

**BUDGET  
ALLOCATION  
OVERVIEW**

Office of Academic Affairs

Office of Business and Finance

[www.rpia.ohio-state.edu](http://www.rpia.ohio-state.edu)



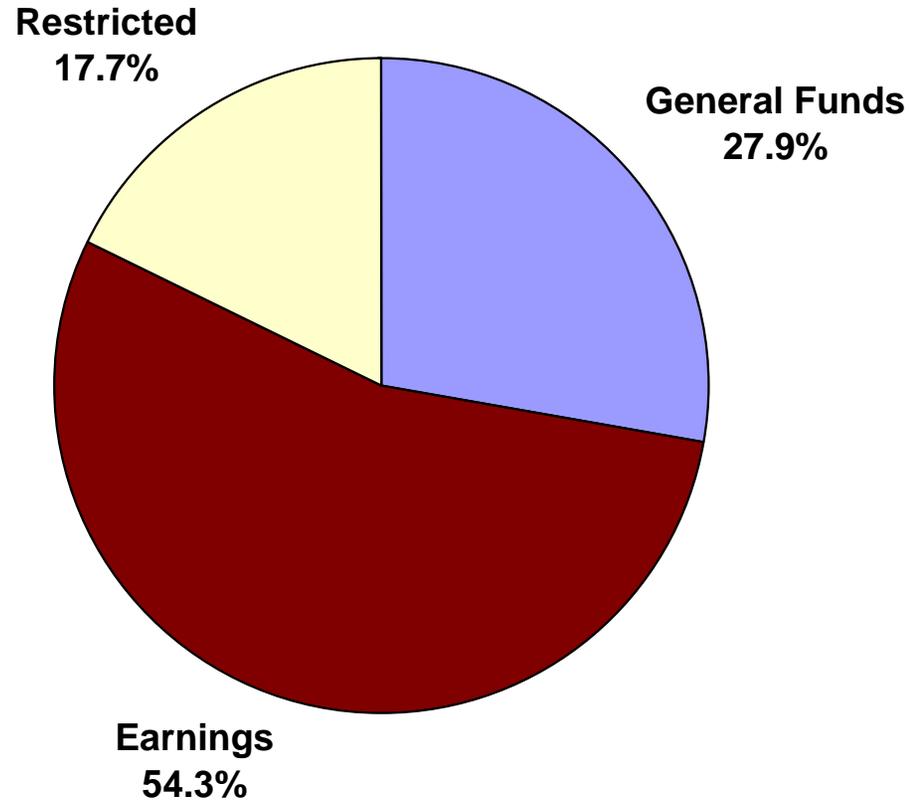
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# OSU FY 08 All Funds Budget

- General Funds make up nearly 28% of Columbus Campus's resources.
  - The General Fund grows by \$46.6 M in FY 08. In addition, \$10.1 M is carried over from increased FY 07 enrollment and retention.
  - The FY 2008 merit compensation pool supports on average a 4.1% faculty and 3.5% staff merit increase.
  - The FY 08 financial aid budget, including graduate fee authorizations, is \$ 189.7 million or 16.8% of the general fund budget.

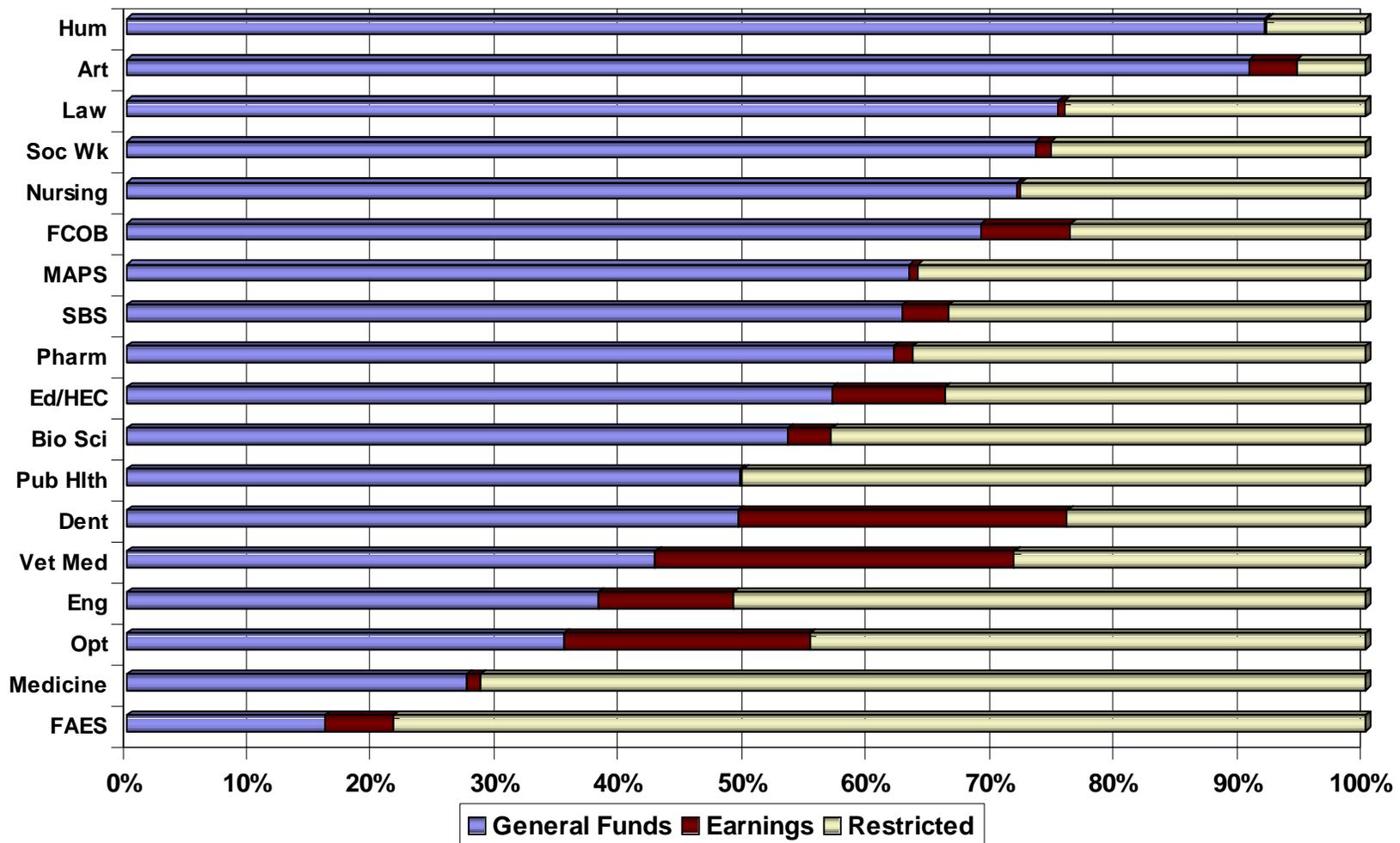
## Columbus Campus



## OSU's All Funds Total Allocations

- The source of funding varies from one academic unit to another.

FY 2007 Sources of Funds by College



# Guiding Principles

- General Fund allocation informed by Academic Plan
- General Fund revenues and departmental/college expenses explicitly linked to generating units
- A portion of General Fund revenues dedicated to the support of university-wide services
- Maintenance of a certain level of budget stability and predictability
- Appropriate oversight and accountability
- Continuous review and improvement

# Key Elements of Budget Restructuring

- Budget Re-basing of Colleges
- Sharing of Annual Changes of Revenues
- Allocation of Annual Changes of Expenses
- Monitoring for Unintended Consequences

# Budget Re-basing of Colleges

- Revenues and expenses for each college were measured.
- Significant differences between revenues and expenses were identified.
- Colleges were placed into three groups in relationship to the goals of the Academic Plan.
- Rebasing goals were established to reallocate over \$15.5 million among the colleges through the Provost's Strategic Investment funds and reductions in some college base budgets.
- Base budgets continue to be adjusted annually based on each college's unique situation.

# Re-basing Progress

## College Rebasing History (Columbus campus General Funds Budget – In Millions)

College	FY 02 - FY07	FY08	7 Year Total
Humanities	\$2.70		\$2.70
Social & Behavioral Sciences	1.10		1.10
Biological Sciences <sup>1</sup>	0.64	0.11	0.75
MAPS	0.28		0.28
<b>Arts &amp; Sciences Subtotal</b>	<b>4.72</b>	<b>0.11</b>	<b>4.83</b>
Business	0.07	0.14	0.21
Engineering <sup>2</sup>	0.48	1.10	1.58
FAES	0.20		0.20
Education	0.06		0.06
Social Work	0.02		0.02
Law	0.05	0.06	0.11
Public Health	1.03		1.03
Medicine	6.70		6.70
Optometry	0.50		0.50
Social Work	0.30		0.30
Human Ecology	0.20		0.20
Nursing	(0.04)		(0.04)
Pharmacy	(0.04)	0.15	0.11
Dentistry	(0.85)		(0.85)
Veterinary Medicine	0.00	0.07	0.07
<b>Subtotal</b>	<b>8.68</b>	<b>1.52</b>	<b>10.20</b>
<b>Rebasing funding to be distributed</b>		<b>0.47</b>	<b>0.47</b>
<b>Net Transfers</b>	<b>\$13.40</b>	<b>\$2.10</b>	<b>\$15.50</b>

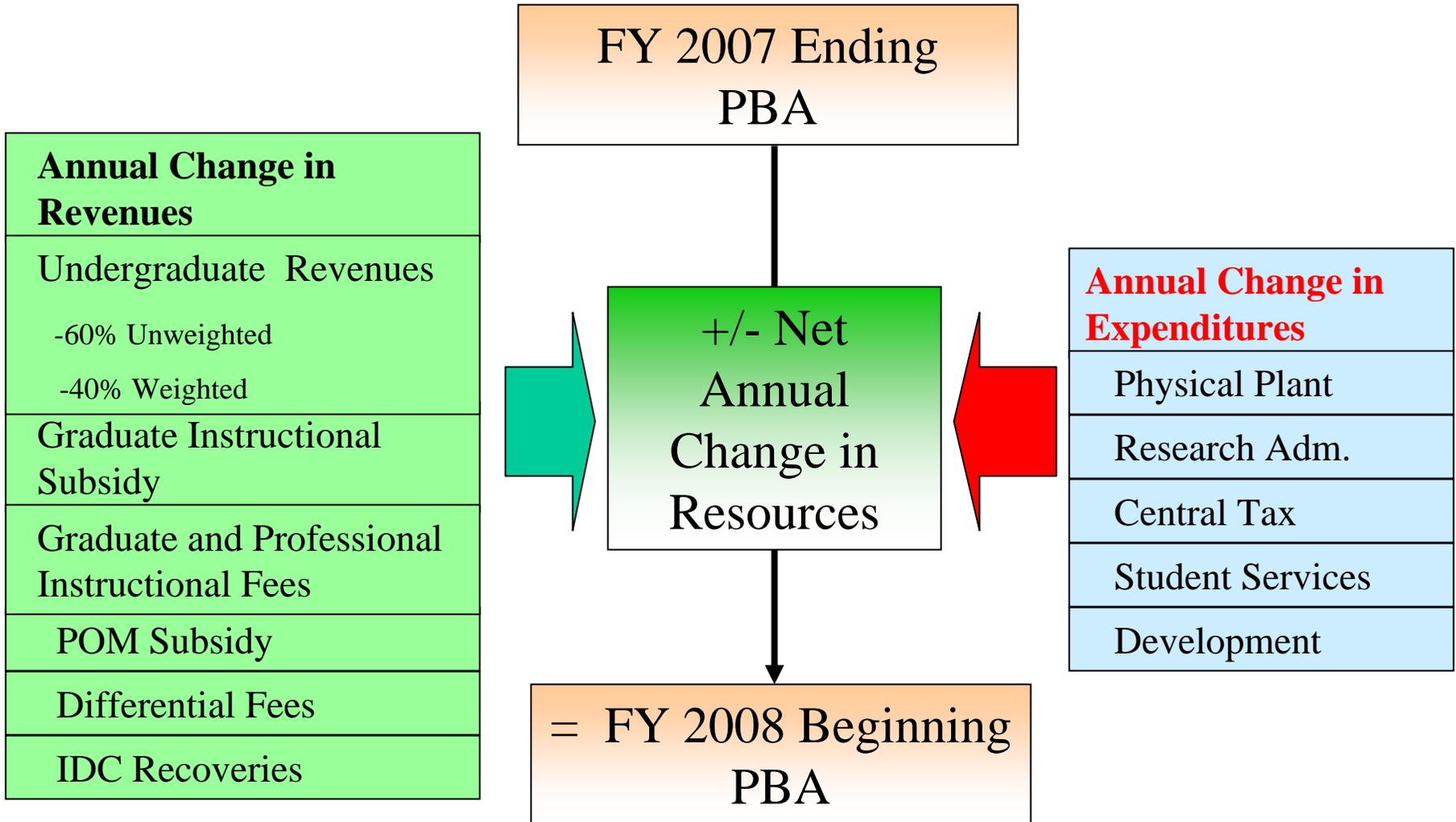
[1] FY08 includes \$100,000 from Executive Dean of the Arts and Sciences. [2] FY08 includes \$103,275 redirected from Academic Enrichment Awards.

Through FY 2008, \$15.5 M has been reallocated to colleges through the rebasing process.

# Sharing of Annual Changes of Revenue With Colleges

- Sources of annual changes in revenues:
  - Instructional and other fees
    - Different rates for different graduate and professional academic programs and undergraduate students' year of admission to OSU
  - State Subsidies (*provided to cover costs of programs delivered*)
    - Instructional: Based on different subsidy types for different courses and different student levels
    - Plant Operations and Maintenance (POM): Earned on an activity basis
      - Calculated according to the costs to maintain campus facility plant
      - Allocated based on activity delivered at the campus
  - Indirect Cost Recoveries

## Budget Process for Colleges: The Big Picture



## Factors Affecting the Allocation of Instructional Fees and State Support

### State Support

#### 1. Subsidy

- a) Allocation of POM (*Equal to 50% of inflationary Physical Plant Allocation*)
- b) Changes Due to Increase/Decrease in State Subsidy

#### 2. Success Challenge

- a) Graduation of financially at-risk in-state undergraduate majors.
- b) Timely graduation of in-state undergraduate majors
- c) Service course credit hours (*outside college of enrollment*)



### Instructional Fees

- a. Changes Due to Shifts in Enrollments
- b. Changes Due to Price (*change in instructional fees*)



Total Change

# Undergraduate Revenue

- **Recognizes differential costs in delivery of undergraduate programs**
- **Marginal increases in undergraduate fee and subsidy revenue are allocated**
  - 60% Unweighted**
    - **Allocated based on fee credit hours**
  - 40% Weighted according to cost of programs**
    - **Allocated based on subsidy credit hours**

# Doctoral Subsidy Adjustment

- 1.5% of doctoral subsidy is earmarked to match State Innovation Incentive and support quality doctoral programs as determined by the Graduate School.
  - An additional 1.5% of the doctoral subsidy will be reallocated in FY's 09-15.
- Remaining subsidy is allocated on a credit hour basis.

## Allocation of Annual Change in Instructional Fees and Instructional Subsidy to Colleges

- **The changes between current and prospective year effective rates will apply to total average credit hours.**
- **Prospective year effective rates will apply to annual changes (increase or decrease) in average credit hours.**

Effective rate = total revenue for an instructional fee/instructional subsidy category divided by 2-year average university-wide credit hours in that category.

*Does not apply to differential fees, or POM subsidy, or success challenge.*

# Allocation of Annual Change in Instructional Revenues

## Example of Changes in Effective Rates:

Current Year Effective Rate:	\$20/credit hour
Prospective Year Effective Rate:	\$25/credit hour
Difference:	\$5/credit hour

The same methodology will be  
applied to all fee and subsidy  
categories.

# Indirect Cost Recoveries

- 100% of the annual changes in indirect cost recovery revenues are allocated directly to the generating college or vice-presidential area except for that portion associated with University Library costs. Annual changes in the portion associated with the Libraries will be allocated to the Libraries.
- Beginning in FY07, OSU's IDC rate increased from 49.5% to 50.0%.

# Allocation of Annual Change of Expenses

- Colleges' budgets include five categories of expenses, each of which is allocated to the colleges based on unique measures:
  1. Student services (*applies to colleges & any support units generating credit hours*);
  2. Physical plant (*applies to colleges & support units*);
  3. Research administration (*applies to colleges & support units*);
  4. Central tax (*applies to colleges*);
  5. Assessment to support development (*applies to colleges & support units*).

# Student Services Allocation

- Student services allocation covers services provided by Student Affairs, Enrollment Services, Undergraduate Student Counseling, and the Graduate School.
- Includes annual changes in non-resident portion of graduate fee waivers, graduate fellowships, and undergraduate student financial aid.
- FY 08 is the second year of a five-year, 0.5% of budget cash assessment to cover the costs of the Student Information System development and implementation.

# Student Services Allocation

- There are three separate annual rate Cost Pools:
  - **Cost Pool 1 (Undergraduate):** 76% of this cost pool is Undergraduate Financial Aid. Also includes operating budgets for Financial Aid and First Year Experience. Expense is allocated by average undergraduate credit hours.
  - **Cost Pool 2 (Graduate):** 76% of this cost pool is Non-Resident Fee Authorizations. This is the largest cost pool and includes operating budget of the Graduate School. Expense is allocated by average graduate credit hours.
  - **Cost Pool 3 (All Students):** this is the smallest cost pool and includes portions of operating budgets for Student Affairs and Academic Affairs. Expense is allocated by an average of ALL credit hours.

# Physical Plant Allocation

- Annual changes in expenses are allocated to the units based on the assigned square footage recorded in the university's space inventory.
- The square footage is multiplied by a flat rate per square foot for three types of costs: utilities, custodial service, and maintenance.
- Units who have leased space are responsible for additional leased space and rent increases.

# Research Allocation

- Research cost allocation covers the budgets of units that support sponsored research (e.g. OSURF).
- Individual colleges are allocated a research cost proportional to their Modified Total Direct Cost expenditures.
- In FY08, a third and final cash allocation of \$2.0 million covers the expenses associated with the new financial system for grants.
- Central tax funds the administrative components of the Office of Research that have university-wide responsibilities (e.g. Office of Responsible Research Practices).

# Development Support

- In FY 08, colleges, support units and auxiliary units are providing \$1.8 million in support of the University's development efforts.
- The support is allocated among the units proportionally taking into account the development expenses on behalf of each unit and designated funds raised for each unit.

# Central Tax

- Supports units such as the President's Office, OAA, Treasurer's Office, Controller, Public Safety, and University Landscaping are funded by a 19% Central Tax.
- An additional 5% tax funds Strategic Investments.
- These taxes apply to:
  - Subsidy (Instructional and POM);
  - Success Challenge;
  - Instructional Fees.
- These taxes do not apply to:
  - Indirect Cost Recoveries;
  - Differential Fees.

# Graduate Fee Authorizations

- Graduate fee authorization expenses are the responsibility of the college or support unit appointing the graduate students.
- Colleges appointing graduate students from other colleges are encouraged to work closely with the college of enrollment to ensure that one college's financial decisions do not negatively impact another college's academic program.
- Colleges may increase/decrease the number of fee authorizations funded by the college and determine the funding source (general fund/restricted funds) of fee authorizations at the discretion of the dean.

# Support Units

- Since Autumn 2003, Senate Fiscal Committee, with the assistance of Institutional Research & Planning, has been reviewing support units and their ongoing base budgets.
  - To date, reviews include:
    - Functional processes - student fees and registration processes, building services and maintenance, library system functions;
    - Support organizations - Facilities, Operations and Development, University Development, CIO, Fees & Deposits, Financial Aid, Registrar.
- In FY08, the Office of Research review will be conducted.

**More information is available at:**  
**<http://oaa.osu.edu/irp/progreview/fy05reviews.php>**

# Courses & Quality of Instruction

Council of Academic Affairs ensures continued quality of instruction through:

- A comprehensive review of existing courses before a new course is approved.
- Monitoring course and program quality through a number of indicators, such as class size, level of instructor, and course GPA.
- Monitoring college honors course offerings, enrollment, and quality of instruction.

# Review of Allocation Methodologies

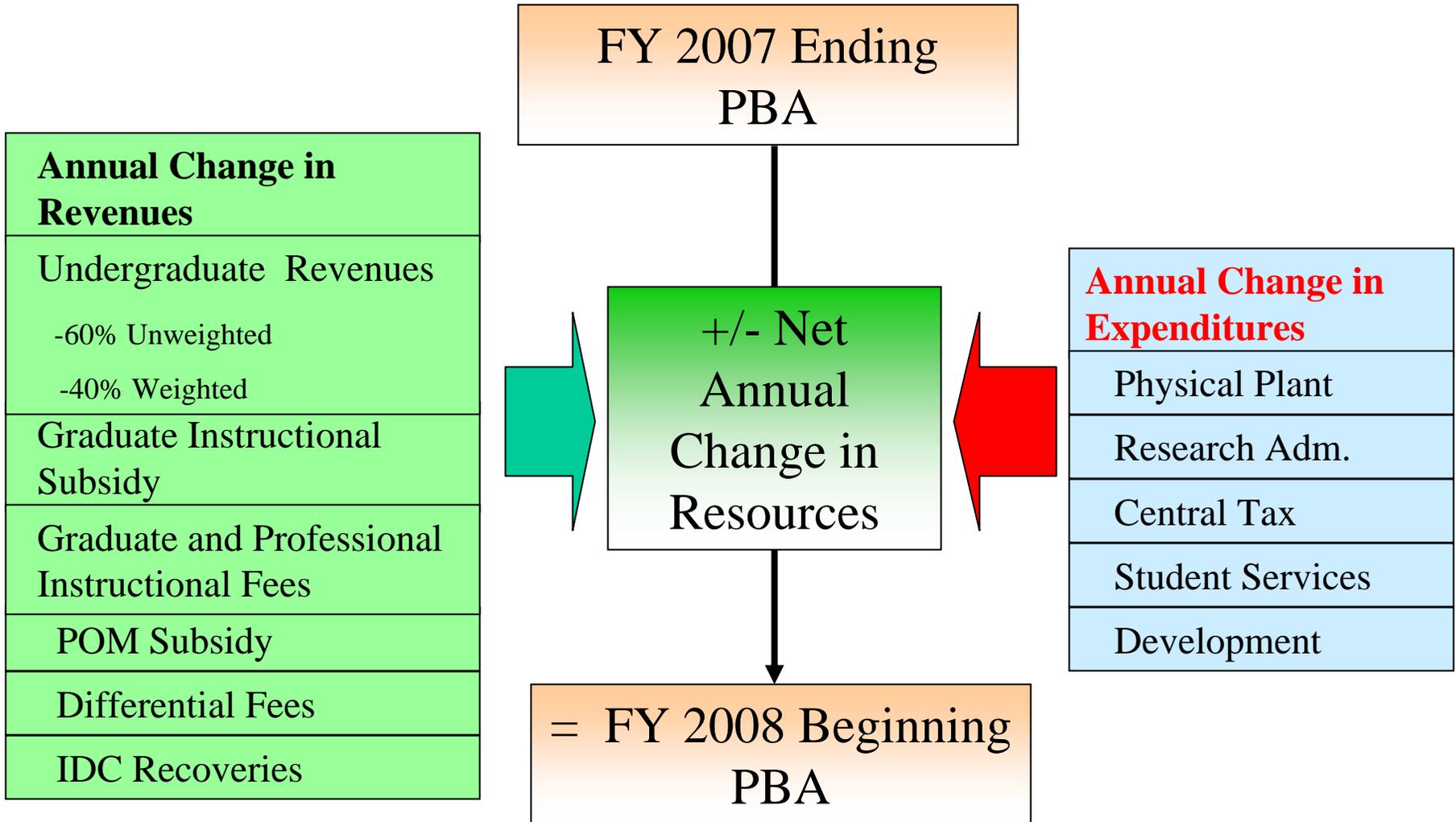
## Senate Fiscal Committee:

- Provided to the Provost data and tools to assist in the Provost's review of the College base budgets.
- Recommend to the Provost modified allocation models where unintended consequences or changes in the financial environment suggest revisions are appropriate. Allocation methodologies implemented in FY 08 as a result of these reviews include:
  - Combining the undergraduate subsidy and fee revenue and allocating 60% of the revenue on a credit hour basis and 40% on a basis weighted to reflect the cost of delivering instruction.

# Review of Allocation Methodologies

- Redirecting almost 12% of the doctoral subsidy by 2015 to be allocated by the Graduate School based on quality rather than credit hours. The quality allocation in FY 08 is 1.5% of the doctoral subsidy earned.
- After careful review, no changes were recommended in the methods allocating IDC revenue and Research costs.
- POM subsidy allocations in FY 08 were reduced to 50% of the inflationary growth in costs, freeing up more subsidy to be allocated on a credit hour basis.

## Budget Process for Colleges: The Big Picture



## Questions & Answers



Any Questions??

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