

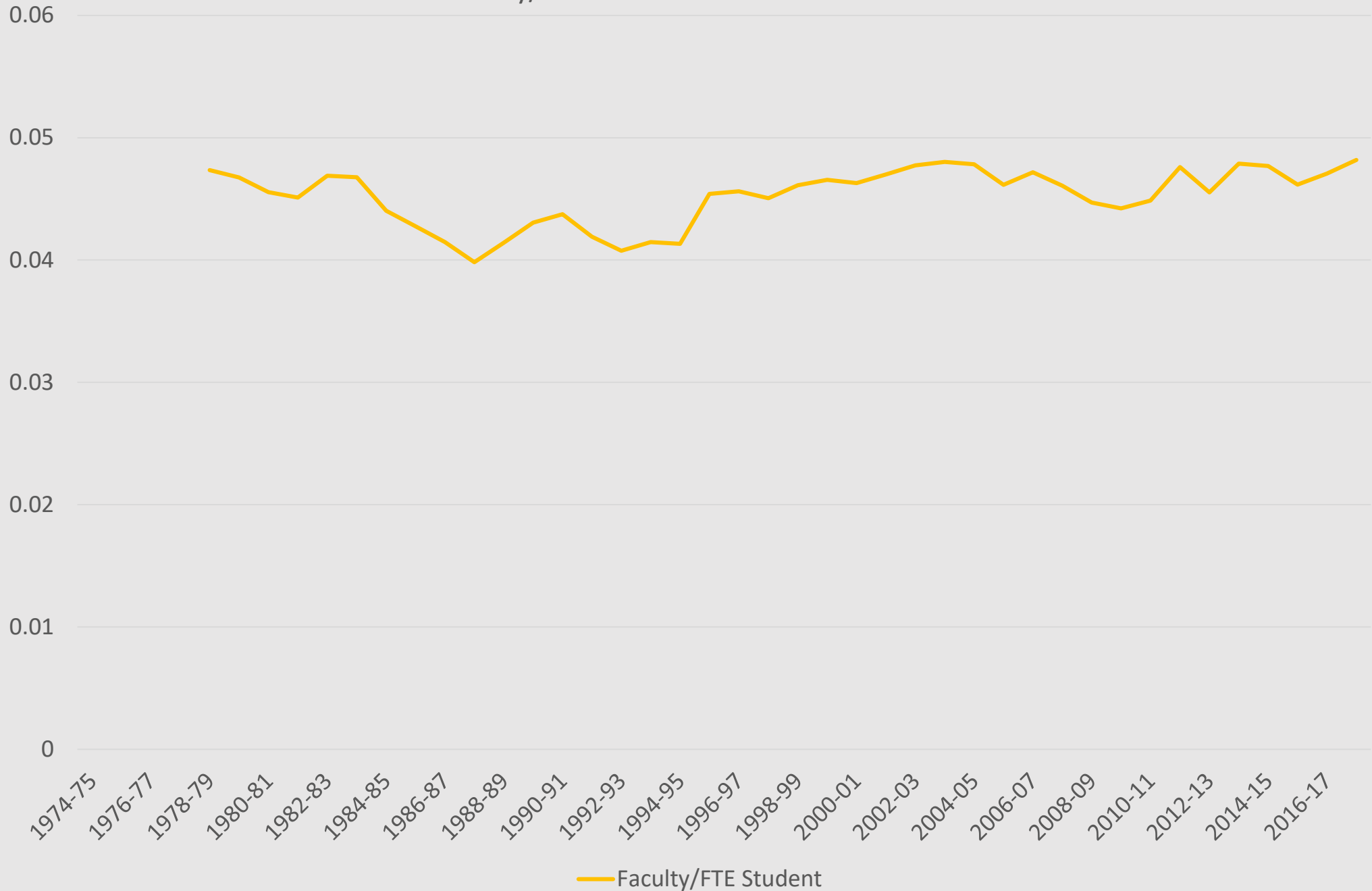
Topics

- How is the university allocating its resources (its money)?
 - Is it spending money strategically well or strategically not well?
 - What is the appropriate opportunity cost to consider when allocating money?
- Is there an 18-year-old demographic crisis?
 - If not now, when might there be an 18-year-old demographic crisis?
- Why are we in a budget crisis?
 - What are the decisions that led to the budget crisis?

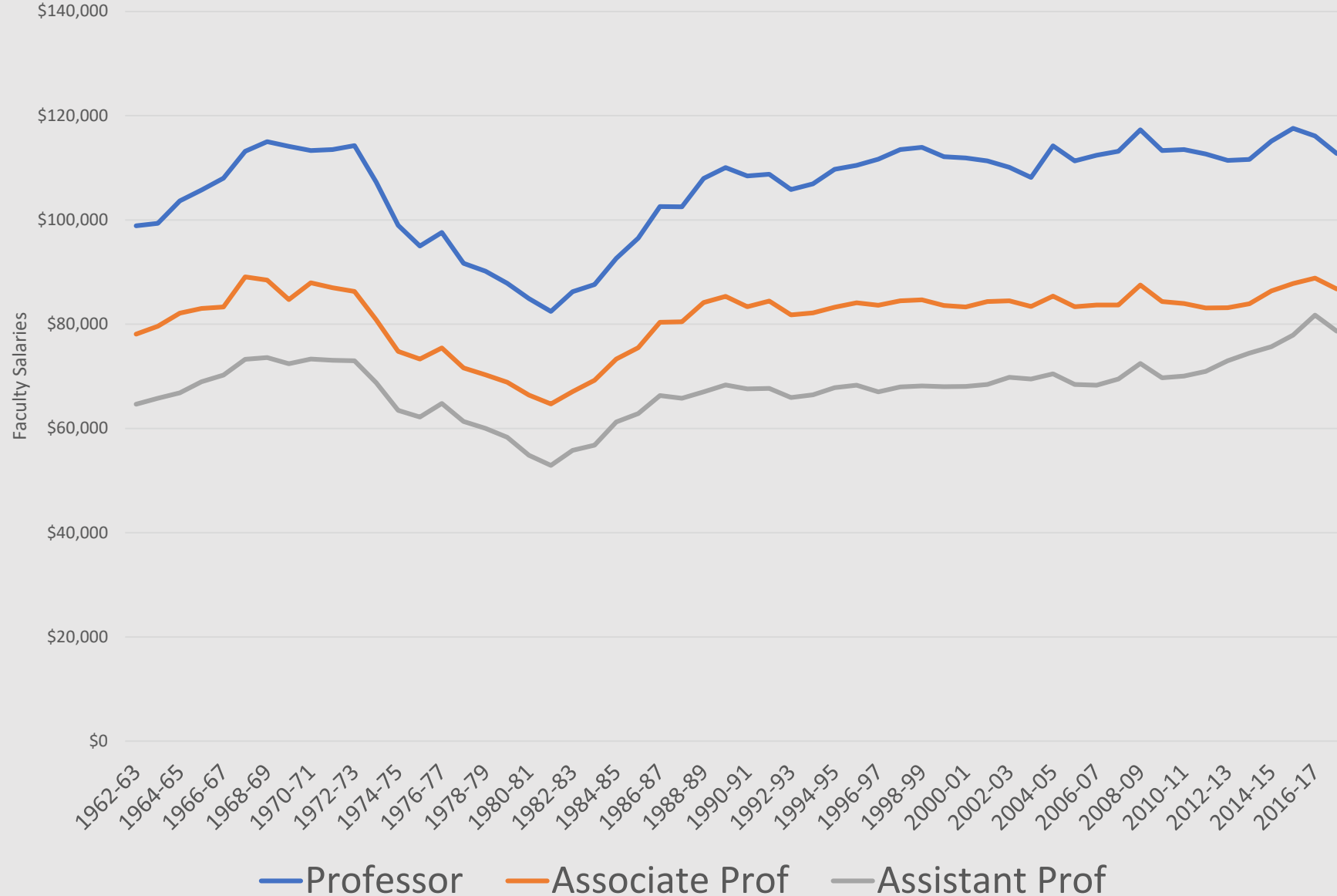
- Data is generally imperfect
 - This data has imperfections
- Numbers and graphs should not be taken as precisely that number or that shape but showing general trends

How is OU distributing its resources between teaching and other?

FTE Faculty/FTE Student



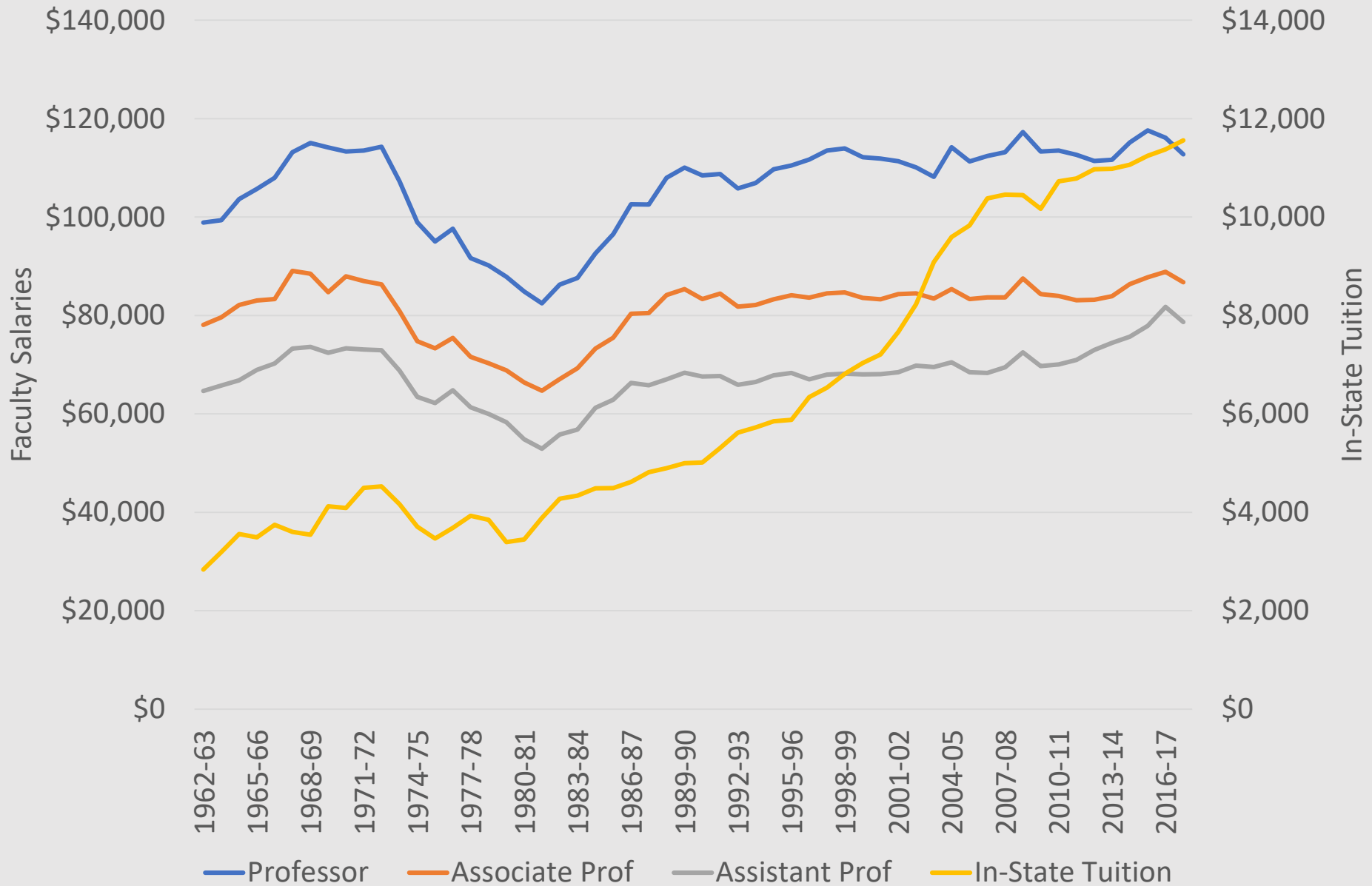
Faculty Salaries Inflation-Adjusted -- 2017 dollars



Implication of (a) fairly stable inflation-adjusted salaries and (b) stable faculty per student

- Caveat: Probably spending on health care/faculty member has gone up
- No SUBSTANTIAL inflation-adjusted increase in spending on teaching/student over time on a per student basis

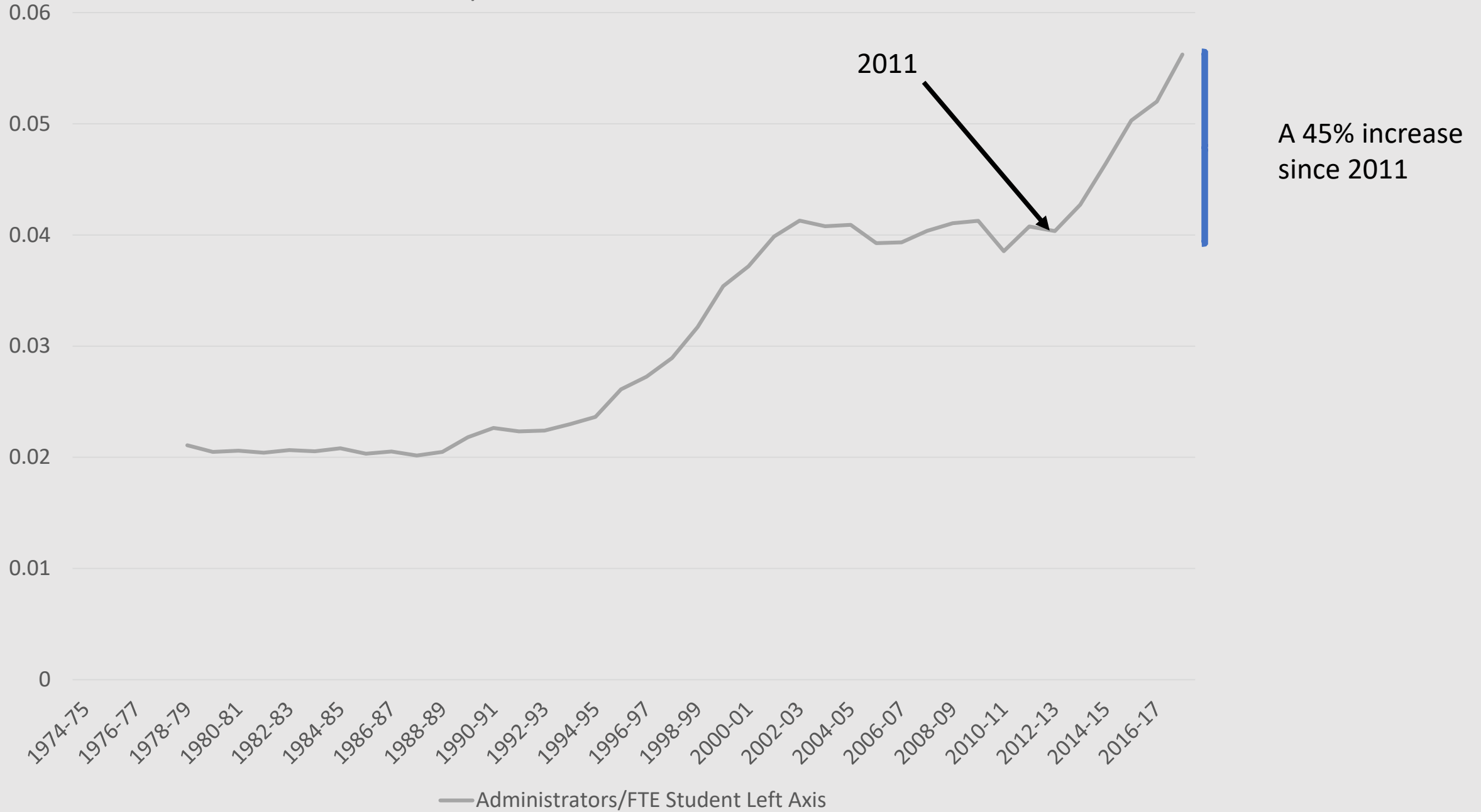
Faculty Salaries Inflation Adjusted -- 2017 dollars vs In-State Tuition Inflation Adjusted



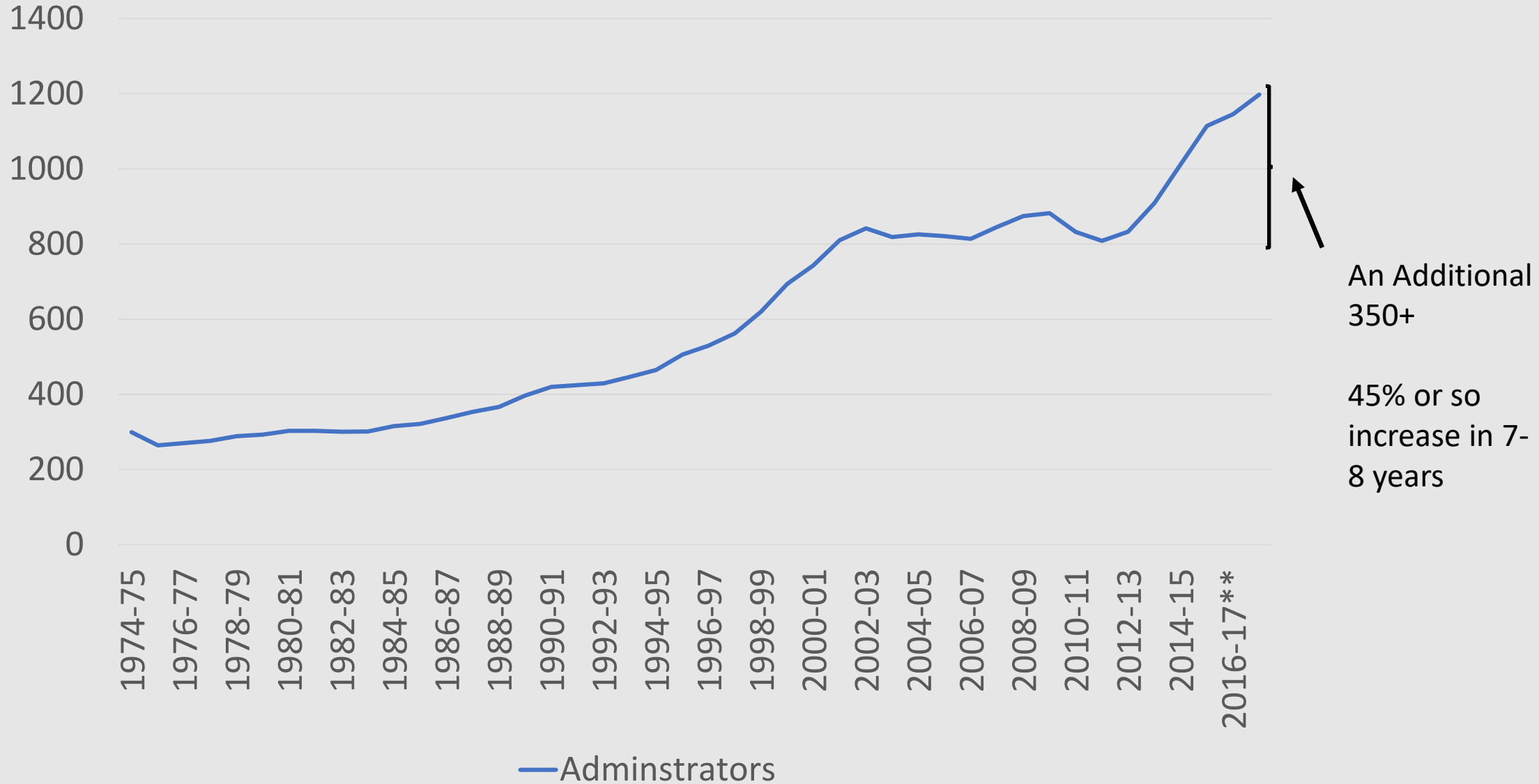
Implication of last slide

- Inflation-adjusted tuition has gone up VERY VERY SUBSTANTIALLY
- Teaching spending on a per student basis has not
- Nearly all net increases in university revenue due to large increases in tuition has gone into non-teaching areas, at least non-direct teaching areas
- Where has the money gone?

FTE Faculty/FTE Student and FTE Adminstrators/FTE Student



Number of Administrators Over Time



Ohio University Athens Campus
General Operating Budgeted FTE - Academic Units*
2011 - 2017

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	% Change	
								11-17	16-17
Faculty	944.1	939.8	1,018.7	1,038.6	1,022.3	1,036.6	1,026.8	8.8%	-0.9%
Graduate Assistant	361.2	407.2	403.2	410.9	446.4	441.4	479.3	32.7%	8.6%
Classified	110.7	114.8	121.4	131.4	148.2	152.7	145.7	31.6%	-4.6%
Academic Admin	25.4	25.4	29.7	42.8	46.4	41.0	47.8	88.2%	16.6%
Admin Staff	108.5	110.5	152.2	164.1	194.2	208.8	207.6	91.3%	-0.6%
Prof/Tech	30.4	28.9	41.8	43.3	49.8	52.6	58.3	91.8%	10.8%

- Non-academic units show similar explosion in administrators (including tech staff)
 - +32%, +91%, +16.9%, +25%, +45%, +41%, +37%, +138%
 - But no increase in the Library
 - Over 300-400 new administrators across university since 2010-11 vs 80 or so faculty
- Vast majority of spending has been On administrators not faculty
- Is it this spending on administrators that created the budget problems?

Ohio University and Opportunity Cost (Net social benefits)

- Opportunity Cost? Why use?
- Value of college education \$800,000 in future earnings
 - There are also other VERY important benefits
- Value of each class per student \$20,000 in future earnings
- Each professor on average teaches 170 student-classes
- The teaching from each professor is worth on average: \$3.4 million/year
 - TAKE NOTE: This benefit is a joint product of the efforts of professors AND students
- Spending on education, pre-K-University, is among the most economically profitable activities in the world
- At the margin, adding or subtracting one professor is worth roughly around \$500,000 in social benefits after discounting
- Shifting the \$90-115,000 away from a professor's salary to other activities needs to create a \$500,000 year in value.
 - Otherwise inefficient spending
- Any money spent, including salaries, that displaces \$90-115,000 needs to produce a more than \$500,000 benefit to be economically rational

University should have 3 budgets

- Net Social Benefits Budget – This is the budget the State of Ohio cares about
- Personnel Budget – How many professors? How many classified? How many administrators?
- Money Budget
 - Money revenue must be greater than money spending
 - Regardless of what the Net Social Benefit budget says
 - BUT, money budget should not drive MOST decisions, net social benefits budget should drive MOST allocation of resources

What/Who is important for the money budget?

- Student tuition from traditional on campus undergraduates
 - OU Comparative Advantage is in traditional on-campus undergraduates
- Who or what is important for attracting traditional on-campus undergraduates? What affects the marginal decision to attend?
 - Groundskeepers
 - Admissions
 - Ping (aka the Palace of Exercise)
 - Professors/Majors
 - Food in campus dining (may be ahead of professors and majors)
- Everything else

What/Who is important for the net social benefits budget?

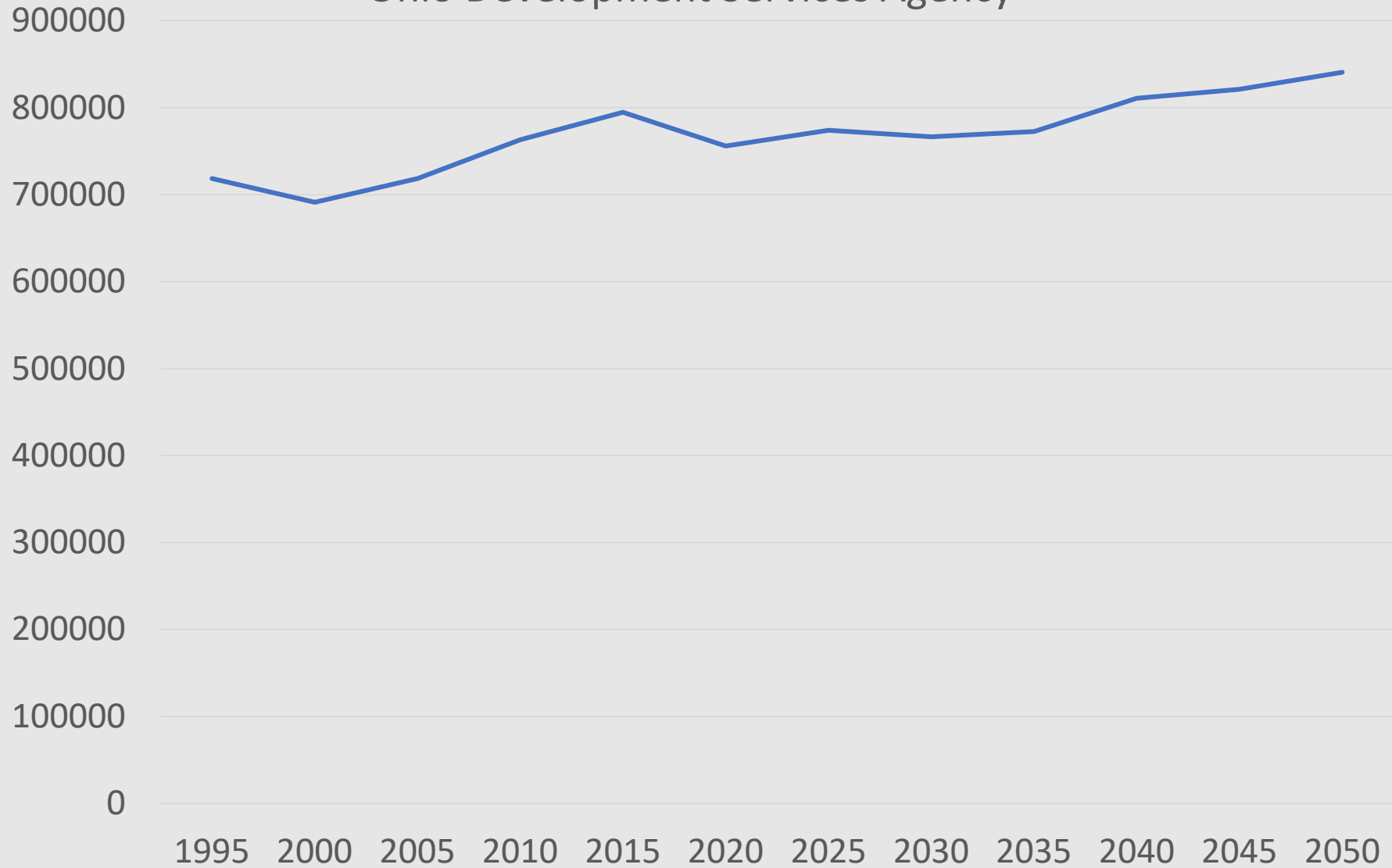
- Students and how hard and how well they learn
- Professors, including teaching and researching

- To ensure that students can learn:
 - Advising
 - Hudson Counseling
 - Hudson Health
 - Financial aid
 - Library

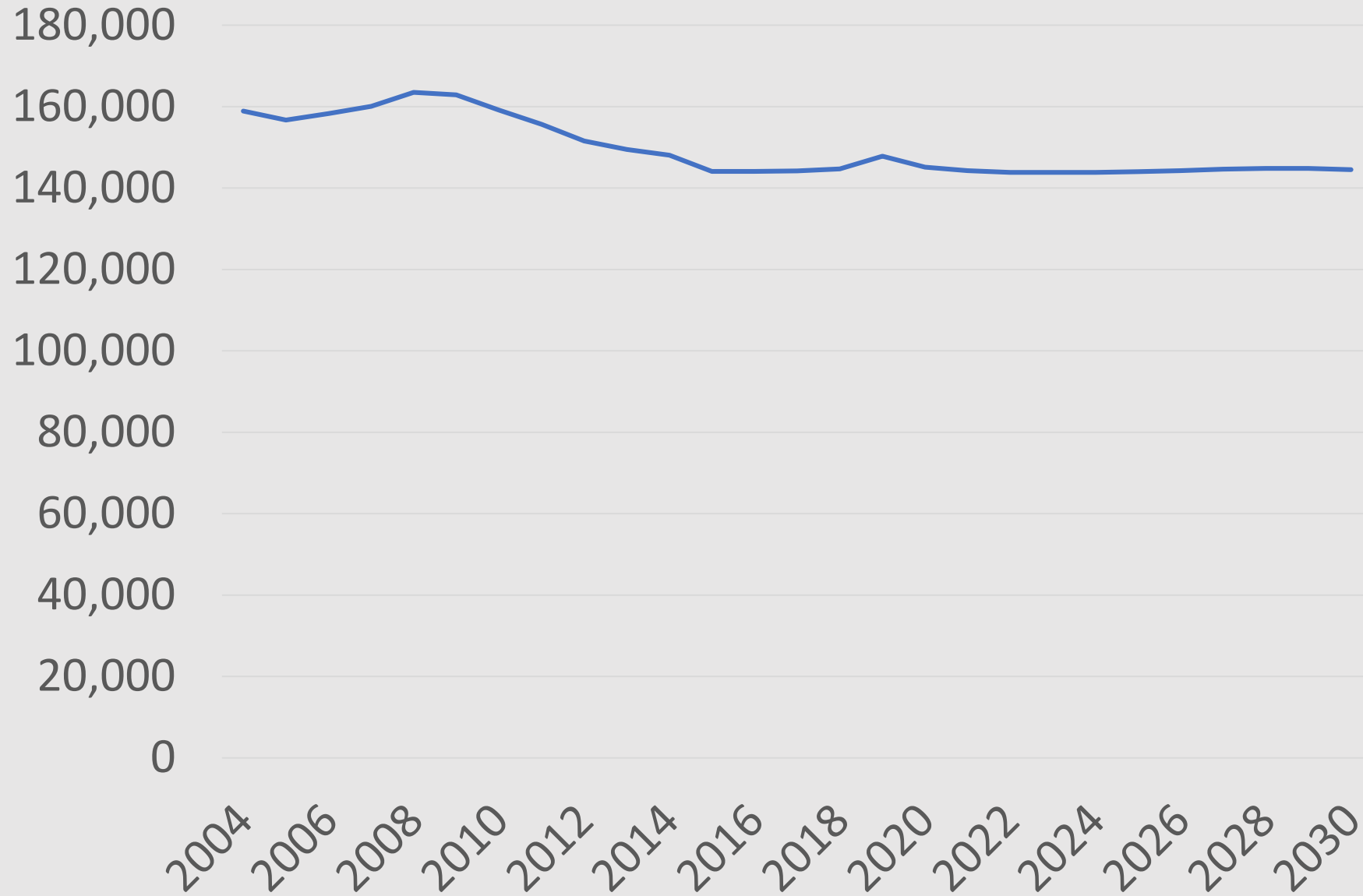
- Everything else

Are we in an 18-year-old demographic crisis?
How much of a crisis are we in?

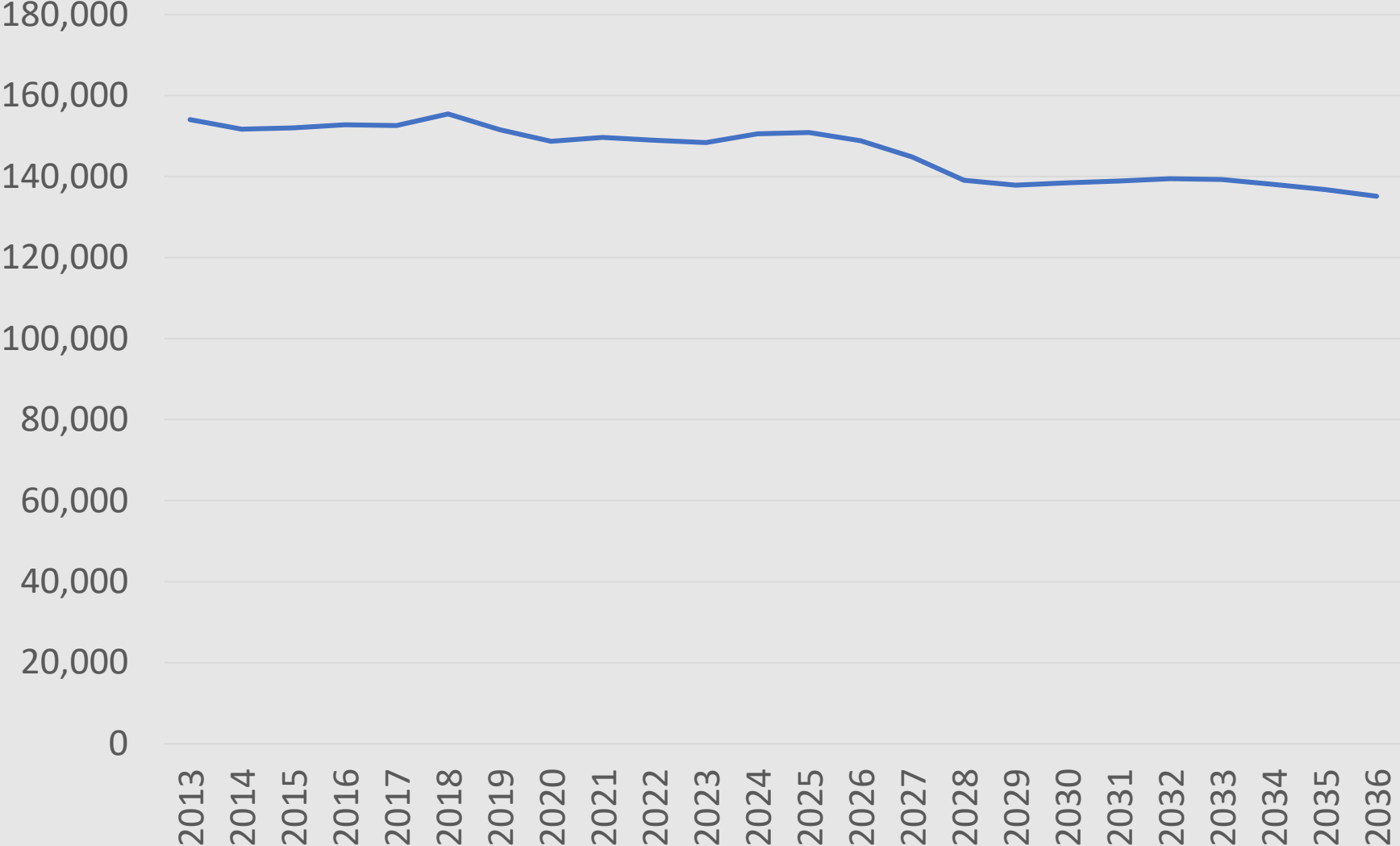
Pop Age 20-24 Every 5 Years, Ohio Development Services Agency



18 Year Old Projections CDC



Ohio Births (Birth Year + 18)



Are we in an age demographic crisis?

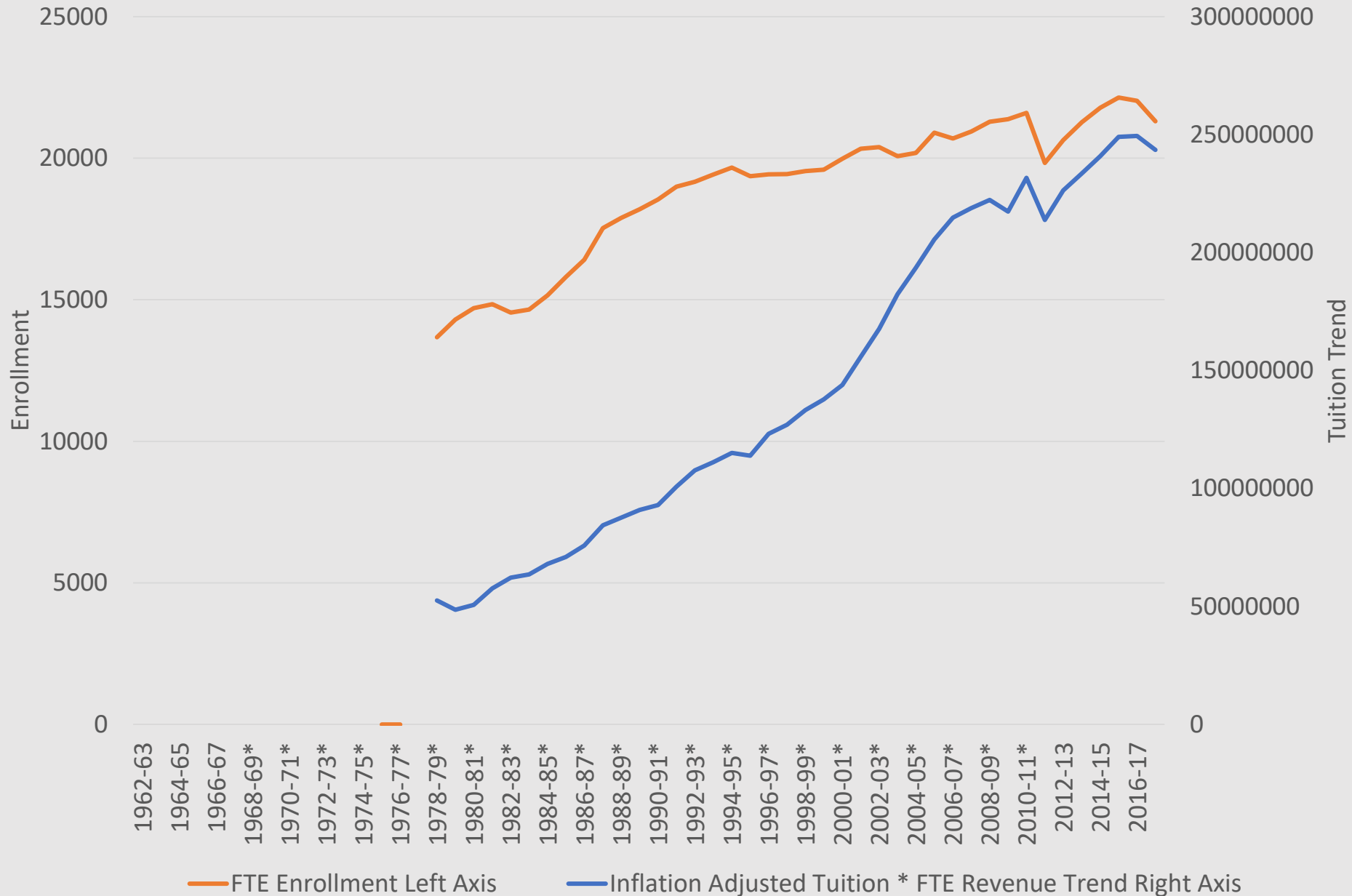
Just a bit at most

And only 8 years from now

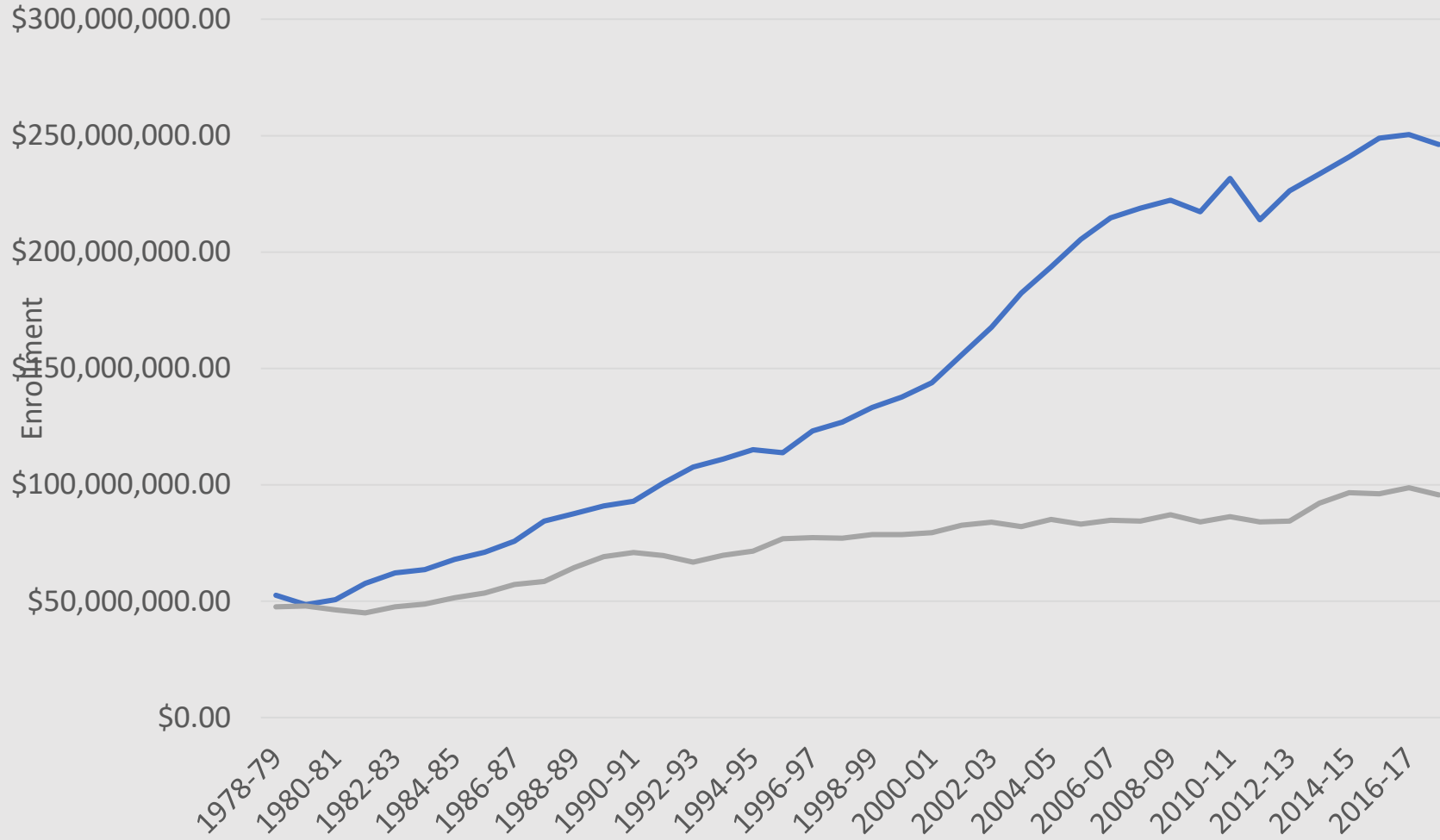
Can easily be adapted to by shrinking faculty etc.
by 10% over 8-10 years

Why are we in a crisis?

Gross Inflation-Adjusted (Tuition Guarantee Adjusted) Tuition Revenue Trend and FTE Enrollments



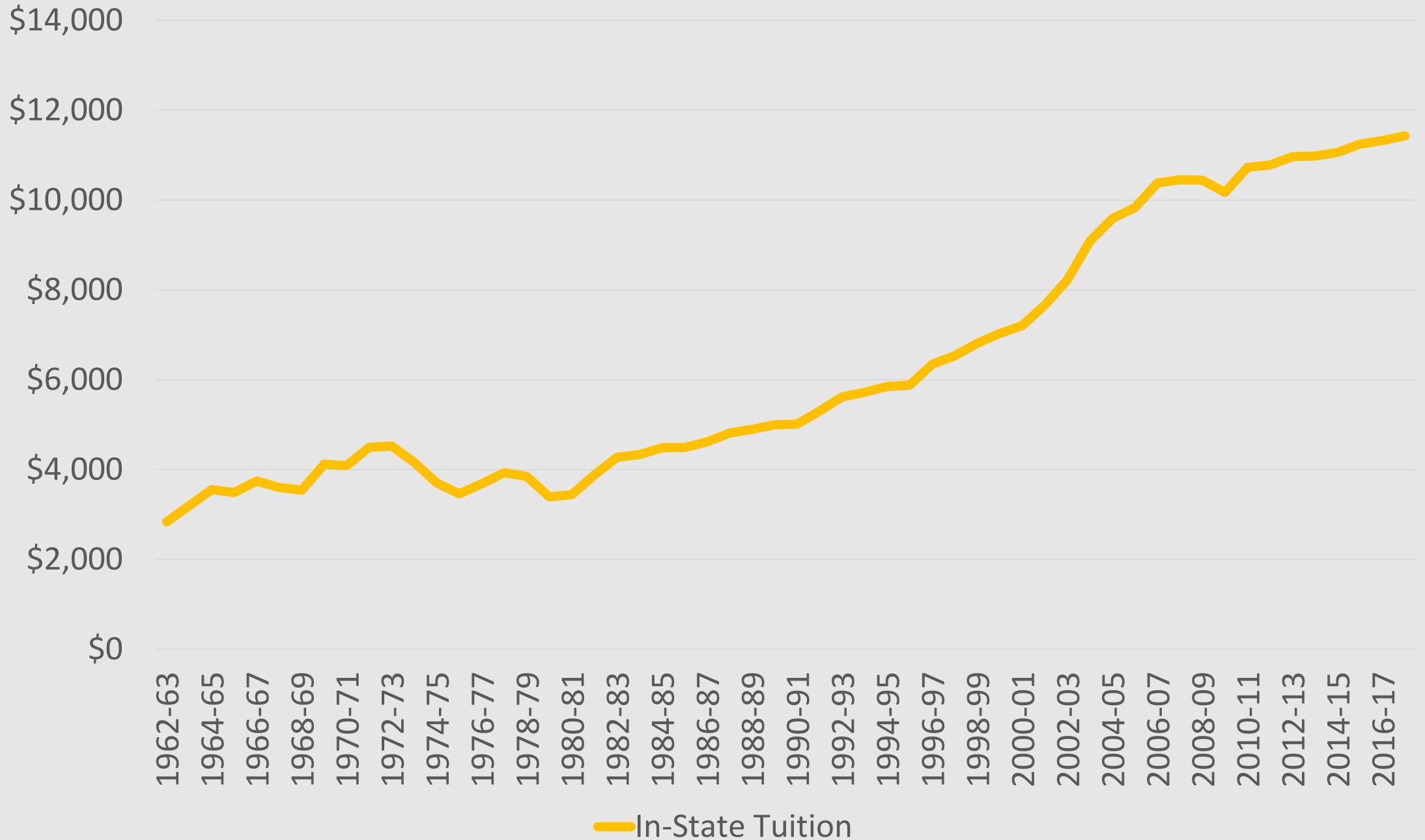
Gross Inflation-Adjusted (Tuition Guarantee Adjusted) Tuition Revenue Trend and Spending on Direct Teaching Trend (FTE Faculty * Inflation Adjusted Avg Salary)



— Inflation Adjusted Tuition * FTE Revenue Trend — FTE Faculty * Avg Salary Inflation-Adjusted

- Our revenue rose over the last 8-10 years
- More recently there has been an important setback in enrollments
- From before, we know the extra money that has come in, in large part, was not spent on teaching
 - Spent on what?
 - Where has all the money gone? What is the source of the budget crisis?
 - Administrators apparently
 - Where else has money been spent outside the direct-teaching area?

In-State Tuition Inflation-Adjusted (Tuition-Guarantee-Adjusted)



Possible key parts of the crisis

- Yield and Quality crisis?
- Why might there be a yield crisis?
 - Not focused enough on traditional undergraduates
 - Lost focus chasing other “not realistic” revenue sources
 - Not focused on quality
 - Tuition, Room, and Board Costs
- Tuition, Room, and Board of OU versus competitors

	Cost of Attendance (Tuition, Room, Board, etc.)
Ohio University	\$29,980
OSU	\$27,912
Cincinnati	\$27,964
Kent State	\$27,028
Miami	\$30,033

Are We in Quality Crisis?

- In 1999, OHIO ranked 31st on the US News best public school list, tied with Indiana, Michigan State University, University of California, Santa Cruz, and University of California, Riverside.
- We now rank 92nd, just above Ball State, which is at 95.
- Ohio State University and the University of Cincinnati in particular have been improving quality
 - They are attracting more students and more higher achieving students
- Quality matters in education spending decisions by students/families
 - A focus on butt in seats can drive decline in quality
 - Does spending nearly all net additional tuition revenue on administrators improve quality of education?

Enrollment Decline

	Freshmen	All Undergraduates		Upperclassmen	Change between Freshman and Freshman 4 Years Earlier
2019	3671				-752
2018	3980				-399
2017	4045	17925		13880	-199
2016	4309	18209		13900	421
2015	4423	17965		13542	540
2014	4379	17660		13281	403
2013	4244	17375		13131	
2012	3888	17007		13119	
2011	3883	17302		13419	
2010	3976	17212		13236	

Need to Avoid Quality Death Spiral

- Reducing quality further
- Further reduces students and their tuition
- Which leads to further cuts and reductions in quality
- Leading to further reduction in students who will hand over their tuition

More Background on Crisis

- Why was Responsibility-Centered Management Budgeting a poor strategy?
 - Distorted incentives
- Why is a laser focus on butts-in-seats a poor strategy?
 - Decline in quality



Ohio

CONFERENCE: MAC

SCHOOL FINANCES

REVENUES

YEAR	TICKET SALES	CONTRIBUTIONS	RIGHTS / LICENSING	STUDENT FEES	SCHOOL FUNDS	OTHER	TOTAL REVENUES
2018	\$1,049,472	\$4,870,290	\$5,039,664	\$0	\$19,832,417	\$2,518,194	\$33,310,037
2017	\$1,181,793	\$2,084,887	\$5,902,656	\$17,535,617	\$2,554,390	\$2,975,345	\$32,234,688
2016	\$1,316,355	\$3,331,622	\$4,413,713	\$17,759,180	\$2,504,303	\$2,557,559	\$31,882,732
2015	\$1,220,176	\$3,048,381	\$3,995,205	\$16,354,881	\$2,455,201	\$1,635,569	\$28,709,413
2014	\$1,452,846	\$2,337,759	\$3,591,973	\$16,046,712	\$2,407,059	\$1,883,651	\$27,720,000
2013	\$1,215,671	\$2,204,293	\$4,146,155	\$15,724,403	\$2,336,950	\$1,637,589	\$27,265,061
2012	\$1,148,918	\$2,007,290	\$3,502,453	\$18,322,976	\$2,348,405	\$1,341,478	\$28,671,520
2011	\$848,470	\$726,544	\$2,497,477	\$17,285,633	\$2,291,127	\$1,821,045	\$25,470,296
2010	\$898,462	\$630,322	\$2,097,627	\$16,460,250	\$2,253,715	\$1,565,577	\$23,905,953
2009	\$740,958	\$596,760	\$1,613,591	\$0	\$15,055,450	\$2,085,471	\$20,092,230
2008	\$805,771	\$686,543	\$1,993,515	\$0	\$14,591,522	\$1,373,209	\$19,450,560
2007	\$718,501	\$726,989	\$2,418,735	\$12,115,037	\$2,115,796	\$1,975,815	\$20,070,873
2006	\$862,207	\$787,137	\$1,550,771	\$0	\$12,024,194	\$1,198,177	\$16,422,486
2005	\$583,730	\$673,989	\$1,477,395	\$10,199,558	\$513,920	\$1,009,304	\$14,457,896

What can you do?

- Write respectful private letters to President Nellis and Provost Djalali