

Budget Development Council

Assessment and Recommendations

March 2014

Youngstown
STATE UNIVERSITY

Historical Context

- The 20 year historical record for enrollment at YSU supports a norm of 13,000 students. The enrollment curve over this period shows no evidence that enrollments above 13,000 are sustainable.
- Increasing enrollments between 2006 and 2010 were anomalies driven by economic conditions. This spike, however, caused unrealistic expectations about future enrollments.
- Revenue projections over the past several years were not based on an agreed upon analytical model and have been unrealistic.
- Unrealistic enrollment projections in FY 2012 through FY 2014 yielded budget models that were similarly unsustainable.
- These unrealistic budget models forced the University into a series of short-term, temporary “fixes” that left the underlying imbalance unresolved.
- Over the past three years, this underlying imbalance has been exacerbated by a combination of rising fixed costs and temporary reductions in variable expenses.
- State funding models have changed, and state funding continues to decline.

Where We Are Now

- Based on current year spending and revenue patterns, the University could end FY 2014 with an operating deficit of as much as \$2 million.
- An unrealistic “flat” enrollment projection for FY 2015 would still yield an \$8 million budget shortfall.
- A more realistic enrollment projection yields a deficit of approximately \$11 million.
- Many personnel searches are still active, especially for faculty vacancies.
- Negotiations with the University’s two largest bargaining units are underway.
- The past two fiscal years have seen the University utilize operating reserves to balance the year end deficits.
- In FY 2014, divisions reacted to a revenue shortfall mid-year by implementing both one-time and base budget reductions.

Where We Need To Be

- Enrollment projections should be based upon a rigorous analysis of current enrollment patterns, retention data, and recruitment trends.
- We should adopt realistic and conservative enrollment projections as a working assumption.
- Expense budgets should be established on the basis of realistic revenue projections to avoid the need for mid-year budget rescissions.
- We must plan strategically to reorganize and realign base budgets.
- All recurring costs must be budgeted. New costs for generating additional revenues should be funded.
- Resources should be allocated to units based on agreed upon standards and expectations for productivity.
- Budget models should not rely on operating reserves to close foreseeable budget gaps.
- Operating reserves should be held for emergencies or for strategic investments.

Budget Development Council

Assessment and Recommendations

March 2014

Page 2

Youngstown
STATE UNIVERSITY

What We Need to Do for FY 2015

Now

- Specify a realistic enrollment projection based on the most accurate data available and realistic assumptions about recruitment and retention.
- Determine the level of spending reductions needed to align expense budgets with realistic revenue assumptions. Allocate these reduction targets to each division in proportion to each division's share of the total budget but should be reduced by the amount of base reductions made by divisions during the current fiscal year.
- Divisions should identify base cuts to meet the targets by early May. In the event identified base cuts cannot be fully implemented to yield the required reduction in expenditure for FY 2015, a negative expenditure line will be added to the division budget, and the division head will make quarterly reports to the Board of Trustees demonstrating progress toward spending reductions sufficient to balance the budget by June 2015.
- Division heads should confer about impact of the planned reductions, examine possibilities for trade-offs between divisions and, if necessary, reallocate planned reductions to enhance alignment with strategic priorities. Lowering the reduction target in one division requires that it be raised in another, to ensure that the institutional budget is in balance.

Short-Term

- Implement academic program review, identifying costs and revenue attributable to each program, including department and college overhead, to generate qualitative and quantitative data that can be used for strategic planning
- Implement a comparable review process for non-academic units.
- Review the long-term sustainability of our Division I athletic programs in light of other institutional needs.
- Realign expenditures and associated base budgets to realistic revenues.
- Create budgetary room for strategic realignment (Modified Initiative-Based Budgeting).
- Move quickly to initiate future reductions in fixed costs where necessary lead-time constrains implementation.
- Be extremely cautious about adding new fixed costs.
- Support new revenue generating programs without long-term recurring costs.
- Refine data systems to generate actionable data to enhance quality and productivity.

Long-Term

- Develop a strategic plan that is focused on explicit revenue and expenditure targets.
- Adjust budget projections to match realistic effects of the implementation of the revised strategic plan.
- Move labor contracts to support new strategic model.