New finance vice president named

By Heather L. Weigand
Lantern staff writer

Weldon E. Ihrig was recently named to the new position of vice president for finance.

The appointment came at the Sept. 6, Board of Trustees meeting after a recommendation by President Edward H. Jennings.

Board member Leonard Immke said, "The president is trying to recognize Ihrig for the tremendous job that he has been doing."

Ihrig said he will be responsible for the overall financial resources of the university.

"The overall goal is to make sure that we have adequate resources for teaching research services," Ihrig said. There will be no direct administrative changes that will take place due to his new position.

"We've had an outstanding team working together for the last three years, and I don't foresee any changes," Ihrig said.

His responsibilities will include the Treasurer's Office, Controller's Office, University Budget Planning, and the Office of Campus Planning and Space Utilization.

Ihrig has been associated with the university since 1965, and has held a number of positions with the Offices of Student Affairs and Business Administration. Prior to this appointment he served as a university fiscal officer.
OSU says it’s in clear on bond rules

By Ruth Hanley
Dispatch Staff Writer

Because buildings under construction at Ohio State University will be used primarily by university personnel, officials there say they are not worried about a possible change in federal law that may halt projects elsewhere.

OSU is joining Ohio’s other public colleges and universities in reviewing capital improvement plans to see which projects may be affected if the U.S. Senate passes a law limiting the use of tax-exempt bonds for buildings.

Among the higher education projects that could be affected are museums, convention centers, research parks, medical facilities and other buildings that would be utilized to some degree by non-government users such as businesses.

OSU’s development of a research complex on West Campus and at Don Scott Field would not be affected by the new federal provision because the state has not provided money for the project, said Weldon Ihrig, OSU’s vice president for finance.

Nor does Ihrig expect OSU’s $54 million Cancer Research Center to be affected. The state has appropriated $40 million for the center, currently under construction, but that facility will “be occupied and used by university employees,” Ihrig said.

The U.S. House of Representatives last month passed a tax reform package, which, if approved by the Senate, would be retroactive to Jan. 1 and thus could apply to $110 million in higher education capital improvement bonds sold by Ohio earlier this month.

A provision in the federal law would set a $10 million spending limit from a single bond issue for functions that would benefit non-governmental users. As a result, institutions could face construction delays or be forced to seek alternative financing.

Legal aspects of the proposed legislation are not yet clear, said Matt Filipic, director of budgets and resource planning for the Ohio Board of Regents.

But a question already has been raised concerning health-related facilities at universities with medical practice plans, Filipic said. OSU has such a plan to govern faculty physicians’ reimbursement to the university for the use of facilities and materials in their private practices.

The question, Filipic said, is whether the existence of a practice plan allows private individuals exclusive access to public space.

Filipic said he doubts whether OSU’s practice plan will involve the cancer center significantly.

In any case, the proposed law also has a grandfather clause exempting projects that were “at some stage of development” in September 1985, he said. The state appropriated $40 million for the OSU center in 1981 and construction began in 1984.

For the current biennium, the General Assembly approved $37 million worth of construction and renovation projects and reappropriated $62 million for previously approved projects at OSU, Ihrig said.

“We’re still looking at the fine print,” he said of the pending legislation, “but at this point we don’t think we have a problem.”

The regents have asked officials at Ohio’s public colleges and universities to provide information about present and proposed arrangements with private individuals and businesses to use facilities funded through the state’s capital bill.
University saving millions

By Jeff Grabmeier

Many individuals manage their personal debt the only way they know how, by paying their bills every month, and maybe grumbling occasionally about the finance charges.

Ohio State, with its millions of dollars in assorted debts, has to be more sophisticated. University financial officers are finding new ways of handling the institution's debt that will offer more flexibility and save millions of dollars in the coming years.

"We treat debt management the same way as we do the endowment," says Weldon Ihrig, vice president for finance. "It's another type of investment in the institution. So we are continually looking for new approaches to dealing with our debt that will give the most advantages to the University."

During recent years, the University has implemented a series of changes in its management strategy. It has sold its first variable rate bonds; begun its first building projects under lease-leaseback arrangements; started buying some of its own dormitory bonds; and begun planning changes in equipment leasing policies.

Although each of these changes affects different parts of Ohio State's finances, Ihrig says the goal is basically the same: To give the University greater financial flexibility.

"It's similar to how we deal with energy management," he explains. "The University is currently building a coal-fired boiler at the power plant. This will give us the flexibility to use three fuel sources — coal, oil or natural gas. Ohio State will be able to use whichever fuel is most cost-efficient.

"The same philosophy holds for debt," Ihrig says. "The more flexibility we have, the better we're able to adjust to the external environment. We can't control interest rates, changes in tax laws and other external influences, but we can plan to enhance the benefit to the University for whatever may happen."

One way the University has increased its flexibility is by issuing its first variable rate bonds.

Until recently, Ohio State could sell only fixed rate bonds when it wanted to borrow money for building projects. Fixed rate bonds were all that were allowed under the terms of the University's indenture, which is the legal document that regulates how the institution can sell bonds.

Last year the University paid off several previous bond issues early. This allowed Ohio State to rewrite its indenture, says James Nichols, University treasurer.

"The new indenture is written in much more favorable terms to the University, including the ability to now sell variable rate bonds," Nichols says.

Ohio State sold its first variable rate bonds last December. Because the interest rates on these variable rate bonds are currently much lower than the fixed rate, the University will save more than $1 million during the first full year in interest charges, Nichols says.

"The potential savings over the life of the bonds is just phenomenal," he says. Even if the interest rates on the variable rate bonds rise above the fixed rate, Ohio State has the flexibility to convert the variable rate bonds to a fixed rate, according to Nichols. This would protect the savings the University currently enjoys.

The Board of Trustees in July approved the sale of $90 million worth of bonds for a variety of projects, including construction of a new multi-sport practice complex and the Wexner Center for the Visual Arts.

These projects will be paid for through contributions to the $350 million, five-year Ohio State University Campaign, but the selling of bonds will allow the University to begin work on these facilities more quickly.

Nichols says this bond sale will include both variable and fixed rate bonds "in a mixture that's of the best advantage to the University."

A second example of Ohio State's new approach to debt management is its use of lease-leaseback arrangements to build selected facilities. This was instituted through the office of Richard Jackson, vice president for business and administration.

This was first used at Ohio State to build
with creative financing

an aircraft hangar that was completed in July at Don Scott Field, says Craig Johnston, assistant director for Contracts Administration.

Under this lease-leaseback arrangement, the University took property it owns at the airport and leased it to a private developer. The developer agreed to construct a hangar on the property to the University’s specifications and then lease the building back to Ohio State. When the lease expires, the property reverts to the University.

"The lease-leaseback allows the developer to get financing for the project, rather than forcing the University to sell bonds or find some way to get the money up front," Johnston says. "It's essentially a form of financing."

The trustees in July approved using lease-leaseback arrangements to build a new child care facility and a stores and receiving warehouse.

Nichols says these facilities will cost the University less than if it had built them in the usual manner of simply contracting with a developer to construct them.

Ohio State is also managing its debt by purchasing some of the bonds it issued in the 1950s and 1960s to build Lincoln and Morrill towers and the north and south dormitories, Nichols says.

By buying the bonds at a discount price on the open market, the University has been able to retire some of its debt and avoid the interest charges it would have had to pay in the coming years, Nichols says.

In addition, the University has also been taking action to free up money it has in debt service reserves. When an institution sells bonds, it has to put a certain amount of cash in reserve until those bonds are paid off. By purchasing its own bonds, Ohio State has been able to lower the reserve requirement. In addition, the new indenture as a result of last fall’s advance refund effort greatly reduced required debt reserves.

"The money we have freed up can now be used for other priority projects," Nichols says.

Another change in Ohio State's debt management is in the works now, according to Nichols. This one will affect equipment leasing.

Currently, when departments and offices decide to lease equipment, they usually prepare and consider bids solely on the basis of cost and product quality, Nichols says. For instance, if a department wants to lease a copier, it selects a model that is the best quality for the price.

Nichols says he wants his office also to inspect the financing terms of these lease agreements.

"The purchasing and technical aspects of these equipment bids are in the hands of the individual departments and the Office of Purchasing," he says. "But we want to look over these proposals also from a financing point of view. I think we'll save the University some money by doing that."
Freeze will not halt VP search

By Mike Stepanski
Lantern staff writer

Despite the 30-day hiring freeze announced by OSU President E. Gordon Gee, the operations of three vice presidential search committees continue and are operating with almost unlimited budgets.

The committees are in charge of finding and screening applicants who apply for the available vice presidential positions.

The committees were not given specific budgets, rather committee chairs have been given the authority to set their own budgets. But the final decision in any instance will come from the president, said William J. Shkurti, acting vice president for finance.

A member of one of the search committees said President Gee told their committee their budget would be “whatever it takes.”

The positions became available after Gee’s plan for the reorganization of the central administration took effect.

Gee outlined his reorganization plans in a speech to the University Senate in October 1990.

The administrative reorganization created five vice presidential offices: agricultural administration, business and administration, finance, development, and human resources. The agricultural administration and human resources positions have already been filled through national searches.

The remaining committees, which are made-up of selected faculty and staff, are being assisted by outside consulting groups in their efforts to bring in a diversified pool of candidates.

By applying the freeze, Gee placed a halt on the creation of new administrative units, not positions that have already been posted.

Nancy L. Zimpher, chairperson of the committee searching for the vice president of finance, said positions that have been advertised prior to the freeze are exempt from the freeze policy.

The three vice presidential positions previously were advertised in The Chronicle of Higher Education, The Wall Street Journal and several affirmative action journals, making them exempt from the recent freeze.

“We are so far downstream, so close to the end with these searches... it seems to us that it is appropriate that we finish,” said Madison Scott, executive assistant to the president.

“We have already spent the bulk of time and money on the searches — to stop would not be a good thing to do,” Scott said. “We feel that we should complete the process and make our recommendations to the president... but we will observe the freeze as everyone will.”

Through national searches, the positions for the vice president of agricultural administration and human resources have been filled.

Bobby D. Moser, formerly the director of the Ohio Cooperative Extension Service, in 1991 accepted the position of vice president for agricultural administration.

Linda Tom has accepted the position of vice president of human resources and awaits approval of her appointment by the university’s Board of Trustees.

Tom is presently employed at Rhone-Poulenc Rorer as senior director of corporate human resources. She will join the staff by Feb. 15 upon approval of her nomination by the board.
PICHETTE AND SHKURTI NOMINATED FOR VICE PRESIDENT SLOTS

COLUMBUS -- In announcing his recommendations to fill two vice presidencies, Ohio State University President E. Gordon Gee on Wednesday (2/26) charged his new administrators with the tasks of improving Ohio State's administrative efficiency and of reducing bureaucracy by 10 percent.

Gee will recommend the appointments of Janet G. Pichette as vice president for business and administration and William J. Shkurti as vice president for finance.

Pichette is vice president for business and finance and treasurer of Eastern Michigan University in Ypsilanti. Shkurti is acting vice president for finance at Ohio State.

Gee will recommend the appointments to the university's Board of Trustees at its next meeting March 6.

The vice president for finance is the chief financial officer of the university and is responsible for the offices of the Treasurer, Controller, Campus Planning and Space Utilization, Budget Planning, and Management Studies, with a combined staff of 170 and an annual budget of $6 million. The vice president is responsible for preparing the university's $1.1 billion annual budget and is the chief spokesperson for the university on financial matters.
New furniture

Despite university-wide budget cuts, Ohio State has the money to put furniture and staff in the new buildings being built on campus, said Bill Shkurti, OSU vice-president of finance.

Shkurti said finding the funds for things such as desks and carpet is always a challenge in times of budget restraints, but that $1.6 million was allocated for operations and new facilities in the July 1992 budget.

"There will be enough in a building so that students can get into it," Shkurti said.

He said despite lower enrollment and cancelled courses, there is a shortage of classroom space on campus.

There aren't enough rooms in which to hold classes in the middle of the day, which is among the reasons why some courses are cancelled, he said.

He said there will always be some buildings under renovation, and the extra space created by these new buildings will be beneficial.

"No buildings will go unused," Shkurti said.
Big, small savings add up to $7.5 million

By Tom Spring

Reducing the reserves needed to cover employee medical claims and reallocating unrestricted gift income are two of the means Ohio State may use to solve a $7.5 million shortfall in the 1992-93 budget.

The measures are alternatives to reducing General Fund payments by 2 percent to academic and academic support units, William Shkurti, vice president for finance, and Ed Ray, associate provost, told the Board of Trustees Fiscal Affairs Committee Jan. 12.

Shkurti cautioned that the proposals are preliminary and not yet University policy. He said feedback is sought from the campus community about the proposals before a final list is drafted and presented to trustees for their approval at the Feb. 5 board meeting. Written comments may be sent to Joan Haver, senior vice president for academic affairs and provost, or to Shkurti.

"We're not going to cut instructional units or libraries," Shkurti said. "So, there is not a whole lot left."

However, several small recommendations to change the methods of doing business could add up to produce significant savings this year and, in some cases, even greater on-going savings next year.

The proposals identify $6.3 million in one-time savings for the balance of the current fiscal year and almost $7.9 million for fiscal 1994.

The proposals include:

• Examining whether Ohio State has set aside more funds than necessary for medical claims, $2.85 million in one-time savings.

• Seeing whether unrestricted gift funds can be redirected to higher priorities. $1 million each in 1993 and 1994. For example, a lot of these funds in the past have been used to fund Eminent Scholar positions. Those positions have now been funded and no additional money is required.

• Saving money in utility and new facility spending.

See $7.5 million, page 4

Continued from page 1

$1 million. For example, money was set aside this year for an electric rate increase that has not yet occurred. Additional savings were realized when a cool summer reduced expected electrical usage for air conditioning.

• Adding surcharges to athletic tickets, $400,000 this year and $500,000 next year.

• Non-student fans paid an extra $2 for men's basketball tickets last fall.

• Reducing expenses by $225,000 this year and almost $1,795,000 next year. These proposals include eliminating duplicate services such as some copy centers, and not hiring non-enrolled students, for whom the University must pay into retirement funds.

• Saving money in the area of non-instructional units reporting to the provost, $830,000 this year and $1.7 million next year. These measures include reorganization.

An example is the move to merge the Office of Student Financial Aid with the Office of Admissions (See story on page 1.)

Last summer, Ohio State adopted a budget that included $10 million in savings, to be identified by January, in the form of increased revenues or reduced spending.

The University recouped about $2.5 million through a raise in tuition. That became possible when the Legislature lifted the tuition cap shortly after the Ohio State budget was adopted.

Six task forces were created to look at ways to come up with the remaining $7.5 million.

Groups reviewing the proposals are the University Senate Fiscal Committee, deans, the Faculty Compensation and Benefits Committee, the Staff Advisory Committee, and the University Priorities Committee. President Gee's Executive Committee will make a final review prior to the Feb. 4 Board of Trustees meeting.
Colleges have $41 million deficit

Office of Finance calls for plans to reimburse university

By Jill O'Neill
and Gina O'Brien
Lantern staff writers

Fifteen OSU colleges and academic support offices are devising plans to pay back the university $41.5 million in overexpenditures.

More than half of the deficit, $24.6 million, has been generated by four colleges: The College of Humanities accounts for $7.8 million; the College of Agriculture for $8.3 million; the College of Medicine for $4.8 million; and the College of Engineering for $3.7 million, according to the Office of Finance.

The Office of Finance wants to have repayment plans drafted by the end of the month for each of the offices in debt, said William J. Shkurti, OSU vice president for Finance.

Ohio State covered the colleges' overexpenditures, which accumulated over the past five to eight years, by using money from the university's central fund.

"These are not bad debts," said Edward Ray, associate provost. "These are deficits that have accumulated in these units that ultimately the university has had to cover."

"And the university is now saying to these units, 'You're the source of these expenditures. You have to identify the revenues that are going to cover the expenses that you incurred,'" Ray said.

The $41.5 million shortfall represents 3 percent of Ohio State's total budget, Shkurti said.

Shkurti said he hopes each college can repay its own deficit over a five-year period by cutting expenditures. As a general rule, the university will expect colleges to repay their deficits. They will "explore other options," Shkurti said, if the college cannot pay back its deficit. Shkurti would not give an example of what the options may be.

Most of the individual deficits accumulated over a period of five years, and most colleges are now running balanced budgets, Ray said.

"Because of the national and state economy, things turned surprisingly flat and somewhat negative in the late 1980s," Ray said. "The downturn in the economy made it difficult for colleges to plan their budgets."

"We need to address them (deficits), not on a hunt-and-destroy approach, but in an evenhanded, well-articulated way," Ray said.

Most of the debt was incurred before President E. Gordon Gee took office.

Shkurti said, "We are not being critical of any individual person, including former OSU President Jennings, because I think what we've got here is an institutional issue that transcends any one person ... and needs to be addressed."

Shkurti is still examining the colleges' justifications for their deficits. At least one college, the College of Humanities, overspent to accommodate increased student enrollment. Humanities Dean G. Michael Riley told the Lantern Jan. 21.

Janet Pichette, vice president for Business and Administration, said her college is owed money for some services it provided, such as postage, and its deficit is actually less than the numbers released from the Office of Finance.

"Some officials, Shkurti said, say the blame for the deficit must be shared. They say that the Office of Academic Affairs simply exaggerated all of their expenditures, despite the fact that they were spending more than the university allotted for them."

The Board of Trustees is required to approve Ohio State's overall budget, but trustees apparently have not been aware that the budgets from some colleges were not balanced.

University reaction to the deficits has been mixed.

"They have my sympathies," said Richard Hill, dean of the College of Optometry, which operates within its budget.

Hill said his college has been lucky. Industries have loaned equipment to the college, and its alumni association increased contributions, from $150,000 in 1988 to $900,000 last year.

He said the college is now 14 percent understaffed, and faculty members have picked up the extra work.

Other departments were not so fortunate. The Political Science Department, for instance, has cut two professors in the past two years. This led to the department's offering ten fewer courses, said Paul Beck, department chair.

"To be responsible meant we had to follow the priorities of the university," he said.

"The university is now faced with devising deficit-reduction plans that bring about cuts without hurting students."

"We don't want students to be the innocent victims of collateral damage," Shkurti said.

Shkurti said offices that operate within their budgets have three advantages. First, pay raises to deans and officials are based on their past ability to manage a budget. Second, these colleges will not have to cope with budget reduction plans. Finally, past management of funds will sometimes be considered when the university doles out money from its central fund, he said.

The colleges and offices that are targeted for action are those whose deficits account for 10 percent of their budget or more than $100,000, Shkurti said.

Once a deficit-reduction plan is drafted, it will need approval from Gee's office, and possibly the Board of Trustees, Shkurti said.

As the plans are devised, extenuating circumstances, such as unexpected enrollment changes, unfunded requirements, reductions in state-funded line-items or temporary delays in expected funds, will be taken into consideration, he said.
OSU debt-reduction plan released

By Douglas Wu
and Jill O'Neill
Lantern staff writers

Plans were disclosed Thursday to eliminate the $44 million debt accumulated by 15 OSU colleges and offices over the past five to eight years.

The plans, unveiled at a Fiscal Affairs Committee meeting, call for 13 colleges and offices to repay their own debts over a period of no more than five years. However, the plans call for the university to absorb most of the debts accumulated by the College of Humanities and the Office of Human Resources.

Under the plan, the university would absorb $6 million of the College of Humanities' $7.8 million debt. The remaining $1.8 million will be paid back in installments by each college.

Edward Ray, associate provost, said part of the reason the university will absorb so much of the College of Humanities' debt is because of a misunderstanding between the college and the central administration that began in 1988.

In a plan approved in August of 1988, the OSU central administration recognized that the college might not have been funded adequately to accommodate the increased enrollment and curriculum changes. Administrators offered to increase the college's funding, Ray said.

At the same time, however, the college was supposed to make cuts stay within its budget, Ray said. But neither party fulfilled its part of the agreement.

"The plan represents a division of responsibility between the central administration and the college, partly in recognition of the shared responsibility for the debt," Ray said.

"The plan worked out between the college and central administration, details how and specifically where the funds will come from. The Office of Academic Affairs was concerned about the impact of the plan on the college's academic programs," Ray said.

The college's debt was accumulated between 1985 and 1991.

Under the plan, Ohio State would pick up the entire Human Resources debt of $1.4 million.

"The office would be unable to repay its debt without hindering its operations," said William J. Shkurti, vice president for Finance. He did not say how this situation differs from other colleges and offices.

"Chronic underfunding over a long period of time has made it impossible for this area (Human Resources) to repay the debt without affecting the office's core human resources function, including its affirmative action programs," Shkurti said.

The plan would require quarterly reports from the areas that have deficits more than $100,000.

Five areas still have plans pending: Ohio Agriculture Research and Development Center, College of Engineering, College of Law, the Wexner Center and the Office of Student Affairs.

The plan will be presented to the OSU Board of Trustees today. If the Trustees approve the plan, it will become effective July 1.

Shkurti said new procedures have been developed to cope with any future debts. The procedures will allow the offices of Finance and Academic Affairs to freeze accounts, and freeze hiring of new personnel of colleges and offices that are overspending.

"Under the new plan, the Office of Human Services will not allow a unit to hire if they don't have the resources," Shkurti said.

If the deans of the colleges have a problem with the new procedure, they can meet with officials from the Office of Academic Affairs, Shkurti said.

The Office of Finance had previously released figures showing that the total deficit was $41 million. However, this did not account for $1 million spent from a separate account held by the College of Engineering. It also did not account for nearly $2 million in university expenses from the agriculture research center, to compensate for state budget cuts to the center.
OSU writes off $7.1 million in debts

By Tim Doolin
Dispatch Higher Education Reporter

Ohio State University is writing off at least $7.1 million in debt from the College of Humanities and the Office of Human Resources.

Eight other colleges and academic offices will be required to pay back money owed to the university's central fund.

The 15 colleges and offices ran up a total debt of about $44 million during one to eight years beginning in the mid-1980s. The university covered the debt by reallocating money from the central fund.

There were several reasons for the debt, but a recurring cause cited by administrators was the cost of early retirement buyouts of faculty and staff members.

The university has been working with the colleges and academic offices to develop repayment plans. Plans still have not been completed for five of the colleges and offices that incurred larger debts.

The College of Humanities owes about $1.8 million, the second-largest debt, but is being required to pay back only about $1.8 million.

The university is absorbing the remaining $5 million, saying it was negligent in letting the debt slide over several years and did not give the college enough money to keep pace with dramatic increases in enrollment and curriculum demands.

"In essence, we are writing it off," said William J. Shurtle, vice president for finance at OSU.

Up to $7,000 undergraduate and graduate students take a course from the college each quarter. That is up about 25 percent since 1985.

"There are a number of reasons why you could run a deficit, but to let it go up to $8 million shouldn't happen," Shurtle said.

"Either the university should have given the college more money for enrollment or it should have given the college more of a sense of what was expected of it."

Humanities will pay off the debt during the next five years by eliminating less popular courses, cutting back on classroom instruction materials and reducing research. The college also will not fill some faculty and staff openings.

The university also is waiving about $1.1 million owed by Human Resources, saying that the office "historically has been inadequately funded." That office oversees such operations as payroll and benefits administration, labor union negotiations and affirmative action.

The university is still trying to work out payment plans with some of the biggest debtors. The College of Agriculture owes about $9.5 million and the College of Engineering, about $4.7 million.

The university and the College of Law have been trying to determine how much money is owed. The university has set the debt at about $710,000, but the law school says the amount is less.

"But it is not something we want to debate publicly," said Francis X. Beytagh, dean of the law school. "I have been working with the finance people."

Agreements also have not been reached with the Office of Academic Affairs, which owes about $3.4 million, and the Office of Student Affairs, which owes about $3.3 million. The stumbling block with Academic Affairs is about $324,000 owed by the Wexner Center for the Arts.

The debt was caused primarily by unanticipated start-up costs of the center, said Bill Cool, its acting executive director. The center has proposed that the debt be split three ways among the center, the university and the Wexner Center Foundation, established to support programming at the center.

"The center believes the unanticipated costs are more the responsibility of the university not understanding what it would cost to run the center," Cool said.

Payment plans have been reached with the following colleges: arts, which owes $297,000; business, $454,000; dentistry, $21.5 million; education, $100,000; mathematics and physical sciences, $1.8 million; medicine, $4.7 million; and veterinary medicine, $202,000. The Office of Business and Administration has developed a plan to pay back about $2.3 million.
University to forgive a portion of debts

Payback's impact on students, overall programs are taken into account

By Tom Spring

The College of Humanities will be required to repay $1.8 million of its $7.8 million deficit between now and 1998. The remainder of the loan will be funded by the University.

Humanities is one of 11 colleges and three academic support units that will be repaying loans totaling $44 million over the next five years to their banker: the central administration.

Several of the deans and vice presidents involved inherited their debts from former managers.

Now controls have been established that will assure balanced budgets in fiscal 1993 and prevent deficits from recurring. “We want the University’s budget system to work the way it is supposed to and hold the managers accountable,” William J. Shkurtri, vice president for finance, told the Board of Trustees’ Fiscal Committee March 11.

The College of Humanities incurred its deficit from 1985-91, a period marked by huge increases in enrollment and demand for course offerings.

Also, the University for a long time failed to demand budget accountability and to adequately address a prolonged period of increased enrollments in humanities classes. Shkurtri and Joan Huber, senior vice president for academic affairs and provost, reported in a memo to the Board of Trustees.

A large portion of the debt was forgiven because the college’s heavy teaching load meant the impact of total repayment would fall disproportionately on students, they said.

The Office of Human Resources also had a $1.446,400 loan forgiven. “We decided it has historically been inadequately funded,” Shkurtri said. He and Huber noted it would be impossible for the office to repay the debt without adversely affecting services throughout the University.

The largest defict, $8.5 million, was incurred by the Ohio Agricultural Research and Development Center, in large part due to cutbacks in state funding. OARDC, a line item in the state budget, saw its funding slashed in the late 1980s, leaving it with less money to fund its obligations. OARDC’s efforts to repay its debt were set back by further cuts in the last biennium.

We want the... budget system to work

William Shkurtri

“We’re trying to work with Bob Moser to make sure we resolve this in a way that is helpful to OARDC, the College of Agriculture, and the University.”

Negotiations on portions of the reduction plans are still in progress for the College of Engineering, the Wexner Center and the Office of Student Affairs. The College of Law is still working on its plan. It is $710,000 in debt.

Budgets and deficits will be reviewed at regular intervals until the debts are paid. In addition, colleges with deficits will not be allowed to hire new faculty unless they can make the resources available to fund the position.

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Source: Office of Finance
Office of Finance tightens own belt

Department trims duplications, inefficiencies to meet reductions
By David Tull

The Office of Finance worked virtually around the clock for several months to pare more than $15 million from the University's budget. Now it wants to spend the next six or seven months finding more ways to reduce its own.

"The office is reviewing its entire internal structure to identify core functions, eliminate duplication and increase efficiency," said William J. Shkurti, vice president for finance. He would not rule out the possibility of staff layoffs.

"There are no guarantees that layoffs can be avoided in the future," Shkurti said. The office sees layoffs as a last resort, he added. Finance has about 150 regular staff.

The goal is to have any organizational changes identified and under way by June 30. Savings will be used to meet budget reduction targets for the next fiscal year, and to support critical needs such as monitoring tax compliance and longer-range financial planning.

The office, in addition to Universitywide budget planning, does accounting, facility planning and space utilization, and treasury management functions.

Finance has a budget for the current fiscal year (FY94) of about $5.25 million, which reflects a 6 percent reduction — about $329,000 — from its earlier budget.

Over the three fiscal years from FY1992-94, the office has reduced its budgets more than $1.1 million. FY93 saw a 7.5 percent cut — about $444,000 — and a later cut of 1.2 percent.

Over the three years, the office achieved $878,000 in reductions by eliminating 17.5 staff positions and nearly 30 student positions, Shkurti said. All but one of these cuts were accomplished by simply not filling vacant positions.

Shkurti sees careful long-range planning as a way not only to operate more efficiently but also to give staff some sense of what the future will bring.

Certainly some staff will be redirected to new positions. "We've told people that they may not be doing the same things in the future. Nobody likes uncertainty and it's better when we know what we're going to do," Shkurti said.

In the past three years, finance has:
- Abolished the Special Projects area, a part of the office that analyzed financial data to establish trends. This function has been integrated into the overall budget planning process.
- Focused efforts of Management Studies staff toward priority initiatives, such as assisting in the development of indirect cost rates for sponsored research, the year-end financial audit, and "benchmarking" — collecting data and comparing Ohio State's figures with those of other institutions.
- Consolidated Surplus Materials with Physical Facilities to expand a Universitywide recycling effort and promote disposal of surplus furniture and equipment.
- Merged enrollment planning into budget planning.
- Transferred Equipment Inventory to the Controller.
- Eliminated publication of an annual financial report, saving about $25,000 a year.
- Installed a new computerized student loan system that consolidates student loan billings and provides on-line access to information. Finance is responsible for the disbursement and collection of student loans, while Student Financial Aid handles the eligibility and awarding processes.
- Successfully managed an increase of 46 percent in the University endowment fund market value without additional resources.

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Finance also has worked with Academic Affairs to redesign the college profiles reports — reports compiled each year by colleges and departments to show enrollment, and information on staff and budget. The revision makes more information available to deans and other administrators, and can be generated using personal computers.

The office has reduced the time for the University's annual audit from six or more months to three months.

The office successfully negotiated with the federal government a new four-year indirect cost rate agreement for federal research grants. The federal government had "no adverse findings" in its investigation of Ohio State. "This means that we're properly charging for indirect costs and that we're documenting them well," said Shkurti.

Federal authorities had challenged several research institutions such as Stanford and the University of Michigan over their indirect cost billings.

Finance has developed a new allocation and monitoring system for $5.4 million in unrestricted gift money. The office also has worked with Legal Affairs and Human Resources to minimize tax-related problems, such as unrelated business income — income from operations not directly related to the University's tax-exempt educational function — and the way payroll taxes are collected.

"The University has done a good job balancing the budget for each year," said Shkurti. "I strongly believe that the institution now needs to develop the ability to plan for the future on a multi-year basis, so that we can be proactive rather than having to react to seemingly endless annual budget reductions."
Equilibrium in finances will help stabilize University

By David Tull

Progress in restructuring how the University manages its finances can result in "financial equilibrium" within the next 18 months.

"This (the management of financial resources) is a way of operating," said William J. Shkurti, vice president for finance. "Financial equilibrium is the goal we hope to achieve in the future. The financial restructuring plan tells us what we need to do, how we hope to get there and, once there, how we'll make sure we stay in financial equilibrium."

Shkurti and Ed Ray, senior vice provost, reported March 4 to the Board of Trustees on the University's Financial Resource Management plan. Shkurti and Ray developed the plan jointly, with assistance from the University Senate's Fiscal Committee.

Financial equilibrium means "we will get a tighter rein on financial affairs," Shkurti said. "We won't have to go from one crisis to another. We can respond more quickly to changing conditions."

He added, "We will have the resources to meet existing commitments, including competitive pay increases, without having to resort to Universitywide budget reductions."

Shkurti noted that the fiscal plan is one part of Universitywide restructuring. The report illustrated "what we can expect from such a system," said Shkurti. The report cites five elements of resource management:

Accountability — Holding decision makers in colleges and support units accountable for living within budgets.

Both Shkurti and Ray cited as an example of increased accountability the requirement last year that 14 units with deficits had to implement plans to reduce and eliminate those deficits. "We're saying to the units that you can no longer run up a deficit and expect to be bailed out," Shkurti said.

Information — Providing for fact-based decision making, based on an open environment in which information is shared.

"Another element of any financial operating process ought to be the availability and access to information," said Ray. "In the last 16 years we started a process in which we shared widely information about the budget allocations and how they were made."

The recent development of enhanced college profiles is another example of information sharing, according to Ray. College profiles have been prepared for years but not widely disseminated. "In 16 years as a department chairman, I never saw a college profile," said Ray, who chaired the Department of Economics.

Now, Universitywide profiles are prepared and made available to anyone needing the information. "We gave colleges their own information and everyone else's too," Ray said.

Planning — Establishing a process to anticipate problems and to ensure that financial and academic decisions are supportive and coordinated.

The University's Mission and Vision statements and the effort to have units project priorities over several years are current examples.

Incentives — Developing systems that reward units for decisions that further Universitywide financial and academic goals.

Incentives must be structured so that units understand that "if we do things right, we will not suffer for it financially," Shkurti said.

Flexibility — Improving the ability to change as conditions demand, to exploit opportunities and provide a cushion against unexpected problems.

A key element of the plan is flexibility, Shkurti said. "By having enough (financial) reserves, we will be able to respond both to crises and to opportunities."

Trustee George Skestus, chair of the board's fiscal committee, asked for details on how incentives would be distributed. "We need to monitor these incentives and make certain that they flow down to colleges, to departments and to individuals," he said.

Ray noted that the University is attempting to do that. "Salary increases on the basis of merit are an example of a direct signal that you get rewarded when you do a job well," he said.
HIGHIER EDUCATION

Ohio State losing its top financial exec

By Jennifer Smola The Columbus Dispatch

Ohio State University’s main money man is leaving the university for a new job.

Geoff Chatas, senior vice president for business and finance and chief financial officer for Ohio State, will join Georgetown University, where he is an alumnus, as a senior vice president and chief operating officer, Ohio State announced Friday.

Chatas has been with Ohio State since 2010. He will remain at the university until February.

“It has been my honor to be part of this great flagship university,” Chatas said in a written statement. “Ohio State has made tremendous strides, and it has been particularly rewarding to advance access, affordability and excellence for students and families throughout Buckeye Nation.”

Chatas has helped lead a number of initiatives at Ohio State during his tenure, including:

- A $483 million lease of the university’s parking operations that has generated millions for student scholarships.
- A record 20-year, $252 million sponsorship contract with Nike.
- An energy-privatization deal that earned Ohio State a $1.1 billion upfront payment, plus later-stage payments.
- A collaboration with Apple to launch a digital learning initiative.

Chatas previously announced plans to leave Ohio State in March 2015 to lead infrastructure business in North America for QIC, the Australian company that paid Ohio State millions to lease campus parking operations. At the time, some critics questioned whether it was proper for Chatas to take the job after he’d overseen the parking deal.

The next month, Chatas announced he had changed his mind and would stay at Ohio State to help implement President Michael V. Drake’s affordability and cost-reduction visions for the university.

“The work of Geoff and his team has contributed greatly to momentum across our university,” Drake said in a statement Friday. “This is a wonderful opportunity for Geoff to return to his alma mater — and we wish him the very best.”

Deputy Chief Financial Officer and Treasurer Michael Papadakis will serve as interim CFO following Chatas’ departure. Papadakis is currently vice president of financial services and innovation.

Friday’s announcement marks the latest in a handful of recent leadership departures at Ohio State. Dr. Michael Caligiuri, leader of the Ohio State University James Cancer Hospital, resigned last month and has since accepted a position with the City of Hope National Medical Center in Duarte, California. In May, Dr.
Sheldon Retchin, CEO of the Wexner Medical Center, resigned after more than 40 physicians expressed concerns about leadership at the medical center.

Chatas earned more than $779,000 in 2016, including base salary and bonuses. Earlier this year, the university’s board of trustees renewed his contract through 2020. jsmola@dispatch.com @jennsmola
Auditor finds way OSU could save $6.4 million

By Jennifer Smola The Columbus Dispatch

Ohio State University could save more than $6.4 million each year by optimizing printer and copier use, adopting consistent and efficient hiring and financial transaction processes and moving computer servers to data centers, according to a performance audit released Tuesday by state Auditor Dave Yost.

The report comes after Ohio State officials volunteered the university to be the first Ohio public college to receive a performance audit under a new state statute.

“It’s important to recognize that a performance audit looks at efficiency and effectiveness. This isn’t about finding things that are wrong, it’s asking a question of ‘How can we do better?’” Yost said. “Every dollar that we can repurpose toward education and away from back office costs, it allows you to do a better job.”

The scope of the performance audit was limited, focusing on Ohio State’s use of computer servers, printers and copiers and the multiple systems used to hire and conduct background checks on employees, according to the auditor’s office.

Auditors said Tuesday that by moving computer servers to more secure and cost-effective data centers rather than operating its own specially equipped rooms, the university could save nearly $2.4 million a year.

The audit also found that by eliminating excess copiers and printers and ensuring that each of those devices operate within the system maintained by the university’s printing contractor, Ohio State could save nearly $685,000 a year.

Other IT system changes regarding how Ohio State manages human resources, finance and student information could yield nearly $3.4 million in savings, the audit found.

Ohio State has worked in recent years to identify operational efficiencies, expanding student aid by $100 million by finding those efficiencies plus new revenue and partnerships.

“We welcome this report, which supports Ohio State’s focus on operational excellence and resource stewardship,” Michael Papadakis, Ohio State’s interim senior vice president for business and finance and chief financial officer, said in a statement. “This report will contribute to our ongoing efficiency work.”

In Papadakis’ written response to the audit, included in the report released Tuesday, he said the university already was in the process of eliminating certain computer systems and migrating servers to the Ohio Computer Center, as recommended in the audit.

The auditor already is required to complete performance audits of at least four state agencies every two years, but a new statute that went into effect last year, sponsored by Republican state Reps. Tim Schaffer, of Lancaster, and Mike Duffey, of Worthington, stipulated that Ohio’s public universities and community colleges can be among the four audits every two years. jsmola@dispatch.com @jennsmola