FISCAL ADVISORY COMMITTEE TO THE PRESIDENT
Minutes of October 12, 2005

Members Attending: Paul Alberto, Al Baumstark (for P.C. Tai), Ron Henry, Hugh Hudson, Fenwick Huss, Susan Kelley, Russ Mildner, Robin Morris, Debbie Rupp, Cherian Thachenkary

Others Attending: Bill Fritz, Mike Metzler, Bill Nelson, Edgar Torbert

The minutes of August 17 were approved.

FY2006 Status

Dr. Henry reported fall semester enrollments of 25.8K students and 302K credit hours. He cautioned that these figures included 500 Hurricane Katrina students, who did not pay tuition and fees beyond $100 each. He noted that headcount enrollment had dropped by 2.8K students over two years.

Dr. Henry projected overall FY2006 revenues to be $10.3M short of budget. He noted the FY2006 budgeted revenues were the same as the FY2005 budgeted revenues, which were not met by $4.3M. He reminded that the FY2006 budget was based on recovering the credit hours associated with the $4.3M FY2005 shortfall and then adding 20K more credit hours.

Dr. Henry pointed out that $2.5M of the projected $10.3M FY2006 shortfall was due to lower than expected summer session revenues. He noted other factors of the FY2006 shortfall included (a) the 6K unpaid credit hours taken by the Hurricane Katrina students; (b) the increase in average credit hour load was largely attributed to graduate assistants with tuition waivers; (c) a decline in part-time student enrollments; and (d) a decline in students paying out-of-state tuition.

Dr. Rackliffe distributed “Budget Considerations, Fiscal Year 2006” detailing the observations made by Dr. Henry. Dr. Rackliffe added the need to fund University Library and the College of Law Library at $1.2M over and above the $10.3M shortfall in order to maintain the annual expenditure levels for acquisitions. He explained that the state auditors had disallowed prepaying acquisitions as part of the annual “flip-flop” strategy, which resulted in this funding need starting with FY2006.

Dr. Rackliffe outlined potential sources for reducing the adjusted $11.5M shortfall. He pointed out that utility savings, which had been an annual source for end-of-year sweeps or budget reduction offsets, would not be available in FY2006 because of steeply rising costs for electricity and gas. He added that the Board of Regents had funded multi-year increases in water and sewer rates up front so that the electricity and gas increases were partially cushioned for FY2006.

Dr. Rackliffe cited unbudgeted interest income, fringe benefit savings from unfilled or vacated positions, end-of-year sweep, 1% college/vice presidential area budget cuts, and continuation of the freeze on the non-Technology Fee instructional technology budget held by the Provost as sources for up to $7.3M to reduce the shortfall to $4.2M. He added that delaying expenditures from Moves & Renovations (plus the $3M Science Teaching Lab set-aside) was another potential source. He explained the residual amount of the state funds to apply toward the shortfall would depend on project funds in hand this year from external sources to pay $2.4M in eligible pre-
development costs for architects and a project manager.

Dr. Huss asked about payments received to date from the naming donor. Dr. Morris responded that one payment was received last year with another to be made this year. He also noted potential funding this year from federal grants. Dr. Henry reminded that CBSAC had allocated $800K from the $3M set aside.

Dr. Alberto asked about the timing of notifications to deans and vice presidents of the impending cuts. Dr. Henry replied that the deans and vice presidents were being notified immediately of the 1-2% range for cuts with an advisory that the actual amounts would be determined in late January. Dr. Hudson asked if 2% was the worst case. Dr. Rackliffe responded that 2% was the upper limit.

Dr. Thachenkary asked about “hedging” strategies for utilities. Dr. Morris commented that the university had a special deal with the City of Atlanta for sewer charges because of the amount of water not returned to the sewers. Dr. Rackliffe responded that he would check with respect to gas, but that the university already got the best possible institutional rate for electricity. He added that gas was the smallest of the utility costs, about $800K per year.

Dr. Hudson asked about the magnitude of prior cuts. Dr. Henry replied that administrative units had been cut 5% to fund the Areas of Focus initiative, which left very little flexibility this time. He noted in other years there had been cuts of 0.75% and 1.5% for instructional and support areas respectively.

Dr. Baumstark asked about consideration of credit hour generation in assigning cuts for FY2006. Dr. Henry answered that at this point credit hour generation had not been factored. He added that credit hour generation had been considered in allocating new funds for FY2006.

Dr. Thachenkary asked about commitments to the home institutions of Hurricane Katrina students. Dr. Henry responded that prospects for obtaining financial aid funding for students who had not paid their home institutions for the fall semester were negligible. Dr. Fritz added that a very few Hurricane Katrina students might be HOPE eligible. Dr. Rackliffe commented that the $100 special fee approved by Chancellor Meredith for Georgia State might be extended to Hurricane Katrina students throughout the University System.

Dr. Huss asked about additional sections created to accommodate Hurricane Katrina students. Dr. Henry replied that new sections were not opened, except for GSU 1010 sections designed specifically to assist them with the transition.

Dr. Fritz raised the issue of accounts receivable as a potential source of funds to offset the revenue shortfall. Dr. Rackliffe responded that tighter controls in FY2006 meant a high percent of any recovered funds would be credited to prior years rather than FY2006.

Dr. Thachenkary asked about the re-enrollment of the 4.7K students who were dropped in mid-August for failure to pay tuition and fees. Dr. Fritz replied that altogether there were 8K drops, but some individual students were dropped more than once, so that it was difficult to calculate a percentage of recoveries. Dr. Henry pointed out that at the low point enrollment dropped to under 20K students, so it would appear most returned since enrollment was now 25.8K.
Dr. Thachenkary asked about bad debts for the current year. Dr. Fritz responded that these would be in the range of $200K.

Dr. Henry stated a letter would go to the deans and vice presidents immediately about the probability of 1-2% cuts in FY2006 and warning of the prospects for FY2007. He noted the Board of Regents had already published workload figures showing workload funds of $4.2M lost to the University System due to enrollment drops at Georgia State. He pointed out that the pattern in recent years had been to pass on 80% of workload effects. He added that the worry for FY2007 was the combination of the lost workload funds and the reduced internal revenues, which made retention and progression strategies all the more important this year.

**Proration of Mandatory Fees**

Dr. Rackliffe distributed “Mandatory Fee Schedule, Pro-Rata Rate Analysis” documents for information in making a decision about prorated fees for part-time students taking fewer than 6 credit hours.

Dr. Henry commented that the significant decline in part-time students was due at least in part to the requirement to pay the same mandatory fee amounts as full-time students. Dr. Rackliffe pointed to the decline in fall semester students taking 3 credit hours from 2.7K in FY2004 to 2.0K in FY2005 to 1.7K in FY2006. He added that with the full charge of mandatory fees, these students were paying $900 to take one course or approximately double the cost of tuition alone. Dr. Rackliffe voiced optimism that prorated fees would lure back some of the lost part-time students to offset the impact of the lower rates on fee revenues and to generate more credit hours.

Dr. Baumstark urged targeted advertising of the prorated rates to get the attention of part-time students. Dr. Henry responded that summer transient students were a major target.

Dr. Morris asked about comparable fees at Kennesaw State. Dr. Henry replied that the cost of a 3 credit hour course at Kennesaw State was $600, which would make Georgia State only $80 higher with proration instead of $300 higher. He added that the University of Georgia had already adopted prorated mandatory fees.

Dr. Alberto asked about structuring the proration to give students taking 6 credit hours a break as well. Dr. Rackliffe responded that the revenue impact would be too great on the programs and services funded by the fees. He projected the negative effect on revenues to be 5% for the proration as proposed. Dr. Hudson commented that recovering 900 part-time students would make the revenues whole.

Dr. Huss made a motion to recommend the mandatory fee proration structure presented by Dr. Rackliffe (i.e., # credit hours x 1/6 x total full-time mandatory fees for 1-to-6 credit hours enrolled). Dr. Kelley seconded the motion. The motion passed.

Dr. Rackliffe indicated implementation would be summer 2006.

**Credit Card Convenience Fee**
Dr. Henry reported that Georgia Tech had received a Best Practices award from the Board of Regents for implementing a payment gateway program, which shifted the payment of credit card fees from the institution to the students using credit cards to pay their tuition and fees. He noted that the same plan had been discussed by FACP in prior years, but rejected.

Dr. Henry added that Georgia State received a Best Practices first place award in academics for the Freshmen Learning Communities as well as a runner-up award in financial administration for the interface of the Banner registration system with textbook purchases.

Dr. Rackliffe elaborated that under the current process, when students paid tuition and fees by credit card, Georgia State was charged a 2% fee by the credit card company resulting in annual institutional costs of $750K. He explained that the payment gateway would allow students to use on-line checking at no cost and would charge the convenience fee to the students when they used their credit cards.

Dr. Rackliffe reported Georgia Tech had had no problems with the payment gateway approach and had saved $750K as well. He noted Georgia Tech had fewer students, but more students paying out-of-state tuition, so that the savings were similar. He added that Georgia Tech found about 60% of their students using the payment gateway used on-line checking while the rest seemed willing to pay the convenience fee in order to get cashback awards, frequent flier miles, etc.

Dr. Kelley made a motion to recommend implementation of the payment gateway. Dr. Huss seconded the motion. The motion passed.

Dr. Alberto asked about the implementation date. Dr. Rackliffe replied that implementation could occur either in the summer or fall 2006. Dr. Henry suggested the summer as a test run.

Medical Flexible Spending Accounts

Dr. Thachenkary called attention to an IRS ruling concerning the addition of a 2.5 month grace period for incurring medical expenses beyond December 31, for which flexible spending accounts from the prior year could be tapped.

Dr. Rackliffe acknowledged the ruling and stated he had had conversations with Ms. Cotton about implementation. He pointed out that Georgia State was part of a five-institution test group for a Board of Regents plan to contract administration of the flexible spending accounts through SHPS rather than Ceridian, effective January 1, 2006. Dr. Rackliffe indicated the change in companies would complicate implementation of the grace period this year. He agreed to investigate further.