FISCAL ADVISORY COMMITTEE TO THE PRESIDENT
Minutes of March 10, 2000

Members present: Ron Henry (chair), Ahmed Abdelal, John de Castro, Fenwick Huss, Larry Kelley, Tom Lewis

Members absent: Sid Harris, Fred Jacobs, Carol Whitcomb, André Young

Others present: Jerry Rackliffe, Edgar Torbert, Leslie Williams (for Carol Whitcomb)

Recommendation: FY2001 pay plan structure increase pay minima by 1%, increase pay medians by 4%, and maintain pay maxima at 125% of pay medians

Minutes of February 11, 2000 were approved as distributed.

Mr. Kelley distributed copies of "Report of the FACP Administrative and Support Unit Subcommittee" for future discussion. Dr. de Castro urged development of productivity measures be incorporated in administrative and support unit review.

FY2001 Budget Considerations

Mr. Kelley presented a spreadsheet, "Budget Change Worksheet, Fiscal Year 2001" showing projected sources and uses of FY2001 funds relative to changes from the FY2000 base budget.

Revenue changes (rounded) were: (1) $3.16M reduction in state funding per Governor's budget; (2) $1.66M increase in state funding for one-half coverage of 3% salary increases for faculty and staff; (3) $1.65M increase in tuition revenue due to increase of 15,000 credit hours; (4) $7.29M reduction in tuition revenue base equal to FY2000 shortfall; (5) $2.76M increase in tuition revenue due to estimated 5% increase in tuition charges; (6) $2.4M increase from FY2001 supplemental budget share of $24M to University System to cover health insurance costs; and (7) $3.16M increase in state funding available via carryover from FY2000. Revenue changes totaled plus $1.19M.

Expenditure changes (rounded) were: (1) $2.70M increase in health care costs based on FY2000 insurance-choice pattern; (2) $1.66M increase in salary increases covered by state funding; (3) $1.66M increase in salary increases covered by university-generated tuition revenues; (4) $0.99M increase for difference in full-year operation costs of Alpharetta Center versus North Metro Center; (5) $0.17M increase for partial-year operation costs of new recreation center; (6) $0.023M annual increase in One Park Place rent; (7) $0.20M increase for Ten Park Place rent not previously budgeted; (8) $0.087M for second-half of College of Law eminent scholar position initiated in mid-FY2000; (9) $0.06M increase to unmet demand fund administered by Provost in FY2000; (10) $0.14M increase for Biology action plan; (11) $0.068M increase for Chemistry action plan; (12) $0.13M increase for Mathematics action plan; (13) $0.074M increase for Sociology action plan; (14) $0.048M increase for Public Administration and Urban Studies action plan; (15) $0.02M increase for Social Work action plan; (16) $0.17M increase for Marketing action plan; (17) $0.11M increase for Political Science action plan; (18) $0.10M increase for establishment of Undergraduate Studies budget; (19) $0.04M increase for BioBus operation costs; (20) $0.078M increase to minority hiring incentive funds carried forward; (21) $0.051M increase for university share of Woodruff Park costs; (22) $0.11M increase for new positions in the Student Advisement Center; (23) $5.82M decrease (release) from budgeted plateau contingency; (24) $0.36M decrease (redirection) from College of Education; (25) $0.95M decrease (redirection) from Information Systems and Technology offset in part by new technology fee. Expenditure changes totaled plus $1.63M.

Dr. Henry commented on the disadvantage of not having a definitive answer from the Board of Regents for the university share of the FY2001 supplemental budget allocation to the University System to cover health insurance costs. He noted reports this information might be withheld until September. Mr. Rackliffe added that unknown changes in the health insurance programs further complicated the matter. He also noted the University of Georgia appeared far short of covering its increased health care costs if supplemental funds were matched dollar for dollar with the carryforward amounts by each institution, which might lead to a greater share of the supplemental funds going to the University of Georgia. Dr. Huss asked about budgetary assumptions regarding employee choices of health insurance plans. Dr. Henry replied there were disagreements between Board of Regents staff and the Office of Budget and Planning over the amount to be saved by the PPO plan, and that expectations were based on a four-year plan of implementation with substantial savings not realized immediately. He added that the University of Georgia and the Medical College of Georgia were the two institutions most over budget with respect to health insurance costs.

Dr. de Castro commented on the use of budget "tricks" to disguise what were in fact budget cuts for the University System, and urged consideration of internal redirection in order to have funds available for strategic purposes.
Dr. Huss asked about inclusion of North Metro Center rent in the projected FY2001 expenditures. Mr. Rackliffe replied that the $0.42M amount in the FY2000 budget for North Metro Center would be shifted to the Alpharetta Center in the FY2001 budget, and the figure for Alpharetta Center on the "Budget Change Worksheet" assumed this transfer. Dr. de Castro asked about plans to keep North Metro Center as well. Dr. Henry responded that after the difficulties with securing approval of the Alpharetta Center lease, it would not be feasible to approach the Board of Regents with a request to renew the lease for the North Metro Center for FY2001. He added that the GSU Foundation might lease North Metro Center so that the Robinson College of Business could continue to offer non-credit courses such as the Executive Education programs there. He indicated Dr. Harris had discussed this option in terms of leasing perhaps one third of the current North Metro Center space and maintaining a presence there. Dr. Abdelal suggested approaching the Board of Regents about a transition year with some regular credit hour courses to be taught at North Metro Center. Dr. Henry replied that the Alpharetta Center proposal had been sold to the Board of Regents on the premise that operations at North Metro Center would cease. Dr. de Castro asked for clarification of the Board of Regents concern with credit versus non-credit courses. Dr. Henry and Mr. Lewis commented on opposition from other University System institutions to exclusive use of the Alpharetta Center by Georgia State and pressure brought to bear on regents. Dr. Henry added that a survey of North Metro Center students had found approximately one half would opt to attend downtown classes and approximately one third would move to Alpharetta Center.

Dr. Abdelal questioned the projected expenditure for unmet demand noting $0.3M was spent in FY2000 and would have to be repeated to maintain those credit hours. Dr. Henry replied that the amount on the "Budget Change Worksheet" was in addition to the funds held in the Provost budget for unmet demand in FY2000. He stated the contingency fund would be a better source for new unmet demand initiatives in FY2001, with the FY2000 continuing funds to be transferred to the college budgets for FY2001. Dr. Abdelal stressed the need to earmark FY2001 contingency funds at the outset for this purpose.

Dr. Abdelal requested a review of the operations budget for the Alpharetta Center. Dr. Henry stated this was intended upon receipt of additional details in the next week. Dr. Huss reported Robinson College of Business would be increasing its summer offerings from 30 sections at North Metro Center in 1999 to 50 sections at Alpharetta Center in 2000. He added that the College of Education would also be offering courses at Alpharetta Center this summer, but he had not received information about the number of sections. Dr. Abdelal indicated the College of Arts and Sciences would also offer summer courses at Alpharetta Center for school teachers. He urged quick attention to estimating enrollments and staff needs. Dr. Henry cited a number of unknowns relative to operation of the Alpharetta Center and the distinction between start-up and on-going needs and costs. Mr. Rackliffe provided copies of "Pro Forma-North Metro Center, Alpharetta Site". Dr. Abdelal asked if an increase in credit hours was projected for the Alpharetta Center. Dr. Henry replied that the projected enrollment figures included both the downtown campus and the Alpharetta Center. Dr. de Castro recalled earlier discussion that the first year operation of the Alpharetta Center was projected with current year enrollments at the North Metro Center.

Dr. Abdelal characterized the projected increase of 15,000 semester credit hours as conservative. Dr. Henry cited the need to identify where the extra credit hours would be generated; for example, 10,000 by the College of Arts and Sciences and the rest by the other colleges. Dr. Abdelal recommended asking the colleges to declare credit hour projections as a means of introducing accountability to the process. Dr. Henry responded this matter would be brought to the deans at the Deans' Group meeting on March 15.

Dr. Henry expressed reservations about releasing the tuition plateau fund which had been held as a cushion against enrollment shortfalls and as a potential source of funds for a new research lab building. He suggested the fund could be rebuilt with a share of future indirect costs and tuition revenues beyond budget.

Dr. Henry returned to discussion of incentives for colleges to increase enrollments and also how to address shortfalls. He indicated this would also be discussed at the Deans' Group meeting. Dr. Huss stated that for the Alpharetta Center, and in many other cases, capacity is known but not demand. Dr. Abdelal noted his discussion with Dr. Kelley about increasing the size of the nursing program, provided additional lab sections could be scheduled. Dr. de Castro spoke for linkages between enrollment and budgets, but suggested more leniency was needed for the Alpharetta Center in its start-up year. He added that linkages should be at the college level rather than for individual programs or departments. Dr. Abdelal emphasized the need for balance in budget considerations with the Action Plans and strategic initiatives. Dr. Huss urged incentives also be quality-based; that is, units should not be rewarded for attracting poor quality students just to increase credit hours.

Dr. Abdelal suggested a scheme for incentives with the one dollar from student paid tuition being the source for incentives versus the three dollars generated from the state being allocated strategically. Dr. Henry noted the need to cover university base costs, and Dr. de Castro suggested a 50-50 split of the tuition dollars to make contingency allocations continuing in the subsequent year for colleges which meet increased enrollment projections. Dr. Huss asked about correlation between unit budgets and credit hours produced. Dr. Henry replied that when he arrived at the...
university the College of Arts and Sciences and Robinson College of Business were significantly under-funded by this determination. He added that the College of Education was approximately on target for budget relative to credit hours, and the other colleges were over-funded on this basis. Dr. de Castro noted the growth in College of Arts and Sciences in credit hours had paralleled its growth in budget. Dr. Henry responded the allocations for College of Arts and Sciences had been made strategically and not based on enrollments.

Pay Plan

Mr. Kelley presented "General Pay Plan Structure, FY2001" which would implement a 1% increase of pay minima, a 4% increase of pay medians, and maintain the 125% relationship of pay maxima to pay medians. He stated this plan would enable the university to be more competitive without reducing flexibility appreciably with the 3% pay increase pool. Dr. Abdelal noted this would eliminate the zero-raise as a response to very poor performance. Dr. Henry responded that termination should be the way of handling such situations. Dr. Huss made a motion to recommend the pay plan as presented. Mr. Lewis seconded the motion. The motion passed.

Senate Budget Committee Reaction to Academic Subcommittee Report

Dr. Huss reported Senate Budget Committee endorsement of the Academic Subcommittee Report with two additions regarding enrollment trends and teaching loads as factors in determining redirection goals.

Prepared by Edgar Torbert

Approved April 4, 2000