



EXECUTIVE VICE PRESIDENT AND PROVOST

TO: Deans of the Colleges
Faculty Council
Senate Steering
Senate Fiscal Committee
Council on Academic Affairs
Vice Provosts

FROM: Barbara R. Snyder *Barbara*
Executive Vice President and Provost

William J. Shkurti *Bill*
Senior Vice President for Business and Finance

DATE: May 3, 2007

RE: Fiscal implications of reducing the credit hours to graduate

As you know, one outcome of the review of undergraduate education was to reduce the number of credit hours to graduate. This in turn reduces fee revenue. A subcommittee of Senate Fiscal has been studying this issue, as have we. Given a recent report to Senate Fiscal by its subcommittee and the briefing of the Council on Academic Affairs on this issue, we wanted to inform the university leadership of this assessment. The essential points of the assessment are provided below.

- The fiscal effects of reducing undergraduate hours to graduate and the loss of fee revenue have been carefully studied. This loss is estimated to be about \$15 million over 6-years. Options to off-set the revenue loss have been identified and are illustrated in the accompanying table. Fiscal neutrality will be achieved by a combination of options that will compensate for fee revenues lost with the reduction in the number of credit hours for graduation. Any loss in credit hours from the implementation of the McHale recommendations in FY 08 through FY 12 will be more than off-set by the increase in new first quarter freshmen.
- The reduction in credit hours to graduate is incremental by entering first-year class. Consequently, the fiscal effects are small over the first two years. This is why the Senate Fiscal Subcommittee notes that buffering principles and steps should be implemented by FY10. In addition, \$3 million of central continuing funds have been set aside primarily in the enrollment reserve to buffer unanticipated college budget fluctuations. Analysis of

student course enrollment behaviors over the first two and subsequent years will be used to make further fiscal adjustments as recommended by the Senate Fiscal Committee.

The transition to a reduced number of credit hours to graduation is critical to the academic and financial success of the university. We are committed to working with all the stakeholders in order to ensure this transition is a successful one.

If you have questions about the attached table or would like any additional information, please feel free to contact Mike Sherman (sherman.4@osu.edu) or Lee Walker (walker.148@osu.edu).

c: Mike Sherman
Lee Walker

Attachment

THE OHIO STATE UNIVERSITY
Impact of Reducing Credit Hour Requirements for Graduation
Preliminary Estimates of Lost Tuition and Income Generating Options

Columbus Campus

May 2007

THESE PRELIMINARY ESTIMATES ARE FOR DISCUSSION ONLY AND DO NOT REPRESENT POLICY RECOMMENDATIONS

Fiscal Year	Range	ESTIMATE OF LOST TUITION REVENUE ¹	OPTIONS TO OFFSET LOST TUITION REVENUE (GAINS)*		
			Add 150 NFAQ ²	Charge per credit hour over 18 credit hours beginning in FY 2010 ³	
			Charge \$167	Charge \$159	Charge \$150
2008		-\$52,835	\$0	\$0	\$0
2009		-\$229,783	\$0	\$0	\$0
2010		-\$797,728	\$3,705,441	\$3,330,754	\$3,330,900
2011		-\$2,257,597	\$4,487,879	\$2,624,454	\$2,475,900
2012	(Low)	-\$3,949,625	\$4,462,849	\$2,739,450	\$2,462,550
2012	(High)	-\$4,863,220	\$4,447,831	\$2,732,775	\$2,456,550
2013		-\$7,040,830	\$4,422,801	\$2,696,398	\$2,423,850
Total	(Low)	-\$14,328,398	\$11,895,591	\$11,334,792	\$10,693,200
Total	(High)	-\$15,241,993	\$11,888,916	\$11,328,432	\$10,687,200
Total Less 20% Fin. Aid	(Low)		\$9,516,473	\$9,067,834	\$8,554,560
Total Less 20% Fin. Aid	(High)		\$9,511,133	\$9,062,746	\$8,549,760

*In addition to the Add 150 NFAQ and Charge Per Credit Hour Over 18 options provided to offset lost tuition revenue, \$3 million in continuing funds have been set aside in the Provost's enrollment reserve fund as a temporary means to assist colleges in the transition.

¹Estimate of Lost Tuition Revenue includes both a projected annual 5% decrease in credit hours (reduction from 191 to 180 plus 10% of the current required number) and the reduction of students who are expected to graduate in a more timely manner. Simulation includes tuition revenue impacts only and assumes no subsidy loss. OSU has discussed with the Ohio Board of Regents how to minimize the fiscal effects of reducing credit hours to graduate. The Board of Regents has indicated a willingness to work with the University to secure a favorable outcome. To ensure that this occurs, OSU intends to continue to pursue, with the Ohio Board of Regents, policies to offset OSU's loss of SSI as a result of reducing UG credit hour requirements for graduation. It should be noted that Governor Strickland's *Compact* budget proposes a 100% guarantee of the FY07 state support funding for FY08 and FY09. Also, the House budget proposes a 102% and 110% guarantee for FY08 and FY09, respectively.

²In Fall 2006, the target of 6,000 NFAQ was exceeded by 150+ NFAQ students, which resulted in an additional \$1.293 million in fee revenue that will be allocated to the colleges in FY 2008. The simulation continues the same NFAQ enrollment as in FY 2006, resulting in 450 additional students per academic year (150*3 qtrs=450).

³Assumes a 25% decrease in the number of students taking more than 18 credit hours (approximately 16% of all enrollments in FY 2006). \$167 is the FY 2006 per 15 credit hour rate for tier 3 students; \$159 = 5% reduction in the \$167 rate (FY 2006 per 15 credit hour rate). \$150 = 10% reduction in the \$167 rate (FY 2006 per 15 credit hour rate).

⁴To account for financial aid funding, gains from the options to offset lost tuition revenue were reduced by 20%.
Caution: Tuition losses are based on the simulation assumptions being valid. If any one of these assumptions vary, revenue may be different from what is presented above.

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