SENATE EXECUTIVE COMMITTEE
MINUTES

February 24, 2009 | Senate Conference Room
2:30 pm. | 140 McFall Center

Present: Keith Bernhard, Alden Craddock, Jim Evans, Emmanual Guillory, Benjamin Muego, Nancy Orel, Peter Pinto, Ron Shields, Roger Schupp, Ellen Williams, Rich Hebein

Guests: President Carol Cartwright and CFO Sherideen Stoll; Chris Miko and Julie Rabine, University Libraries

NEW BUSINESS
Financial Health of the University
Williams thanked Cartwright and Stoll for attending SEC. Williams referred to the final paragraph in the Financial Exigency Plan, which says:

F. Short-term Financial Crisis
"A short-term financial crisis involving a shortfall of funds within a single academic year or fiscal period is to be distinguished from a state of financial exigency. Contractual obligations of the University are fixed within a given contract period and should not be invalidated. There are little or no salary savings gained from a financial crisis requiring immediate action. The administration should share with the SEC its alterations and plans for reallocating the University's financial resources without termination of probationary and tenured faculty contracts."

Cartwright welcomed the opportunity to provide clarity to a situation. She did not agree that we had a financial crisis but a challenging budget situation for the next few years. She said that we were planning so that we don't have a crisis. She observed that revenues come primarily from tuition and from the State Share of Instruction and that both are dependent on enrollment. Although we haven't seen the actual language of the budget bill, we know the Governor has recommended no tuition increase and a 6% SSI increase in the first year of the biennium. She said that, if we had a $5 million cut after commitments were made for the year that would be a short-term financial crisis. She noted that the Governor was trying to protect education. Other agencies in the state have taken severe cuts.

She said that we are anticipating a reduction in resources for FY10 and FY11. As the largest part of the budget, academic affairs would experience a significant reduction, but the President's Cabinet was reviewing budget reduction proposals, and they were trying to protect academic affairs. No tenured or tenure-track positions are part of the reductions, but some reductions in administrative staff have been made, and there will be some reductions in classified staff. She said that, in advance of that, they were working to relocate classified staff.

Evans said that Arts and Sciences had taken a $5 million cut this year and suggested that that was a short-term financial crisis. He suggested that the college was bankrupt because it could not meet is obligations like running the general education program. Cartwright said that the dean, Provost and she were aware of the situation and that they were working on it. She asked for judgments to be deferred until decisions are made.

Campus Accountability Ratios
SEC had asked for a discussion of these. Stoll distributed the following handout taken from http://regents.ohio.gov/financial/campus_accountability/index.php . It is attached as Appendix A. In addition, Stoll distributed drafts of tables showing key data from several institutions from 2000 to 2008 and a draft of the Composite Scores for fourteen Ohio Universities in 2008, including NEOUCOM. BGSU's score at 3.40 is tied for sixth, seventh and eighth place or right in the middle of the pack. The tables in draft form are available from the Senate Office.

Stoll posed the question, is more debt good or bad? She answered that it depends on whether it creates an asset that will ultimately produce revenue. Cartwright observed that some universities took on more debt in the hopes of continued state support. Now that that hasn't continued at the same rate, they still have to pay off the debt. Pinto asked if the assets in the Foundation were included in the data; Stoll said they were not. Craddock asked if the debt in the data included capital debt; Stoll said it did. She added that the University's debt was primarily in bonds. Williams thanked Cartwright and Stoll, who left.

CHAIR'S REMARKS

Williams said that the officers had asked the Board of Trustees to meet with SEC as has been done several times in the past. She reported that they had responded with an invitation to the officers for a working lunch, which will be held later this week.

Craddock said that he and others would propose a *Charter* amendment to allow a substitute at a Senate meeting to count as the presence of the senator rather than as an absence as is currently stated in the Charter. Muego said that he was aware of some history on the issue and would look into it.

NEW BUSINESS

Closing of Ogg Science Library and Alleged *Charter* Violation

Williams thanked Miko and Rabine for attending SEC. This continues the discussion from the SEC/VPAA Conference on February 10, 2008, as to whether the closing of Ogg should have followed the procedures in Article XIV on Reconfiguration, which is available at http://www.bgsu.edu/downloads/bgsu/file899.pdf . Evans had suggested that it should have. Miko and Rabine were present to suggest that it was not a reconfiguration under *Charter* definition. Discussion centered on whether or not Ogg was an academic unit. Craddock asked if Ogg had a separate budget. Rabine said that it did for materials but not for staff or operating. Craddock asked if it had a separate reporting line. Miko said that the heads of all the units reported to the dean. Shields asked if the same things being done at Ogg would be done at Jerome; Rabine said yes. Shields said that he had interviewed faculty from the affected areas, and they said that there was a lack of participation of faculty in the recent decision making process. Miko said that he appreciated the concern. However, he did not think that Ogg was an academic unit in the usual context of a discipline-based unit. He pointed out that the entire Library was one tenuring unit.

Evans asked how much of a reduction in materials would occur when they were moved to Jerome; EVP Dobb had said about a third. Rabine said she didn't think it would be that much; Miko said they were talking that through right now. He said that things had been going to the depository since the early '90s; Rabine said that users could request materials from there. Shields said that it wasn't the same as being able to browse the shelves. Miko said that the Board of Regents had suggested using five or six depositories because they couldn't afford to build a series of new libraries. Shields observed that other institutions have separate science libraries. Miko said that the trend was to centralize. He said that the students didn't want to go over to Ogg and that they were better served by having the materials in one place. Schupp suggested that the library was a academic unit. Rabine said the question was whether it was one or many.

Evans referred to Ribeau's promise to keep Ogg open and asked why there hadn't been wider consultation. Muego said that VPAA Gromko decided not to handle this as a reconfiguration. Williams said that this would have to be continued at the next SEC meeting. She thanked the guests.

ADJOURNMENT

SEC set the agenda for the next Senate meeting, and Williams adjourned the meeting at 4:25 pm.

Respectfully submitted,
Rich Hebein, Secretary

Appendix A

CAMPUS ACCOUNTABILITY

Background
Senate Bill 6 of the 122nd General Assembly was enacted into law in 1997. It is designed to increase financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. Using the year-end audited financial statements submitted by each public institution, the Board of Regents annually applies these standards to monitor individual campus finances. In addition, Senate Bill 6 requires state colleges and universities to submit quarterly financial reports to the Board of Regents within 30 days after the end of each fiscal quarter.

Ratio Analysis Methodology
In order to meet the legislative intent of Senate Bill 6, the Board of Regents computes three ratios from which four scores are generated. The original methodology for computing the ratios was modified to recognize the new reporting format required by GASB statements 34 and 35, which became effective in FY 2002. The data and methodology used to conduct the ratio analysis for FY 2002 and thereafter are as follows:

Expendable net assets: The sum of unrestricted net assets and restricted expendable net assets.
Plant debt: Total long-term debt (including the current portion thereof), including but not limited to bonds payable, notes payable, and capital lease obligations.
Total Revenues: Total operating revenues, plus total non-operating revenues, plus capital appropriations, capital grants and gifts, and additions to permanent endowments.
Total operating expenses: Total operating expenses, plus interest on long-term debt.
Total non-operating expenses: All expenses reported as non-operating with the exception of interest expenses.
Change in total net assets: Total revenues (operating and non-operating), less total expenses (operating and non-operating).

The methodology for calculating the three ratios is as follows:

Viability ratio: Expendable net assets divided by plant debt. (Note: if plant debt is zero, then the viability ratio is not calculated and a viability score of 5 is automatically assigned.)
Primary reserve ratio: Expendable net assets divided by total operating expenses.
Net Income Ratio: Change in total net assets divided by total revenues.

Assignment of Scores
Based on the calculations described above, each ratio is assigned a score ranging from zero to five according to the criteria listed in the table below. A score of 5 indicates the highest degree of fiscal strength in each category.

Ratio Scores						
	0	**1**	**2**	**3**	**4**	**5**
Viability Ratio	< 0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	> 2.5 or N/A
Primary Reserve Ratio	< -.1	-.1 to .049	.05 to .099	.10 to .249	.25 to .49	.5 or greater
Net Income Ratio	< -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater

Based on these scores, a summary score termed the *composite score* is determined, which is the primary indicator of fiscal health. The composite score equals the sum of the assigned viability score multiplied by 30%, the assigned primary reserve score multiplied by 50%, and the assigned net income score multiplied by 20%.

NOTE: A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch. The highest composite score possible is 5.00.

Quarterly Financial Reports
State colleges and universities are required to submit quarterly financial reports (unaudited) to the Board of Regents within 30 days after the end of each fiscal quarter. Pursuant to Senate Bill 6, a campus's failure to comply with these

reporting guidelines requires the Board of Regents to withhold that campus's monthly subsidy payment until its quarterly report is received. Deadlines for the quarterly reports are shown in the table below. The quarterly report consists of two parts:

Report of Financial Actions: Consists of six yes/no questions to be answered by the campus fiscal officer. The questions are designed to uncover the presence of serious cash flow problems and to provide early warning of significant problems with the current year budget. This part also includes a certification form that requires the signature of the campus fiscal officer attesting to the accuracy of the quarterly report.

Statement of Current Funds Revenues, Expenditures, and Other Changes: A comparison of revenues to expenditures and transfers for the period of July 1 through the end of a given quarter within the fiscal year. Data are unaudited and regarded as being subject to subsequent revisions and adjustments.

http://regents.ohio.gov/financial/campus_accountability/index.php
Visited February 27, 2009