FISCAL ADVISORY COMMITTEE TO THE PRESIDENT
April 4, 2001


Absent: Jerry Edwards, Fred Jacobs

Salary Plan

Ms. Johnston proposed adjustments to the pay plan for FY2002: minimums up 1%, midpoints up 3%, maximums up 5%. Dr. de Castro asked if the proposed adjustments would be cost free. Ms. Johnston replied that only about 50 employees were at their respective minimums, and it was likely they would be getting 1% or higher raises anyway. She added it was time to re-look at the pay plan to see how well it reflects market conditions. She noted Dr. Patton had heard anecdotal bits from Staff Advisory Council about staff members leaving to take jobs elsewhere for higher salaries. Dr. Henry observed that although few staff were at the minimums, the overall distribution of salaries was skewed toward the minimums. Ms. Johnston remarked that the university did not have a comprehensive compensation policy, which she hoped would be addressed in the coming months. Dr. Abdelal made a motion to recommend the 1%, 3% and 5% adjustments as proposed. Dr. de Castro seconded the motion. The motion passed.

Ms. Johnston stated a notice would be sent to staff explaining FY2002 raises and changes to the salary plan. Dr. Abdelal suggested the notice emphasize that staff are on a different budget calendar, but would still receive a 4% raise relative to their budget year.

Contingency Fund

Mr. Rackliffe presented “Schedule of Contingency Needs, Fiscal Years 2001-2002” showing $2.5M for Banner implementation, $1M for library books, and $0.6M for GSUNet2. Dr. Abdelal urged all items should be treated as “new” requests. Dr. de Castro spoke for treating the $1M for library books differently, as an on-going expense. Dr. Henry responded that slowing Banner implementation could cost an extra $2-3M in the long-run and could adversely affect enrollments. Dr. Abdelal expressed reservations about the Banner product, in particular its initial configuration. Dr. Henry remarked that GSUNet2 might be financed, with the $1M continuing funds held in the Provost budget being used to pay the debt. He added GSUNet2 was crucial to support of the academic sector. Dr. Huss recommended funding decisions should be made in the context of improving quality experience for students and faculty productivity. Dr. de Castro asked about the option of wireless connectivity in lieu of GSUNet2. Dr. Henry replied that wireless presented through-put problems on the order of 10 compared to hard-wiring.

Budget Considerations

Mr. Rackliffe presented “Budget Considerations, Fiscal Year 2002” as a starting point for discussion of the new budget. He outlined revenues and expenditures with and without contingency funds, as well as potential devices for balancing the budget. Mr. Rackliffe projected a
shortfall of $7.7M based on a $1M drop in state appropriation, a $1M rise in tuition revenues (10K SCH increase), current allocated expenditures, and $1.8M in new funding needs. He showed a shortfall of $11.7M with the addition of $4M in contingency fund needs. Mr. Rackliffe offered as an example a package consisting of a $0.7M decrease in moves and renovations, a composite 1% redirection in the amount of $2.3M, a $2.5M library acquisitions “flip-flop”, and $2.2M in projected fringe benefit savings to cover the $7.7M figure. Mr. Rackliffe added to this package as follows to cover the $11.7M figure: $0.4M in additional interest income from bank deposits, $0.5M in deferred Wachovia rent payments, and $3.2M in one-time “budget amendment redirections”. He noted the one-time budget amendment redirections could be released in the event of supplemental funding (expected to be recommended by the Governor).

Mr. Rackliffe stated the $2.5M library acquisitions flip-flop was the maximum the libraries could handle. Dr. Henry suggested there might be other ways of flip-flopping funds between fiscal years, such as prepaying health insurance. Mr. Rackliffe responded he would check with Board of Regents staff regarding the possibility of a health insurance option. Dr. Abdelal asked about the anticipated size of the contingency fund this year. Mr. Rackliffe quoted a range of $2-3M. Dr. Henry pointed out some units were planning major expenditures for the end-of-year, which if postponed, would be sources for flip-flop funds. Ms. Johnston asked about the possibility of prepaying rents to the GSU Foundation. Mr. Rackliffe replied that the auditors would limit prepayments to 30 days. Dr. de Castro concurred with the suggestion of postponing major end-of-year expenditures as a means of wisely using the infusion of supplemental funds the next year.

Dr. Henry summarized that a cut of $3M, a postponement of $3M, and a traditional flip-flop of $2M would negotiate the FY2002 problem and at worst spread the cuts over two years. Dr. de Castro asked about indirect costs as a potential source of additional funds. Mr. Rackliffe reminded that only one half of the indirect costs over budget would be available, with the other half going to the departments. Mr. Rackliffe added fringe benefit savings depended on the Board of Regents covering health insurance increases. Mr. Rackliffe elaborated that the one-time budget amendment redirections could take the form of eliminating vacant positions at the start of the fiscal year, but these would reappear in original budgets the following fiscal year.

Current and Past General Fund Distributions

Mr. Rackliffe presented “Schedule of Original Budget-General Fund Distributions by Vice Presidential/Dean Code, Fiscal Years 197-2001” showing total budgets by cost centers for each year, and percentage shares and changes. Dr. Henry explained major shifts across the years, including the sudden appearance and subsequent reallocation of the tuition plateau management reserve, and the GSUNet2 holding account. Dr. Abdelal identified the instructional technology account as a potential source for covering the shortfall. Dr. Torbert reminded Aderhold Learning Center technology had been deleted to meet the building project budget, with the instructional technology account as the back-up for that decision. Dr. de Castro asked about the GSUNet2 item in the IS&T budget (apart from the Provost holding account for GSUNet2). Dr. Henry replied these were personnel housed in IS&T.

Dr. Henry noted the drop in the Vice President-Research budget due to the reallocation of centralized graduate assistant funds to the colleges. He pointed out the Vice President-Student Services budget reflected expenses moved to the student activity fee. He explained the increase in
the President budget due to the initiation of the Presidential Assistantship program. Mr. Rackliffe cited the workman’s compensation plan rate drop for the change in centralized fringe benefits. He attributed the increase in General Institutional Expense to rents [Alpharetta, One Park Place (less space charged to sponsored projects), Ten Park Place] and College Work Study Program.

Dr. de Castro asked about the increase in the Human Resources budget. Mr. Rackliffe replied this was due to personnel temporarily shifted from HR to Spectrum, returning to the HR budget. Dr. de Castro asked about the increase in the Counseling Center budget. Dr. Henry reminded that some Academic Foundations personnel had moved to the Counseling Center following dissolution of Academic Foundations. Dr. de Castro suggested the Counseling Center could be funded to some extent from student activity fees. Dr. Abdelal recommended further examination of redirection for the Student Services since the intent of FACP was not realized in the earlier round. Dr. Henry cautioned the composition of the student body had changed in the interval and that programs and services were now needed for both residential and commuting students. He commented this would pertain to the “quality experience for students” principle mentioned by Dr. Huss.

Dr. Abdelal spoke in favor of reviewing the budgetary assumption about the increase in semester credit hours. He suggested a higher figure than 10K SCHs with funding incentives (and penalties) for colleges and departments. Dr. Harris voiced concern about raising the projection and the incentives approach, with regard to SCHs moving from unit to unit rather than being “new” enrollments.

Dr. de Castro asked about any leads on the likely recommendation by the Governor for the supplemental budget. Mr. Lewis replied that the Governor would strive to cover as much of the $54M shortfall as possible, but $30-40M was a probable range of supplemental funding. He added the Governor was waiting on the Chancellor to provide him information about how the University System would address the budget-enrollment problem.

Dr. Henry suggested an initial tactic of holding major purchases and renovations until next fiscal year, identifying potential 1% permanent redirection targets by vice presidential/dean area, and identifying potential 1-1.5% one-time budget amendment redirections by vice presidential/dean area. Ms. Johnston encouraged a two-year look at the situation. Dr. Abdelal stated a 1% redirection would impact the number of faculty hired for next year. Dr. Harris advocated a strategic approach based on the premise budgets were no longer increasing. Ms. Johnston urged a global view and targeted rather than across-the-board percentage cuts. It was agreed Dr. Henry would e-mail the vice presidents and deans to begin identifying potential redirections in the range of 0.5-1% and to consider postponing major purchases and renovations until the next fiscal year.

Prepared by Edgar Torbert
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