FY10 and FY11 Budget Update
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

![Graph showing student to faculty ratio trend from 1996 to 2009.](image-url)
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

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

<table>
<thead>
<tr>
<th>Program Areas</th>
<th>Fiscal 2009 Base Budget</th>
<th>FY09 &amp; FY10 Orig Budget</th>
<th>FY10 Mid-Year</th>
<th>Cumulative Cuts FY09-10</th>
<th>Cuts/FY09 Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Instruction</td>
<td>$263.36</td>
<td>($31.02)</td>
<td>($27.70)</td>
<td>($58.72)</td>
<td>-22.3%</td>
</tr>
<tr>
<td>Georgia Tech Research Institute</td>
<td>$8.05</td>
<td>($0.86)</td>
<td>($0.59)</td>
<td>($1.45)</td>
<td>-18.0%</td>
</tr>
<tr>
<td>Enterprise Innovation Institute(1)</td>
<td>$10.39</td>
<td>($1.21)</td>
<td>($0.87)</td>
<td>($2.08)</td>
<td>-20.0%</td>
</tr>
<tr>
<td><strong>Total FY09 and FY10</strong></td>
<td><strong>$281.81</strong></td>
<td><strong>($33.09)</strong></td>
<td><strong>($29.15)</strong></td>
<td><strong>($62.24)</strong></td>
<td><strong>-22.1%</strong></td>
</tr>
</tbody>
</table>

### Additional FY11 Original Budget Cuts
- **($4.96)**

### Total FY09 through FY11 Original Budget(3)
- **($67.20)**
  
  -23.8%

### 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

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