Minutes of April 23, 2003 were approved as presented.

Mr. Rackliffe distributed copies of “Fiscal Year 2004 Budget Allocations” communication from Chancellor Meredith. Dr. Henry pointed out the tuition increases were cited in dollars rather than as percentages ($209 per semester for research universities, $101 per semester for regional and state universities, and $33 per semester for two-year institutions). He also noted resulting wider tuition differentials between Georgia State and other metro area institutions such as Kennesaw State and Georgia Perimeter as well as higher mandatory fees at Georgia State. He added that the $3 per credit hour tuition differential for MBA students was also approved.

Dr. de Castro asked about the status of requests to the Board of Regents for a graduated schedule for mandatory fees. Dr. Henry answered that this topic might be discussed this summer in conjunction with modifications of the HOPE scholarship program. Mr. Rackliffe reported both Georgia State requests for fee increases had been approved ($10 transportation and $5 international education).

Dr. Henry outlined changes in the state appropriation from the base of $167.1M to $167.5M. He highlighted the workload increase of $12.2M, the performance factor increase of $680K and the enrollment change increase of $764K, which together more than offset the anticipated reductions for a gain of $350K.

Dr. de Castro questioned whether Georgia State had gotten a fair share of the 20% workload funds strategically allocated by the System. Mr. Rackliffe explained that Medical College had received a disproportionately large share. Dr. Henry observed that the Georgia State share was not out of line overall.

Dr. Tai asked for clarification of the 3% “instruction only” cut. Dr. Henry answered this was to apply the 5% cut to the total budget, whereas only the 2% cut had included instruction in FY2003. He added that the enrollment increase had been sufficient to offset the cuts and to make Georgia State one of very few institutions, if not the only one, realizing a net gain.

Mr. Rackliffe distributed copies of “Special Funding Initiative Allocations” detailing the replacement funds for SFIs not continued at the same level for FY2004 as well as SFIs funded by the System for FY2004. Dr. Moore asked about the net effect for water policy research. Dr. Henry responded the net effect was zero, the only change being the funding source. Mr. Rackliffe cautioned the change to SFI might place future funding in jeopardy.

Mr. Rackliffe distributed copies of “Budget Considerations, Fiscal Year 2003-2005”. Mr. Rackliffe
tied the FY2004 revenues and state appropriations shown on the budget considerations spreadsheet to those shown on the allocation communication from Chancellor Meredith. He noted a continuing budget surplus of $9.6M prior to subtracting approved funding items. He listed changes in the approved funding items, including unmet demand at $2.2M, replacement of SFI reductions at $628K, chemistry eminent scholar at $130K, Institute for Public Health director at $191K, additional faculty offices at $850K, and new indirect cost sharing policy at $396K. He pointed out the balance after the approved funding items was $2.1M.

Dr. de Castro asked why the figure for additional faculty offices was lower in FY2004. Mr. Rackliffe reminded that the FY2003 costs had been higher due to furniture and equipment purchases for the moves.

Dr. Harris asked about the priority given to the chemistry position. Dr. Henry replied this position was linked to Georgia Research Alliance and GSU Research Foundation funding, with the holder coming from North Carolina State in the field of drug design.

Mr. Rackliffe outlined contingency sources (interest income, fringe benefit savings, year end sweep) and uses (libraries) yielding a potential overall surplus of $4.9M.

Dr. de Castro asked about the higher fringe benefit savings. Mr. Rackliffe attributed the increase to higher rates.

Dr. Adamson asked about minority hiring incentives and target of opportunity funding. Dr. Henry responded that these items were in the $12.5M requests for new money. He noted these programs required new money each year because the funding was transferred into the base budgets of the colleges.

Dr. de Castro applauded the allocation of unmet demand funds to add faculty, but urged non-personal services support as well. Dr. Henry replied that the maximum number of students, which can be accommodated with current facilities had been reached, and that he saw the funding focus shifting to tenure track positions.

Dr. Henry advised caution given the unrealistic revenue projections used to balance the state budget. He predicted a shortfall of 3-4 percentage points, which would be approximately $700M. He indicated a straight pass-through to Georgia State would be $9M, and even if instruction is protected, a minimum cut of $5M. Dr. Henry stated it would be unwise to allow spending authority for the $2.1M balance under these conditions, but allocations could be set to allow recruiting for positions for the following year, especially in those fields with early hiring seasons.

Mr. Lewis echoed this caution and observed a special session would likely be called in September to deal with budget reductions. He said the revenue increases had been in the range of 2% rather than 6%.

Dr. Henry suggested a two-prong strategy of funding obligations such as unmet demand, eminent scholars, IPH, etc. and holding allocations for other items in a set-aside account until September.

Dr. Tai asked about enrollment projections. Dr. Fritz responded registrations were on target for
summer, but fewer freshmen in the fall semester might mean the goal of 20K additional credit hours was optimistic. Dr. Henry added that the significant price differential between Georgia State and other institutions in the metro area might have an impact on enrollments. Dr. Fritz also noted the issue of capacity. Dr. Tai asked if there would be an increase in sophomores, juniors and seniors to offset the lower number of freshmen. Dr. Fritz indicated that any growth toward the goal of 20K credit hours would come at those levels. Dr. Henry commented that the University System had set the total revenues for the original budget at $271M and any enrollment growth over budget would mean flexibility during the budget year.

Dr. Jacobs noted further cuts could be absorbed by the holding account and would avoid the possibility of affecting units differentially if those funds were allocated up front. Dr. de Castro advocated letting the units have their own holding accounts. Dr. Henry pointed out that there would still be the issue of how to handle cuts beyond $2.1M. Mr. Rackliffe spoke to the psychological difficulty of cutting from units rather than a central fund. Dr. de Castro countered that cuts should be addressed in the same rational manner as allocations rather than extracted on a percentage basis, so that not every new allocation would be cut.

Mr. Rackliffe warned that the original budget would be due to the University System by June 5 and advised that the set-aside strategy with allocations on budget amendment number one would be the most workable approach.

Dr. Henry reiterated concern about the $5M cut anticipated early in FY2004. Dr. Moore observed cuts for future years should reflect missions, but it was difficult to do this with mid-year cuts. Dr. de Castro commented these would not be surprise cuts and unit heads would be conservative. Dr. Adamson stated protection would be lost, if allocations were not made to academic units and cuts then weighted more heavily toward non-instructional elements. Ms. Hurt questioned the advantage of allocating funds if unit heads could not spend them. Dr. Henry responded that unit heads would be able to proceed with searches for the following year knowing these funds would reappear in the FY2005 budget.

Dr. Tai recommended units be allowed to decide what to cut. Dr. de Castro noted strategic decisions had been limited to surplus years.

Dr. Henry reminded that requests of $12.5M had been made by the vice presidents and deans against only $2.1M in available funds. He suggested FACP could allocate the $2.1M at its next meeting and spending authority would be assured for FY2005. Dr. Jacobs asked when budget amendment number one would be due. Mr. Rackliffe replied that the due date was September 30.

Dr. Adamson asked about the allocation of the $4.9M potential balance. Dr. Henry responded that under the budget conditions of the last two years there had not been an opportunity to program contingency funds, and there were pent-up space moves, postponed replenishment of faculty PCs, and other needs. He cautioned that these funds would also figure in budget cuts.

Dr. de Castro called for consideration of the best ways to allocate and deallocate. Dr. Henry agreed the current approach assumes existing funds are spent correctly. He indicated initiatives were underway to address such issues.
Mr. Lewis projected FY2005 will be worse, and will call for setting priorities. He added that OPB was forecasting some improvement in FY2006. Dr. Henry noted the consensus among higher education gurus was not much new money in the future. He said these conditions would require harder looks at existing programs. He suggested a zero-based approach would come closest to meeting the concerns raised by Dr. de Castro.

Dr. Harris commented that the holding account scheme would reduce the “spook” factor of cuts with respect to announcements to faculty. Dr. Huss asked when the cuts would actually occur. Mr. Rackliffe indicated the funds would be returned in March 2004. Dr. Henry explained there would be a much earlier request for information about where cuts were taken in order to fuel the debate.

Ms. Hurt recalled the budget priorities subcommittee of the Budget Committee had advised that a zero-based budget approach was too difficult to pursue. Dr. de Castro responded that such an approach would not occur annually.

Dr. Fritz echoed the point by Dr. Harris regarding the stress on campus due to budget cuts. He commended a statement to the campus that plans had been laid to deal with the impact of September cuts. Dr. Adamson added this statement should include a commitment to wise planning for allocations in the future. She noted the campus had anticipated budget gains due to the large enrollment increases instead of breaking even.

Mr. Lewis advised there would be some merit in showing blood to the state legislature. He commented that many feel the University System is “sitting on a pot of gold.” He indicated there would be news stories released concerning reliance on PTIs, etc.

Dr. Adamson reiterated the need for a plan how to spend. She pointed out $12M in tenure track faculty had been replaced by non-tenure track faculty.

Mr. Lewis observed the spin has to come from the University System, but Georgia State, Georgia Tech and Georgia have to build the case. He noted a new software program to link students and parents with legislators. He pointed out that Georgia State actually had students from more counties than Georgia.

Dr. Jacobs commented that straight cuts would take excellence off the top. Dr. Henry stated he was convinced the approach advocated by Dr. de Castro was needed as a long-term companion to the strategic plan. He added that while cuts might be straight at the vice president and dean level, they are applied selectively within the colleges and vice presidential areas.

Dr. Harris suggested the time had come to identify programs to discontinue. Dr. Henry agreed Georgia State cannot afford to continue everything and that money was needed for new initiatives as well, such as the Institute for Public Health.

Dr. de Castro suggested revisiting the faculty promotion pool in order to address salary compression. Dr. Adamson reported results of Arts & Sciences analysis of assistant professor-to-associate professor salaries and the implications for hiring. Dr. Henry announced the deans had been given the option to expanding the promotion pool from college funds to $2,000 for associate
professors. Dr. Colarusso expressed concern this might aggravate compression rather than relieve. Dr. Huss agreed this would cause a problem with outstanding faculty promoted the previous year.

Dr. de Castro made a motion to recommend the total original and continuing funding as presented yielding the $2.1M to be allocated later. Dr. Tai seconded the motion. The motion passed.

Dr. de Castro made a motion to create the $2.1M holding account and to allocate those funds at a follow-up meeting. Dr. Tai seconded the motion. The motion passed.

It was agreed FACP members would send their recommendations for allocating the $2.1M balance to Dr. Torbert prior to the next meeting.

Prepared by Edgar Torbert
Approved June 11, 2003