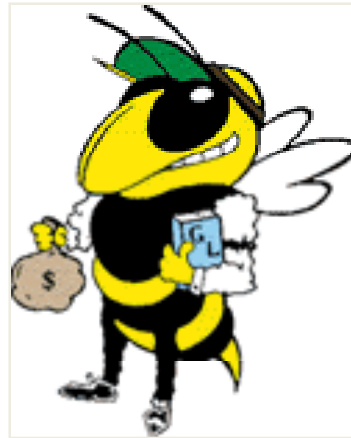


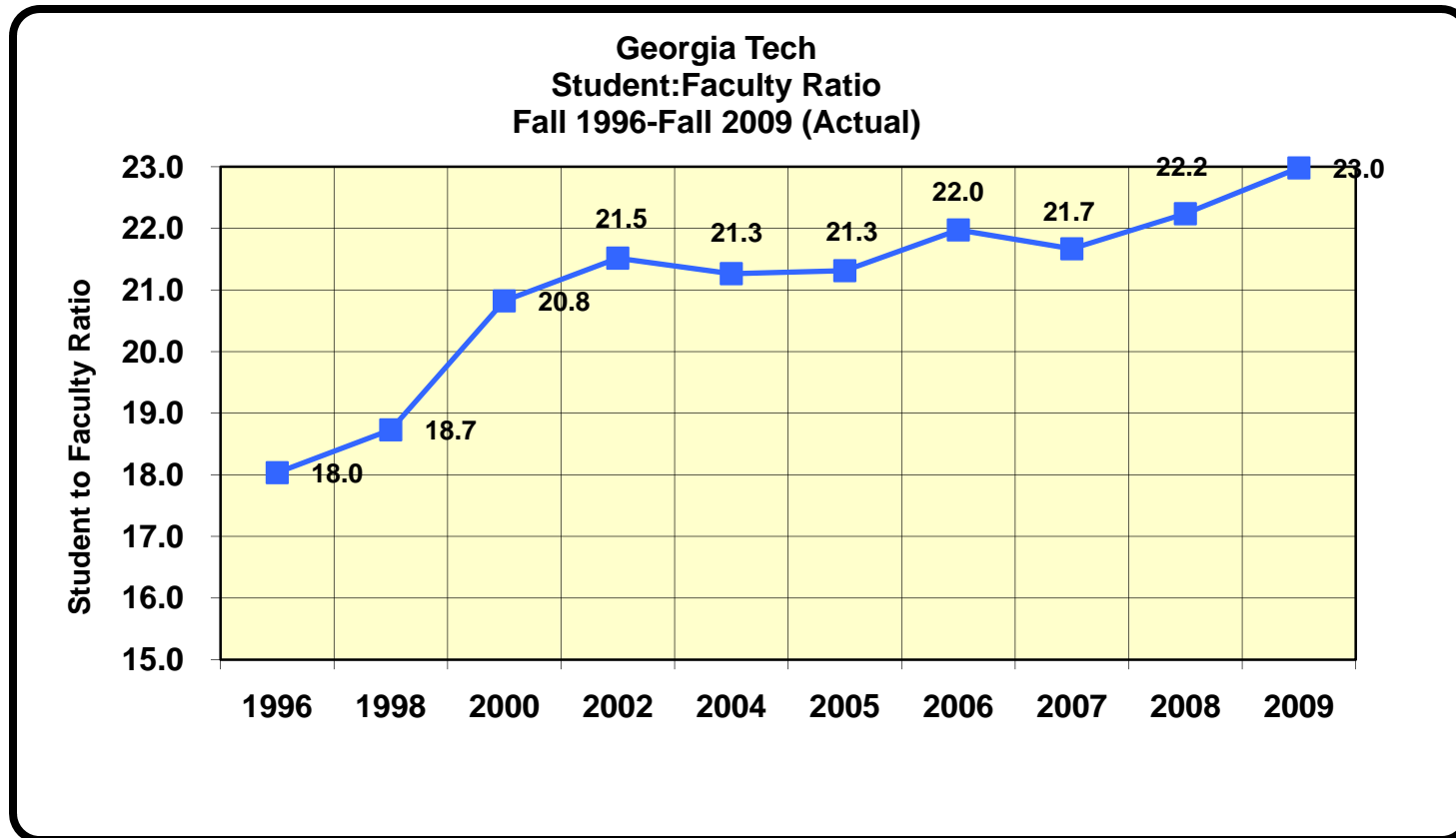
# **FY10 and FY11 Budget Update**



**Office of Institute Budget Planning and Administration  
November 15, 2010**

# Current & Previous Budget Challenges

- Faculty growth not keeping up with enrollment
  - Student/Faculty ratio increase – 18:1 to 23:1 over 9 years
  - Larger class sizes and fewer course sections



# Current & Previous Budget Challenges

- Faculty growth not keeping up with enrollment
  - Student/Faculty ratio increase – 18:1 to 23:1 over 9 years
  - Larger class sizes and fewer course sections
- Planned expansion of facilities for enrollment increases and research requirements
- Market challenges - recruiting and retaining high quality faculty and staff
- Lack of funding for faculty start-up and cost sharing
- Shortfall – formula earnings vs. state allocations: \$16M loss since FY06
- Federal Stimulus (ARRA) funding in base budget: \$12M FY10 O.B. + additional \$21M in December '09 and March
  - Limited ARRA funds available for FY11 – only \$3.1 million
  - Program discontinued in FY12

# Recap – FY10 State Budget Actions

1. BOR (August): 6-day furloughs (*\$43M system savings; \$1M per day for GT*)
2. BOR (November): Spring semester increase of mandatory institutional fee from \$100 to \$200
3. Governor (April): 9% cut @ \$22.9M for GT (*cuts **not** covered by ARRA funding*)
  - Resident Instruction: \$21.5M (*\$20.6 general operations + \$901K earmarked funding*)
  - Georgia Tech Research Institute: \$0.6M
  - Enterprise Innovation Institute: \$0.9M – plus additional \$2.5M in Seed Capital cuts
4. Additional \$24.5M Cuts Offset by Stimulus funding (ARRA)
5. One-time cut in June of \$482K

**Overview – GT Actions to Meet Resident  
Instruction Reductions Not Covered by ARRA**  
\$22.9M – Resident Instruction/General Operations

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1. \$6.1M – six day furlough (*temporary action*)
2. \$2.1M – mandatory institutional fee (*temporary action*)
3. \$14.7M – campus reductions and central budget actions (*permanent action*)
  - Including 3% unit reductions that generated \$9.7M

# GT Balancing Strategy for FY10

- Allocation of revenue above budget to fill gaps and to build up reserves: not for recurring expenditures
  - Tuition and GSTRP (graduate student tuition remission)
  - Indirect cost recoveries
- Hiring:
  - Continued filling of existing faculty vacancies
  - Freeze on new faculty hires
  - Continued review of all non-faculty hires
- Minimal funding set aside for academic and administrative initiatives

# GT Balancing Strategy for FY10

- Advance of ICR (indirect cost recoveries) incentive funding to colleges @ 30%
- Summer school incentive allocations
- Establishment of reserve for:
  - Possible additional cuts in FY10 through FY12
  - Replacement of Federal Stimulus funding
- 3% reduction for all units:
  - Equal percentage - academic and administrative units
  - Provost and Executive VP discretion for internal distribution of cuts

# Approved USG Budget for FY11

- Net reduction of \$227M (10.4%) out of \$1.95B budget for University System of Georgia
  - Net of reductions and additional formula funding: \$113M new dollars (compared to \$140M request)
  - Major Repair and Renovation (MRR) funding approved: \$60M of \$75M request
- No pay raises
- No additional furloughs proposed at this time



# FY11 GT Share of State/USG Budget

- Operating Budget:
  - FY 09, FY10 & FY11 Permanent Cuts – \$67.2M (24% of FY09 base budget)
  - Federal Stimulus allocation – initially \$3.1M but funds used in June '10 to offset further state cuts
  - New formula funding – \$10.9M
  - Fringes– health insurance increases NOT funded
- Capital Budget:
  - Clough Undergrad Learning Center equipment - \$7M
  - Eco-commons project - \$4.5M
  - **Major Repair & Rehab (MRR) funding – \$6.2M**

## FY11 and FY12 Additional Cuts? – TBD

- Elimination of \$3.0 million in Federal Stimulus funding from the budget approved by Legislature
  - All Stimulus funding used in FY10; none available in FY11
- Governor's announcement of cash holdback of 4% in July = \$9.2 million for Georgia Tech
  - Reductions not finalized until Legislature acts in January
- Governor's budget instructions:
  - FY11 Amended Budget: submission of budget reduction scenarios of 4%, 6%, and 8% (*including the 4% above*)
  - FY12 Budget: additional scenario of 10% reduction

**NOTE:** *GT to assume a 6% cut for planning purposes*

# GT State Funding Base Estimates for FY11

## Recap of Georgia Tech Permanent State Funding Reductions Fiscal Years 2009 through 2011

Program Areas	Fiscal 2009 Base Budget	Permanent State Budget Reductions			
		FY09 & FY10 Orig Budget	FY10 Mid-Year	Cumulative Cuts FY09-10	Cuts/ FY09 Base
Resident Instruction	\$263.36	(\$31.02)	(\$27.70)	(\$58.72)	-22.3%
Georgia Tech Research Institute	\$8.05	(\$0.86)	(\$0.59)	(\$1.45)	-18.0%
Enterprise Innovation Institute <sup>(1)</sup>	\$10.39	(\$1.21)	(\$0.87)	(\$2.08)	-20.0%
<b>Total FY09 and FY10</b>	<b>\$281.81</b>	<b>(\$33.09)</b>	<b>(\$29.15)</b>	<b>(\$62.24)</b>	<b>-22.1%</b>
				(2)	
Additional FY11 Original Budget Cuts				(\$4.96)	
<b>Total FY09 through FY11 Original Budget<sup>(3)</sup></b>				<b>(\$67.20)</b>	<b>-23.8%</b>

### **NOTES:**

1 - Excludes Seed Capital funding of \$7.5M and the accompanying cuts

2 - Additional one-time reductions imposed during FY10; temporary offsetting Federal Stimulus (ARRA) funding of \$36.8M provided in FY10 to cover reductions

3 - Excludes: \$3.0M of Stimulus funding cut from FY11 Original Budget + additional FY11 proposed cuts of \$9.2M (4%) in July 2010 (cash reduction pending official action by Legislature on Amended FY11 Budget)

# FY11 Budget Plan

- FY10 conservative budget approach – reserves established to cushion FY11 and FY12
- Non-state revenue available to mitigate state cuts:
  - Strong fall enrollment (20,720)
  - Strong sponsored (grant & contract) spending – increase in indirect cost recoveries/ shift of faculty salaries to grants
  - Significant increase in summer school – incentive \$ to colleges
- Funding of essentials in FY11:
  - Institutional “must pays” funded: leases, utilities, IT, fringe benefits
  - Funding of critical new faculty hires and faculty retention pool
  - Library inflation funding plus small growth factor
  - Capital campaign funding
  - Pell Grant student support
  - Part-time teaching assistance to colleges

# FY11 Budget Balancing Approaches

- Planning target of 6% state funding reduction
- Use of one-time reserves from previous year for balancing and backfill of previous year's one-time furlough savings
  - Continuation of adequate reserve funding for FY12
- No furloughs planned at this time
- Hiring:
  - Filling of faculty vacancies
  - Review of all non-faculty hires
- 1% holdback for all units – units to reserve 1% pending January/February review of budget status

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- ***FY12*** – tentative plans to hire new faculty depending on state budget results