Fiscal Advisory Committee to the President
Minutes of September 18, 2002

Members Attending: John de Castro, Ron Henry, Katherine Johnston, Susan Kelley, Kimberly Smith, P.C. Tai

Others Attending: Lauren Adamson, Charlene Hurt, Steve Kaminshine, Robert Moore, Jerry Rackliffe, Chris Taylor, Edgar Torbert

Minutes of July 24 were approved with one correction.

FY03 Status

Dr. Henry distributed the fall semester enrollment report as of September 17 showing:
   1) headcount of 27,492
   2) credit hours of 298,581

He pointed out these still-to-be-fee-reconciled figures along with summer actual figures and spring projected figures were ahead of the numbers used for budget planning, but were offset by the 3% budget cuts imposed after the start of the fiscal year.

Mr. Rackliffe distributed the revised “Budget Considerations, Fiscal Year 2003”. He highlighted:
   1) increase in student fee revenue to $80.8M (credit hours increase)
   2) reduction in state appropriations to $163.3M (3% budget cut)
   3) increase in indirect cost recoveries to $5.6M
   4) increase in college expenditures to $127.5M (departmental ICR shares)
   5) reduction in utilities, rents, etc. to $11.5M (Wachovia rent delay)
   6) shortfall of $0.5M in continuing budget
   7) increase in unmet demand contingency funds to $1.6M (base plus new)
   8) increase in Yamacraw contingency funds to $0.3M (replace reduction)
   9) increase in additional faculty offices to $1.5M (34 Peachtree plus Lofts)
   10) shortfall of $8.2M in continuing budget plus contingency expenditures
   11) sources of $5.6M to cover (flip-flop, interest income, sweep, QIF, etc)
   12) net shortfall of $2.6M

Dr. Henry commented that it was too early in the year to be overly concerned about the projected shortfall. He recommended waiting for fee reconciliation before examining these figures more closely.

FY04 Estimates

Mr. Rackliffe distributed “Budget Considerations, Fiscal Years 2003-2005”. He noted the FY03 column was the same as outlined above. He highlighted for FY04:

   1) increase in base student fee revenue to $81.2M

Dr. Henry explained the projected increases in credit hours of 5K for FY04 and 5K for FY05 would be fine-tuned to reflect passage through the pipeline of the last two large freshman classes,
retention rates, etc. He added that improvement in the economy could lead to fewer credit hours with more students finding employment. Dr. de Castro raised the issue of saturation in number of students given limitations of number of faculty, classrooms, etc. Dr. Henry acknowledged this factor, and spoke of intentions to cap new freshman enrollments in the future.

2) increase in student fee revenue due to tuition increase of $1.1M

Mr. Rackliffe forecasted a tuition increase in the 0-2% range and for these purposes used a 1.5% increase.

3) reduction in state appropriations to $163.3M instead of $161.7M

Dr. Henry indicated the threat of a second 3% budget cut was too uncertain to apply at this stage of planning for FY04.

4) increase in formula funding of $12.2M

Mr. Rackliffe explained the Georgia State contribution to the formula would yield $15M of which 80% would be passed on to Georgia State. Dr. Henry added that the 80% approach was first implemented for FY03. He noted the intention of Chancellor Meredith to have a rational system of allocations (80-85% workload, 10-15% strategic initiatives, 5% incentives). Dr. de Castro asked about the possibility of updating the funding formula. Dr. Henry replied any update would have to be revenue neutral.

5) reduction in (elimination of) hold harmless allocation of $3.7M

Mr. Rackliffe remarked that the hold harmless allocation after semester conversion was being eliminated due to the expectation the formula would now cover with the rebound in credit hours.

6) increase in state share of ORP of $0.1M (rate increase)
7) increase in state share of retiree fringe benefits of $0.1M
8) increase in state share of health insurance of $1.5M
9) increase for new space OMP of $0.7M

Mr. Rackliffe stated the new space OMP would reflect a clean-up of space records and the addition of 34 Peachtree faculty offices.

10) increase in state share of life insurance of $0.2M

Mr. Rackliffe observed this increase was a result of the first hike in life insurance premiums in 14 years.

11) increase in indirect cost recoveries to $5.8M (in FY05)

Mr. Rackliffe pointed out the indirect cost recoveries rate increase from 43.5% to 45.5% would not take full effect until FY05.
12) increase in utilities, rents, and insurance to $13.3M

Mr. Rackliffe explained this increase was primarily due to Wachovia coming on-line and the gap between OMP rate from the Board of Regents for new space and the GBA rental rate being charged to Georgia State. Dr. Henry added that an exception to the OMP rate had been proposed to the Board of Regents since the payments would be to another state agency. Ms. Johnston commented that the OMP rate was based on custodial/basic maintenance only.

13) surplus of $7.6M in continuing budget ($17.3M in FY05)
14) reduction in Banner contingency fund costs to $0.7M

Dr. Henry noted continuing, contingency fund items should be reviewed and migration plans developed to move these to the original budget. He observed this would “free” contingency funds for new initiatives. Dr. de Castro called for annual review of contingency fund items.

15) continuation of $0.25M for Banner college backfill/support
16) continuation of $0.25M for Decision Support Systems

Dr. de Castro questioned continuing funding for Decision Support Systems after development of reports for Banner. Dr. Henry replied that report writing for Banner would not end with the initial round, and there would be similar needs for HR PeopleSoft. He also cited continuing support for these systems and the requirements for upgrades. He agreed these continuing costs should be carefully reviewed. Dr. de Castro commented that costs, which are continuing, should be considered for inclusion in the original budget.

17) continuation of $0.3M for SFI replacements (GRAs)
18) increase in Yamacraw replacement costs to $0.9M

Mr. Rackliffe explained the state Office of Planning and Budget was eliminating the Yamacraw allocation to offset formula funds from credit hours generated by “Yamacraw” professors. Dr. Henry added that this action was a particularly big problem for Georgia Tech. He predicted the same would happen with ICAAP funds in the next 18 months. Dr. de Castro asked if the links between credit hours and professors were legitimate. Mr. Rackliffe responded that actual credit hours were used.

19) continuation of $1.5M for additional faculty offices

Dr. Tai questioned the level of on-going expenditures given one-time FY03 costs such as furniture. Dr. Adamson pointed out the Lofts rental would be for FY03 only. Mr. Rackliffe agreed to reduce the FY04 and FY05 figures to $1.0M.

Dr. Tai reminded that the FY03 contingency allocation of $50K for traffic safety would be an on-going expense. Dr. de Castro urged continuation of this allocation.

Dr. Tai questioned the omission of department ICR shares in FY04 and FY05 expenditures. Mr. Rackliffe answered that these were included in the projected original budgets of the colleges for FY04 and FY05.
Mr. Rackliffe summarized the remainder of the budget considerations showing library acquisition payments of $1.0M and Wachovia renovation payments of $0.7M for each year out of contingency funds and contingency fund sources of $0.4M from unbudgeted interest income, $2.4M from fringe benefit savings and $0.9M from end-of-year sweeps each year.

Dr. de Castro inquired about the final year for Wachovia renovation payments. Mr. Rackliffe replied that the final year was FY04, and stated he would remove that item from the FY05 column.

[With the above corrections and adjustments, the bottom line including contingency funds and end-of-year sweep was $3.7M for FY04 and $13.9M for FY05.]

Dr. Henry reiterated the need to declare which items should be moved from the contingency list to the regular budget as new funds would allow. He recommended a call to the deans and vice presidents for such items (e.g., admissions brochures, external affairs magazine). Dr. Henry emphasized the need for flexibility to deal with strategic initiatives.

Dr. de Castro observed the budget was based on less than the funds actually available during the course of the year. Dr. Henry responded that this approach was necessary in order to tackle major projects like GSUNet2, Banner, PeopleSoft HR, for which continuing dollars could not be incorporated in the budget. Dr. de Castro suggested structuring two budgets, one to balance July 1 for the Board of Regents and one for internal use to contain all the components outlined above.

Dr. Kaminshine suggested adding unbudgeted items to the program review process.

Dr. Henry noted the Board of Regents requires reasonable estimates of revenues in balance with expenditures. He added a contingency of $12M would be reasonable by national standards. Dr. de Castro suggested that FACP could work on the internal budget and then the Budget Office could adapt it to meet the Board of Regents guidelines. Dr. Henry observed this approach would put library acquisitions at high risk. Dr. de Castro advocated a percentage cut across units rather than counting on the library to balance. Ms. Hurt pointed out that the librarian at Georgia State has to have trust in the Provost and FACP under the present arrangement of end-of-year funding.

Dr. de Castro urged a call to deans and vice presidents for new funding requests under the current scenario of funding for FY04. Dr. Henry noted this had been done every year, except the last two, with a percentage cap for the requests. Dr. Adamson raised the issue of uniform percentage caps for requests given differential rates of growth. Dr. Henry pointed out the percentages had been set in past years to hold requests to 2-3 times the available funds. Dr. Adamson commented on compensatory adjustments at the college level for small departments, which are severely limited by the flat percentage cap.

Dr. Tai raised the issue of unfunded Action Plan requests. Dr. Henry advised Action Plan items should be submitted in the framework of college priorities. Dr. Moore stated the deferred Action Plan items amounted to $2M with others in process.
Mr. Rackliffe indicated he would be revising the budget guidelines prior to the next meeting. He noted the deadline for fee requests was October 31. Dr. Henry cautioned that fees will be scrutinized even more closely by the Board of Regents because of HOPE scholarship-lottery funding issues.

Prepared by Edgar Torbert
Approved October 9, 2002