Money Matters

Financial Planning and Analysis
Agenda

- Overview of University Financial Plan
- How funds flow within the University
- Questions?

- Appendix – More Ohio State Budget Model details
University Plan Overview
Consolidated Financials – Total External Sources

**FY23 Actuals (Unaudited)**
- University & DPCUs**, $4.2B, 46%
- Health System & OSUP*, $4.8B, 54%

**FY24 Financial Plan**
- University & DPCUs**, $4.3B, 45%
- Health System & OSUP*, $5.3B, 55%

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* The Ohio State University Physicians, Inc.

** Discretely Presented Component Units (DPCUs) include Campus Partners, Transportation Research Center, Dental Faculty Practice, and SciTech.
University Sources by Academic & Support Unit*

FY23 Actuals (Unaudited)
$3.9B

- Columbus Colleges, $2,105.2
- Regionals, $71.4
- Athletics & Business Advancement, $312.4
- Student Life, $308.3
- Academic Affairs, $416.8
- Support Units, $655.1

FY24 Financial Plan
$3.9B

- Columbus Colleges, $2,178.4
- Student Life, $300.6
- Academic Affairs, $408.4
- Athletics & Business Advancement, $307.6
- Regionals, $67.7
- Support Units, $668.1

* Excludes DPCUs and General University
University Operating Plan: Fund Groups

All Planned Funds
- Unrestricted
  - General Unrestricted
  - Earnings
- Restricted
  - Endowment and Development
  - Grants and Contracts
- Plant
  - General Funds
  - Designated
  - Auxiliary Earnings
  - Departmental Earnings
  - Current Use Gifts
  - Endowment Distributions / Expense
  - Sponsored Projects
  - Non-Sponsored Projects
### Strategies to Optimize External Revenues

<table>
<thead>
<tr>
<th>Fund Group</th>
<th>Levers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td>Tuition &amp; Fees</td>
</tr>
<tr>
<td></td>
<td>• Price</td>
</tr>
<tr>
<td></td>
<td>• Enrollment Volume</td>
</tr>
<tr>
<td></td>
<td>• Mix</td>
</tr>
<tr>
<td></td>
<td>Program, Tech &amp; Differential Fees</td>
</tr>
<tr>
<td></td>
<td>• Market Elasticity</td>
</tr>
<tr>
<td></td>
<td>Distance Education/Online Programs</td>
</tr>
<tr>
<td></td>
<td>State Share of Instruction</td>
</tr>
<tr>
<td></td>
<td>• Focus on higher weighted courses</td>
</tr>
<tr>
<td></td>
<td>• Course/Degree Completion</td>
</tr>
<tr>
<td></td>
<td>Resource Optimization</td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td>Core vs Non-Core Operations</td>
</tr>
<tr>
<td></td>
<td>• Contribution to academic mission</td>
</tr>
<tr>
<td></td>
<td>• Community responsibility</td>
</tr>
<tr>
<td></td>
<td>Pricing Compared to External Market</td>
</tr>
<tr>
<td><strong>Restricted Endowment and Development</strong></td>
<td>Fundraising Strategy</td>
</tr>
<tr>
<td><strong>Restricted Grants and Contracts</strong></td>
<td>Research Strategy</td>
</tr>
<tr>
<td></td>
<td>• Federal</td>
</tr>
<tr>
<td></td>
<td>• State</td>
</tr>
<tr>
<td></td>
<td>• Private</td>
</tr>
<tr>
<td></td>
<td>Government Funding</td>
</tr>
</tbody>
</table>

Additional central levers associated with Investments and the Internal Bank include Investment Strategy, Debt Strategy, & Resource Optimization.
FY 2024 Sources by Fund Group

- Unrestricted [General and Designated]: 59%
- Restricted [Endowment and Development]: 5%
- Restricted [Grants and Contracts]: 21%
- Earnings: 15%
FY2024 Plan

Sources by Campus

- Columbus: $4,355
- Newark: $30
- Marion: $14
- Lima: $12
- Mansfield: $12

$ millions
FY2024 Plan

Proportion of Sources by Fund Group - By College

- Unrestricted [General and Designated]
- Earnings
- Restricted [Endowment and Development]
- Restricted [Grants and Contracts]
FY2024 Plan

Proportion of Sources by Fund Group - By Support Unit

- Unrestricted [General and Designated]
- Earnings
- Restricted [Endowment and Development]
- Restricted [Grants and Contracts]
Comparison of State Support to Tuition Income: Columbus

- State Support %
- Tuition %

<table>
<thead>
<tr>
<th>Year</th>
<th>State Support %</th>
<th>Tuition %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>1985</td>
<td>32%</td>
<td>68%</td>
</tr>
<tr>
<td>1990</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>1995</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2000</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2005</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2010</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2015</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2020</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2022</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2023</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2024</td>
<td>24%</td>
<td>76%</td>
</tr>
</tbody>
</table>
So We are Big and Complicated and now......lots of Change

- Changes in leadership and strategic priorities
- Expanding online programs
- Ongoing mix-shift between Tuition & SSI
- Enrollment levels & mix
- Melt (and faster graduations rates)
- OSU Wexner Medical Center margins
- Research – Fed, State, Industry
- Recovery from COVID-related impacts on Earnings funds
- Cranes, cranes, everywhere....
How Funds Flow within the University
# University Operating Plan: Fund Types & Restrictions

<table>
<thead>
<tr>
<th>Fund Group</th>
<th>Fund Type</th>
<th>Typical Funding Sources</th>
<th>Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>General Funds</td>
<td>Tuition and student fees, state share of instruction, short term interest income, grant facilities and administrative cost allowances, cost allocations from earnings funds and Health System</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Designated</td>
<td>Originally from General Funds or unrestricted gifts, internally designated for a specific purpose</td>
<td>Not legally restricted but internally restricted for stated purposes</td>
</tr>
<tr>
<td>Earnings</td>
<td>Auxiliary Earnings</td>
<td>User fees, e.g., housing, dining, athletics ticket revenue</td>
<td>Not legally restricted, but customer/user may expect specific fees to only support specific goods or services</td>
</tr>
<tr>
<td></td>
<td>Departmental Earnings</td>
<td>User fees, including internal billings, e.g., instructional clinic revenue, lab services revenue, etc.</td>
<td>Not legally restricted, but customer/user may expect specific fees to only support specific goods or services</td>
</tr>
<tr>
<td>Restricted</td>
<td>Current Use Gifts</td>
<td>Donor gifts without either a requirement to be deposited into an endowment or used for a capital project</td>
<td>Restricted based on donor intent, may be governed by a gift agreement</td>
</tr>
<tr>
<td>Endowment and Development</td>
<td>Endowment Income/Expense</td>
<td>Income from investment of donor gifts in the endowment</td>
<td>Restricted based on donor intent as memorialized in fund description</td>
</tr>
<tr>
<td>Restricted Grants and Contracts</td>
<td>Grants and Contracts</td>
<td>Grant or contract dollars received from external entities; includes specific line-item appropriations from the State of Ohio</td>
<td>Restricted based on grant agreement, contract, or line-item appropriation description</td>
</tr>
</tbody>
</table>
How Does Revenue Get to Me?

- Tuition and State Subsidy
- Allocated to Colleges after taxes based on credit hour production
- Dean determines allocation of funds to the departments
- Department budget determined by Chair based on College allocation
Unit-Specific General Funds Allocation (GFA)

Marginal model applies incremental changes to both resources and assessments against prior-year base GFA

Drivers of GFA Reconciliation:
- Actual vs Plan:
  - Undergraduate Tuition (FP&A)
  - Graduate/Professional College Enrollments

Drivers of Net Marginal Resources
- Undergraduate Credit Hour Changes, by College
- Tuition: Enrollments, Rates, and Mix
- Graduate/Professional Enrollment projections, Colleges
- SSI: State Appropriation, credit hours, and completions
- IDC: College and Unit Research projections

Prior-Year Base GFA +

Prior-Year GFA Reconciliation & Net Revisions +

Net Marginal Resources (+95.9M)
  - Columbus Tuition & Fees
  - State Share of Instruction
  - Indirect Cost Recoveries
  - Faculty Promotion & Tenure
  - Support Unit Guidelines, if applicable

Net Marginal Assessments (25.3M)
  - Student Services Assessments (SSA)
  - Physical Plant Assessments (PPA)
  - Research Assessment (RA)
  - Central & Provost Taxes on eligible resources
  - Distance Ed Assessment on eligible resources

= Current Year Base GFA

Drivers of Net Marginal Assessments:
- SSA1: Undergraduate Institutional Aid
- SSA2: Graduate Fee Authorizations, driven by graduate enrollments and non-resident rate changes
- PPA: Utility inflation, maintenance inflation, and changes in square footage space
- AMCP and Composite Benefit Rate, tied to incremental assessment
- Taxes on incremental revenue
- Approved Investment Requests
Questions?
Appendix
Components of General Funds Allocation

**Total Marginal Resources**
- Undergraduate Revenues
  -60% Unweighted
  -40% Weighted
- Graduate Instructional Subsidy
- Graduate and Professional Instructional Fees
- Differential Fees
- IDC Recoveries
- Program/Tech Fees
- Salary Guidelines
- POM Inflationary Subsidy

**Prior year Ending PBA**

- Prior Year Fee Reconciliation
  + / -

**Net Marginal Resources, after Commitments**

- Faculty Promotion & Tenure, Teaching/Staff Awards
  -

**Reallocations**

**Current Year Beginning PBA**

**Total Marginal Commitments**
- Physical Plant
- Support Unit Inflationary POM
- Research Admin.
- Central Tax
- Student Services
- Development
- Distance Education

**KEY**
- Applies to All Units
- Primarily Applies to Colleges
- Applies to Support Units/Academic Support Only

Revenue not subject to central tax

Could apply to only support units, only colleges, or both
Annual Marginal Change in Commitments

- Taxable resources include:
  - Undergraduate & Graduate Subsidy, including Med I and Med II
  - Undergraduate & Graduate Instructional & Non-Resident Fees
- Revenues excluded from tax include:
  - Indirect Cost Recoveries
  - Differential Fees
  - Program Fees
  - Technology Fees
- Central Tax of 19%: Supports units such as the President’s Office, OAA, Treasurer’s Office, Controller, Public Safety, and University Landscaping. In addition, this funding supports promotion and tenure and strategic initiatives.
- Provost Tax of 5% funds Strategic Investments
Annual Marginal Change in Commitments
Plant Operations & Maintenance (POM)

- Annual changes in POM expenses are allocated to the units via Physical Plant Assessments (PPA) based on the assigned general funds square footage recorded in the university’s space inventory.
- The square footage is multiplied by a flat rate per square foot for four types of costs: utilities, custodial services, maintenance, and deferred maintenance.
- Units who have leased space are responsible for additional leased space and rent increases.
- Units who have earnings square footage are assessed for utilities, custodial services, and maintenance outside of their GFA.
• Research cost allocation covers the budgets of units that support sponsored research
• Individual colleges are allocated a set research cost proportional to their relative share of 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)
There are three separate Student Service Cost Pools:

- **Cost Pool 1 (Undergraduate):** 90% 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):** 83% of this cost pool is Non-Resident Fee Authorizations and Graduate Fellowships. 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, Academic Affairs, and new Library Acquisitions. Expense is allocated by an average of ALL credit hours. A majority of the study abroad assessment is included in this pool.
Annual Marginal Change in Commitments
Development Assessment

- Used to support University Advancement's development efforts.
- Allocation for colleges, support units, and auxiliaries was set based on their historical proportionate share of development expenses and funds raised.
Annual Marginal Change in Commitments
Distance Education

- College delivering the distance education credit hours earns the revenue
- Assessment on marginal distance education revenue is 30%, after central and strategic taxes
- Funds generated support programming in the Office of Distance Education and eLearning (ODEE)

<table>
<thead>
<tr>
<th>Student Program</th>
<th>Student Classification*</th>
<th>Distance Ed Course</th>
<th>Brick and Mortar Course</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Distance Education Program</td>
<td>Non-Distance Education</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Distance Education Program</td>
<td>Distance Education</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Double Major (at least 1 Distance Education program)</td>
<td>Distance Education</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Secondary plan, minor and/or certificate Distance Education Program</td>
<td>Distance Education</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

● = Allocated as Distance Education (subject to distance education assessment)
● = Not Allocated as Distance Education (allocated as traditional credit hour)