Fiscal Advisory Committee to the President  
Minutes of February 27, 2002


Others Attending: Lisa Beck, Ron Colarusso, Bill Fritz, Bob Moore, Jerry Rackliffe, Kimberly Smith, Edgar Torbert

The minutes of February 13 were approved as distributed.

Dr. Henry pointed out estimated workload funds had been revised to $2.3-2.6M due to re-calculations based on the funding formula as done by Board of Regents rather than on the percentage share of the overall system increase in credit hours.

Dr. Fritz presented updated enrollment projections. He observed FY2003 would likely bring record enrollments coupled with an extremely tight budget. He predicted approximately 700K credit hours provided sufficient course sections were offered. Dr. Fritz called attention to the very rapid growth in freshman applications in recent years, and he projected the number of first-time freshmen could reach 2,850. He attributed recruiting successes to vastly improved follow-up with applicants. He reiterated the need to offer sufficient course sections for these students in order to avoid a disaster.

Dr. Henry noted an earlier March 1 deadline for applications, which could account in part for admission figures being up. Dr. Fritz added the March 1 deadline only assured applicants of timely processing of financial aid.

Dr. Henry stated it was evident more students were taking Georgia State seriously. Dr. Tai asked about acceptance of good students as they apply rather than in batch notifications. Dr. Fritz responded that such students were accepted right away under the rolling admissions plan. He indicated the University of Georgia did so only for its very top students.

Dr. Henry commented that even 660K credit hours would represent a 25K increase over FY2002 and yield $2M in additional revenue. Dr. Tai asked about the two-year lag effect in formula funding. Dr. Henry replied there was not a one-to-one relationship, and that an allocation strategy committee on which he is serving had been formed by the Board of Regents to look at several factors in determining institutional funding. He estimated the FY2004 impact for Georgia State would be in the range of $10M. Dr. Abdelal spoke for increasing credit hours further because tuition revenues more than cover instruction costs.

Mr. Rackliffe distributed an analysis of the FY2002 budget. He expressed optimism tuition revenues would be no more than $600K below budget. Dr. Henry reminded budgeted tuition revenues had been arbitrarily inflated in order to balance the original budget, but the $5.6M structured deficit had now been mostly covered. Dr. Abdelal asked about the other revenues listed in the analysis. Mr. Rackliffe replied these included the debt service on decks and Student Center, and the balancing GSU Village transfer from auxiliary services to general funds. Mr. Rackliffe cautioned the $2.3M fringe benefit savings was contingent upon $1.5M supplemental funding for health insurance.

Mr. Rackliffe outlined coverage of the shortfall with M&R funds, interest funds, supplemental funds, end-of-year funds, etc. Dr. Henry warned the bad news from the analysis was only $468K left for carryforward to FY2003. Dr. de Castro asked about end-of-year funds for FY2001. Mr. Rackliffe answered only $100K was unclaimed, with the rest being planned flip-flops amounting to $1M. Dr. de Castro asked about the effect of keeping the hold on funds for deans and vice presidents so late in the year. Mr. Rackliffe responded this would probably encourage flip-flops to FY2003.

Dr. Henry speculated there would be a $5-6M shortfall for FY2003, but held hope for significant tuition and credit hour increases to provide a bailout. He pointed to a clearer picture after supplemental funding is finalized and the admission deadline passes. He reminded that FY2003 new funding would be unknown until at least mid-April.

Ms. Johnston asked about further word on raise pools for faculty and staff. Dr. Henry replied that 3.5% was still the rate under discussion [later reduced in legislative discussions to 3.25%].

Mr. Rackliffe suggested payback of $175K to GSURF for eminent scholar loan might be an item for consideration with FY2002 end-of-year funds. Dr. Abdelal recommended postponing this since it was discretionary.

Dr. de Castro commented that contingency funds always exceed projections. Mr. Rackliffe suggested this would be an advantage under the current situation in generating more carryforward.
Dr. Abdelal objected to the designation of the third column of the FY2002 analysis as “high”. He deemed those figures also conservative. Ms. Johnston spoke in favor of a conservative approach in particular for supplemental funds. Dr. Henry reiterated this would be settled in the first week of March [later postponed by the legislature].

Mr. Rackliffe distributed a worksheet of FY2003 funding prospects. Dr. Abdelal characterized the projected increase in credit hours as low. Mr. Rackliffe agreed to revise the three scenarios to show increases of 25K-30K-35K, which would increase tuition revenues by $1M in each case.

Mr. Rackliffe explained the FY2003 budget cuts had been changed from 5% to 6% following recent actions in the legislature. Dr. Henry added that Special Funding Initiative cuts would be on top of the 6%. He also indicated sharing of $25M formula funding for the system would be tweaked to protect institutions which lost enrollments from a double hit with the 6% cut. He estimated this would put the share for Georgia State in the range of $1.5-2.5M. Dr. Abdelal asked for an explanation of how the Board of Regents computes the workload funds. Mr. Rackliffe answered that the credit hours are plugged into the funding formula by academic discipline groups, level, etc. and then tweaked. Dr. Henry recalled the calculations were based on fall semester only, which would help Georgia State due to the drop in summer enrollments. Mr. Rackliffe corrected that the total year was used in the calculations.

Mr. Rackliffe estimated a $1.1M share in system hold harmless funds. Dr. de Castro asked about a phase-out of hold harmless funds. Dr. Henry replied that Governor Barnes had recommended more for hold harmless than the system had requested, but this might signal no supplemental funds in FY2003.

Mr. Rackliffe commented that tuition rates could increase anywhere from 5% to 9%. He reminded that 3% was ordinarily needed to cover the institutional share of the raise pool. He also pointed out an increase would help with the tuition plateau effect.

Dr. Abdelal advocated increasing the projection for indirect cost recoveries from $4M to $5M. Mr. Rackliffe noted this would lead to a $500K increase in college expenditures for their one half share.

Mr. Rackliffe outlined potential funding needs for FY2003 beyond the continuing budget. He included such items as unmet demand, coverage of SFI reductions for GRAs, rent increases, Banner, DSS, GSUNet2, and PeopleSoft upgrade. Dr. de Castro reacted that such items should vie for allocations rather than being presented as commitments. Dr. Abdelal echoed this view with the observation they should be presented as requests rather than a starting point for discussion. Dr. Henry noted the mandatory contingency approach adopted previously by FACP and the continuing costs of such projects as Banner and GSUNet2. Dr. Abdelal urged more reasonable revenue projections and listing of only obligatory items. Dr. Huss recommended an add-to list approach.

Dr. de Castro commented that even unmet demand, which would be favored for funding, should be discussed, as well as the rest of the items. Dr. Abdelal urged that Dr. Fritz submit a budget request for Banner detailing anticipated expenses. Dr. Fritz responded Banner was different from some other items on the list in that it was already underway and required a commitment to complete on schedule. Dr. Henry commended keeping potential large expenditure items on the list so they are not forgotten. He suggested subdividing the items into priority groups.

Dr. Huss asked if the GSU Foundation was the entity imposing the rent increases. Mr. Rackliffe replied that the Alpharetta Center increase was a bond issue, not the GSU Foundation. Ms. Johnston spoke for increasing the One Park Place rent to address some repair and renovation issues.

Ms. Johnston noted PeopleSoft HR is a university initiative, not a Finance & Administration initiative, and a mandate by the Board of Regents. Dr. Fritz added that the feed from Banner to the legacy HR system in order to pay student assistants was an expensive add-on. Mr. Rackliffe stated Dr. Hudson had reported the University of Georgia was not implementing PeopleSoft in order to protect the academic budget. Dr. de Castro decried unfunded mandates in the same year as budget cuts. Dr. Abdelal added it was also inappropriate to insert new budget requests in a year when deans and vice presidents were not invited to submit requests.

Dr. Henry noted the College of Law eminent scholar item was a commitment made in conjunction with the endowing of the chair. He indicated the search was still underway, after one candidate turned down the offer. He noted another search for the Dan Sweat chair. Dr. Colarusso indicated this search was progressing. Dr. Abdelal suggested slowing down such searches due to the budget situation. Dr. Henry responded that there was a credibility issue with the funding agencies. Dr. Tai asked if the units could structure positions out of their resources. Dr. Henry replied that these units did not have the flexibility.
Dr. Henry pointed to the start-up costs for the Aderhold Learning Center as essential funding item, in particular classroom technology personnel. Ms. Johnston added the need for additional security personnel with the opening of ALC.

Dr. Abdelal cited as hard needs: fringe benefits, SFI, libraries, rent and CWSP. He recommended further analysis of all others. He requested detailed budgets for all of the other items at the next meeting.

Prepared by Edgar Torbert  
Approved