FISCAL ADVISORY COMMITTEE TO THE PRESIDENT
Minutes of April 19-20, 2006


Others Attending: Lauren Adamson, J.L. Albert, Laura Burtle, Ron Colarusso, Bill Fritz, Beth Jones, Steve Kaminshine, Robert Moore, Edgar Torbert

The minutes of April 12 were approved.

Dr. Henry reported receipt of FY2007 budget information from the Board of Regents. He noted Chancellor Davis had begun to shift funding toward strategic initiatives rather than allocating on the basis of the funding formula. Dr. Henry identified three such initiatives for FY2007: addressing the nursing shortage, improving retention/progression/graduation rates, and enhancing productivity and efficiency through technology. He pointed out targeted new funding for Georgia State from the first two initiatives. Dr. Henry added that the hold-harmless request from Georgia State for lost workload had been funded at 50% (net loss of $2.1M). He cautioned that allocations of state appropriations from the Board of Regents in future years may be less connected to credit hour generation.

Dr. Huss asked about the process for determining the areas addressed by strategic initiatives. Dr. Henry responded that the process was internal to the Board of Regents, but that Georgia State had on request provided information pertaining to nursing and retention/progression/graduation. He noted that the retention/progression/graduation funds were allocated to the next five largest institutions after the University of Georgia and Georgia Tech in order to maximize the system-wide impact of the funds. He also cautioned this funding was for a three-year pilot and was not to be incorporated into the base budget.

Dr. Henry reported a new approach to tuition rates with an across-the-board increase of 5% with the exception of entering freshmen for whom the increase was 7% with a guarantee of no further increases for the following three years. He added that the mandatory fee increases requested by Georgia State were approved at $40 for the athletics fee and $10 for the student technology fee, the latter short of the $25 requested. Mr. Albert stated that the student technology fee committee had already acted on the assumption the fee would be approved at the requested level.

Dr. Henry summarized the FY2007 continuing funds budget as $13M lower than FY2006 attributable to tuition revenue shortfalls of $10.9M and the $2.1 reduction in formula funding. He proposed (1) reducing the shortfall to $12M for budget planning purposes by projecting a 1% increase in paid credit hours in FY2007 and (2) downsizing the budget by $6M or one half of the shortfall.

Dr. Rackliffe distributed copies of “Budget Considerations, Fiscal Year 2007” updating the projections from the prior meeting with the actuals delivered by the Board of Regents, and Dr. Rackliffe presented explanations line by line.

Dr. Tai asked about the impact of the tuition waiver policy change and how it was reflected on the
budjet considerations spreadsheet. Dr. Henry responded that the impact was anticipated to be positive, and that it would apply to the graduate health insurance costs, which were also not included in the budget considerations, with an anticipated nearly net-zero effect.

Dr. Rackliffe noted the Science Teaching Laboratories (STL) project required a payment of $11.8M to the Georgia Building Authority at some point during FY2007, but that the funds would be borrowed, if necessary, over a three-year span from other internal sources. Dr. Adamson pointed out that fund-raising efforts could reduce this obligation. Dr. Rackliffe confirmed that fund-raising over-and-above the $4.5M outstanding balance would reduce the obligation.

Dr. Rackliffe distributed copies of “Fixed Rate Tuition Impact Estimate” showing a first-year (FY2007) increase in tuition revenues of $200K, but a fourth-year negative impact of $1.7M. Dr. Alberto asked about anticipated impact of the fixed rate on graduation rates. Dr. Rackliffe responded that other states which had adopted similar programs had seen no effect. He added that Chancellor Davis would be asking Governor Perdue and the legislature in 2007 to add tuition revenues to the list of non-lapsing funds in order to mitigate the long-term budgetary impact. Dr. Kaminshine asked about applicability to transfers. Dr. Rackliffe replied that only new, first-time freshmen would be eligible.

Dr. Rackliffe distributed copies of “Schedule of Other Commitment Considerations, Fiscal Year 2007” noting the need to reduce the list from $1.4M to $1M. Dr. Thachenkary asked about the reason for the large increase in ADA-related expenditures. Dr. Scott explained that the requirement for readers increased for students in graduate and specialized courses. She added that reputation for providing the services encouraged more and more use. Dr. Moore suggested approaching the Board of Regents for targeted funds for this purpose.

Dr. Tai asked about the need for additional funds for the Areas of Focus. Dr. Henry responded that the funds redirected from administrative and support areas in FY2005 had been $1M short of the multi-year funding committed to the three areas. Dr. Alberto suggested reducing the FY2007 commitment to Areas of Focus to balance the “other commitments” component of the budget at $1M. Dr. Tai cautioned that a cut would send a signal that the commitments to Areas of Focus were not serious. Dr. Kaminshine spoke of the unique qualities of the Areas of Focus with regard to interdisciplinary synergies, and against slowing down progress. Dr. Adamson observed that some positions to be funded by the Areas of Focus initiative had not been filled, so that some slow down was possible without damaging the initiatives. Dr. Henry added that spreading funding over five years rather than four years was a likely option.

Dr. Hudson made a motion to defer action on the Areas of Focus funding until discussion of the overall balancing of the FY2007 budget. Dr. Thachenkary seconded the motion. The motion passed.

Dr. Henry distributed copies of “Planned and Probable Reduction Scenarios, Fiscal Year 2007” toward obtaining budget reductions of $6M for FY2007. He recommended separating the colleges into academic and non-academic components for assignment of reductions and separating the cuts for the academic components into one-time and continuing with the incentive of avoiding continuation of the one-time cuts by growing paid credit hours.
Dr. Tai asked about the possibility of slowing down library acquisition purchases until the budget recovers. Dr. Henry replied that the libraries were already dealing with inflation in the range of 8-15% and that cutting acquisitions would damage efforts to achieve Association of Research Libraries membership. Dr. Tai asked if conversion to electronic versions of periodicals offered budget flexibility. Ms. Burtle responded that electronic versions did not result in savings. She added that each publisher had structured its rate packages for periodicals so that libraries could not reduce overall spending with the publisher.

Dr. Thachenkary asked if the Association of Research Libraries required a particular number of acquisitions annually. Ms. Burtle answered that the standards were undergoing changes to reflect electronic holdings.

Dr. Hudson asserted that the library was the laboratory for the social sciences and humanities, and that acquisitions were essential for a research university. He added that this did not preclude cuts to the non-acquisitions budget of the library.

Dr. Moore asked about the relationship of the cuts proposed by Dr. Henry to the list of top 20 departments in credit hour generation. Dr. Henry responded that it was essential to maintain capacity in these departments in order to meet overall credit hour goals. He added that there would be further opportunities during the year to decide how to budget in order to maintain capacity, starting with the budget review process in June 2006.

Dr. Hudson questioned the proposal to reduce the budget by the specific total of $6M. Dr. Henry responded that the budget had not been truly balanced since FY2003 and that the proposal reflected intention to reduce the imbalance by 50% after assuming a 1% growth in paid credit hours. Dr. Hudson asked if $5M would be a sufficient step in that direction. Dr. Rackliffe responded that the continuing budget was actually reduced by only $4.8M in the handout from Dr. Henry (the rest would be one-time). He noted the legal requirement to balance so that the very lowest necessary adjustment without addressing the structural deficit problem at all would be $2.5M.

Dr. Tai urged providing incentives for departments to increase credit hour generation. Dr. Rackliffe replied that the one-time cuts proposed by Dr. Henry were such incentives. Dr. Kaminshine observed that this implied that the cuts would be one-time if credit hours increased, but could be continuing if credit hours did not increase. Dr. Adamson pointed out that the enrollment reports did not show paid credit hours. Dr. Rackliffe indicated that information was available from Student Accounts. Dr. Henry added that it was complicated by the tuition plateau and the way credit hours for individual students could be spread across colleges. He pointed to an estimated need of 10K new credit hours overall in order to get 7K in additional paid credit hours.

Dr. Moore requested reconsideration of the cuts for the service centers in the Andrew Young
School of Policy Studies, which were funded directly by the state legislature, since such cuts might be viewed as shifting costs.

[Break until April 20]

Dr. Henry distributed a revised version of “Planned and Probable Reduction Scenarios, Fiscal Year 2007”. He pointed out an error on the prior version in cutting the Regents Center for Learning Disorders by $90K instead of $9K.

Dr. Hudson distributed his version of “Planned and Probable Reduction Scenarios, Fiscal Year 2007”. He noted attention to a resolution from the Senate Budget Committee to protect credit hour generation and to distribute cuts differentially. He also noted his recommendation to balance with larger cuts to IS&T because of the availability of student technology fee funds.

Dr. Hudson made a motion to recommend the distribution of cuts as shown on his version. Dr. Huss seconded the motion.

Dr. Kaminshine pointed out that the Hudson version was $300K short of the $6M recommended by Dr. Henry for the total cut. Dr. Hudson replied that the $6M target was not absolute. Dr. Henry reiterated the need to cut a total of $6M.

Dr. Colarusso suggested Dr. Bahl could be asked to continue as dean of the Andrew Young School of Policy Studies another year in order to delay the expense of recreating the budget line for dean.

Mr. Albert objected to the suggestion that student technology fee funds could offset cuts to IS&T. He pointed out that these funds by Board of Regents rules could not be applied to IS&T operations in general. He added that the Board of Regents and the Georgia public libraries were withdrawing $365K in FY2007, which had helped support IS&T operations in previous years. He predicted damaging impacts to services, including potential closing of the Digital Aquarium.

Dr. Fritz commented that the 5% reductions of FY2005, which had funded the Areas of Focus, had left administrative and support areas bare bone. He stated that Enrollment Services was already hampered by limitations to what IS&T could deliver and that these impediments could negatively impact credit hours.

Dr. Thachenkary offered an amendment to the motion to increase the cuts for child care ($100K) and Student Services ($100K). [There was no second.]

Dr. Alberto reiterated the importance of not damaging credit hour generation, and spoke against the higher cuts for the Robinson College of Business and the College of Education. He recommended cuts of 2.2% for both colleges. He commended the approach of using one-time cuts to soften the impact.

Mr. Albert cited cuts of $2M to IS&T over the last two years, and called attention to deferred maintenance items of $2.5M. He warned that further cuts would mean a greater chance of breakdowns with no funds to address disaster recovery.
Dr. Scott cautioned that Student Services was less visible to faculty, but impacted the quality of the student experience and hence retention. She acknowledged that Student Services did not have benchmarks for its budgets, but contended current funding was stretched. She stated that cuts to Student Services would impact academics.

Dr. Kaminshine asked how Dr. Alberto had arrived at 2.2% cuts for the Robinson College of Business and the College of Education. Dr. Alberto replied that he conceded there should be differential cuts, but not drastically so.

Dr. Adamson asked about the proposed $400K commitment for ADA readers. She stated that the Regents Center for Learning Disorders was working to increase support from the Board of Regents for such purposes. She also pointed to technology as a potential alternative to individual readers.

Dr. Tai spoke for protecting the Research budget because of additional federal requirements and the potential for attracting more funding. He added External Affairs as a second area to protect.

Dr. Kaminshine pointed out that 5 of the 6 deans had discussed the proposed cuts after the April 19 meeting and had agreed the cuts for the Robinson College of Business and the College of Education should be reduced.

Dr. Thachenkary voiced concern about the increase in funding for ADA purposes. He suggested that Student Services might absorb the increase to some extent since Disability Services was a unit of Student Services. Dr. Thachenkary pointed out that the Robinson College of Business and the College of Education had received no new funds for FY2006 with the understanding that they would be held harmless in the next round.

Dr. Tai asked if the ADA expenses could be funded with regulatory funds from the Board of Regents. Dr. Henry replied that the regulatory funds were exclusively for facility modifications.

Ms. Burtle commented that the $100K proposed cut for the library would impact services to students, who were on the other hand paying the Library Transformation Fee to enhance their library experiences.

Dr. Colarusso commented that the College of Education had kept a high posture through cuts in recent years, which had amounted to the most significant among the colleges. He pointed out that credit hours generated by the college had fluctuated, but had grown overall from FY2000 to FY2006.

Dr. Henry explained his rationale for the cuts he recommended for the colleges. He noted the Robinson College of Business had lost credit hours over a three-year period amounting to an $8M loss in formula funding and that similarly the College of Education had lost credit hours amounting to $2-3M in formula funding. He indicated that he had started with a more severe 5% cut for the Robinson College of Business, but had reduced the cut in consideration of more aggressive student recruiting, higher yields, etc. and the denied $400K in new funding for FY2006. He added that the College of Arts & Sciences generates approximately 60% of all credit hours and that he had shielded that college as much as possible in order to protect the larger portion of credit hour generation for the university. He noted the College of Health & Human Sciences had had a steady
increase in credit hours, and that he also taken into account that targeted funding for nursing would
be going to that college. He noted the College of Law had a fixed entering class size, which
precluded significant credit hour growth for that college. He noted the Andrew Young School of
Policy Studies was largely dependent on enrollment in the Robinson College of Business
generating credit hours in Economics.

Dr. Henry indicated he had considered the recommendations submitted by Dr. Tai, Dr. Hudson and
Dr. Huss between meetings and was willing to compromise by reducing the cut for the Robinson
College of Business from $960K to $800K and for the College of Education from $450K to $400K.
He pointed out that these changes still left $321K to cut after canceling the proposed cut for the
service centers in the Andrew Young School of Policy Studies, which were funded directly by the
legislature.

Dr. Huss responded that the Robinson College of Business was heavily dependent on PTIs to
deliver instruction and had not received funding to convert PTIs to full-time visiting faculty in good
budget years. He stated that PTIs taught for $3K per course so that reducing the budget for PTIs
by even $100K would entail significant loss of capacity. He pointed out that the market place for
business students is highly competitive so that it was crucial to invest to get yield. He added that
while there were formula funding dollars lost, almost all business students paid tuition and that
those revenues should be taken into consideration.

Dr. Thachenkary expressed concern about cuts in advertising by the Robinson College of Business
affecting student recruitment. He added that the Robinson College of Business advertisements
mentioned and helped the university at large.

Dr. Tai commented that cuts were inevitably painful, and that every effort should be made to
protect the academic units. He encouraged closer looks at funding formula history.

Dr. Adamson commended the shift to one-time cuts for approximately one half of the burden on the
academic units as a means of encouraging credit hour growth and allowing unit heads to manage
the budget situation.

Mr. Albert commented that administrative and support units did not have the opportunity to offset
their cuts by generating more credit hours. He noted that IS&T was expected to increase its
services as new instructional sites were opened, such as the Brookhaven Center and the Henry
County campus. Dr. Huss responded that there had not been a request made of IS&T for Henry
County. Mr. Albert answered that there would still be connectivity costs absorbed by IS&T. He
observed that infrastructure was being ignored in the discussion.

Dr. Tai suggested reducing the cuts for Research and External Affairs to 1%. Dr. Kaminshine
commented that these differentials might raise issues of equity. He observed that it was unclear
what dollar would be the tipping point for these units. Dr. Tai reminded that External Affairs had
taken a higher percentage cut than other units two years ago and that Research was confronted
with costly compliance requirements. He added that the amounts he proposed to modify were
small in the grand scheme of the budget.

Dr. Henry reminded that the motion made by Dr. Hudson did not meet the need to reduce the
budget by $6M. Dr. Alberto suggested a combination of additional one-time cuts by the College of Arts & Sciences and Student Services could cover the gap. Dr. Scott commented that unfilled positions could be a source for this purpose.

Dr. Henry proposed balancing the spreadsheet associated with the motion by Dr. Hudson by adding $10K in one-time cuts to each of the 16 non-academic units listed and then reducing the commitment to ADA from $400K to $240K. Dr. Huss commented that the spreadsheet associated with the motion acknowledged the structural deficit was real and that cuts close to $6M would still address the problem without further damage to programs. Dr. Henry responded that the $6M was a judgment call, but based on the "one-half of deficit after 1% growth" argument presented earlier. He added that it was a fair question to ask if an $800K cut, rather than a $600K cut, to the Robinson College of Business would jeopardize the ability of the college to grow out of its shortfall in credit hours.

Dr. Tai observed that the equal cuts of $10K across all units would have uneven impact given the range in size of base budgets. Dr. Adamson advocated balancing with cuts to the commitment for ADA readers.

Dr. Henry noted the $200K one-time cut of IS&T proposed by Dr. Hudson as a significant change from recommendations made by Dr. Henry on April 19. Dr. Hudson responded that there was no way to balance the budget with a $6M cut and without pain. He reiterated the importance of protecting credit hours and suggested delays in equipment purchases. Dr. Huss added that the Robinson College of Business had already implemented a hold on technology purchases.

Dr. Kelley asked for consideration of a smaller cut for the College of Health & Human Sciences. She pointed out that the targeted new funds for nursing from the Board of Regents did not entirely represent gained funds because of replacement of external funds and shares to go to other cooperating institutions. She added that the College of Health & Human Sciences budget was relatively small and credit hours were up. Dr. Tai endorsed this request noting development of the Institute of Public Health. Dr. Kelley asked that the cut amounts for the College of Health & Human Sciences be changed to $75K one-time and $77.5K continuing.

Dr. Huss asked about the possibility of delaying the renovation this summer of the large lecture halls in General Classroom Building. Dr. Henry responded that this project was funded in FY2006.

Dr. Henry suggested that the commitment for ADA readers could be further reduced to balance the proposed change for the College of Health & Human Sciences.

Dr. Henry cautioned that the proposed $200K one-time cut for IS&T was problematical because of lost revenue streams for IS&T and hikes in license fees of $400K. Dr. Fritz added that capacity to register students and award financial aid was highly dependent on support from IS&T, which was already stretched to the limit. Dr. Moore commented that perhaps IS&T could be relieved to some degree by splitting the $200K across central units. Dr. Alberto suggested consideration of increasing the one-time cuts for other non-academic units from $10K to $15K to reduce the cut to IS&T.

Dr. Hudson suggested redistributing the one-time cuts for non-academic units based on size of
budget. Upon seeing the results, Dr. Hudson suggested swapping the calculated amounts for Finance & Administration and IS&T.

Dr. Colarusso commented that the proposed cuts would be terrible blows to all areas with serious impacts on faculty and staff morale.

Dr. Thachenkary and Dr. Tai expressed surprise that the revised spreadsheet applied the proportional one-time cuts to the administrative and support budgets of the colleges as well as the central administration. Dr. Henry noted that the college budgets for these purposes exceeded the budgets for the smallest vice presidential areas.

Dr. Adamson emphasized the importance of treating the one-time cuts for academic units as incentives to increase credit hours. Dr. Henry concurred that if revenues in the summer and fall exceeded projections, the amounts of the cuts could be reduced. He reported some turn-around already evident in the colleges. Dr. Rackliffe reminded that the original budget only accounted for continuing funds, so that there would be flexibility to address the one-time reductions as credit hours are known. Dr. Huss responded that the deans and vice presidents would still need to know the magnitude of hold-backs in the event credit hours did not increase beyond the projections.

Dr. Adamson commented that the proportional to size of budget recommendation did not honor the recommendations of the Senate Budget Committee. Dr. Tai suggested not redistributing the proposed cut to IS&T and allowing the vice presidents to work out a distribution later. Dr. Thachenkary suggested a modification of reducing the one-time cut for IS&T by $30K and increasing the one-time cut for Student Services by $30K.

The amended motion passed (amended to include one-time $10K cuts for the administrative and support units except $170K for IS&T and $40K for Student Services and the requested changes for the College of Health & Human Sciences).

Dr. Henry noted the $100K reduction for the child care centers included a recommendation to increase user fees by 10%. Dr. Colarusso pointed out that a 19% increase in fees would be needed to offset the cut. Dr. Henry replied that it would be fairer to users to adjust the fees over two years rather than one year. Dr. Huss commented that the fees were still below market rates. Dr. Huss made a motion to recommend the 10% increase in user fees. Dr. Thachenkary seconded the motion. The motion passed.

Dr. Henry requested action on the other commitments list with funding in the amounts of $182.5K for ADA, $250K for the position of dean of the Andrew Young School of Policy Studies, $190K for the veterinarian, and $410K for Areas of Focus. Dr. Hudson made a motion to recommend the above. Dr. Thachenkary seconded the motion. The motion passed.

Dr. Huss asked about guidelines for salary administration. Dr. Rackliffe replied that the Board of Regents had specified a range of 0% to 10% for merit raises with any above 10% requiring special justification.

Prepared by Edgar Torbert
Approved on May 3, 2006