Council of Deans  
May 20, 2008

**TOPIC:** FY 2009 Operating Budget

**CONTEXT:**

This is a status report on where we are in the decision-making process for the University's operating budget for the Fiscal Year beginning July 1, 2008.

**SUMMARY:**

- Strategic Context (Attachment A)
- Impact of Base Scenario on Colleges (Attachment B)
- Issues Still to be Resolved (Attachment C)
- Budget Calendar (Attachment D)
- Impact of Reduced Credit Hours (Attachment E)

**CONSIDERATIONS:**

- Is there any other information the Deans would like to have?
- How does the Budget Review Committee fit in?
- What information has been shared with Fiscal Officers?
- How do the Regional Campuses fit in?

**REQUESTED OF COUNCIL OF DEANS:**

For information and discussion.
I. A. FY 2009 Operating Budget Strategic Objectives

1. **COMPENSATION** – Pay raise merit pool of at least 3.5% for faculty and staff without reallocation for most units.

2. **ACCESS** – Continuation of resident undergraduate tuition freeze without adverse financial impact on academic goals.

3. **GRADUATE PROGRAM QUALITY** – Significant strengthening of graduate programs by:
   a) Program review
   b) Reduced tuition for Ph.D. students in dissertation phase
   c) Allocation of dollars reflects quality

4. **FINANCIAL STABILITY** – Protection/buffering against uncertain economic environment.

5. **ALIGNMENT** – Aligns with Academic Plan, President’s six objectives, and Master Planning goals.

**NOTE:** Strategic objectives and available resources means funds for support unit budget increases will be very limited.
FY 2009 General Funds Budget Base Scenario

NOTE: These projections are preliminary and are for discussion only. They do not represent decisions or recommendations at this point.

Assumptions

Revenue
- NFQF: 6,000
- Total AU 08 Enrollments: 52,723

Tuition Package
- Resident Undergraduate Increase: 0%
- Graduate and Professional Increase: 5%
- Fee Reduction for Post Candidacy Ph.D. Students: Included

State Support: 9.6%

All Other
- Research Indirects: 0.7%
- Regional Campus Service Charge: 1.6%
- Earnings and OSUMC Cost Recoveries: 6.5%

$10M Stability Reserve

Expense
- Salary Pool: 3.5%
- Benefits: 6.9%
- POM Rate Increase: 5.8%

Student Financial Aid
- Increase to Cover Fee & Housing Increase: 3.5%

Deficit Reduction Plan – Funded Portion: $1.4M
Deficit Reduction Plan – Unfunded Portion: $1.7M
Preliminary FY 2009 Marginal Revenue Options by College
Includes Estimated Impact of Post Candidacy Fee Reduction (1)
(Dollars in thousands)
(NOTE: Numbers are preliminary, for discussion only and do not reflect decisions or desired outcomes)

<table>
<thead>
<tr>
<th>Post Candidacy (1)</th>
<th>Net Marg Resources (3)</th>
<th>NMR After 3.5% Inc (4)</th>
<th>Marg. Tech, Prog &amp; Lab Fees</th>
<th>Provost's Investment Funds</th>
<th>NMR after 3.5%, Fees, &amp; QI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts</td>
<td>901</td>
<td>119</td>
<td>74</td>
<td>TBD*</td>
<td>193</td>
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<tr>
<td>Biological Sciences</td>
<td>90</td>
<td>(149)</td>
<td>TBD</td>
<td>(149)</td>
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<td>Humanities</td>
<td>1,474</td>
<td>83</td>
<td>TBD</td>
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<tr>
<td>MAPS</td>
<td>1,271</td>
<td>(94)</td>
<td>1,085</td>
<td>TBD</td>
<td>991</td>
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<td>SBS</td>
<td>1,133</td>
<td>235</td>
<td>TBD</td>
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<td>Exec Dean Arts and Science</td>
<td>587</td>
<td>320</td>
<td>TBD</td>
<td>320</td>
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<td>Subtotal Arts &amp; Sciences</td>
<td>5,457</td>
<td>513</td>
<td>1,159</td>
<td>TBD</td>
<td>1,672</td>
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<td>Business</td>
<td>3,350</td>
<td>2,395</td>
<td>500</td>
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<td>2,895</td>
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<td>FAES</td>
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<td>680</td>
<td>TBD</td>
<td>680</td>
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<td>Education/Human Ecology</td>
<td>1,183</td>
<td>64</td>
<td>700</td>
<td>TBD</td>
<td>764</td>
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<td>Engineering</td>
<td>887</td>
<td>(962)</td>
<td>800</td>
<td>TBD</td>
<td>(162)</td>
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<tr>
<td>Nursing</td>
<td>257</td>
<td>14</td>
<td>TBD</td>
<td>14</td>
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<td>Pharmacy</td>
<td>732</td>
<td>445</td>
<td>TBD</td>
<td>445</td>
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<td>Social Work</td>
<td>134</td>
<td>(45)</td>
<td>TBD</td>
<td>(45)</td>
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<tr>
<td>Dentistry</td>
<td>1,108</td>
<td>427</td>
<td>TBD</td>
<td>427</td>
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<td>Law</td>
<td>1,385</td>
<td>885</td>
<td>TBD</td>
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<tr>
<td>Medicine</td>
<td>2,606</td>
<td>1,907</td>
<td>210</td>
<td>TBD</td>
<td>2,117</td>
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<td>Public Health</td>
<td>360</td>
<td>180</td>
<td>TBD</td>
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<tr>
<td>Optometry</td>
<td>946</td>
<td>781</td>
<td>TBD</td>
<td>781</td>
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<tr>
<td>Veterinary Medicine</td>
<td>1,411</td>
<td>764</td>
<td>TBD</td>
<td>764</td>
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<tr>
<td>IGP's</td>
<td>(99)</td>
<td>(99)</td>
<td>TBD</td>
<td>(99)</td>
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<td>Credit Hours in Support Units</td>
<td>195</td>
<td>195</td>
<td>TBD</td>
<td>195</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>20,946</strong></td>
<td><strong>8,145</strong></td>
<td><strong>3,369</strong></td>
<td><strong>11,514</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Support Units (5)  | 7,815                  | (1,902)                |                              |                          |

* Provost's Investment Funds for FY 2009 will be determined as part of the budget process.

See Notes on following page:
Preliminary FY 2009 Marginal Revenue Options by College
Includes Estimated Impact of Post Candidacy Fee Reduction

Notes:

1. $10M HB + $7M Doc QI - $10M Subsidy and Fee marginal revenue held in Stability Reserve plus and additional $6.96M inflationary increase in Doc. Subsidy for quality graduate programs.

2. Post Candidacy - Includes estimated impact of lowering the full-time enrollment requirement for post candidacy doctoral students from the current 10 hours to 3 hours, resulting in a $17.6M reduction in student fee revenue and an $8.8M reduction in centrally funded non-resident fee authorization expense. The reduction in non-resident fee authorizations is returned to colleges through a reduction to the graduate component of the Student Services Assessment. $3.33M of $6.96M Doc. Quality Investment is allocated to fund this change, leaving $3.63M Doc. Quality Investment to be distributed.

3. Net Marg Resources (NMR) - Includes FY 2008 Final Reconciliation as well as the distribution of FY 2009 marginal revenue for Subsidy, Fees, 50% of inflationary component of Physical Plant Assessment and Differential Fees less assessments for Physical Plant, Research, Student Services, Development and Tax. Indirect cost recoveries are reported at a $589k increase. Program fee margins are in addition to NMR reflected above.

4. NMR After 3.5% Inc - Net Marginal Resources remaining after funding the costs of 3.5% salary increase, 6.7% benefit increase and 4.7% resident fee authorization increase. Note that all cost estimates are based on annual rate balances in salary accounts which may not match actual costs. Also assumes $1.4M distributed to colleges to fund decentralization of dependent fee authorizations. Includes estimated $5.6M reduction in college paid fee authorizations resulting from fee reduction for Post-Candidacy Ph.D. Students.

5. $1,902k shortfall in Support Unit guideline funding is primarily a result of planned reallocations in Research (reclassifying ULAR space to general funds: $381k), Student Affairs (occupying the PAES Building: $425k) and the result of flat IDC growth in the Offices of Research and Health Sciences ($273k). Other Support Units incur small reallocations to fund 50% of the Inflationary Component of POM, Maintenance and Renewal POM and the Development Assessment.

NOTE: Numbers are preliminary and do not reflect decisions or desired outcomes.
Council of Deans  
May 20, 2008  

FY 2009 Operating Budget and Beyond  
Issues to be Resolved  

Compensation Targets  

Innovation Incentive Carryover  

Mandates and Service Improvements  

Development Assessment/Budget for the Next Campaign  

Research Assessment  

Central Share of Financial Aid Deficit  

Impact of Financial Uncertainty on Regional Campuses  

Financial Impact of Graduation Credit Hour Reduction (McHale) *  

University System of Ohio **  

* See Attachment E  

** Does not directly affect FY 09 Operating Budget
Detailed Timeline

June 30, 2008 Monday
- Preliminary net marginal resource & marginal expenditure calculations available via eReports
- Preliminary Schedule A available for download

July 14, 2008 Monday
- Final Schedule A available for download on the Resource Planning web site
- Final net marginal resource & marginal expenditure calculations available on the Resource Planning web site
- Schedule C budget templates available for download
- General funds budget panels available

August 15, 2008 Friday
- Last day to submit Schedule C Budget Templates to Resource Planning or to complete budget via general funds budget panels

Aug 18-27, 2008
- Schedule C budget templates are loaded to budget development tables.
- General funds budgets are reviewed by budget analysts via on-line panels and reports
- Budget analysts freeze approved budgets, which indicates that the budget is ready to be loaded to the GFSA and PBA ledgers.

August 27, 2008 Wednesday
- Processes are run to load budgets from the budget development tables to the GFSA and PBA ledgers.

Sept 2, 2008 Tuesday
- PBA ledger is available for posting transfers; transfers may be backdated to August until month-end close (Monday, September 8, 2008)
TOPIC:

Impact of Reduced Credit Hours

CONTEXT:

When the University approved the reduction in credit hours to graduation, it was agreed that we would monitor enrollment trends and make adjustments as necessary to protect the financial integrity of the University and affected colleges.

SUMMARY:

The attached document updates last year's projections to reflect experience for the first year under the new system.

Although it is still early in the process, it appears that initial projections were close and that increases in overall enrollments have more than offset estimated tuition loss.

Results are expected to remain favorable for the next few years, but will need to be monitored closely so that appropriate corrective action can be taken if needed.

CONSIDERATIONS:

- Is the information clear?
- Is there other information the Council of Deans would like to have?
- Who else will this information be shared with?
- What are plans to keep the Council of Deans informed in the future?

REQUESTED OF COUNCIL OF DEANS:

For discussion and information.
THE OHIO STATE UNIVERSITY
IMPACT OF REDUCING CREDIT HOUR REQUIREMENTS FOR GRADUATION
ON PROJECTED FEE REVENUE: FISCAL YEARS 2008 - 2013
COLUMBUS CAMPUS
(Excludes CED Enrollments and Headcount Enrollments With Credit Hours Over 30)

COMPARISON OF ORIGINAL AND REVISED ESTIMATES

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Impact Range</th>
<th>Data Type</th>
<th>Original Model(^2) (May 2007)</th>
<th>Revised Model(^2) (May 2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tuition Revenue Lost(^3)</td>
<td>Add1 NFQF Revenue Offset(^4)</td>
<td>Net Change(^5)</td>
</tr>
<tr>
<td>2008(^2)</td>
<td>Est./Act.</td>
<td>$-52,835</td>
<td>$1,126,350</td>
<td>$1,073,515</td>
</tr>
<tr>
<td>2009</td>
<td>Estimated</td>
<td>$-229,783</td>
<td>$2,252,700</td>
<td>$2,022,917</td>
</tr>
<tr>
<td>2010</td>
<td>Estimated</td>
<td>$-797,728</td>
<td>$3,579,950</td>
<td>$2,581,222</td>
</tr>
<tr>
<td>2011</td>
<td>Estimated</td>
<td>$-2,545,597</td>
<td>$4,468,879</td>
<td>$2,923,282</td>
</tr>
<tr>
<td>2012</td>
<td>Low Estimated</td>
<td>$-3,949,625</td>
<td>$4,422,840</td>
<td>$513,224</td>
</tr>
<tr>
<td>2012</td>
<td>High Estimated</td>
<td>$-8,463,220</td>
<td>$4,447,831</td>
<td>$-415,389</td>
</tr>
<tr>
<td>2013</td>
<td>Estimated</td>
<td>$-5,940,830</td>
<td>$4,422,801</td>
<td>$-2,618,029</td>
</tr>
<tr>
<td>(Total Low)</td>
<td></td>
<td>$-14,328,398</td>
<td>$20,131,629</td>
<td>$5,803,231</td>
</tr>
<tr>
<td>(Total High)</td>
<td></td>
<td>$-15,241,993</td>
<td>$20,116,611</td>
<td>$4,874,615</td>
</tr>
</tbody>
</table>

\(^1\)Current Structure : Fees increase per credit hour up to 12 credit hours, and then remain the same.

\(^2\)All data in the original model are estimated. All data in the revised model are estimated with the exception of FY 2008. Based on the assumption that tuition revenue was $8,384 million in FY 2007, it is assumed that no tuition revenue was lost. In Fall 2007 (FY08), the target of 6,000 NFQF was exceeded by 110 students.\(^3\)Add1 NFQF Revenue Offset.\(^4\)Add1 NFQF Revenue Offset per academic year over the targeted 6,000 NFQF.\(^5\)Add1 NFQF Revenue Offset per academic year over the targeted 6,000 NFQF.\(^6\)Add1 NFQF Revenue Offset per academic year over the targeted 6,000 NFQF.

DRAFT - FOR DISCUSSION PURPOSES ONLY
**THE OHIO STATE UNIVERSITY**

**IMPACT OF REDUCING CREDIT HOUR REQUIREMENTS FOR GRADUATION ON PROJECTED FEE REVENUE: FISCAL YEARS 2008 - 2013**

**COLUMBUS CAMPUS**

**METHODOLOGY COMPARISON BETWEEN ORIGINAL AND REVISED ESTIMATES**

<table>
<thead>
<tr>
<th>Category</th>
<th>Original Model</th>
<th>Revised Model</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount Enrollment Patterns</td>
<td>FY05</td>
<td>FY08</td>
<td>Model has been updated to reflect current enrollment patterns.</td>
</tr>
<tr>
<td>Instructional Fee Rates</td>
<td>FY06</td>
<td>FY08</td>
<td>Model has been updated to reflect current rates.</td>
</tr>
<tr>
<td>Retention Rates</td>
<td>Not included in Model</td>
<td>Same as Original</td>
<td>Assumptions involved with increases in undergraduate retention due to the continuous improvement in the quality of incoming NFQF or any other enrollment management/admission policy goals were not included in the original model simulations. The Office of Enrollment Management and the Office of the University Registrar have begun to see trends that NFQF retention levels are leveling off. Thus, the same assumption for this category was maintained.</td>
</tr>
<tr>
<td># of Students Graduating Per Academic Year</td>
<td>FY 04/05 = 8,300 Bachelor degrees (or 7% of total enrollments)</td>
<td>Same as Original</td>
<td>Assumptions involved with increases in graduation rates due to the continuous improvement in the quality of incoming NFQF or any other enrollment management/admission policy goals were not included in the original model simulations. In FY 2007, the number of Bachelor degrees increased to 9,000 (comprises the same proportion of total enrollments=7%). This increase in number of degrees occurred outside the influence of the reduction in credit hour requirements. Thus, the same assumption for this category was maintained.</td>
</tr>
<tr>
<td>Timelier Graduation Rates</td>
<td>0%, 10%, 15%, 25%, and 33%</td>
<td>Same as Original</td>
<td>These same assumptions were maintained.</td>
</tr>
<tr>
<td>Decrease in Credit</td>
<td>5%</td>
<td>Same as Original</td>
<td>This same assumption was maintained.</td>
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</table>

**DRAFT - FOR DISCUSSION PURPOSES ONLY**