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
• **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** (SBEO)
    - 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% X Total Funding Base
3. Student Support – 26.9% X Total Funding Base
4. Technology Factor – 1.7% X (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

<table>
<thead>
<tr>
<th>Group</th>
<th>Lower</th>
<th>Upper</th>
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<td>Group 5</td>
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<td>$713.39</td>
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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
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 only cover research and include lab supplies and equipment, salaries and stipends for researchers and graduate students, and travel costs for conducting and sharing research.

Uphold of any building space not used directly for federally-funded research, such as classrooms or offices, is not covered by F&A reimbursement.

Utilities – ventilation, heat, air conditioning, water, and lighting

Secure data storage, Internet, telecommunications, and high-speed data processing

Radiation and chemical safety, including safety training and hazardous waste disposal

Personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff

Library and research facilities

Advanced research lab equipment

Costs of federal, state, and local regulatory compliance, including human and animal safety review boards

Direct costs

F&A costs

No federal funds used

Georgia Tech
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

**Revenue by Major Source**
Fiscal Years 2022-23 Original Budget ($M)

- **FY 2023**
  - Dept Sales & Other: $166.5
  - Auxiliary Services: $333.1
  - Overhead Recoveries - Grants & Contracts: $476.7
  - State Appropriations: $486.5
  - Student Tuition: $957.5
  - Sponsored Operations: $126.2

Total FY23 Budget: $2.55B

**Revenue by Major Unit**
Fiscal Years 2022-23 Original Budget ($M)

- **Fiscal 2023**
  - Student Activities: $166.5
  - Enterprise Innovation Institute (E12): $789.3
  - Auxiliary Services: $1,538.6

Total FY23 Budget: $2.55B
Where does the money come from?

Georgia Tech Revenue by Major Category
Fiscal Year 2023 Original Budget

- Sponsored Operations 38%
- Student Tuition 19%
- State Appropriations 19%
- Overhead Recoveries - Grants & Contracts 13%
- Auxiliary Services 6%
- Dept Sales & Other 5%
- Indirect Cost Recoveries** 13%
- DSS/Other 5%

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?

Georgia Tech Expenditures by Major Function
Fiscal Year 2023 Original Budget ($M)

- **Research**: $1,230.1
- **Instruction**: $435.8
- **Operation of Plant**: $224.4
- **Student Svc & Other**: $166.5
- **Institutional Support**: $162.6
- **Academic Support**: $216.5

Total FY23 Budget: $2.55B
Operating Budget Building Blocks – “Resident Instruction/General Operations”

*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.
Operating Budget - General Operations Uses

FY23 GENERAL OPERATIONS ORIGINAL BUDGET BY DIVISION

- College of Engineering ($130.0M)
- College of Sciences ($61.6M)
- College of Design ($15.2M)
- Ivan Allen College ($30.7M)
- College of Computing ($34.3M)
- Scheller College of Business ($25.6M)
- EVP Research ($50.3M)
- Libraries & Information Center ($20.3M)
- Provost ($36.2M)
- Student Life ($8.0M)
- President's Area ($19.1M)
- Executive VP for Admin & Finance ($37.5M)
- OIT - Information Technology ($55.2M)
- Facilities ($62.9M)
- Development ($9.6M)
- Institute Communications ($5.7M)
- Affiliated Activities ($3M)
- General Institutional ($402.8M)
- Georgia Tech Professional Education ($52.4M)

FY 2023 Gen Ops Expense: $1,060.8M
What are the state versus tuition revenue trends?

Georgia Institute of Technology
Tuition and State Funding Comparison
FY 2014 - FY 2023 ($M)

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<tr>
<th>Year</th>
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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
• 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?