TOPIC:

FY 2008 Current Funds Budget

CONTEXT:

This is the final step in approval of the FY 2008 operating budget. There are no major surprises, but there are loose ends to tie down.

SUMMARY:

Included are the following:

- A summary list of late breaking developments in the budget process (Attachment 1).
- A summary of what is included in the budget red book (Attachment 2).
- A work list of emerging issues for FY 2008 (Attachment 3).

CONSIDERATIONS:

- What happens next?
- What are the emerging issues for FY 2009?
- Is there any additional information the Fiscal Affairs Committee would like?

REQUESTED OF THE FISCAL AFFAIRS COMMITTEE:

Approval of the FY 2008 current funds budget.
FY 2008 Operating Budget

Summary

- Final revenue estimates for all funds, all campuses are just under $4.1 billion and planned expenditures are about $4 billion. This is less than the sum of the individual fund groups due to inter-fund transfers.

- The single largest fund group is now self-supporting auxiliaries, which accounts for 61% of the total budget for all campuses. The Health System alone accounts for 36.5% of the total budget.

- This budget includes $9 million in one-time funds and $1 million in continuing funds to support Phase II of V of Targeted Investments in Excellence. The total commitment is $50 million over the next five years. This means discretionary funds for other investments will be limited.

- State support in FY 08 is scheduled to increase by 7.2% across all campuses. This is the third year in a row that state support has increased, however, resident undergraduate tuition increases were frozen at last year's levels limiting general fund revenue growth. Columbus Campus general fund growth is expected to be 4.3%.

  How state support is allocated may shift to reflect the state's efforts to develop a more effective system of higher education. While the University supports this initiative, it is important we continue to work with state officials to make sure there are no unintended adverse consequences.

- Included in the FY 2008 resources is the carryover of approximately $10 million in revenue received in FY 2007 due to higher than anticipated enrollment and retention rates. This level of carryover is not expected to continue in FY 2009. It is projected that the percentage increase in revenue in FY 09 will be slightly less than this year.

- Colleges and Academic Support units on average will reach compensation goals without reallocations. Actual reallocations will vary significantly by unit based on workload, reserves, and revenues generated.

- To ensure a robust University Development effort, this budget recommends a revised model for funding Development. The model was developed in conjunction with the Council of Deans, Office of Academic Affairs, the Office of University Development and the Office of Business and Finance. The model assumes a FY 08 endowment payout in support of development of 1.075% or about $13 million. The
payout is recommended to be reduced by .025% in FY’s 09, 10 and 11 to reach a recommended permanent endowment support of development level of 1%. Colleges and support units will increase their support of development by $1.8 million. An estimated $1.6 million in interest earned on unspent endowment distributions and current use gifts will also be committed to development. These recommendations, in combination with other sources already identified, will provide a stable funding base for our current level of development efforts and significant enhancements for the next campaign.

• Over $9 million in one-time funds is set aside to support continued development of a new Student Information System and $2.0 million in one-time funds is set aside as the final of four installments paying the costs of implementing the Grants Management System.

• This budget commits $72 million to financial aid. While we believe sufficient resources are available to meet financial aid needs in FY 2008, rising acceptance and retention rates for qualified students will require additional resources in the future. More information on this will be available in November and December.

• $2.8 million of the Ph.D. level subsidy is set aside to support quality Ph.D. programs. However, the state match for the portion of those funds supporting programs in science, technology, engineering, mathematics and medicine will not be available this year as originally planned. The Provost has asked the Graduate School to develop a plan to allocate the set aside dollars to support students in quality doctoral programs.

• $650,000 in annual subsidy and $600,000 in one-time funds are set aside to support Gateway as a result of slower than anticipated growth in rental revenues. In addition, the University pays $1.75 million in rent to Gateway for Human Services and Legal Affairs offices located in Gateway.

• The Health System budget includes $66.7 million in cash for Medical Center investments and $26.3 million increase in short-term cash reserves.
Summary of Information In Budget Red Book

Priorities

- Academic Plan
- Budget Context
- FY 2008 Priorities

Revenue Summary

Expenditure Summary

- Base Budgets
- Changes by Category
- Changes in Colleges and Support Units

Regional Campuses

Multi-Year Commitments

Tables and Appendices
Financial Issues for FY 2008

1. Engaging with state officials to develop a long-term, sustainable academic and financial partnership

2. Implementing the reduction of undergraduate credit hours needed to graduate from 191 to 181 and development of a plan to address financial implications

3. Implementing the doctoral funding assessment to support high quality graduate programs


5. Approval of the next Capital Plan for the University and the development of the North Academic Corridor concept as a new approach to capital planning for OSU.

6. Review investment performance of all assets

7. Implementation and tracking of key cost reduction initiatives.

8. Continue to strengthen internal controls through the implementation of E-Procurement and Human Resources controls

9. Continue to monitor financial performance of affiliated entities

10. Oversight of SIS installation

11. Completion of five-year financial plan, including financial goals

12. Review of Budget Allocation Model to determine consistency with academic goals

13. Continue to identify funding sources to address deferred maintenance issues

14. Evaluation of sources, uses and cost allocation processes regarding support of research