The Ohio State University

BUDGET ALLOCATION OVERVIEW

Office of Academic Affairs
Office of Business and Finance
www.rpia.ohio-state.edu
1. Budget Allocation Overview

2. Budget Re-basing

3. Sharing of Annual Changes of Revenues

4. Allocation of Annual Changes of Expenses

5. Other FAQ
   - Graduate Fee Authorization & Instructional Quality
   - Support Units
   - Courses and Quality of Instruction
General Funds make up nearly 28% of Columbus Campus’s resources.

The General Fund grows by $35.9 M in FY 10.

The FY 2010 faculty and staff merit compensation pools will average 2.5% without reallocation for most colleges and support units that meet budget and performance targets.

The FY 10 financial aid budget, including graduate fee authorizations, is $195 million or 15.5% of the general fund budget.
• The source of funding varies from one academic unit to another.
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.
## College Rebasings Progress

### College Rebasings History

(Columbus Campus General Funds Budget – In Millions)

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<th>FY 03 - FY 09 Historical</th>
<th>FY 2010 Distribution of Central Funds</th>
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<td>Arts &amp; Humanities</td>
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<td><strong>Total Colleges</strong></td>
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<td><strong>$3.93</strong></td>
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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

Annual Change in Resources
- Undergraduate Revenues
  - 60% Unweighted
  - 40% Weighted
- Graduate Instructional Subsidy
- Graduate and Professional Instructional Fees
- POM Subsidy
- Differential Fees
- IDC Recoveries

Annual Change in Expenditures
- Physical Plant
- Research Adm.
- Central Tax
- Student Services
- Development

FY 2009 Ending PBA

 +/- Net Annual Change in Resources

= FY 2010 Beginning PBA
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

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
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 nor to POM subsidy
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 FY10, OSU’s IDC rate increased from 50.0% to 52.5%.
• 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 & any support units generating credit hours)*;
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 10 is the fourth year of a five-year, 0.5% of budget cash assessment to cover the costs of the Student Information System development and implementation.
There are three separate annual rate Cost Pools:

- **Cost Pool 1 (Undergraduate):** 80% 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):** 69% 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.

- 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

• Used to support of the University’s development efforts.

• Allocated among colleges, support units, and auxillaries 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);
  – 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.
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;

- In FY10, Legal Affairs and Public Safety will be reviewed.

More information is available at: http://oaa.osu.edu/irp/support_unit_progreview.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.
Senate Fiscal Committee:

• Provide 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.
After careful review, no changes were recommended in the methods allocating IDC revenue and Research costs.

Starting in FY 08, POM subsidy allocations were reduced to 50% of the inflationary growth in costs, freeing up more subsidy to be allocated on a credit hour basis.
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Questions & Answers

Any Questions??

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