

YSU Budget Advisory Council

Meeting minutes – November 6, 2019

11:00 a.m. – Kilcawley Center - Cochran Room

Members in attendance: Dr. Charles Howell, Lisa Mudryk, Justin Shaughnessy, Caroline Smith, Dr. Gregg Sturru, Mr. Eddie Howard, Dr. Mohan Eunni, Dr. Brien Smith, Dr. Jeff Tyus, Elaine Jacobs, , Carly Devenburgh, Dr. Jeffrey Coldren, Dr. Tomi Ovaska, Dr. Joe Mistovich (alternate), Dr. Mike Sherman, Neal McNally.

Members absent: Dr. Sara Michaliszyn, Dr. Thomas Wakefield.

1. The meeting convened at 11:00 a.m. The Council reviewed YSU's financial ratio analysis for the prior fiscal year, FY 2019. This ratio analysis is conducted each year by the Ohio Department of Higher Education, as prescribed by Senate Bill 6, enacted in 1997, and memorialized on the Ohio Revised Code. The document reviewed is available [online](#). Neal McNally stated that the ratios emanated from extreme financial mismanagement that had occurred at another state university in Ohio during the mid-1990's. Senate Bill 6 was enacted to prevent recurrence and to help detect when a state university is in or may be approaching financial distress. Mr. McNally described the three ratios used in the analysis: the net income ratio, the viability ratio and the primary reserve ratio, which are calculated on the basis of each university's audited financial statements. The ratios are weighted and then summed to produce a single composite score. Mr. McNally noted that the primary reserve ratio is weighted the heaviest and makes up 50% of the entire Senate Bill 6 composite score, which means that the state of Ohio has effectively mandated universities to maintain adequate reserve funds. On a scale of 0 to 5, with 5 being the highest and most desirable composite score, YSU's FY 2019 composite score is 3.3, which is generally indicative of a financially stable university. Mr. McNally noted some of the implications of poor financial performance as measured by the Senate Bill 6 ratio analysis, which could include the state of Ohio taking over management of the university through conservatorship, as well as negative publicity that would surely hurt any university's ability to attract and retain students. Given these implications, Senate Bill 6 influences how state universities exercise financial management, and underscores the need for universities to maintain balanced operating budgets and avoid deficit-spending.
2. The Council turned its attention to the operating budget for the current fiscal year, FY 2020. Neal McNally described the impact of this fall's enrollment levels, which were 3.6% lower (on an FTE basis) than what had been budgeted. Consequently,

there exists a negative revenue variance of approximately \$4 million that has prompted the need to contingency-plan to ensure that spending is in line with the revised revenue forecast. Jeff Coldren and Joe Mistovich expressed concern that contingency planning would include reductions to academic departmental resources that are funded by student fees, particularly lab/course fees that Dr. Mistovich described as his department's "lifeblood." Provost Smith acknowledged that the Administration perhaps should have more clearly communicated the potential impact of contingency planning on budgets, but stated that there will be more dialogue with the deans and chairs as planning evolves. Mike Sherman distributed a [handout](#) outlining the timeline for FY 2020 budget implementation discussions and consultations, which included several occasions where chairs and deans have already had opportunities to participate in budget discussions, such as the chairs retreat at Punderson in September, and the senior leadership meetings held in June and September. This timeline also identifies a number of future opportunities between November and next June where chairs, deans and other stakeholders can participate in budget discussions.

Neal McNally distributed an [excerpt](#) from the budget document that was approved by the Board of Trustees in June and which clarifies that fee-based resources may be withheld and reallocated to pursue institutional priorities. Mr. McNally noted that this language existed under the auspices of strategic planning, stating that the reallocation of such unrestricted funds is the only way to implement strategic investments given the absence of net new revenues. Dr. Mistovich noted that the initial fall semester distribution of course/lab fee funds was lower than in previous years and lower than expected, which has created operational difficulties for academic departments. Mr. McNally stated that the initial fall distribution was not intended to be a final allocation necessarily, and that the reduced allocation has helped shed light on departments where real resource challenges exist and where resource deployment might be prioritized. Provost Smith agreed, noting that he has encouraged the deans to submit requests for additional funds to ensure that students' instructional needs are met. There was agreement that the budgetary pressure that Dr. Mistovich's department is experiencing is not necessarily indicative of how all academic departments are being impacted, as resource needs vary widely by department. Caroline Smith suggested that a baseline be established for budgets funded by course/lab fees that would provide a stable and predictable level of funding but not necessarily reflect 100% of the fee income collected for specific courses or labs. Such an approach would recognize that the costs associated with offering courses and operating labs include other indirect overhead expenses. Dr. Mistovich reiterated his willingness, and the willingness of department

chairpersons to work with the Provost and the administration to help resolve the university's budget dilemma.

3. Dr. Sherman provided an update on the *Plan for Strategic Action to Take Charge of Our Future* indicating that the Strategic Plan Organizing Committee (SPOT) is considering all of the feedback from the eight questions asked of campus, the activities undertaken by the departments and colleges in fall 2018 (current state) and spring 2019 (opportunities related to a future state), and feedback following the May 2019 Town Hall and the August 2019 State of the University address to develop a draft plan. SPOT intends to have a draft plan available for campus feedback in early spring semester so as to have a plan endorsed by the Board of Trustees in June 2020. In the meantime, SPOT is sponsoring a Support Area ADVANCE for those areas to begin to develop mission, quality, and attributes statements that are supportive of academic excellence, student success, and mutually beneficial community engagement. Sherman also indicated that the Board anticipates that when it endorses the next Plan that a process will have been undertaken to position as much as possible, institutional resources in a strategic fashion. Dr. Sherman also noted that without additional net tuition revenue, that investment will be a continuing cycle of reallocation of current resources, that has significant implications on sustainability. For additional information see: www.yzu.edu/strategic-planning/ .
4. The meeting adjourned at approximately 12:05 p.m.