
Others Attending: Lauren Adamson (for Susan Kelley), James Alm, Ron Colarusso (for Fenwick Huss), Bill Fritz, Charlene Hurt, Steve Kaminshine, Robert Moore, Edgar Torbert

The minutes of May 19 were approved.

Dr. Henry distributed a handout entitled, “Budget musings, September 15, 2004,” which outlined the effect of the decision to reverse the June 30, 2005 to July 1, 2005 payroll shift with the University System absorbing the cost and the effect of the Governor’s 5% cap on new funding requests for FY2006.

Dr. Henry explained that the payroll shift would cost Georgia State $7.3M. He noted that the payroll-intensive budget of the University System meant that the University System would incur 38.3% of the cost of the statewide shift even though the University System accounted for only 10.9% of the overall state budget. He added that the $7.3M cut for Georgia State would be permanent, and would require a 27% tuition increase to offset 100%. He pointed out that the Chancellor had proposed a combination of workforce decreases and tuition increases to balance the budget rather than relying entirely on tuition increases. Dr. Henry cited a suggested mid-year tuition increase of 10%, which would produce $3.3M for Georgia State toward the $7.3M deficit. He added that a combination of 1% budget holds for colleges and vice presidential areas ($2.6M) and central university sources ($1.4M) could be used to meet the remaining $4.0M of the deficit. He cautioned that while this approach could meet the $7.3M deficit for this year, there were long-term fund-source ramifications, which FACP would need to address in addition to covering the $7.3M permanent cut, including annual investments of $1.5M toward the $5.5M bond payment account for the science research complex, future iterations of funding for the areas of focus, and funding of the $3M-4M backlog of approved action plans.

Dr. Henry explained that the 5% cap on new funding requests would limit the University System to $80M in new funds even though enrollment and facilities square footage increases would produce $103M according to the funding formula. He noted that this would be the first time the state had not funded the formula 100%. Dr. Henry elaborated that the instructions from the Governor requested the University System to submit three budget plans for FY2006, one at 97% of current, one at 100% and one at 105%. He noted that the big three institutions were already at near capacity to generate credit hours, which did not bode well for future new funding.

Mr. Rackliffe distributed a handout entitled, “Budget Considerations, Fiscal Year 2005,” which outlined projected revenues, expenditures, and sources to cover shortfalls. He noted that summer and fall tuition revenues were short of budgeted amounts by $2.2M, and the overall shortfall for the year would approach $3.8M. He pointed to the combination of fewer credit hours overall and a change in the mix of credit hours to fewer graduate credit hours as the reason for the shortfall.

Mr. Simpson asked if the shortfall was a result of phased-out programs. Mr. Rackliffe answered
that this was not the case, but that a major factor was the change from 3 credit hour courses to 1.5 credit hour courses in graduate business. He added that graduate business credit hours were expected to rebound in future years. Dr. Alberto asked about this expectation. Dr. Henry replied that the total credit hours for the degree programs were unchanged, but many students had enrolled in the same number of courses this semester as happened with conversion from quarters to semesters.

Mr. Rackliffe explained that the actual payroll shift cost for Georgia State amounted to $3.8M, which appeared on the handout as additional expenditures for the colleges, vice presidential areas, etc., while the $3.5M balance of $7.3M appeared as reduced revenue. Dr. Adamson commented on confusion caused by the presentation of the payroll shift in the original budget, and asked that a good explanation be sent to departments concerning the replenishing of the June 30 payroll in their budgets. Mr. Rackliffe indicated that Ms. Renfroe was working on a software solution to return positions to full-year pay, and that a memo would be sent explaining what had been done.

Mr. Rackliffe pointed out that projected indirect cost recovery revenues increased to $6.4M from $5.6M and that departmental sales and services and other revenues (library fines, swap of funds for student center construction bonds) remained the same. Mr. Simpson asked about the student center funding swap. Mr. Rackliffe responded that this was simply the way the state handled bond payments and was a net-zero for Georgia State.

Mr. Rackliffe observed that the expenditures on the handout were the same as shown previously except for the addition of the 50% departmental shares of indirect cost recoveries and the distribution of the June 30 payrolls. He pointed out that the net of projected revenues and expenditures was a shortfall of $10.7M. Mr. Rackliffe commented that the additional funding needs (unmet demand and library acquisitions), which had come into play in prior years, were zeroed in this analysis. He stated that the library acquisitions for FY2005 had been pre-paid in full out of the FY2004 end-of-year sweep.

Mr. Rackliffe outlined possible sources to cover the shortfall including unbudgeted interest income, fringe benefit savings, end-of-year sweep, delay of moves and renovations, mid-year tuition increases, implementation of PPO-level cap on payment of indemnity health insurance plan premiums, and supplemental appropriations. He projected $100K from unbudgeted interest income, $2.5M from fringe benefit savings, and $800K from the end-of-year sweep, which would reduce the shortfall from $10.7M to $7.3M.

Dr. Thachenkary asked about the future of the indemnity health insurance plan. Mr. Rackliffe responded that approximately 1/3 of University System employees are on the PPO, while 2/3 of Georgia State employees are on the PPO. He stated the savings to the University System of a PPO-level cap would be $31M (about $1.5M for Georgia State). Mr. Rackliffe indicated the future of the indemnity plan was unknown, in the event the cap was implemented and the number of participants in the indemnity plan dropped. Dr. Kaminshine asked if Georgia State would benefit fully given its smaller share of indemnity plan participants. Mr. Rackliffe replied that the University System savings would come off the top of the University System cut. Dr. Henry added that this approach would mirror the University System argument about how the statewide payroll shift cost should be distributed.
Dr. Thachenkary asked about the higher popularity of the PPO with Georgia State employees. Mr. Rackliffe replied that initially the doctors participating in the PPO were concentrated in the metropolitan Atlanta area. Dr. Henry noted the number of doctors had increased significantly and the plan had been expanded to include doctors in other states. Mr. Rackliffe stated that 96-97% of doctors in Georgia were now in the PPO. Mr. Simpson asked about the reason for Georgia State having multiple plans. Mr. Rackliffe responded that the plans were set up by the University System level.

Mr. Rackliffe commented that supplemental funding was very unlikely. Dr. Henry added that the state Office of Planning and Budget had indicated there would be no supplemental funding for state agencies and that if such funds materialized they would be used to replenish the state “rainy day” fund.

Mr. Simpson asked about the possibility of increasing on-line course offerings in order to increase revenues without requiring more classroom space. Dr. Henry replied that on-line courses still require faculty to monitor and that this could not be a solution in the short-term. Dr. Hudson added that IS&T-type costs increase with on-line courses and that in the long-run these courses are not money makers.

Dr. Adamson asked about the other 50% (university) share of indirect cost recoveries. Mr. Rackliffe responded that these revenues go toward balancing the bottom line.

Dr. Thachenkary asked if the funding formula was weighted toward funding the research universities. Dr. Henry answered that the formula was out-of-date; for example, it treated business faculty as inexpensive. He added that the formula looked at lower division, upper division and graduate credit hours, and took into account research by doubling the amount earned for graduate credit hours. He reiterated that it was clearly an advantage to maximize graduate credit hours.

Dr. Kaminshine asked about growth across the University System. Dr. Henry responded that the University System had grown by 50K credit hours. He added that projections were for growth from 250K students to 450K students by 2015. He noted 60% of the growth was projected in the metropolitan Atlanta area, and that Georgia State would need to grow to 55K-60K students to maintain its share.

Dr. Kaminshine asked about the 80% guaranteed pass-through of formula funds. Dr. Henry answered that two year ago the University System instituted the 80% pass-through with the intention of using the other 20% for incentive funding and to maintain excellence at the research universities. Dr. Adamson asked if Georgia and Georgia Tech were at capacity. Dr. Henry replied that this was generally the case although Georgia admitted an extra 900 freshmen last year. Dr. Hudson reported discussion of increasing Georgia to 50K students. Dr. Henry noted part of this growth would have been through the Gwinnett Center, which was now proposed as a standalone institution.

Dr. Alberto asked how the University System could persuade students to go to less crowded institutions. Dr. Henry replied that tuition differentials might be employed to make it more expensive to go where there is less capacity and less expensive where there is more capacity. Mr. Simpson observed this could force some students to go where they did not prefer to go.
Dr. Tai suggested the University System should look at some research facility requirements, which are stricter for the University System and state than at the national level, and consequently costlier (e.g., radioactive waste disposal).

Dr. Thachenkary asked about increases in fringe benefit costs as of January 1, 2005. Mr. Rackiffe answered that information about these increases had not been received.

Dr. Alberto asked about the deadline for making cuts. Dr. Henry responded that early February would be the likely time since spring revenues would be known then. He added that the deans and vice presidents had already been advised to hold back 1% of their budgets. He also noted timing issues such as any delays in moves and renovations. Dr. Alberto asked about the specificity of instructions for cuts or hold backs. Dr. Henry answered that such was left to the deans and vice presidents to decide how to accomplish and to take into account long-term program decisions. Dr. Henry reminded that FACP actions were recommendations to the President, who made the final decisions.

Mr. Simpson asked about the budget for the Alpharetta Center. Dr. Henry replied that the Alpharetta Center was part of the budget of the Robinson College of Business.

Dr. Tai asked about impact on MRRF funded projects. Mr. Rackliffe responded that the $5M in one-time and $4.2M in regular MRRF funding might allow for some shifting with the moves and renovation budget to effect modest savings.

Dr. Kaminshine asked about the potential increase in tuition revenues by removing the tuition plateau. Mr. Rackliffe estimated the increase at $2.2M. Dr. Henry added that HOPE grants would apply to the increase. Dr. Alberto asked about the viability of HOPE with the proposed increases in tuition. Mr. Rackliffe replied there were triggers to make HOPE apply progressively to tuition only in the event HOPE resources ran short.

Mr. Simpson asked about the split between undergraduate and graduate students. Dr. Henry replied that there were roughly 20K undergraduates and 7K graduates. He added that graduate students take fewer credit hours. Mr. Simpson asked about increasing tuition for graduate students. Mr. Rackliffe responded that graduate tuition was already 20% higher than undergraduate tuition. Dr. Henry noted that some graduate programs also had tuition premiums.

Dr. Hudson observed that the 1% hold backs would appear to solve the FY2005 problem. Dr. Henry affirmed provided that the 10% mid-year tuition increase is implemented. Dr. Kaminshine pointed out that the increase would be doubled in FY2006 since it would apply to summer and fall as well as spring. Dr. Henry acknowledged but warned there were also spending commitments to consider. Ms. Hurt asked if the 1% reductions would be permanent. Dr. Henry answered they were not permanent.

Mr. Simpson asked about the possibility of partnerships with other institutions (e.g., joint program of Andrew Young School of Policy Studies and Georgia Tech) to reduce costs. Dr. Henry responded this might be a possibility for programs without many students.