

## BUDGET REVIEW COMMITTEE

April 5, 2007

Summary of Meeting

Members present:

Betsy Boze (via telephone)	Sally Kandel	Nancy Mitchell
Cheryl Casper	Maureen Kennedy	Charlene Reed
Timothy Chandler	Mark Kretovics	Richard Rubin
David Creamer	Larry Marks	Wayne Schneider
Laura Davis	Timothy Martin	Gregory Shreve
Jon Gosky	Austin Melton	Mary Stansbury
Bruce Gunning	Jeffrey Milam	Denise Zelko

### OSU Teleconference

The following individuals from The Ohio State University participated in a video teleconference:

Lee Walker, Budget Director  
Marie Mead, Fiscal Officer, College of Engineering  
Mike Sherman, Vice Provost, Academic Affairs  
Alayne Parsons, Professor of Mathematics

Lee Walker began the presentation by providing an overview of the process used at Ohio State. It took over 10 years to implement from the first discussion. During the last three of those 10 years, an advisory committee was formed and developed the recommendations for the budget changes. This committee met weekly and wrote position papers that were presented to the provost and senior vice president of business and finance. Most of these papers are still available on their website and can be viewed at [www.rpia.ohio-state.edu/budget\\_planning/budget\\_restruct.htm](http://www.rpia.ohio-state.edu/budget_planning/budget_restruct.htm)

The provost and senior vice president of business and finance made the final decision to adopt responsibility center management. Principles and recommendations were developed and used during the implementation, with the provost setting the priorities. They operated one year under a shadow system before “going live” with the change.

Questions were then taken from the Kent audience.

### **What is meant by the rebasing process?**

Ohio State needed a starting point for the new budget process. They used their academic priorities that evolved from their academic planning and overlaid the new budget system to see which colleges should receive more or less funding as the starting point for the new system.

### **How effective was OSU in getting support for the proposed change?**

The entire university community agreed that the old way of budgeting was not effective and change was needed. The debate centered on what changes to make. Not everyone likes the new budget model, but generally everyone agrees that it is a better system and there is not a lot of interest in

going back to the old system.

**When implementing it for the first time, how much time did OSU devote to training?**

There was a huge learning curve. Each college had a fiscal officer but most of the fiscal officers did not have prior experience with this type of budgeting model. Many of the colleges needed stronger financial personnel and have hired new fiscal officers to meet today's needs. The role of the fiscal officer also has changed. They are much more involved with policy decisions, they develop forecasts, and they have a good understanding of the types of information needed for decisions and how to retrieve it from the data warehouse the university has built.

**How much of the new process was pushed down to departments?**

This was left to the discretion of each dean. It varies depending on the college.

No matter which approach was chosen by a college, it has to be transparent. OSU is working toward improving transparency in those colleges where it did not exist. They were too diverse to mandate a specific approach for each college. There currently are several different approaches to RCM being used in the colleges but ultimately the dean is responsible for the financial performance of the college.

This change will not create new dollars and there was some misconception that there was a "pot of gold" that would result from the change. Everyone is much more realistic today.

**Does OSU have central enrollment goals for each college?**

Undergraduates are admitted centrally. There are no specific goals for each college. The colleges determine their own goals. OSU has an enrollment cap which is one of the reasons this has not been an issue. Also, much of their enrollment focus has been on Masters enrollment.

**Since OSU has "frozen" enrollments, does this create competition among the colleges?**

There is a healthy competition. They actually are finding more cooperation among the colleges today. For example, the College of Engineering is working with the math department to improve the performance of engineering students in math courses.

**Because the skills needed by fiscal officers are different, did colleges need to add staff?**

Compensation levels were driven up but no central funding was provided. Each dean decided whether or not to spend more on this type of staff support.

**Do you still have the budget advisory committee?**

It initially was an ad hoc committee and has now been transferred to a senate fiscal committee. It has been a very effective committee.

**What is the role of the department chair and are they pleased with the change?**

It depends on the college and the dean. Each college is different in size and complexity and each dean has approached RCM a little differently for these reasons. Some colleges have applied the RCM principle for each school and department while others have maintained more central control. What OSU has learned is that transparency is very important to a successful implementation for a college.

**When the university accepted the recommendation by the provost, were other divisions involved in the decision? If not, how are they funded?**

All units (colleges) are using RCM with the exception of the support units (administrative support). The colleges allocate funding to cover the costs of the administrative support areas. Administrative reviews are conducted to assess the performance of the administrative areas and this process is still evolving. The reviews are taking longer than initially anticipated but the reviewers have a better understanding of what is done by the administrative support areas and some of their problems.

**What is the process for assigning space and what happens when improvements are needed to the space?**

Capital costs are still run outside of RCM. Initially, they tried to assign a “quality factor” to space but it did not work. Now, a square foot is a square foot. As space is added, some distinctions about the higher cost of certain space are beginning to be made.

**Are there concerns about units attracting students “unethically”?**

There was a lot of debate about this initially but they built quality measures into the process to monitor departments. Classes are monitored by size, faculty type, GPA, as well as other quality measures. The honors courses have not decreased, they have actually increased.

**Are there special incentives for interdisciplinary programs?**

They are still struggling with this. It is no better or worse since the change.

**How did you treat the regional campuses?**

An overhead fee is still charged that is no different today.

**Are classes being pulled back from the regional campuses and being taught on the main campus?**

They do not face these issues.

**What is the administrative fee and base applied against?**

Lee Walker will forward this information to David Creamer for his review.

**Are there concerns about courses being taught by graduate assistants as opposed to faculty?**

It was explained that because the base budgets were largely preserved, not much has changed. There is some debate over research grant dollars for assistants.

**How much flexibility do graduate programs have for setting differential tuition rates?**

They are on the cutting edge of this for the professional schools. It is very market-driven.

**Has RCM caused any restructuring of programs in the academic units?**

Not that anyone could recall. RCM does cause the dean to look more closely at the courses being offered. OSU has had RCM for only five years and there have been some changes, but not as a result of RCM.

**What about on the administrative side?**

The administrative reviews are performed annually, and some changes have occurred as a result of the reviews. With only seven reviews completed so far, it is too early to tell about the impact.

**Is the college permitted to opt out of administrative services?**

No, that is why they have an administrative review process.

**What has been the impact for the humanities and arts in this process?**

They teach more credit hours so they have fared well.

**What body reviews LERs and what kind of authority does it have?**

Reviews are performed using the governance process.

**What process is used for incentives for the central pool?**

24% tax on all revenues. 19% is used to support the administrative units, and 5% is used by the provost for the academic plan.

**Are there salary compression issues?**

The deans are responsible for all hiring and are at liberty to speak with the provost about special initiatives. Lines of credit can be negotiated with the provost's office.

**How did OSU handle the Success challenge and incentives?**

These were kept separate and distributed as earned by the colleges. They only dealt with the marginal change.

**What would you do differently and what should we be thinking about?**

Don't spend 10 years thinking about it. Make your decision and then move forward. Keep it simple; keep the doctoral issue simple too. Keep the lines of communication open. The deans and fiscal officers need to understand exactly what the process is and how to use it effectively. Chairs, faculty, and department employees need to be kept informed as well.

Following the teleconference, there was discussion on the differences between Kent State and OSU and how their implementation was different than what ours should look like.

#### Committee Recommendation for President Lefton

The committee discussed the draft recommendation for President Lefton. Another draft using the comments provided by the committee will be sent to the committee for its consideration, with comments to be given to Dr. Creamer by Monday, April 9.

The next meeting of the Budget Review Committee will be on Thursday, April 19, beginning at 10:00 a.m. in the KSC, 3<sup>rd</sup> floor conference suite.