president (support units). This amounted to slightly more than a 3% PBA base reallocation over three years.

The university implemented an undergraduate enrollment plan over five years beginning in FY2011, the same year as the start of the PBA reallocation. The enrollment plan primarily invests in undergraduate scholarships with the overall goal of increasing both the quality and number of undergraduate students. The total cost of the enrollment plan is \$26.3M over 5 years. The majority of this cost is being added annually to the student services allocation in the university budget model, and therefore, passed directly on to colleges. In addition, the university is funding centrally \$25M in one-time need-based cash distributed equally over a four year period at \$6.25M annually beginning in FY2013.

The effects of these undergraduate scholarships on college budgets are magnified by the way in which they are implemented in the budget model. Tuition that is not received is credited in the same way as tuition that is collected. Marginal tuition changes are taxed. The colleges are then charged for increases in general funds scholarships through the student services assessment. Thus, the university is not receiving revenue for scholarship students, colleges must pay the central tax and student services assessment on scholarships as if it was actual tuition. It may be appropriate to handle the scholarships in this manner, but the impact on colleges should be modeled and fully understood.

Despite the external forces described above, the university has provided annual salary increases through its Annual Merit Compensation Program (AMCP) along with the associated increases in benefits. During the period FY2008-FY2014, compensation increases ranged from 2% to 4% annually, with the average annual increase being 2.7%. These increases are funded from college budgets, typically with revenues associated with tuition and SSI which were declining over the same period. Support unit AMCP costs are provided from central university funds. Simultaneously, benefits rates continued to rise, and these increases had to be covered by the colleges. While the university must remain competitive with both faculty and staff compensation compared to the external market, doing so during a period of declining state and federal funding, and negligible tuition increases had a major negative impact on college budgets.

Alternate sources of funding, such as the parking monetization, and the affinity agreements with Huntington Bank, Nationwide and Coke, are providing large annual revenue streams that are being invested back into the core academic and research mission of the university. The revenue from the asset monetization of the parking operations provided the university with \$483M, which has been invested to generate \$23M annually for strategic investments in faculty hiring in the discovery themes areas, in eminent scholarships and student support, in the arts district and in ongoing support for transportation operations and sustainability.

Notably, the university implemented semester conversion in FY2013, resulting in a downturn in credit hours, particularly during the summer. May term was also implemented and was tuition free up to three credit hours for students enrolled in spring semester. The opportunity revenue loss for May term was modeled at \$21M, comprised of \$7.6M for undergraduates and \$13.4M for graduates. However, based on benchmark data for

participation rates when charging students, realized revenues will likely be less. A more realistic revenue gain from charging tuition using an 8.5% participation rate would be in the range of \$11-\$12M.

### **“The Perfect Storm of FY2012”**

FY2012 was a perfect storm of combined external and internal forces that resulted in a significant decline in budget availability to colleges and support units.

1. State funding from SSI declined 15 percent with the elimination of the one-time federal cash in FY2011.
2. Undergraduate resident tuition was frozen at FY2011 levels.
3. FY2012 was the second of three years of the funding of the 1% PBA reallocation.
4. FY2012 was the second of five years for funding of scholarships associated with the enrollment plan.
5. Compensation (AMCP) increases of 2% along with associated benefit rate increases were given to faculty and staff.

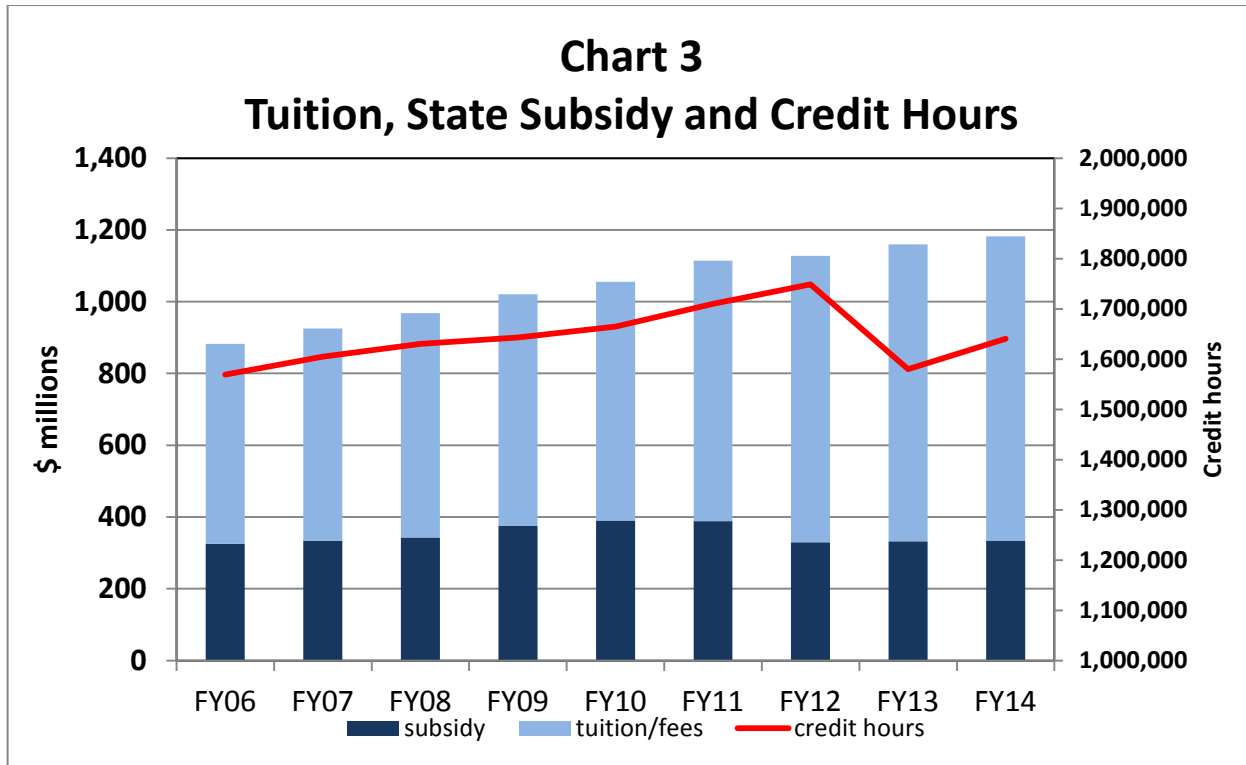
The combination of these five elements all resulted in an overall budget decrease through the university budget model of \$21.6M to colleges. AMCP cost an additional \$8M just for faculty and staff, thus, resulting in a funding gap of \$29.6M for all colleges combined. Only two of 14 colleges had a positive marginal change after AMCP.

**SECTION 4 - DATA ANALYSIS AND OBSERVATIONS**

In analyzing the data, the committee focused on several key questions. The budget allocations both within the budget model and budget system (allocations outside the budget model) were examined, plus specific revenue streams and assessments within the budget model were examined. The analysis focused on colleges in total, not individual colleges. We did not consider differential impact of the budget model and strategic investments on individual colleges in any detail. Nor did we attempt to link allocations with quality measures to assess how well the budget model is supporting our academic plan.

*What has been the change in tuition and State subsidy compared to credit hours?* The change in tuition and subsidy includes both the total funding combined and the percentage share of each.

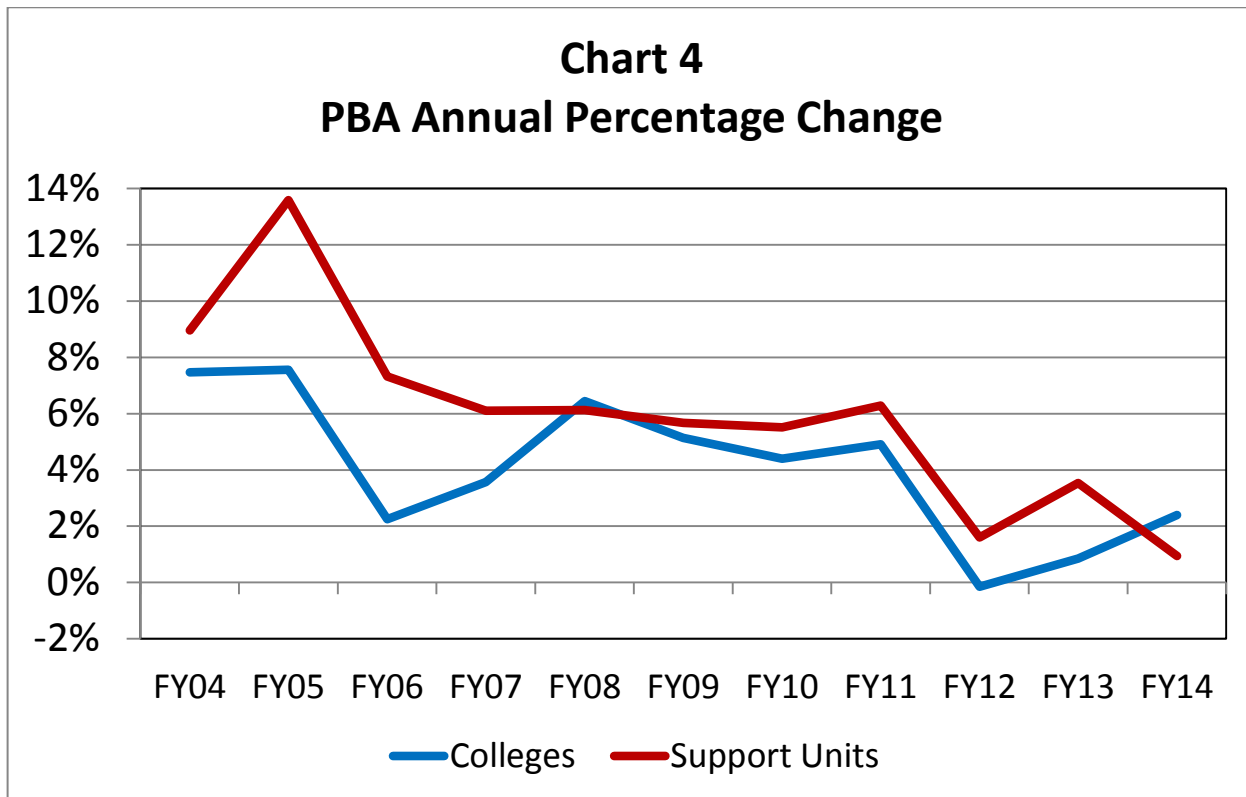
In **Chart 3**, the tuition, State subsidy and total credit hours are displayed for FY2006 through FY2014. Tuition continues to increase proportionately compared to state funding. In FY2006, subsidy was 37% of the total, and in FY2014 it declined to 28%. Total credit hours continue to grow over time and appear to be rebounding after FY2013 semester conversion.





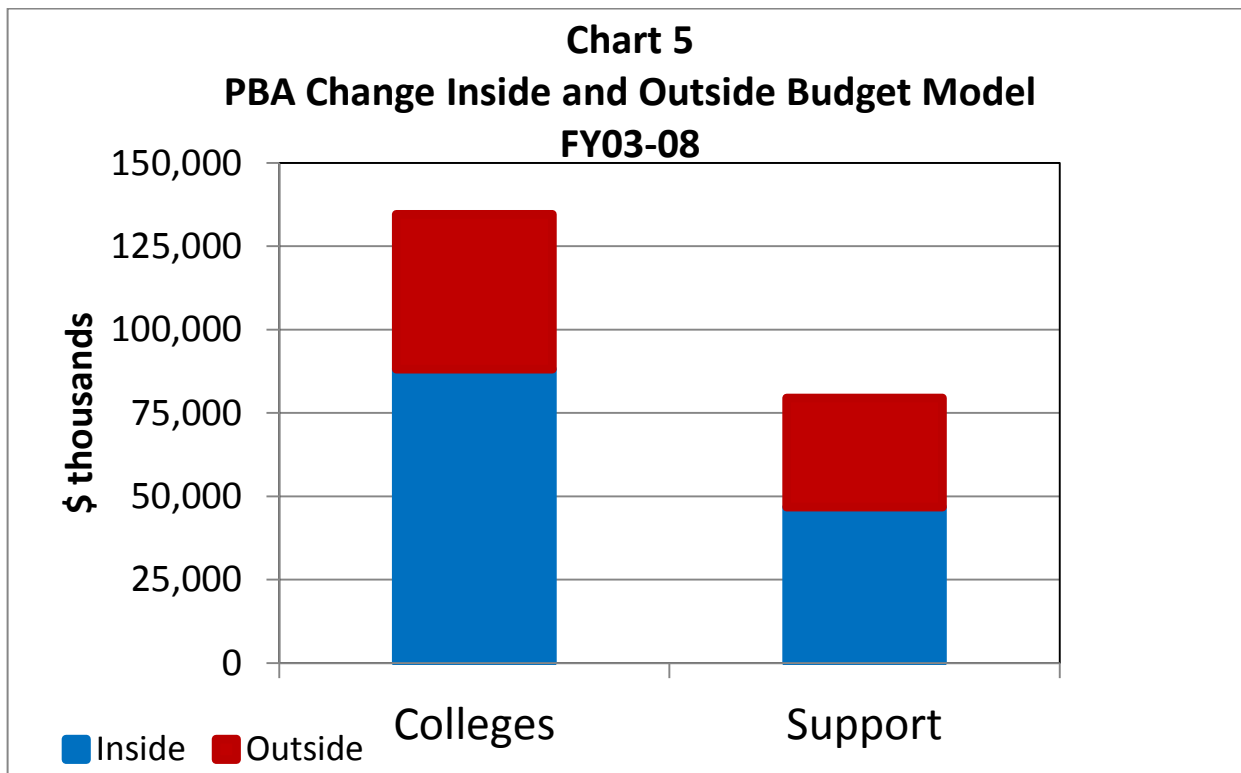
What has been the percentage change in PBA over the last 10 years for colleges and support units? The percentage change includes both components of the budget system – allocations via the budget model and strategic allocations outside of the budget model.

In **Chart 4**, the annual percentage change for support units has generally been higher than colleges every year except in FY2014, even though the slopes of both lines are similar. In FY2004 to FY2006, several large PBA funding adjustments were made to support units that did not impact colleges, including the funding of graduate fellows and Office of Sponsored Programs. This resulted in higher percentage increases in those years. The overall rate of PBA growth has declined since FY2008 due to low tuition rate increases, decreases in SSI and increasing assessments. In FY2014, it was determined that support units would not receive PBA to fund their AMCP from central sources, since the alternative would have been to force colleges to absorb the approximately \$8 million reduction in SSI that year.



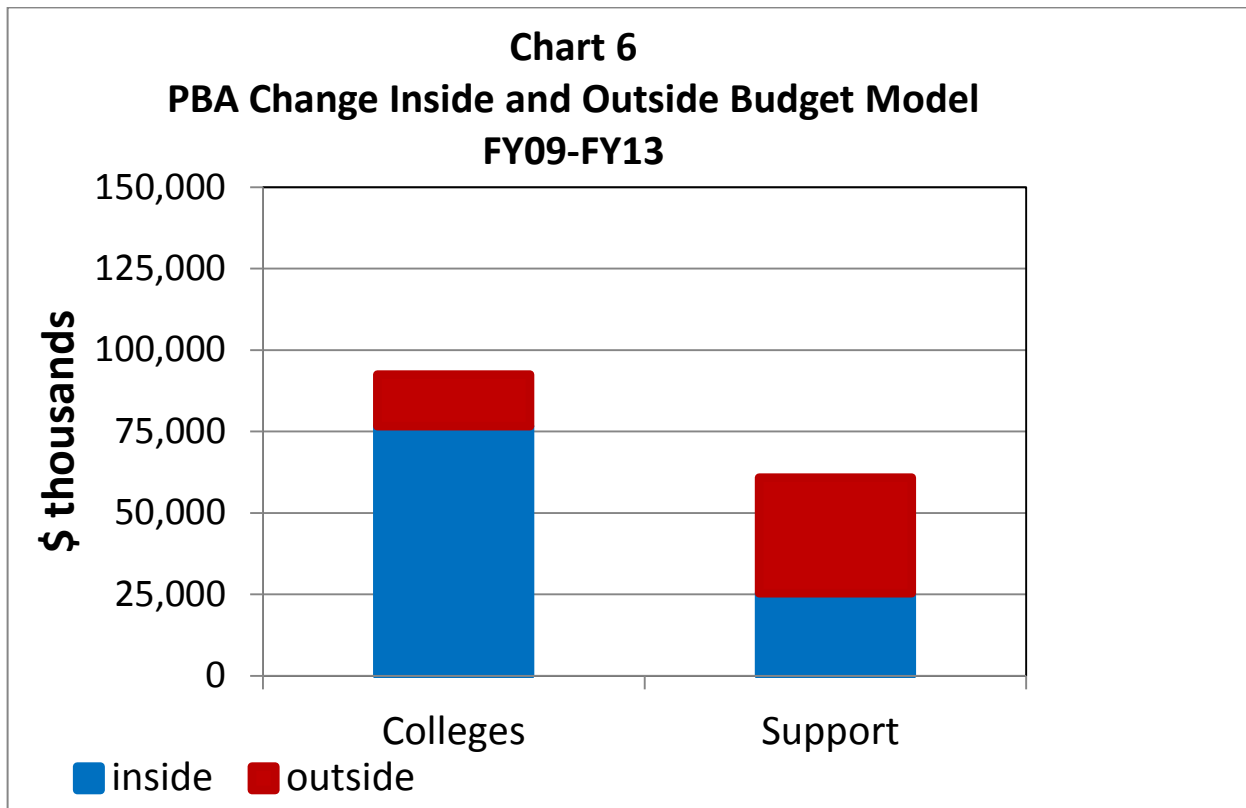
What has been the PBA change via the budget model versus the budget system? Colleges and support units receive funds through the two parts of the budget system (budget model and strategic allocations). The data is analyzed in five year increments. FY2003 – FY2008 represents the first five years after the implementation of the new budget system, and FY2009-FY2013 represents five years immediately after the BSAC report.

In **Chart 5** for FY2003 – FY2008, colleges received \$135M in PBA with about two-thirds from the standard allocations of the budget model and about one-third allocated strategically. Support units received about \$79M in total with slightly more than half allocated strategically.



In **Chart 6** for FY2009 – FY2013, significantly less PBA was distributed overall. Colleges received \$92M, with over 80% allocated through the model and under 20% allocated strategically. Support units received \$61M, with over half allocated strategically.

Although the amount of PBA allocated strategically declined significantly in FY2009 – FY2013, it should be noted that strategic allocations totaling \$96M in cash were distributed to colleges. The decline in the distribution of PBA during this time was a strategic decision to ensure Academic Affairs had sufficient resources for future investments.



What has been the annual revenue to colleges from program, technology and lab fees? The annual revenue to colleges from these fees has almost tripled since FY2009. This revenue comes directly to colleges untaxed and is used directly to support academic programs. In Chart 6, colleges received about \$75M in PBA increase through the budget model, but a substantial component was the revenue from student fees.

Chart 7 displays the annual PBA revenue and growth for college specific fees.

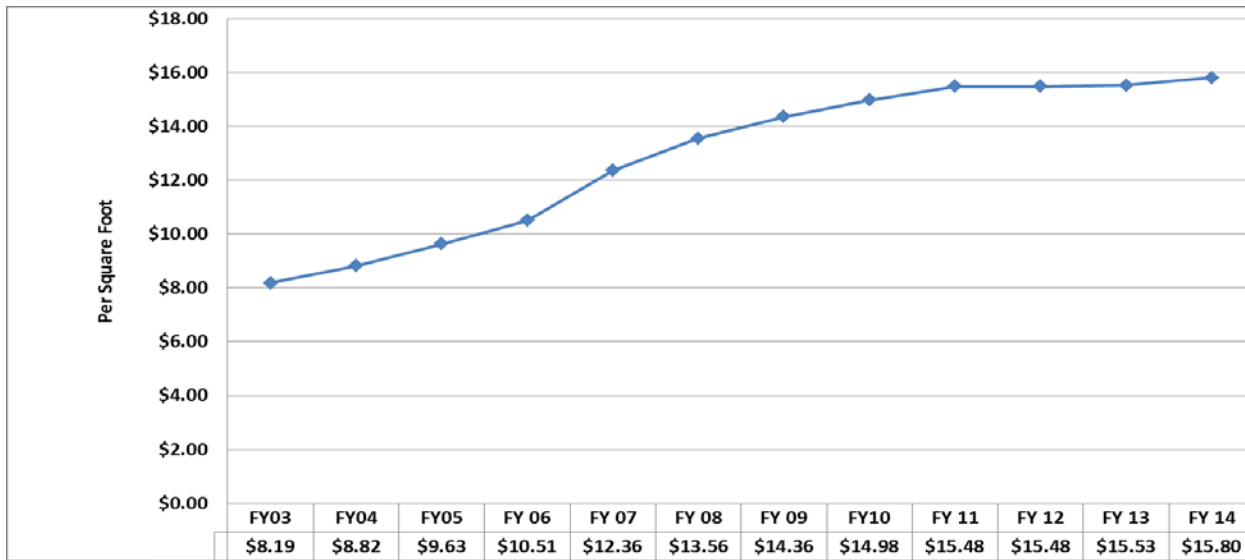
**Chart 7**  
**Annual Fee Revenue from Program, Technology and Lab Fees**  
**\$000s**

<b>FY</b>	<b>Amount</b>	<b>% change</b>
2009	\$12,994	NA
2010	\$17,581	35%
2011	\$21,762	24%
2012	\$24,474	12%
2013	\$29,156	19%
2014	\$32,391	11%

What has been the trend of the assessments via the university budget model, including the physical plant assessment, research administration assessment and student services assessment?

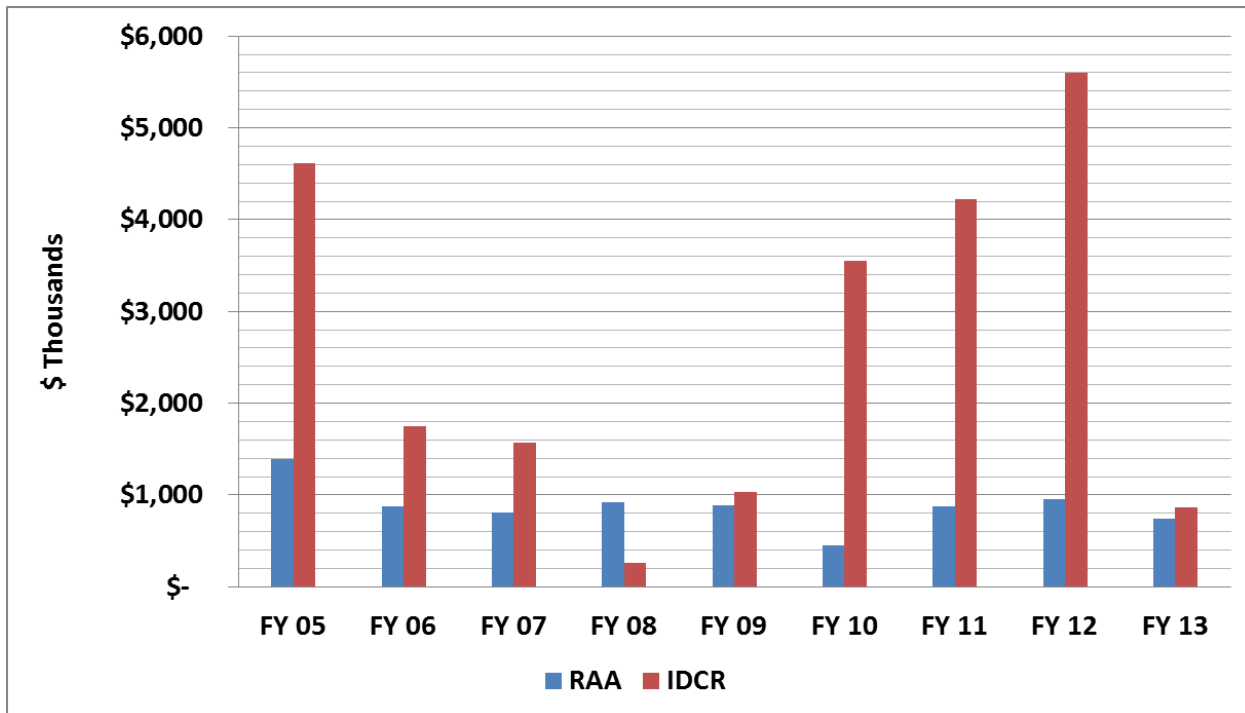
**Chart 8** displays the physical plant assessment trends. The growth rate has leveled out over the last five years. The largest growth component is utility costs. The physical plant assessment is reviewed annually by Senate Fiscal Committee.

**Chart 8**  
**Physical Plant Assessment per Assignable Square Foot (ASF)**



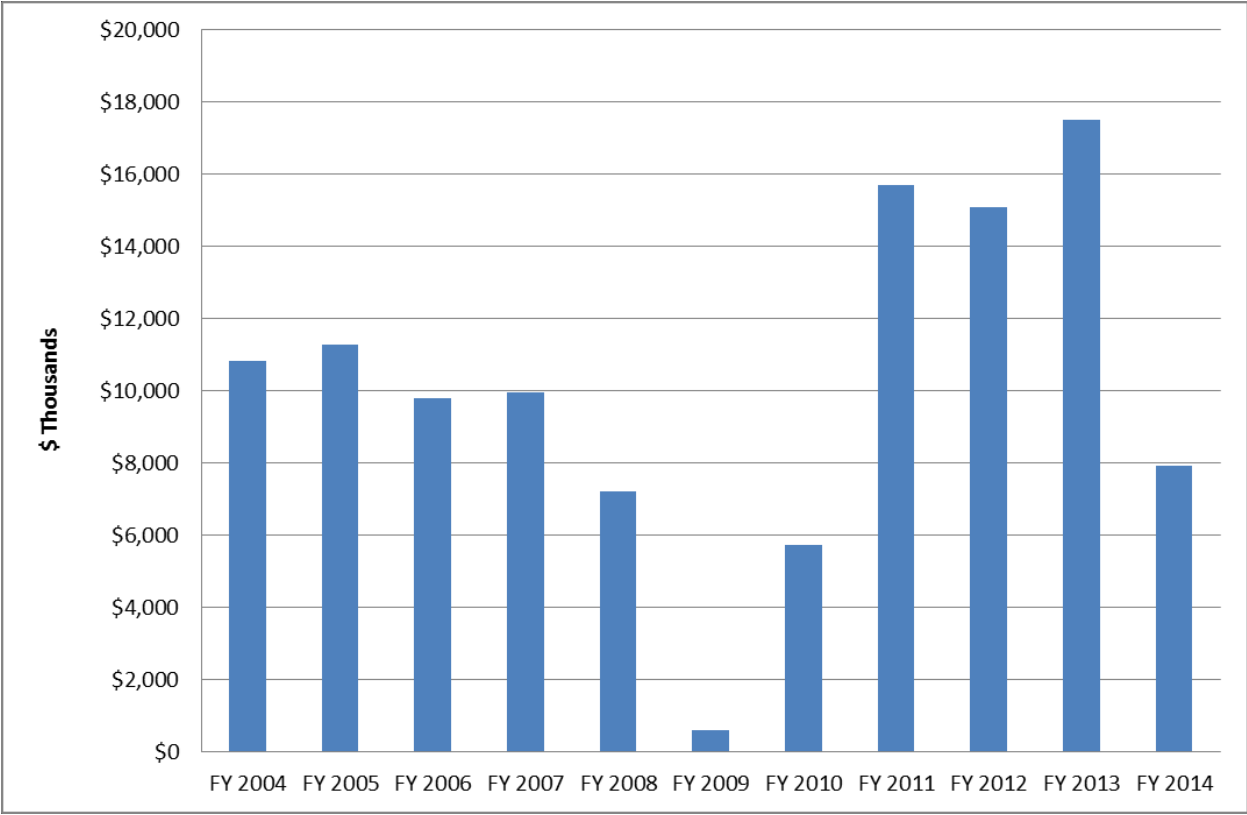
**Chart 9** displays the trends in the research administration assessment compared to marginal indirect cost recovery (IDCR) revenue. This assessment is calculated based on each college’s relative percentage share of total research expenditures. Therefore as shown below, even during periods of low marginal change in IDCR, colleges still pay the research administration assessment. In FY2013, the impact of a decline in federal funding is clear. It is also important to note that the actual realized IDCR revenue is significantly less than the federal negotiated rate which was 52.5% for FY2009 – FY2013. The realized rate ranged from 27.2% to 30.2% during the same time period.

**Chart 9**  
**Research Administration Assessment compared to the**  
**Indirect Cost Recovery Marginal Change**



**Chart 10** displays the student services assessment trends. This assessment is based on credit hours and has had the most significant impact on colleges' total assessments. The marginal change in FY2009 is low due to the reduction in graduate non-resident fee authorizations with the implementation of post-candidacy credit hour requirements lowered to three credit hours. Beginning in FY2011, the funding for the five year undergraduate enrollment plan, totaling \$26.3M, was added to the student services assessment at an annual marginal cost between \$5.8M and \$6.1M. Beginning in FY2014, the undergraduate enrollment plan was partially funded with central cash, thus, reducing the overall student services assessment.

**Chart 10**  
**Marginal Student Services Assessment – All Colleges**



**Chart 11** summarizes the central tax and ongoing assessments in the university budget model and the involvement of the Senate Fiscal Committee in the holistic review and oversight of the tax and assessments. Portions of some of the assessments are reviewed annually; however, the overall effect of the tax and assessments is not reviewed comprehensively.

**Chart 11 – Budget Model Tax & Assessments**

<b>Budget Model Tax and Assessments</b>	<b>Tax/Assessment Description</b>	<b>Review Annually by Senate Fiscal</b>
Central 24% Tax	credit hour subsidy and fee revenue	No
Student Services Assessment 1	undergraduate credit hours (per cr hr)	Partial review
Student Services Assessment 2	graduate credit hours (per cr hr)	Partial review
Student Services Assessment 3	all credit hours (per cr hr)	Partial review
Physical Plant Assessment	non-earnings, non-leased university owned space (per ASF)	Yes
Research Administration Assessment	% of OSP MDTC as of March applied to a RAA marginal budget	No

*What has been the overall tax and assessment rate on the total marginal revenue?* All of the revenue, taxes and assessments detailed above come together to impact the actual NMR distributed annually to colleges. And from that NMR, colleges fund compensation increases and expenses necessary to carry out their missions. It is important to recognize that a portion of the taxes and assessment is allocated back to colleges and support units strategically. The central tax is comprised of a 19% tax plus a 5% tax to fund the Provost’s reserve, and most of these central funds then are differentially distributed to colleges and support units.

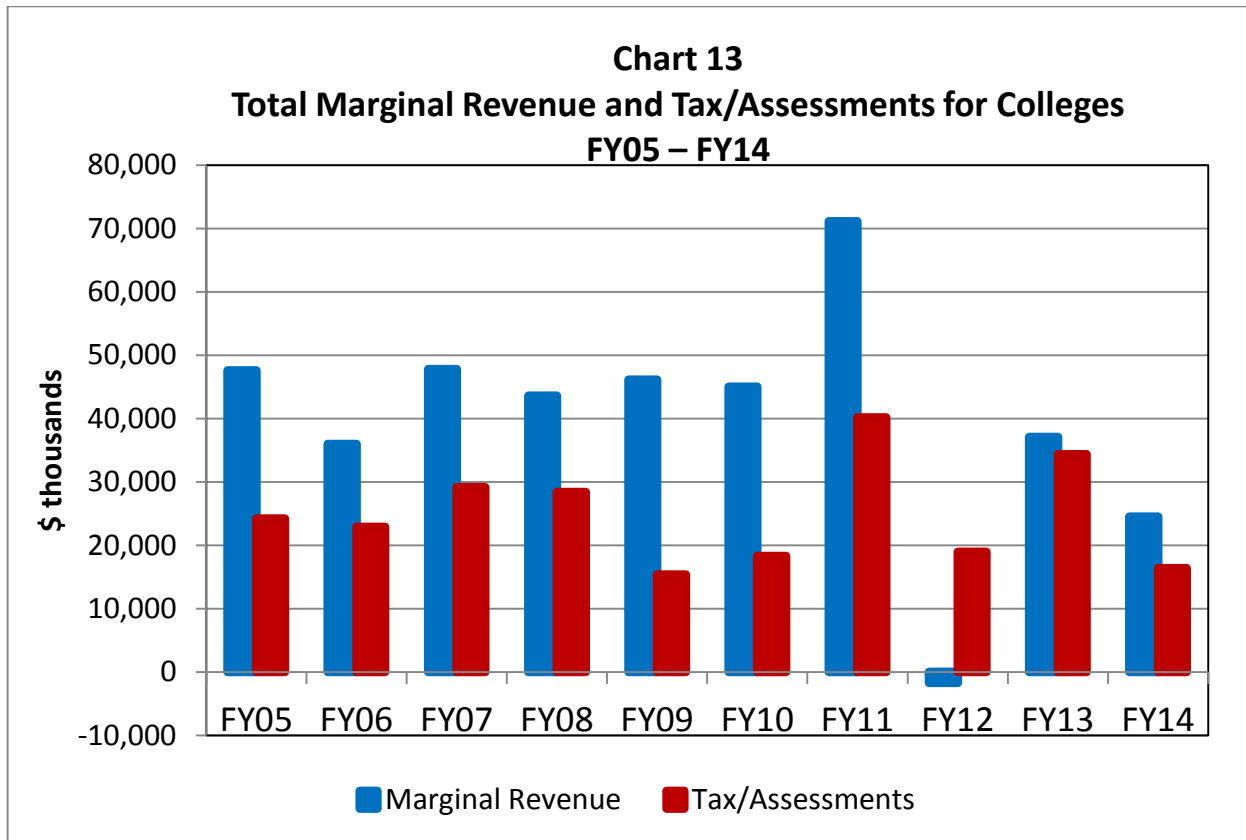
**Chart 12** displays the overall tax and assessment rate for colleges. FY 2012 is shown as “\*” as the tax and assessment rate exceeded the marginal revenue. The central tax of 24% has not changed since the implementation of the budget model.

**Chart 12  
Overall Tax & Assessment Rate (Colleges)  
Marginal Tax and Assessments as a % of Marginal Resources**

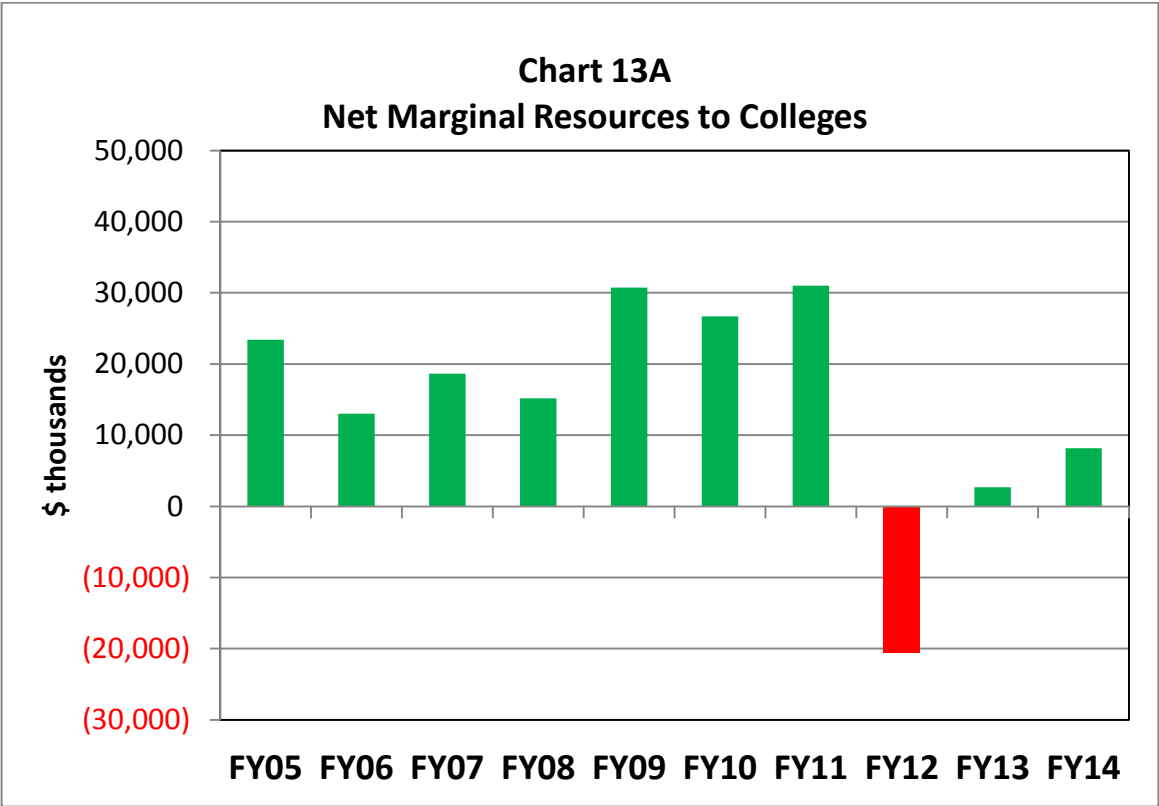
<b>FY</b>	<b>Rate</b>
FY05	51%
FY06	64%
FY07	61%
FY08	65%
FY09	33%
FY10	41%
FY11	56%
FY12	*
FY13	93%
FY14	67%



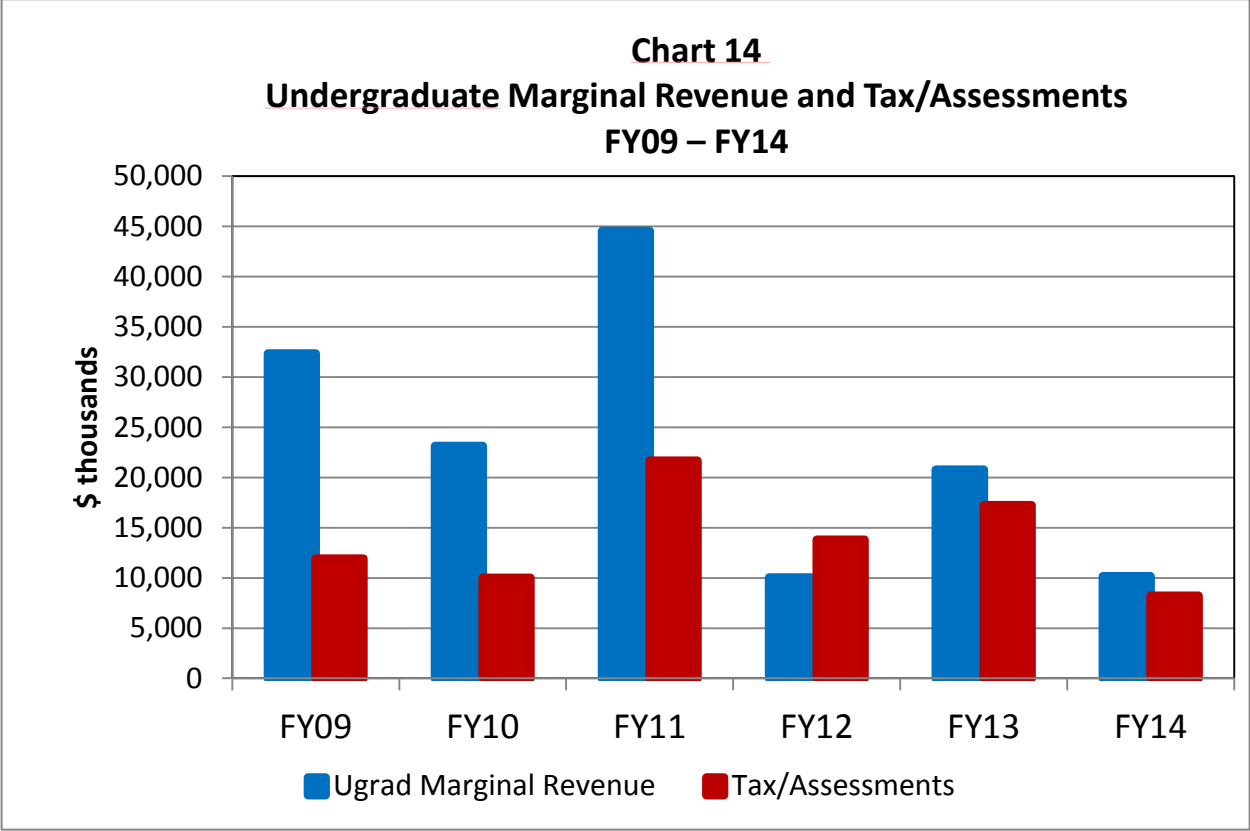
**Chart 13** displays the total marginal revenue and tax and assessments for FY2005 to FY2014 for all colleges combined. The difference between the two bars each year represents the NMR to the colleges for that year. In FY2012, colleges had more tax and assessments than marginal revenue. As discussed in Section 3, FY2012 was a perfect storm of events with declines in SSI, no undergraduate tuition increase, year 2 of the enrollment plan funding and 1% PBA base reallocation, and a 2% AMCP increase with associated benefit rate increases.



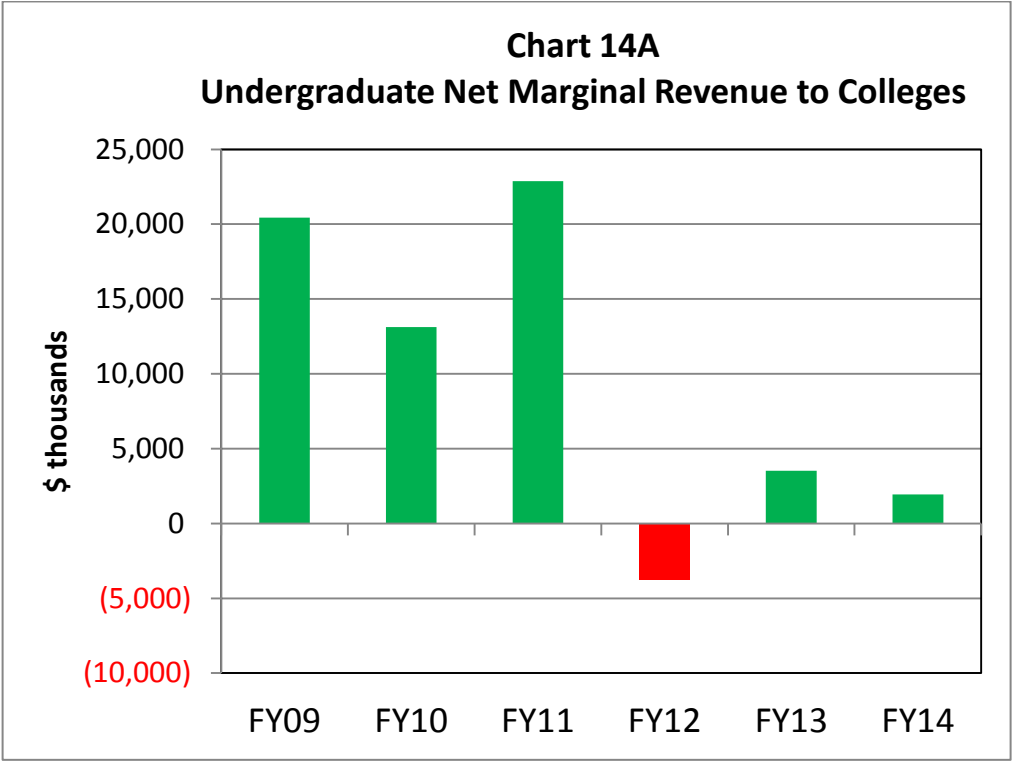
**Chart 13A** displays the total NMR for FY2005 to FY2014 for all colleges combined. This chart represents the difference between the two bars in chart 13. FY2012 clearly illustrates the perfect storm with only a slow rebounding in growth for FY2013 and FY2014 with NMR of \$2.7M and \$8.2M respectively for all colleges.



**Chart 14** is a subset of Chart 13 that focuses just on the undergraduate marginal revenue and tax and assessments since FY2009. This is the time period when both SSI was constrained and undergraduate tuition rates were frozen 3 out of 7 years plus the funding for the undergraduate enrollment plan began. Again, FY2012 was particularly challenging as the tax and assessments exceeded the revenue. And in FY2013 and FY2014, the difference between the undergraduate revenue and allocations is very small. It should be noted that college specific fees such as program, technology and course fees are not included in the revenue.



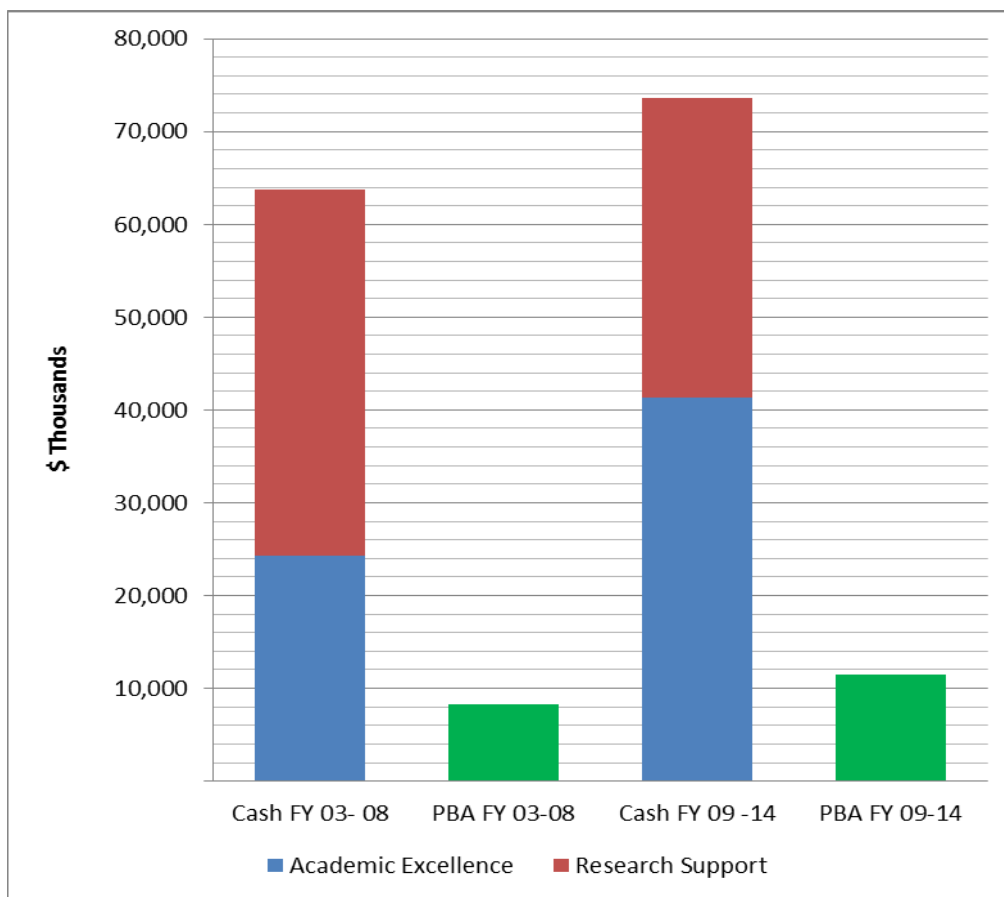
**Chart 14A** displays the undergraduate NMR for FY2009 to FY2014 for all colleges combined. This chart represents the difference between the two bars in chart 14. The continuing constraints are particularly dramatic with only \$3.5M and \$1.9M in undergraduate NMR distributed in total to all colleges in FY 2013 and FY2014 respectively.



*What are the central resources available to the president and provost for strategic investment?* The committee also examined the central resources available to the president and provost that comprise the strategic component of the university budget system. The reserves are grouped into four areas. The *president’s reserves* are controlled by the president and are primarily funded by the 3% PBA reallocation in FY11 – 13 from support units. The *provost’s reserves* are controlled by the provost and are primarily funded by the 3% PBA reallocation in FY11-13, the 5% tax, and a portion of the 19% central tax. The 19% central tax includes a \$2M incremental increase annually in PBA allocated to the provost for strategic investment. The *president/provost/CFO Reserve* is administered by those leaders and is primarily funded by income generated from the university’s long-term investment pool. *Other reserves* include the parking endowment, which is currently distributed in accordance with the terms of the endowment, and the various affinity agreements, which are governed by the guidelines as approved by the president and provost.

**Chart 15** displays the strategic investments from the reserves into academic excellence and research support. For FY2003-2008, of the total strategic investment, 72% of the cash and 36% of the PBA went directly to support academic excellence and research. In FY2009-FY2014, 70% of the cash and 67% of the PBA supported academic excellence and research.

**Chart 15**  
**Strategic Investments in Academic Excellence and Research Support**



## ■ SECTION 5 - CONSULTATION AND SURVEY OF DEANS, SENIOR FISCAL OFFICERS AND DEPARTMENT CHAIRS

As part of its evaluation, and as the BSAC did in 2008, three members of the ad hoc committee met with the deans of the professional colleges, the College of Arts and Sciences, and the health sciences colleges. The committee also sought the input from the 128 department chairs by means of an electronic survey.

### Meetings with Deans

Four questions were discussed during the meetings with the deans:

1. What aspects of the budget system most concern you?
2. Please provide examples of where the budget system has impeded your programs and/or services?
3. What aspects of the budget system has been the most helpful to you?
4. Please provide examples where the budget system has aided programs and/or services.

### *Perceptions of the Budget Model*

The discussions were wide-ranging and did not focus exclusively on the questions above. The deans discussed their perceptions of the budget model. The following comments partially summarize the perceptions of the deans. Understandably, while some perceptions are consistent with budget realities, others are indicative that the budget structure and processes are not always fully appreciated. The deans' concerns guide some of our recommendations regarding training and transparency addressed in Section 8 – Recommendations.

- In general, it was understood that the budget model is based on enrollment and research change and that growth and declines in enrollment are buffered.
- The budget model allows for some degree of strategic planning, and colleges can focus on the revenue streams that they can control.
- Larger colleges felt it was advantageous that the college is the unit of budgeting, rather than departments, understanding that high enrollment, low cost programs can balance out low enrollment, high cost programs that are strategically important.
- Concern was expressed about the budget results in FY2012 due to unexpected external events and that the model was not designed to respond immediately to environmental impacts. *(Note: strategic allocations via the budget system have been used to buffer some impacts on colleges.)*
- Differing viewpoints were expressed, including that the model treats all colleges equally, the model favors undergraduate programs, and much of the university budget is outside the model. These perceptions appear to be based on individual colleges' perceptions.
- Deans expressed the desire for multi-year projections of central expenditures and revenues to facilitate strategic planning along with the need for a review of the central taxes and assessments and more transparency of the use of those taxes and assessments.

### Survey of Deans and Senior Fiscal Officers

The committee also requested, from the deans and their senior fiscal officers, specific information about the budgeting process in their colleges. Of the 14 colleges, 5 colleges responded for a response rate of 36%. The questions and summary of responses are below:

1. Does your college communicate the structure and process of the budget model to the department level?
2. Does your college disseminate college budget model data to the departments?

3. Does your college have a financial advisory committee or group to discuss financial decisions and practices of your college?
4. Can you briefly describe the financial/budgeting process in your college?
5. How do you allocate funds to the departments?
6. What process is used in determining departmental allocations?
7. Who is involved in making budgetary decisions regarding departmental allocations?

### ***Summary of College Responses***

All respondents confirmed that their college shares some information about the budget model with departments and provides departments with data, although we did not request specifics of the data provided. Four of the five colleges have some type of financial advisory committee such as their executive committee, leadership team or budget committee. Generally, the departments present their college with requests (faculty lines, enrollment support, capital requests) that are then discussed at the college level. The department allocations are decided by college leadership. In all cases, the marginal funds received from the university's budget model are first used to fund compensation increases including AMCP and benefits. The remaining revenue is allocated according to strategic plans.

### **Survey of Department Chairs**

The survey sent out to the department chairs included six questions:

1. Does your college communicate the structure and process of the budget model to the department level?
2. Does your college disseminate college budget model data to your department?
3. Does your department have a financial advisory committee or group to discuss financial decisions and practices of the college and of your department?
4. Are you or is your department somehow involved in financial decision making at the college level?
5. Can you briefly describe the financial/budgeting process in your department?
6. What improvements would you like to see with regard to the structure and process of the budget model?

### ***Summary of Department Responses***

The response rate was very low for the department survey (15/128 for 12% response rate). It is difficult to provide generalized statements about the responses due to the low response rate, and it is not possible to determine why the response rate was so low. Ten out of 15 department chairs indicated that their college provided information about the structure and process of the budget model. However, three of these qualified this response by mentioning that information was provided "to some degree." One department chair observed that information about the structure of the budget model was provided, but little with regard to the process. Seven out of 15 department chairs agreed that their college provided budget model data. Only three department chairs indicated that they have a financial advisory committee, and only two indicated involvement in financial decision making at the college level. In most cases, the department chair and the department financial manager made the department's budget decisions. With regard to the last question, the department chairs mentioned the desire for more transparency about how the budget model operates at the university level, translates into the college level, and how they can budget in the face of external uncertainties (e.g., decreasing SSI; decreasing external funding from NIH, NSF, etc.; unclear expectations regarding POM and other 'central' needs).

## ■ SECTION 6 - EVALUATION OF RECOMMENDATIONS FROM 2008 BSAC REPORT

The BSAC report from 2008 made six recommendations. The Ad Hoc Budget Committee reviewed each recommendation to determine if it had been implemented and evaluated the outcome. The results are discussed below.

*BSAC Recommendation 1* – All university resources should be used to promote academic and research excellence.

Recommendation 1 focuses on strategic planning across and within all units of the university and emphasizes that those decisions should be strategic in nature rather than strictly determined by the budget model. Over the last five years, the university has focused on an annual strategic planning process. As the strategic planning process is refocused with the changes in university leadership, it is critical that emphasis continue on transparency and inclusion at all levels, from departments, across colleges and up to university leadership.

*BSAC Recommendation 2* – Resources and responsibility for achieving the goals set forth in the Academic Plan must be shared by all offices of the university, both vertically and horizontally.

Recommendation 2 focuses on ensuring that critical colleges and departments receive the resources to achieve the goals of the Academic Plan even if the resources generated through the budget model are not sufficient. We were not able to assess the extent to which this is occurring.

On the positive side, significant strategic investments have been made, particularly in academic and research excellence. Chart 15 in section 4 displays the strategic investments in colleges to promote academic and research excellence, totaling \$74M in cash and \$12M in PBA for FY2009 - FY2014. This support significantly increased from FY2003 – FY2008, when \$64M in cash and \$8M in PBA was distributed. Looking forward, significant investments will continue with the Discovery Themes program. It will become increasingly important to assess the success of these investments.

However, even with the strategic investments, the colleges were fiscally challenged in the last five years, especially since FY2012. Charts 13 and 14 specifically illustrate the negative impact of declining marginal resources and high marginal assessments.

*BSAC Recommendation 3* – The entire budget of the university should be exploited to secure new strategic investment funds of at least \$10M annually of cash to drive further quality improvements.

The university has developed new strategic investment funds, including the provost's and president's reserves that increased by the 3% PBA reallocation generating \$27.8M in total, \$19.7M and \$8.1M respectively, for the provost's and president's reserves. The asset monetization of parking generates \$23M annually, with over \$9M annually to be directed to discovery themes. The affinity agreements generate \$14M annually, and all follow a proscribed funding model for distribution of the revenue streams. These new revenue streams far exceed the \$10M annually of cash in the BSAC recommendation. These funds will allow the university to move forward with investments in discovery themes, faculty initiatives, student scholarship support, and other academic and research initiatives that would not have been possible if the affinity agreements and asset monetization had not occurred.

*BSAC Recommendation 4* – Deans should work with department chairs, with each other, and with the Provost to develop strategies to reward academic quality and to promote trans-institutional interdisciplinary research.

This BSAC recommendation emphasized the importance of interdisciplinary research and programs to the success of the university in obtaining research funding and attracting both new faculty and



graduate students. It was noted that a decentralized budget model could hinder these efforts. The discovery themes initiative is designed to foster interdisciplinary research and academic programs, particularly with the hiring of new faculty. The leadership of the discovery themes crosses colleges, Office of Research and Office of Academic Affairs. As the discovery themes move forward, transparency, particularly with financial and budget data, will be critical and should be shared throughout the university.

*BSAC Recommendation 5* – Systematically review on a regular basis the efficiency of central administration offices, as well as centers, programs and institutes that fall within their jurisdiction.

The university has implemented a review process for central administration offices; however, reviews of centers, programs and institutes have not occurred. The Central Services Subcommittee (CSS) of Senate Fiscal Committee (SFC) conducts these cyclical reviews. Because the committee focused efforts on restructuring the review process in FY2011, no review took place. To date, CSS has completed five reviews and a sixth is in progress. In chronological order, they are:

FY 08 & FY 09	Office of Research
FY 10	Department of Public Safety
FY 11	Process under review; no reviews scheduled
FY 12	University Libraries
FY 13	Office of the Chief Information Officer (OCIO) and Office of Student Life
FY 14	Facilities Operations and Development (FOD)

CSS recommendations focus on operational efficiencies, communication strategies, financial planning, enterprise risk review, resource allocation, generation of alternate revenue streams, debt management and human resource planning.

*BSAC Recommendation 6* – The Provost should use current committees or establish working groups to develop processes whereby we can gather information on the effectiveness of our GEC instruction, the effectiveness of our majors and minors, and on student outcomes.

The Council on Academic Affairs (CAA) established a university level advisory committee for the general education curriculum. The committee evaluates the general education program annually, including analyzing trends, monitoring new courses, and assessing the outcomes. The Office of Academic Affairs also conducts academic program reviews, including a self-study developed by the unit and a review by an external review team. Detailed information can be found at <http://oaa.osu.edu/programreview.html>.

*Funding Possibilities* - In addition to the six recommendations, the BSAC also presented funding options to generate additional resources. The options for revenue generation within the budget model were:

- Differential tuition
- Program, lab and learning technology fees
- Charge for credit hours over a maximal threshold, such as 18 or 20 hours

All three of these options have been implemented. Differential tuition has been used to generate additional revenue for colleges with professional graduate programs. These colleges are able to charge tuition based on external market conditions. Program, lab and learning technology fees have all increased significantly, since FY2008, as illustrated in Chart 9. We support the work of SFC to review these fees to ensure the fees are invested appropriately in academic programs. It is critical to strike the right balance between implementing these fees to support additional costs not funded from tuition or SSI and using

these fees to circumvent the low undergraduate tuition increases. Beginning FY2013, students enrolled in more than 18 credit hours per semester are assessed for those additional credits. And also beginning in FY2013, international undergraduate students are assessed an additional \$500 per semester to fund additional resources for those students.

Options presented for revenue generation outside the budget model were:

- Assessment on athletic revenues
- Assessment on clinical revenues
- Raise the payout on endowment revenues; increase the amount of unrestricted endowment funds

Athletics already provides significant revenues to the university, and is only 1 of a few college athletic programs in the country that is self-supporting. For example, Athletics funds grant-in-aid for student athletes, overhead for university services provided to Athletics, and student support services. Of particular note is the funding for the renovation of Thompson Library with Athletics committing \$9M over 9 years toward the renovation.

Although the payout on endowment revenues has remained relatively constant over time at a conservative level of 4 – 4.5%, the university has a revenue stream from earnings on the long term investment pool called the “Academic Strategic Venture Capital fund”. It generates \$55M annually in cash for strategic investment, assuming an 8% annual return on investment.

In addition, the BSAC stated “finally, only after all other options have been exhausted should taxes be raised on colleges”.

As illustrated in Chart 12, the overall tax and assessment rate has increased dramatically since FY2008. Also, the total tax and assessment rate is not entirely transparent. It is widely known that the central tax rate is 24% and has not changed over time; however, it is much less widely known what the overall tax and assessment rate is and that it fluctuates annually. Given that the assessments fluctuate annually, and are not reviewed comprehensively, a series of isolated decisions have led to a high assessment rate.

## ■ SECTION 7 – OBSERVATIONS, RISKS, AND OPPORTUNITIES

### Observations

The committee discussed extensively the guiding principles and validity of the current model. In summary, the committee believes the current budget model is fundamentally sound. The revenues flow appropriately, and it is appropriate that taxes/allocations pay for centrally-provided services. However, over the last several years, unintended consequences have resulted in a commonly held viewpoint that the model is flawed. Rather than the model being flawed, the committee believes that a lack of transparency, insufficient long-term projections and modeling, and decisions being made without sufficient holistic data analysis of the impact on colleges all contributed to a perception that the budget model does not work.

The committee also discussed the appropriate unit for budgetary responsibility, specifically the college or department. The committee came to a consensus that the college should remain the unit for budgetary responsibility; however, it is critical to have budget information disseminated to the department level as department chairs should be routinely informed and engaged in discussions about the budget process.

The committee agreed that the totality of all assessments is not easily transparent. In addition to the assessments in the model, colleges have had a number of assessments outside of the model, including

assessments for OSU Buckeye Box and SIS implementation. Additional charges have been implemented for the recentralization of services, including background checks and FMLA (Family Medical Leave Act). All of these assessments combined negatively to impact the colleges' budgets.

Because the budget of regional campuses is through a separate funding mechanism than the budget model, regional campuses budgets are not addressed in this report. The OBOR subsidy funding for regional campuses is changing, and the funding of regional campuses is currently under review by SFC.

## **Risks**

*State Funding* - The OBOR SSI allocation model changes pose a risk to the university. The current model developed by OBOR emphasizes at-risk and non-traditional students. The university cannot react quickly to the changing priorities from the state, and the priorities may not converge with the priorities of the university. Recently, we have seen that funding can shift quite dramatically annually among universities. The changes to the model were intended to create incentives and reward quality. We believe there are unintended consequences to the OBOR model that have and will continue to have a negative impact on the university. For example, when an institution increases quality in the form of improved graduation rates, they receive additional funds through the model. This was the intended outcome. However, given that the revenue available to higher education is a fixed amount, the revenue flowing to institutions with already strong graduation rates is reduced. So, universities such as OSU and Miami of Ohio are negatively impacted. Also, the OBOR model now rewards on-line learning programs. The university is investing in e-learning opportunities, but other universities, such as Ohio University, have increased their enrollment in on-line programs significantly.

*Capital Investment* - The university is near maximum debt capacity with the capital investment in the new hospital and the north campus residential housing, limiting the ability to fund the construction of new academic buildings and renovation of current academic buildings. The ability to recover the cost of the North Residential District is a risk. To fully fund the bond payments using revenue generated through housing fees and based on current operating expense levels, the room rates are projected to increase 6% annually for the next 10 years. Increasing housing rates at this level limits the ability to increase tuition which in turn limits resources flowing to the colleges via the budget model.

*Second Year Transformational Experience Program (STEP)* – STEP is currently funded on cash rather than PBA with an estimated ongoing cost when fully implemented of \$15M.

*Wexner Medical Center and Healthcare Reform* - An even greater risk to the university is associated with the medical center. Because approximately half of the university revenues are generated by the medical center, if the medical center were to experience financial difficulties for any reason, including external forces such as healthcare reform or Medicaid changes, the university would be negatively impacted. For example, the health sciences colleges rely on the transfer of operating and capital funds from the medical center to fund a portion of their academic programs. The transfer grew from \$87M in FY2011 to \$124M in FY2013. The majority of the support goes to the College of Medicine with a small portion of the funding, less than \$3M, distributed among the other health sciences colleges. Plans are being developed now to significantly reduce the hospital transfer over a period of a few years.

*Changing Demographics* - The changing demographics of the faculty is a risk. Over 40% of the faculty are retirement eligible in the next five years, and STRS retirement changes slated to take place in summer 2015 could result in a large number of faculty retirements.

*Federal Research Funding* – As discussed and illustrated in Section 3, federal research funding has been relatively flat in the last five years excluding the one-time infusion of ARRA funding. This is expected to continue with the constraints on the federal budget.

*Unfunded pension liabilities* – The Governmental Accounting Standards Board (GASB) has issued a new accounting standard that will require the university to recognize a pro-rata share of the unfunded pension liabilities of OPERS and STRS-Ohio in the university's financial reports, starting in FY2015. In addition, the debt rating agencies have incorporated these unfunded pension liabilities into their credit analyses of the university. Although these pension liabilities do not represent legal claims on the university's resources, they will negatively impact key university financial ratios and will need to be clearly explained to our stakeholders.

*Long Term Planning* – Decisions have been made with an insufficient comprehensive analysis of the long-term effects on the colleges.

## **Opportunities**

*Enrollment Plan* - The enrollment plan presents the university with a tremendous opportunity to invest in recruiting and retaining the highest quality students and providing significant scholarship support to those students. However, the investment has not been without risk. The cost of the enrollment plan has been borne predominantly by colleges via the student services assessment during a time of declining SSI and low tuition growth.

*Alternative Revenue Streams* - Even with the challenges of the economic recession, the university has developed alternative revenue streams that it did not have previously which will result in significant investment in academic and research excellence.

## **SECTION 8 - RECOMMENDATIONS**

### **Overarching Recommendation**

1. *The guiding principles and design of the university budget model are fundamentally sound. The committee recommends the budget model should be retained. To fully take advantage of the budget model, central university decisions (e.g., about tuition increases and AMCP) must be made in a coordinated, holistic, transparent manner with the impact of decisions on colleges and support units modeled prior to the decisions being finalized.*

The remaining recommendations address three areas: the annual planning and review process, the budget model, and management reporting and training.

### **Annual Planning and Review Process**

2. *The Senate Fiscal Committee (SFC) should comprehensively review annually the tax and all assessments in the budget model (for example, student services, research administration, and physical plant assessments) and other assessments outside of the model, both cash and PBA based. Multi-year investment decisions (i.e. five year enrollment plan) should also be evaluated annually to determine if adjustments should be made. SFC should be given sufficient time to conduct an in-depth analysis and review including assessing unintended consequences.*
3. *A robust multi-year projection model should be developed that can be used by colleges to model budget scenarios based on a variety of inputs. A projection model will greatly aid units in multi-year strategic planning.*

4. *The review process for central administration offices should be supplemented by a follow-up review.* The Central Services Subcommittee (CSS) of Senate Fiscal Committee has invested significant time in these reviews which resulted in robust recommendations. A follow-up report should be completed annually on the outcomes of the recommendations specifically examining if the recommendations were implemented and if not, why?
5. *Three institutional risks should be carefully evaluated and monitored to ensure their impact is understood, and strategic decisions should be made to minimize negative effects on the budget.* The university risk management program has identified a number of key risks. The committee has focused on identifying three financial risks which could impact the model because they could divert funding from other initiatives or potentially be included in an assessment. Strategic decisions need to be made to ensure the risks are minimized for the budget model. The risks in priority order are: 1) OSU Wexner Medical Center and the changing healthcare environment, 2) the cost of the north residential housing, and 3) the ongoing cost of STEP.

### **Budget Model**

6. *Re-evaluate the subsidy allocation methodology when the OBOR methodology is finalized.* The committee recommends not considering the OBOR methodology until all changes are clearly understood. It is critical that the impacts of changes in the OBOR methodology are understood and modeled by the university. The university should also work proactively and collaboratively with the OBOR to develop and evaluate new SSI allocation methodologies to avoid unintended consequences (e.g. graduation of lesser prepared students) and possible gaming of the system.
7. *Limit the assessments outside of the budget model.* All assessments, whether one-time or on-going, should be evaluated for their financial impact on units prior to finalizing the assessment, including the impact of multiple changes occurring concurrently. A process should be developed and implemented to compile and review all assessments, both inside and outside the budget model and including both cash and PBA assessments.
8. *A “re-basing” analysis should be completed for all colleges.* The analysis and financial modeling should be done to determine if multi-year rebasing of colleges is indicated. The financial analysis should examine the history and projections for all colleges and include a comprehensive examination of all sources and uses in colleges, not just those in the budget model.

### **Management Reporting and Training**

9. *Colleges should have a college level committee for fiscal and budget issues with adequate department level faculty and staff representation.* This could be a committee(s) that is already in place serving multiple purposes, such as an executive committee, or a specific budget committee entirely focused on the budget for the college. The committee can assist the college administration in planning by providing grassroots information, transmitting timely concerns, and conveying feedback. The presence of a committee may also help provide continuity in event of senior administrative turnover in a unit.
10. *To increase transparency, fiscal presentations by college leadership, such as the dean and senior fiscal officer, to faculty and staff are desirable and expected.* The committee recognizes and stresses the need for simple and transparent financial disclosures. At the same time, it is cognizant that arrangements to achieve this goal can vary across colleges given their different sizes and structures. Colleges should provide comprehensive annual and intertemporal fiscal data at both the college and department level to faculty and staff. The quantitative data can be complemented by an accompanying qualitative dean’s

report made available to all faculty and staff. Such a report must link the college's fiscal resources and use of net marginal resources, whether increasing or decreasing, with planned strategic initiatives.

11. *Financial training for unit leaders, including deans, associate deans, department chairs, and senior fiscal officers, should be implemented.* Understanding the university budget model, modeling tools and financial reports available is critical to effectively lead a unit. Given changes in leadership in colleges over time, ongoing training is critical. This recommendation is based on the surveys and discussions with deans, department chairs and senior fiscal officers.
12. *Develop and maintain centralized financial reports that are easily accessible and provide multi-year data by college and department.* Current examples are University Profiles, Sources and Uses, and the budget restructuring database. Reports should be at both the college and department level, include comparisons across colleges, include NMR at the department level, and include both historical trends and projections. Training and documentation on the use and interpretation of these reports is also critical.
13. *The Senate Fiscal Committee should review the recommendations above in early FY2016 to determine the status of the implementation of the recommendations.* The progress should be monitored and be ongoing to ensure these recommendations are implemented well before the next five year review of the budget.