

# Budget 101: “The Colors of Money”

FY2023

Updated: August 2022

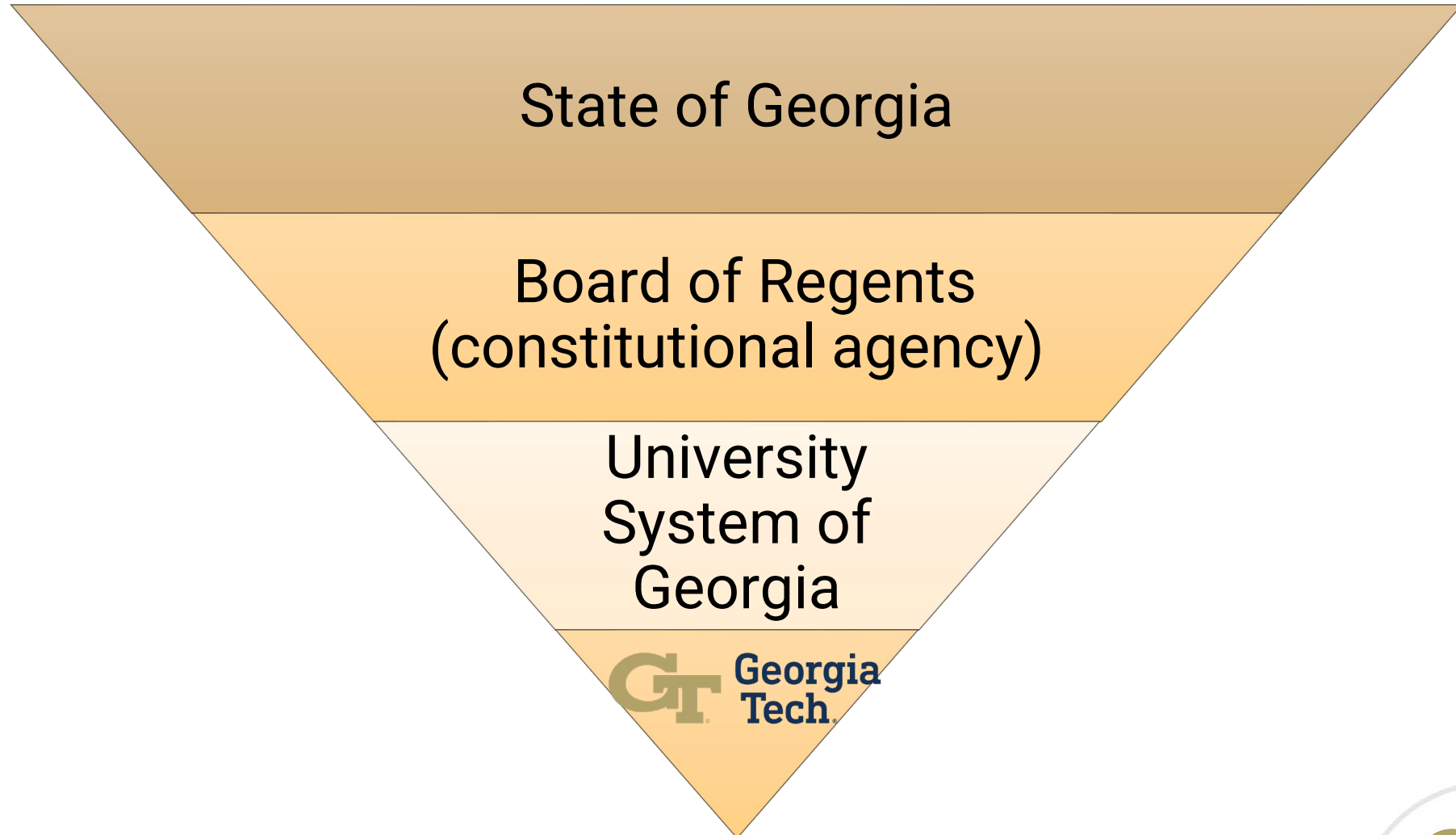


# Outline

- I. Budget Structure and Terminology
- II. Building Blocks of Georgia Tech's Operating Budget
- III. Allowable Uses for Funding Sources

# **I. Budget Structure and Terminology**

# State of Georgia Organizational Chart



# State of Georgia Budget Cycle

- Georgia Budget Cycle:
  - Legislative session – January through April
  - 2 Budgets passed each year – General and Amended
  - Program based budgeting
- 3 Budget Offices:
  - Governor's Office of Planning and Budget (OPB)
    - Releases budget instructions early August
    - Budget plans are due around September 1
    - Releases Governor's Budget Recommendation to the General Assembly in January
  - House Budget & Research Office (HBO)
    - First chamber to pass the amended and general budget
  - Senate Budget and Evaluation Office (SBE0)
    - Final chamber to pass the amended and general budget

# University System of Georgia – Formula Funding for State Appropriations

- USG has been formula funded since 1963
- Current “Formula for Excellence” in place since 1982
- Formula serves as agreement between the USG, the Governor, the House and the Senate
- Enrollment Growth recognized and funded either wholly or partially in most years
- **Enrollment Earnings**
  - Uses credit hours
  - System-wide algorithm to adjust funding based on credit hours
  - Intended to fund faculty, staff, and support associated with credit hour change
  - Due to the lengthy budget cycle, funding lags credit hours by 2 years
    - FY 22 allocation will be driven by FY 20 enrollment
    - FY 23 allocation will be driven by FY 21 enrollment

# Enrollment Earnings – cont.

## 1. USG Formula Funding Base

- Instruction
  - Calculation based on credit hours with value assigned by the program of student and level of the student
  - Includes Academic Salary based on predetermined amounts
- Research
  - Includes Academic Salary based on predetermined amounts associated with graduate students from Instruction

## 2. Academic Support – $18.9\% \times$ Total Funding Base

## 3. Student Support – $26.9\% \times$ Total Funding Base

## 4. Technology Factor – $1.7\% \times (1+2+3)$ total Formula Funding

## 5. Revenue Adjustment - Reduce $(1+2+3+4)$ by 25% for assumed local revenue

# Enrollment Earnings – cont.

## **Direct “Classroom” Instruction**

- Calculation based on Semester Credit Hours (Use Actual Credit Hour Data)
- Two-year funding delay
- Hours Categorized Into Five Groups
  - 1: Law, Letters, Library Science, Psychology, Social Science
  - 2: Area Studies, Business, Communications, Education...
  - 3: Architecture, Engineering, Health Professions
  - 4: Remedial Programs (Lowest Cost)
  - 5: Medicine, Dentistry, Veterinary Medicine (Highest Cost)
- Hours Further Categorized By Class Level
  - Lower (Freshmen/Sophomore)
  - Upper (Jr/Sr)
- Graduate



# Enrollment Earnings – cont.

- USG Formula Instruction Earnings – per semester hour

Group	Lower	Upper	Graduate
Group 1	\$96.04	\$130.72	\$290.66
Group 2	\$112.11	\$126.58	\$196.76
Group 3	\$158.01	\$190.62	\$414.15
Group 4	\$46.78		
Group 5			\$713.39

# University System of Georgia – Earmarked Funding

- Georgia Tech also receives earmarked funds for:
  - Fringe Benefits:
    - Health Insurance
    - Retirement (TRS/ORP)
    - FICA
    - Liability, Unemployment and Workers Compensation
  - Maintenance and Operations (M&O) on new Resident Instruction (RI) square footage
    - \$7.32 per sq ft for maint. and utilities
  - Major Repairs and Rehabilitation (MRR) ~\$5M - \$6M per year that must be spent on approved projects

# Building the Budget – Tuition & Fees

- BOR approves tuition and mandatory fee rates
  - Groundwork is often laid in advance with justification from GT leadership
    - Factors may include: political climate, peer tuition rates, history of increases
  - Approved rate increases can vary by graduate, undergraduate, resident and non-resident, and professional school tuition
  - Mandatory Fee Rate increase requests from Mandatory Student Fee Advisory Committee to President to BOR
  - Housing and Dining Fees approved by the BOR
  - Elective Fees are mostly approved at the Institute level and reported to BOR – Course Fees eliminated in Fall 2020
  - Student affordability is the mantra

(last tuition increase was FY20 2.5% UG/2% Grad)

# Building the Budget – Indirect Cost

- Portion (10/46) of Indirect Cost recoveries (ICR) retained by GT Research Corporation (GTRC) to:
  - Cover operating costs
  - Provide grants back to RI units for faculty start-up & cost sharing
- Remainder (36/46) comes to Resident Instruction
- F&A = Facilities and Administration (aka Indirect or Overhead) – costs which benefit research but cannot be charged directly to sponsors.
- F&A Rate = mechanism used to reimburse the Institute for these costs which support sponsored activities.
- The rate is applied as a percentage on every eligible direct cost dollar charged to a sponsored award.
  - (Eligible Direct Costs x F&A Rate = Indirect Cost Recovery)
  - ***\$85M in FY20 for GT Resident Instruction units (excludes GTRI)***
- Application of the rate represents a source of cash inflows, but the inflows are NOT really revenue - they are a reimbursement of costs incurred.
- There is NO PROFIT built into the Institute's rates.

# F&A Cost Components

## • Facilities (F)

- Building Costs
- Maintenance
- Custodial
- Grounds
- Utilities
- Equipment/Maintenance
- Insurance
- Public Safety
- Library



## • Administrative (A)

- Dean's Offices
- Admin. activities of Researchers
- Academic Finance Offices
- Human Resources / Payroll
- Procurement
- Controller's Office
- Grants & Contracts Accounting
- Sponsored Programs & Compliance





# Facilities & Administrative Costs

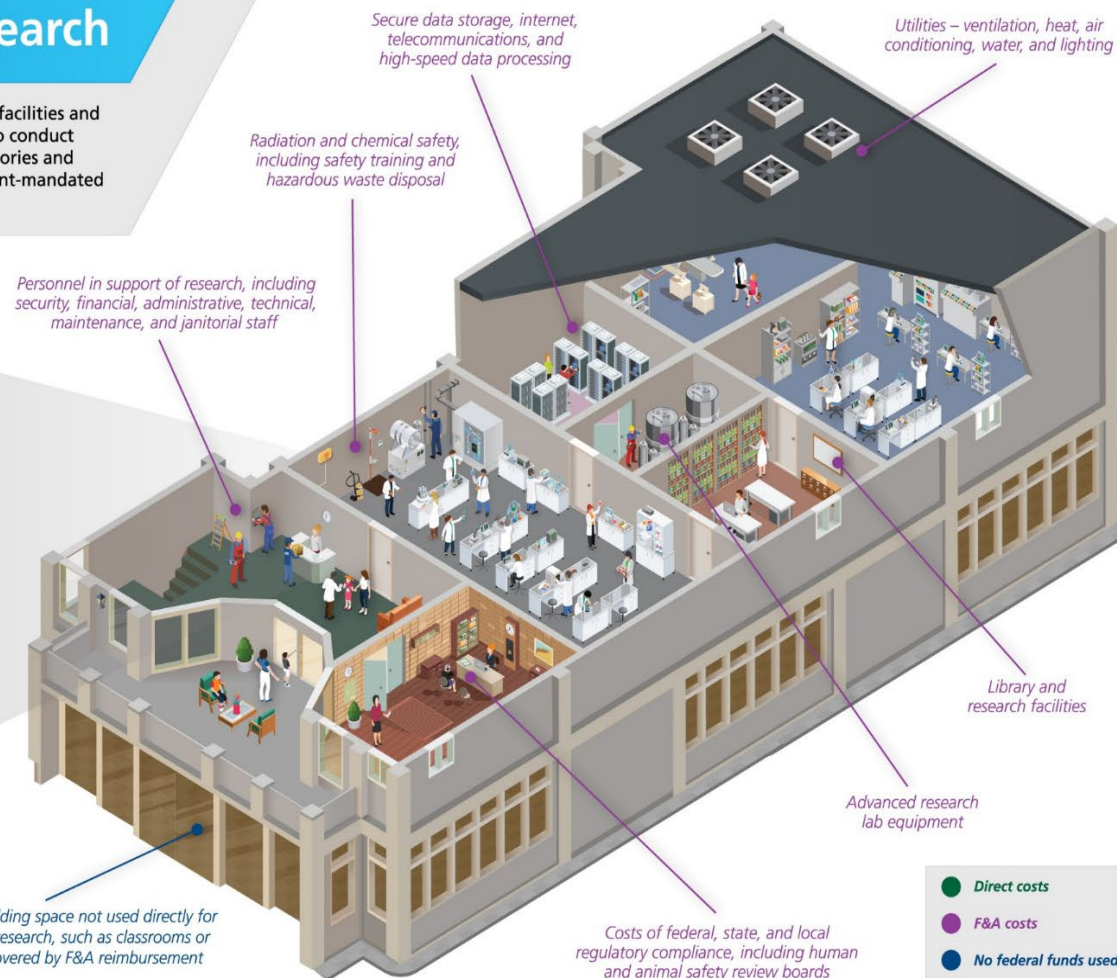
## Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution's ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.



*Direct costs* - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research

Upkeep of any building space not used directly for federally funded research, such as classrooms or lobbies, is **not** covered by F&A reimbursement



# What is GT's basic budgeting and accounting structure?

## Two Principal GT Budgets:

1. Operating Budget – ongoing operations including:
  - Colleges – instruction and research
  - Interdisciplinary Research Institutes
  - Student support services
  - Facilities and leases
  - Administrative support
2. Capital Budget – one-time major capital investments including:
  - Price Gilbert Library and Crosland Tower Renovation
  - Campus Center
  - Tech Square Phase III

# What is GT's basic budgeting and accounting structure?

## Operating Budgeting/Accounting by Major Fund Area:

- Resident Instruction – core operations of GT – research, instruction, administration, facilities, student services
  - General Operations (see next slide) (FD1xxxx)
  - DSS (FD14xxx)
  - Sponsored (FD2xxxx)
- Auxiliary Enterprises – business-like operations funded through fees (FD12xxx)
  - Parking, transportation, housing, dining, student health, retail
- Student Activities – mandatory and earmarked student fees for funding of Campus Recreation Center, Student Center, and student organizations (FD13xxx)
- B-Units - Georgia Tech Research Institute, Enterprise Innovation Institute



# What is GT's basic budgeting and accounting structure?

**General Operations** – general revenue in Resident Instruction from any of the sources below:

1. State – appropriations approved by General Assembly & Board of Regents (FD10000)
2. Tuition – general tuition and tuition earmarked for specific programs (FD10500)
3. Other General - includes Special Institutional Fee (SIF) and other student fees (FD10600)
4. Indirect Cost Recoveries – “overhead” revenue from sponsored grants & contracts (FD15000)
5. Technology Fee – mandatory student fee (FD16000)

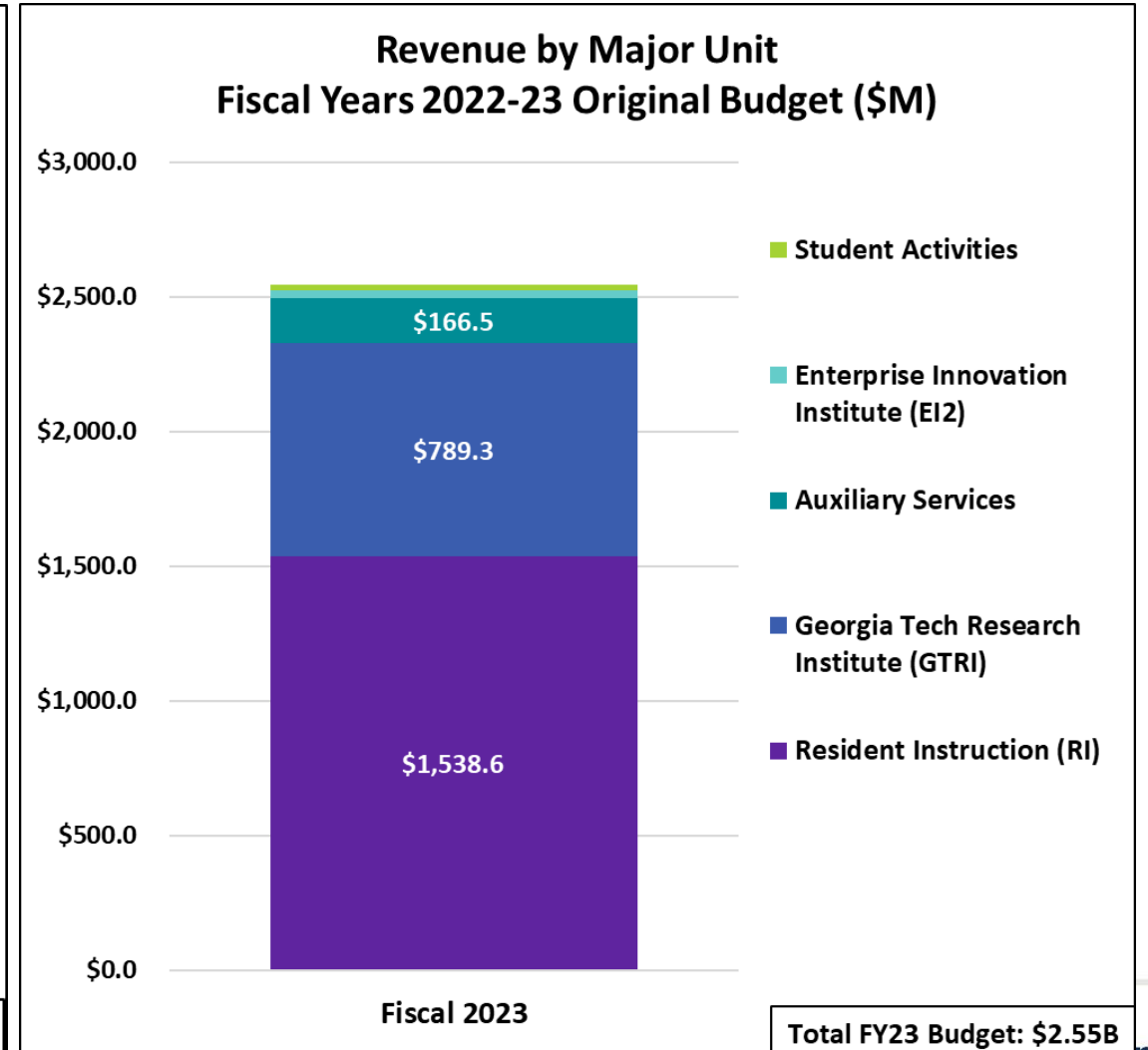
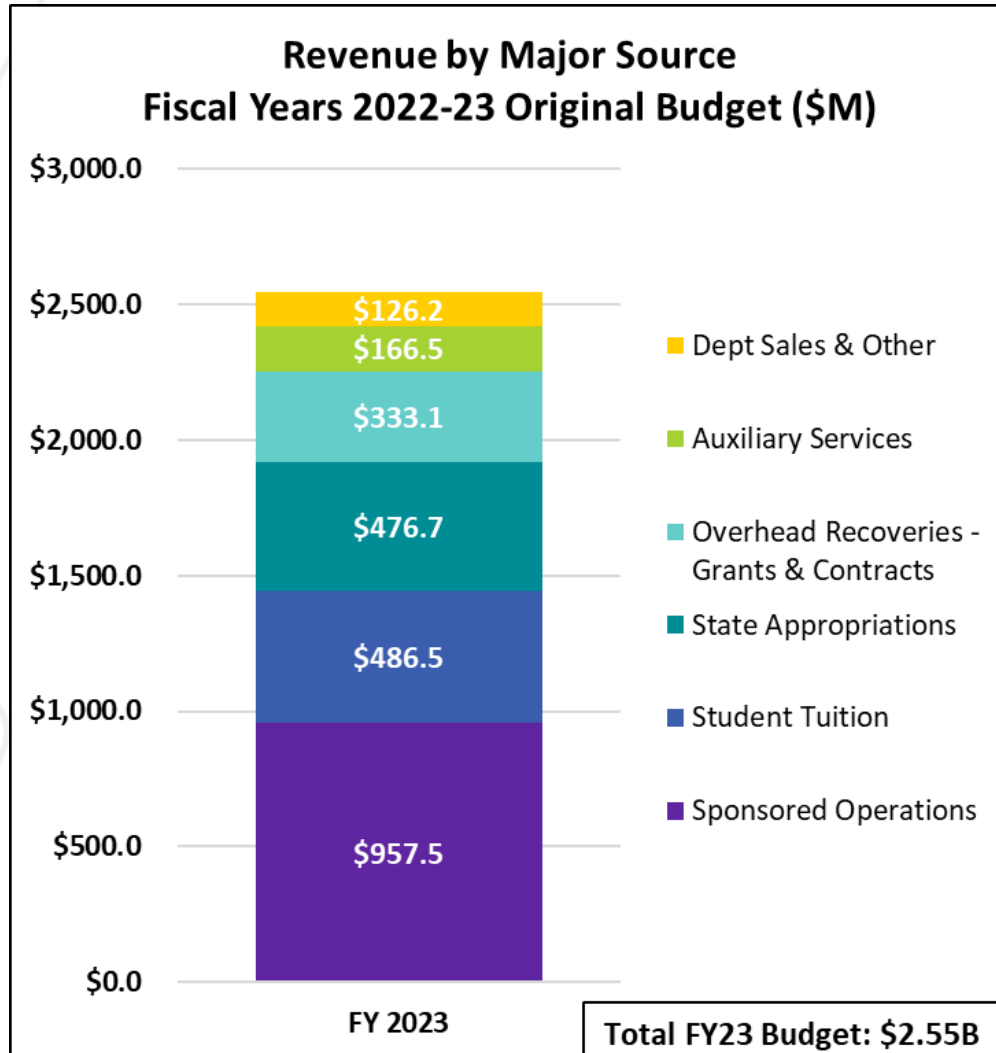
# What is GT's basic budgeting and accounting structure?

## Foundation Data Model (FDM)

- **Driver Worktag** – indicates the primary business purpose to which a transaction is related
  - Types: Designated, Grant, Gift, Project, Custodial Entity
  - Each driver worktag is assigned related worktags that ties to the University System of Georgia (USG) Chart of accounts:
    - Fund - FDxxxxx
    - Function – FNxxxxx
      - Examples: instruction, research, public service, support areas
    - Class –CLxxxxx
- **Ledger Account** – specified revenue and expenditures accounts by the (USG)
  - Revenue Category (RC) – GT Discretion
  - Spend Category (SC) - GT Discretion
- **Cost Center** – identifies a unit within the organization where payroll, operating expenses, revenue and budget are tracked.

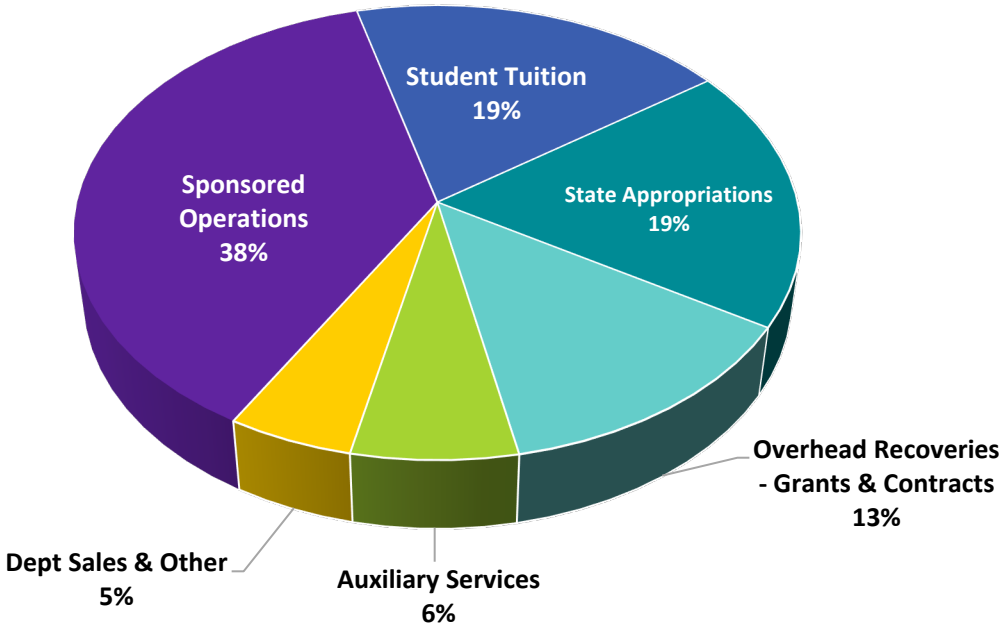
## **II. Building Blocks of Georgia Tech's Operating Budget**

# Operating Budget: Building Blocks by Source & Major Unit



# Where does the money come from?

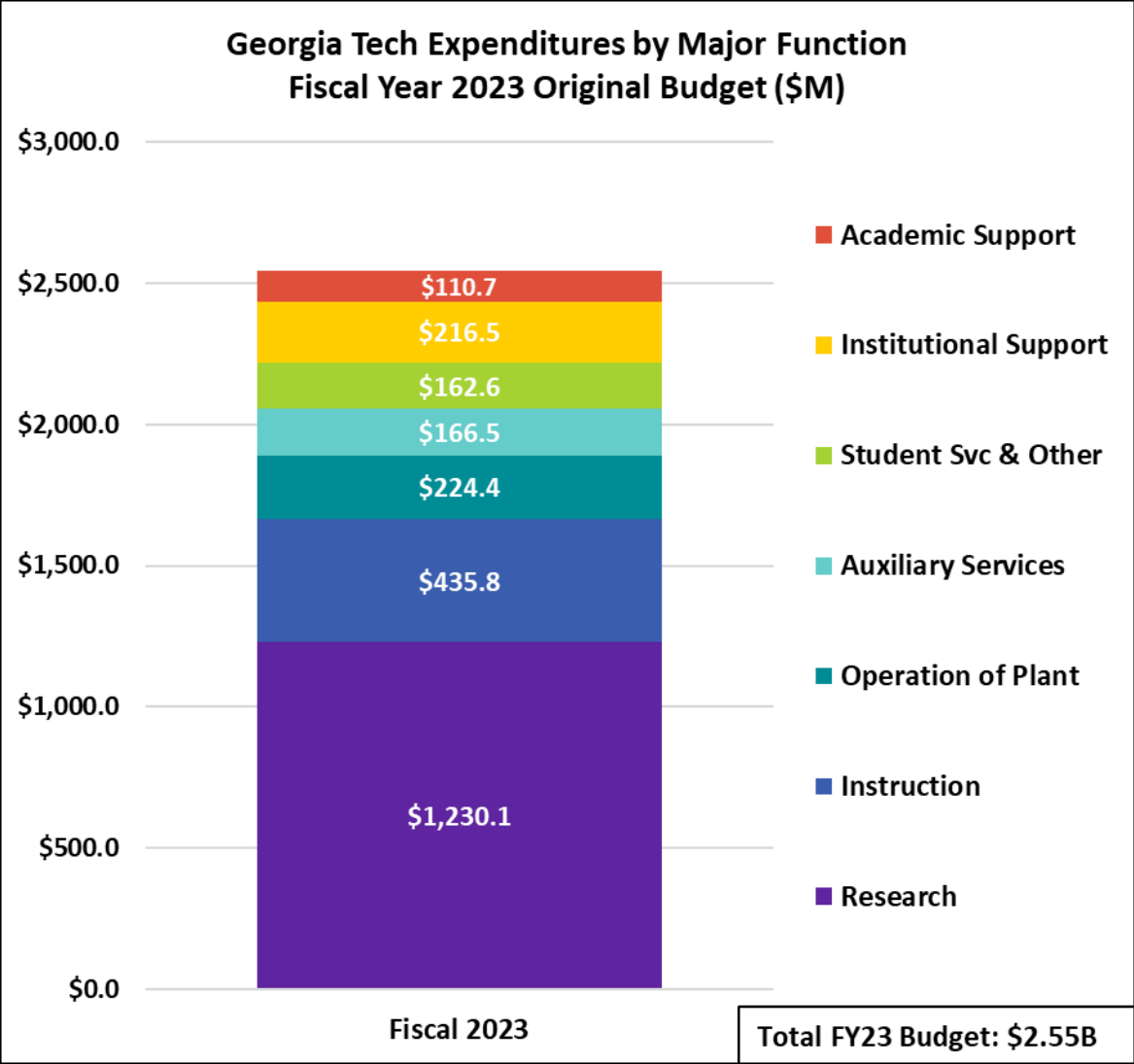
Georgia Tech Revenue by Major Category  
Fiscal Year 2023 Original Budget



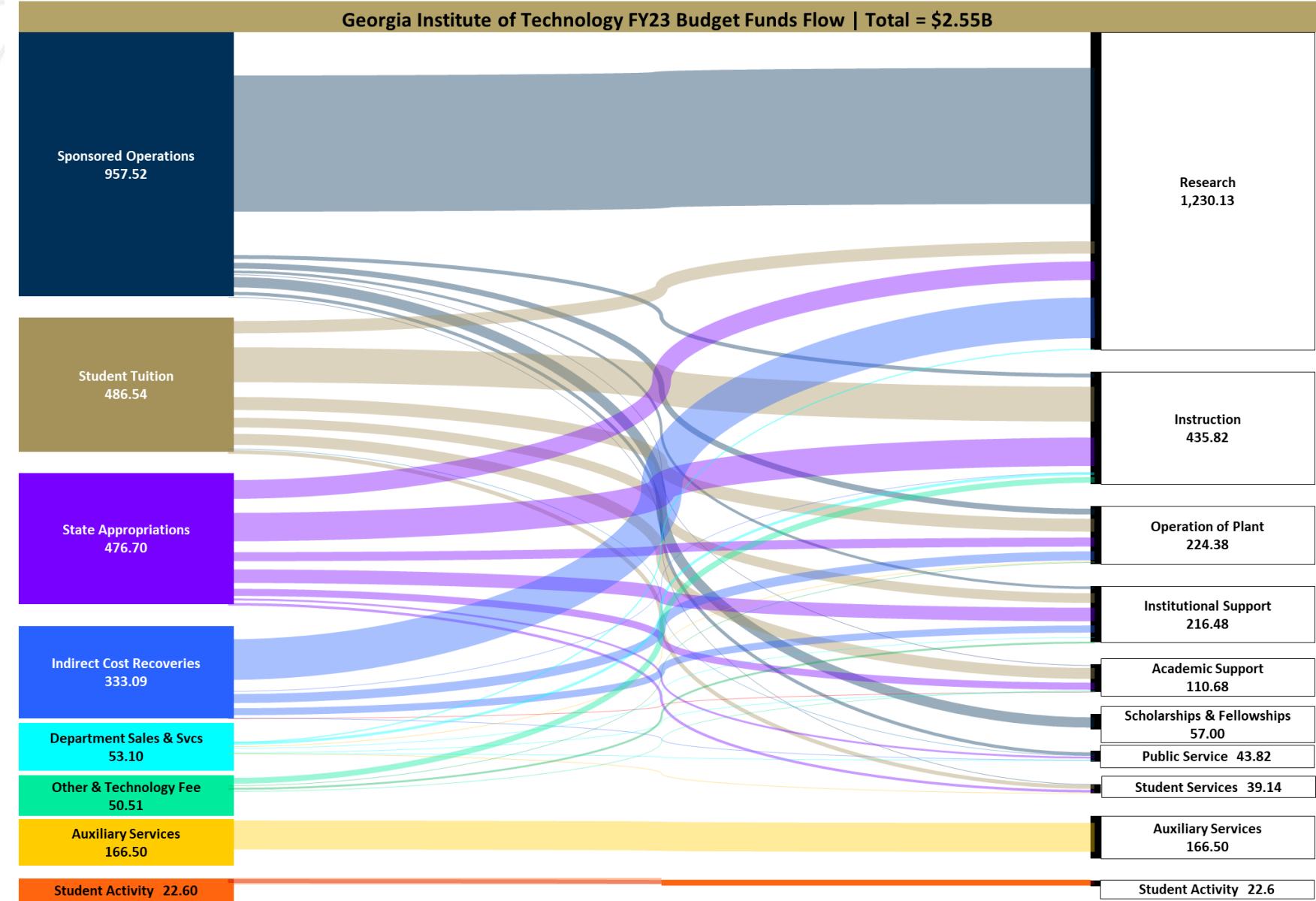
Total Revenue: \$2.55B

Sponsored	38%
Tuition	19%
State	19%
Auxiliary *	6%
Indirect Cost Recoveries**	13%
DSS/Other	5%
Total	100%

# Where does the money go?

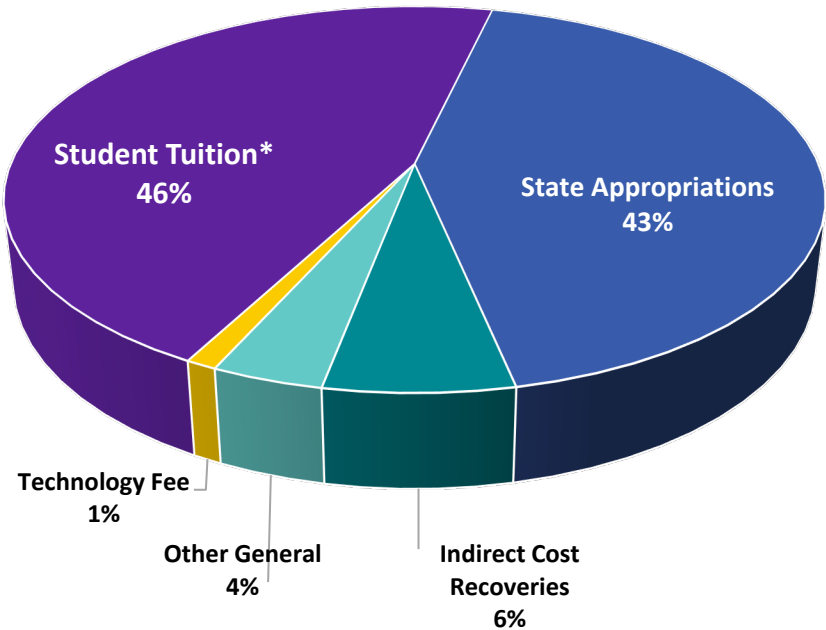


# FY23 Flow of Funds



# Operating Budget Building Blocks – “Resident Instruction/General Operations”

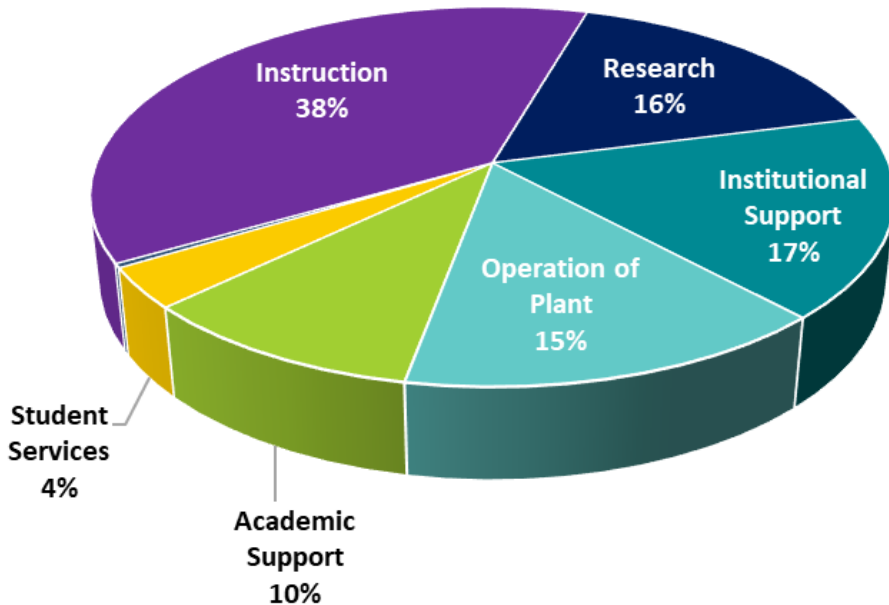
Georgia Tech General Operating Budget Revenue  
(Resident Instruction)  
Fiscal Year 2023 Original Budget



Total Resident Instruction/General Operations Revenue: \$1,060.8M

\* Includes tuition paid by sponsors (\$35M), online masters (\$54M) and distance education tuition (\$10.5M). "General tuition" excluding these categories = \$387.1M, or 36% of general operating budget.

Georgia Tech General Operating Budget Expenditures  
(Resident Instruction)  
Fiscal Year 2023 Original Budget

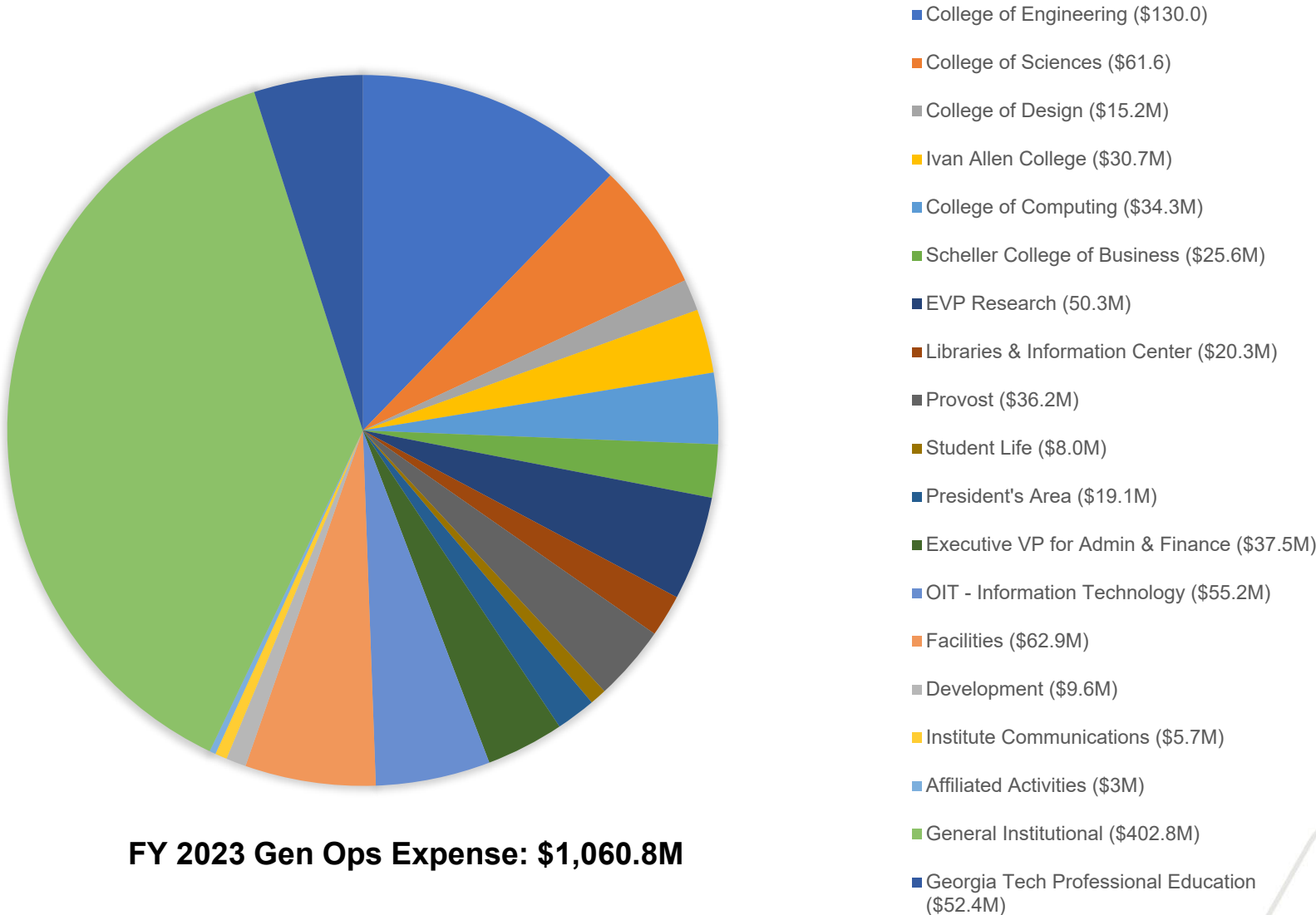


Total Resident Instruction/General Operations Expenditures: \$1,060.8M



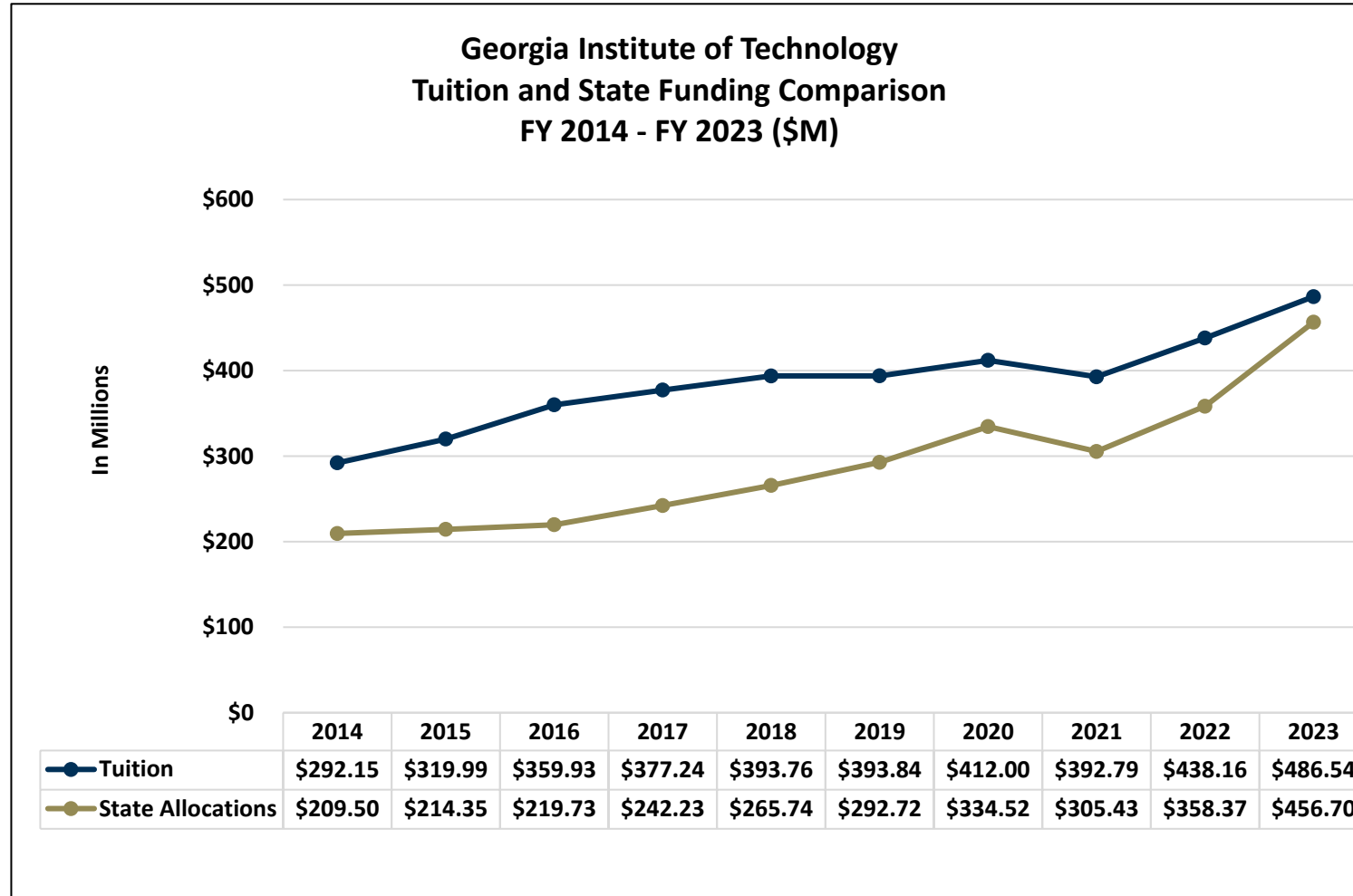
# Operating Budget - General Operations Uses

## FY23 GENERAL OPERATIONS ORIGINAL BUDGET BY DIVISION



**FY 2023 Gen Ops Expense: \$1,060.8M**

# What are the state versus tuition revenue trends?



# Base Budget – Permanent Funds

- **Mandatory Items:**
  - **Personal Services**
    - faculty, staff, student employees
  - **Non-Personal Services**
    - travel, materials, supplies and equipment
  - **Fringe Benefits**
    - FICA, health insurance, retirement, vacation payout
  - **Utilities**
  - **Lease and Debt Service**
- **Approved New Workload**
  - New hires
  - New program support

# Base Budget - One-Time Funds

- One-Time Funds:
  - Tuition differential
  - Incentive programs
    - Masters
    - Summer School
  - Online Masters (OMS)- OMS CS, Cyber and Analytics
  - Student and faculty support
  - Start up and Fit up
  - Cost Share
  - Deferred Maintenance
  - Information Technology initiatives
  - Institute Strategic Plan (ISP)
  - Carry Forward

# Future Commitments Needing Permanent Funds

- Retention
- Equity
- Institute Strategic Plan (ISP)
- Debt Service on new facilities

# **III. Allowable Uses for Funding Sources**

# Special Spending Requirements

- Allowable cost matrix – [Controller's Office website](#)
  - Tool created to assist accounting and finance staff with making decisions related to Institute expenses
  - Provides a vehicle to determine if certain expenses are allowable on certain fund types.
  - Provides list of all Institute fund groups and a list of expense types
- Technology Fees – [Budget Office Website](#)
- GT Foundation – [based on intention of donors](#)
- Sponsored funding – grants and contracts (next page)

# What can be charged to grants and contracts?

Note: See Policy Library – “[Allowable Expenses](#)”

- *Necessary, reasonable, and allocable*
- Conform to any limitations or exclusions of award
- Consistency:
  - With policies and procedures that apply uniformly to grants and other requirements of grantee
  - Either direct or indirect cost, not both
  - Consistent with GAAP
  - Not also counted as matching/cost sharing
- Adequately documented



# Questions?

