

Budget Planning Council
MINUTES
March 16, 2007

Present: John Day, Joe McLaughlin, Morgan Vis, Aimee Howley, Phyllis Bernt, David Thomas, Darrell Winefordner, Kathy Krendl, Bill Decatur, Gail Houlette, Wendy Merb-Brown, Dennis Irwin, Dominic Barbato, Rich Carpinelli, Morgan Allen

Absent: Gary Neiman, Greg Sheperd

Guests: Christine Sheets, April Henderson, Steve Flaherty

Residence & Dining Fees - Multi-year Budget Plan / Room and Board Rate

Increases: The long range budget plan developed based on information in the Housing Master Plan recommendations that significant investment is needed into the housing and dining hall stock. The plan is designed to address the staggering deferred maintenance issues and the quality and alignment of residential services and their impact on recruitment and retention.

The past 2 year's increases have been a 2% average – 4% room and 0% board. The attempt of those increases was to lower our standing among the Ohio peers as to our room and board rates and to adjust the funding levels to more accurately reflect the true costs of operating housing vs. dining services, pushing more funding to the housing rates to reflect the high cost of renovations and capital needs.

Increases for the 5 year plan are requested at higher rates to continue to build the base funding for capital needs of the housing stock. Rates charged by the Auxiliary are not subject to caps so those rates can be increased at a higher rate.

The Auxiliary has diligently reviewed operations and reduced costs and FTE support where possible. They are also aggressively pursuing new avenues for revenue generation and continued cost reduction.

The annual net income projections based on the requested increases have been rolled into a 'fund balance analysis' to show the funds available for capital renovations. A 5-year capital project schedule as well as a bed capacity analysis was presented to show the financial as well as operational considerations in developing the capital project schedule. An Upperclass Housing policy has just been moved through the Cabinet policy subcommittee which formalizes a process for dealing with swings in available housing stock for upperclass students that result from the capital project plan.

Requested increases were rolled out through 2009-2010 to show how our rates would grow. A comparison of future rates for Ohio 4-year residential was presented. Rate growth for the other Ohio schools was based on a 3-year average of those schools increases. OU maintains a position of lower cost among most Ohio public peers.

Discussion...Is there a correlation between students who leave and the resident halls they live in...does renovated vs non-renovated matter? Environment in which students live is not a trivial issue.

Is our parietal rule still desirable – even though it may be cheaper for students monetarily, studies show that students do better academically in a residential setting without the concerns of bills, grocery shopping, cooking, etc.

The room increase percents were derived from information from the Housing Master Plan – construction costs and our need to move forward on our residential renovation and attack of deferred maintenance.

RAs are paid from Auxiliary funds and our's are among the lowest paid...there is a plan to address this shortfall in RA pay built into the current budget projections. This corresponds to a funding proposal sent forth by Student Affairs.

MOTION: Recommend approval of rate increases for FY2008 – Room at 8.9% and Board at 3.1%

Phyllis moved, Dennis seconded; unanimously approved.

State Budget: Briefing in Columbus yesterday...well attended by CFOs, new BOR chancellor, and head of OBM. Compact calls for 5% increase in SII in return for no tuition increases in year 1; 2% increase in 2nd year with promise to hold tuition to 3% increase. 1% first year and 3% second year increase in “efficiency efforts” to be reported to the state.

“Truth in Tuition” – Bill discussed that there was much concern and discussion on what fees are included in this section. From the discussion it appears as if this would be limited to tuition and fees. However, it is still not clear that other course and student fees considered are outside of this section. Language will not be available until next week.

Cheering at State of State address when governor announced 0% tuition increases. Problem is that 65% of our revenue stream is now held to 0%...only 35% gets the 5% increase in SII. The combination of tuition and state increases don't keep pace with inflation ... but the public focuses on the ‘large’ percentage increases in tuition that are widely publicized.

University Presidents are invited to meet with the governor today.

Restatement of Budget Position - State Budget Impact on OU Budget Draft: Good news is that there is a 100% stop loss and we have a 98.5% built into the 3% scenario ...

Compared to the 3% scenario we've recently seen...

3% scenario SII	\$85.4M
<u>Stop loss chg</u>	<u>\$87.3M</u>
Stop loss pickup	\$ 1.9M
5% increase in SII	\$ 2.4M
Tuition	\$(4.4M)
Increase in Success	\$ 0.1M

Net impact is approximately \$50,000 if we elect to participate in the compact. Therefore, the 3% model 'bottom line' before closing gap options is still valid at \$10.9M

OU Budget Draft:

The 'Table H – BPC Draft Discussion Document' was discussed. It was pointed out that the chart had not been updated to reflect a motion that had passed at the last meeting - change Strategic Investments to (\$2.0M) and the reallocation to target to \$6M. This followed a discussion making sure that members realized that if we went out with a \$6 million reduction target and the events of the budget required a higher reduction amount that we would have to go out for a second round of reduction targets.

Discussed the 'Close Gap' options by working down the Table H schedule:

- **Student Financial Aid(SFA)** – reduce budget allocation by the \$500K excess for FY08 identified by SFA
 - o **MOTION - Pullback \$500K of the base allocation which represents estimated year-end SFA carry forward - put towards projected deficit.**
 - **Dominic moved, Rich C. seconded; approved unanimously**

It was noted that the amount might change based on final estimates, and that those changes would be discussed with the BPC.

Technology and Student Financial Aid earmarks-- Darrell discussed that he would like to change our budgeting assumptions regarding the earmarks for Technology and SFA. He suggested that for both of these items we treat the FY 2007 values as the "continuing base" amounts. The additional funding needed then would be determined by subtracting this amount from the recommended funding levels. **There was consensus that Darrell proceed in this manner.**

- **Salary increase reduction to 2.5% and health benefits cost shifts of \$1M**
 - o Discussion on delaying increases for all employee groups until January 1, 2008...will only be a short-term, stop gap OTO savings...BUT, commit to use time between now and January 1 to actually strategically look at the total compensation picture of salary and benefits -
 - o 2.5% ... are the rich getting richer and the poor getting poorer? Higher paid administrators getting market increases while lower paid employees getting cut. Classified and Administrative staffs have registered their disapproval of dropping the raise pool from 3% to 2.5%
 - o There has been a recognition that the health benefits plan at OU is generous and costs are expected to accelerate at 10%; the relationship to compensation needs to be examined further as it relates to impacts on retirement, retention, recruitment
 - o Cutting tenure track faculty can send negative messages and negatively impact recruitment...there may possibly be cuts in those positions in the future as research indicates that some programs are weaker – that analysis is longer term in nature
 - o Suggestions - Look at vacancies that have been unfilled for 12 months or longer – can those be eliminated for base savings?
 - o Scooping salary savings for ‘higher needs’ usage is an example of one-time savings – Planning Unit heads are currently doing that within their units and making those decisions – there was some discussion about the ‘trust’ placed in planning unit heads making those higher needs decisions...does BPC want to micro-manage those aspects?
 - o There are hundreds of folks on this campus that are against the health benefits changes being proposed – constituent groups are represented on this committee and there is a responsibility to educate their memberships of the information to which they’ve been exposed
 - o **MOTION – Maintain 3% wage increase for all groups (\$435K), delay any health benefits changes for one year to give BPC time to strategize (\$600K), and use \$1.035M of strategic investment to cover the reduction in savings**
 - **Gail proposed, Joe seconded; Y – 7, N – 5, passed**
- **Graduate tuition and fee increase** – 6% too high? Stated that we have the highest tuition of any competitor institution in the area...3% increase is \$600K and tuition waivers are \$450K – reduce to 0% (\$400K+)
- - o **MOTION – No graduate fee increase for FY08 (\$400K)**
 - **Dominic motion, Wendy seconded; passed unanimously**
- Other pressing issues that aren’t getting general fund recognition – IT, recruitment and retention –

- List of FY2008 Savings Potential items was reviewed – specific items were highlighted as those that merit additional study in the near future. BPC will identify teams to tackle some of these issues as the FY08 reduction targets and budget recommendations solidify. Refer to list of Savings items attached to agenda as well as list that David Thomas shared.

It was noted that the BPC is a recommending body and the BPC recommendations will ultimately be presented to the President as recommendations from BPC to consider in the FY08 budget deliberations. President will act after receiving this input.

NEXT BPC MEETING – March 30, 2007 @ 10 A.M.