BUDGET UPDATE

Presentation to the Campus
September 26, 2013
Presentation Objectives

• Current Budget and Financial Challenges – Dr. Elinda Boyles
  • To describe current FY14 budget issues
  • To review some historical trends that provide context for the current financial challenges

• Averting a Crisis – Dr. Rita Rice Morris
  • To review multi-year approach and actions to address these challenges
Summary Revenue Sources (General Operating Fund)
Based on projected FY14 revenue of $48,827,167

• Tuition and Fees ($32,104,557 = 65.8% of total revenue)
  • Instructional, general and technology
  • Course, lab fees, out-of-state fees
  • Other fees (bond, non-resident surcharge, misc.)

• State funding ($15,452,841 = 31.6% of total revenue)
  • State Share of Instruction = $13,062,224 is 84.5% of state funding
  • Supplement = $2,326,097 is 15.1% of state funding
  • Capital component = $64,520 is .4% of state funding (funds from prior capital bills – declining schedule to zero – these funds are not capital allocation)

• Other/Transfers = ($1,269,769 is 2.6% of total revenue)
  • Includes indirect costs from grants, some interest income, commission/rebates, past-due tuition/fees collected by Attorney General, transfer from auxiliary fund, etc.
Expenditures (General Operating Fund)  
Based on projected FY14 budgeted expenditures of $50,327,167

• **Compensation** ($35,445,602 = 70.4% of total expenditures)  
  - Salaries $24,716,530 is 69.7% of compensation  
  - Benefits $10,729,072 is 30.3% of compensation

• **Non-compensation** ($10,919,558 = 21.7% of total expenditures)  
  - Includes costs for equipment, communications, shipping, maintenance, minor repairs, rentals, licenses, scholarships, supplies, travel, etc.

• **Transfers =** ($3,962,007 is 7.9% of total expenditures)  
  - Includes fees collected for bond debt repayment, support to student organizations, athletics, plant funds, support for staffing of Children’s Learning Center, VRCFA, etc.
# Summary General Fund

## FY14 Projected Revenue/Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Proj. FY14</th>
<th>Variance FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$48,827,167</td>
<td>-$2,488,852</td>
</tr>
<tr>
<td>Total Expenditures/ transfers</td>
<td>$50,327,167</td>
<td>-$3,979,708</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>-$1,500,000</td>
<td>$1,490,856</td>
</tr>
</tbody>
</table>
Summary FY14 Auxiliary and Agencies Budget

- Revenue ($7,585,493)
  - Auxiliary revenue
  - Agency revenue
  - Transfers from other funds
- Expenditures/Transfers ($7,585,493)
  - Athletics
  - Other Auxiliaries
  - Agencies

FY14 auxiliary and agency budget is -$220,580 from FY13
HISTORICAL TRENDS
10-year enrollment history (headcount)
AY05-Current
Revenue trend and sources
’98 – projected ‘14
Uncertain State Funding Environment

- **FY11 &12**: No capital allocation (est. loss of $2.7 million for capital projects)
  - Impact on General Fund - necessitated redirection of operating funds to cover essential preventive maintenance, repairs, and renovations

- **FY12**: SSI and Supplement reductions (-$1,548,776 represents 8.8% reduction from FY11 SSI/Supplement)

- **FY13**: SSI reduction (-$309,276 represents 1.9% mid-year reduction from FY13 budget)

- **FY14**: SSI reduction (projected -$823,059 represents -5% reduction from FY13 budget)
  - Loss of anticipated $500K “bridge” funding

- **FY15**: Additional SSI reductions due to funding based upon formula reliance upon course and degree completions

- **FY16**: Potential SSI reductions plus additional loss of access challenge funding (estimate at -$1 million)
Expenditures Trend
’04 – projected ‘14
Compensation
% of Total Expenditures
‘04 – projected ‘14
General Fund Reserves

A *value* that is calculated at the end of each fiscal year by the University’s Finance Office that would be available for:

- Expenditures such as health insurance claims, property insurance premiums, costs related to academic labs or courses, unemployment or worker’s compensation costs, etc. in excess of actual current year revenue.

- Any remaining unallocated balance is then available for payment of other anticipated and/or unexpected expenditures not covered by current year General Fund revenue.

*While cash and cash equivalents are considered in this calculation, general fund reserves include the estimated value of such assets as long-term investments and receivables that may not be collectable.*
Historical value increase/decrease of General Fund Reserves
FY03 – Preliminary FY13
General Fund Reserve Values
FY03 – Preliminary FY13

![Bar chart showing General Fund Reserve Values from FY03 to FY13. The values increase from FY03 to FY07, decrease inFY08, and then increase again in FY09, FY10, FY11, and FY12. The preliminary FY13 value is also shown.]
Indicators of Debt Impacting SSU students

- Bad Debt Allowance for 5-year period FY08/09 – FY13/14:
  - Increased from $902,501 to $2,201,580 = 144% increase

- Student loan default rates (percentage of loans being repaid that are defaulted by SSU students):
  - 2009  17.5%
  - 2010  21.2%
Summary – Financial Challenges

- For a number of years, SSU’s enrollment trends reflected growth when other publics were not growing; recovery from the change to semesters was quicker than expected in 2009. However, AY12/13 and Fall ’13 enrollment declines are in line with national norms at open access institutions.

- Revenue trends indicate future volatility based upon enrollment trends and anticipated state funding; changes required for student success may result in further reductions; however, the programs for student success are essential for SSU’s long-term viability.

- Receivables/bad debt trends represent the economic reality for students/parents’ ability to meet tuition/debt obligations; current effort to mitigate these costs is essential.

- The financial trends we’ve discussed affect the University’s cash position requiring aggressive steps to reduce expenditures. This is in addition to the previous years’ actions undertaken to reduce spending, reallocate resources to respond to regulatory mandates, and continue to provide for academic programmatic quality and growth.

- SSU’s fiscal status, as measured by SB6 (State of Ohio) ratios, remains strong. The steps presented by the President today are required to position SSU to weather the current and future economic challenges.
AVERTING A CRISIS: A MULTI-YEAR PLAN THAT MOVES SHAWNEE STATE FORWARD
Goals

Address Current & Future Financial Challenges
  - Develop a multi-year approach to move us to a “balanced budget” model

Remain Financially Strong
  - Reduce the structural reliance upon reserves to cover general fund operating costs

Maximize Every Efficiency
  - Examine all university functions, roles, contracts, “everything is on the table”

Move SSU Forward – Protect & Advance Our Mission
  - Align university spending with available resources while attending to our primary mission
Factors Shaping Our Approach

Environment
- The known budget “problem” impact cannot be addressed in one fiscal year
- Several of the “rules” that shape our planning appear to be permanently changing

Efforts already underway
- Success Curriculum
- Realignment of Outreach and Events and Conferences
- Refinement of recruitment practices and policies
- Reduction of use of general funds to supplement auxiliary functions

Budget commitments
- Mid-FY13 budget cuts that must be made permanent

Timing
- Ending first quarter of year
- Degrees of freedom limited by commitments
- Maximize permanent savings opportunities but utilize temporary savings to help with transition

Other requirements
- Implementation of the Affordable Health Care Act
Priorities and Guiding Principles for Budget Planning Process

**Focus on Core Mission**
- Protect investment in high quality instruction and the essentials needed to achieve it

**Respond to Changing Environment**
- Maximize permanent savings in first year to position us to better respond to the unknowns
- Engage in efforts to minimize “time to graduation” for students
- Invest in retention and increasing enrollment and enrollment capacity

**Remain financially strong**
- Utilize “balanced budget” model
- Reduce our reliance upon our reserves
- Minimize and phase out use of university funds to support grants and other functions
- Do not shift operations costs to SSUDF

**Minimize impact upon current employees**
- Minimize “across the board” reductions and further cuts to non-comp
Year 1 – FY2014

• Target: Reduce Expenditures $4 Million
  (resulting from loss of tuition, loss of SSI, lack of “bridge” funds)

• Actions To Date:
  • Instruction and Instructional Support
  • General Administrative
  • Continuing Cost Containment Activities in Fall 2013
Instruction and Instructional Support

- Reallocated funds to fully fund positions
- Developed process to move some open positions to Provost to provide maximum flexibility to address enrollment fluctuations
- Reduced resources available for adjunct and overload, placed restrictions on their use
- Initiated reviews of all academic programs to facilitate planning for realignment and program expansion

- Placed more management of funds into the hands of Deans and department chairs
- Integrated community service into Career Services and Student Activities
- Increased staffing for both counseling and disability services
- Expanded commuter advising
- Reallocated staffing for the student mentoring program
- Implemented the pilot of the “Success Curriculum”
General Administrative

• Initially loaded partial budget for year to allow operations and ensure cost controls
• Reviewed and cancelled some searches
• Accessed other fund sources to address large one-time-only expenditures
• Reduced non-comp lines
• Placed restrictions upon use of funds for travel
• Temporarily realigned divisions to balance workload and minimize impact upon functions
• Reviewed all functions and identified areas where we could realign within the context of current contracts and commitments
• Implemented processes to identify functions that will be eliminated, realign the remaining work within units, and support employees impacted by the reduction or elimination of functions
Continuing Cost Containment Activities in Fall 2013

- Implementation of spending guidelines
- Realignment of work based upon staffing changes
- Monitor effectiveness of measures taken
- Identify further efficiencies and implement as appropriate
- Conduct reviews of use of limited term contracts, staffing in offices, scholarships, memberships, course fees, etc.
- Review all contracts to identify opportunities for renegotiation

- Develop preliminary plans within divisions for further cost reductions in FY15
- Develop and refine processes for comprehensive review of preliminary FY15 cost reduction plans
- Refine plans for enhancing facilities to support program growth
- Continue review of functions and realignment efforts
Mid-Year

- Implement mid-year measures, if necessary, to ensure we will end the year within Board approved budget
Year 2 – FY2015

• Target: Reduce Expenditures $1.5m + any FY14 savings that were temporary only + adjust to any reductions in State funding and enrollment

• Begin planning process in early Spring 2014
• Assess enrollment and revenue expectations for FY15
• Set budget planning parameters
• Comprehensive review of preliminary plans for cost reductions
• Make any necessary adjustments in multi-year plan
• Set tuition and fees in March
• Complete final budget and submit for Board Approval in May 2014
Year 3 – FY2016

• Target: Reduce Expenditures $1m + any FY15 savings that were temporary only + adjust to any reductions in State funding and enrollment
These Are Difficult Times

What Can You Do?

• Keep yourself informed
• Provide your supervisor with your thoughts about how to realize efficiencies
• Work with HR and your colleagues to realign work and give up the functions that are being eliminated
• Engage in responsible communication
• Take care of one another