

GEORGIA INSTITUTE OF TECHNOLOGY BUDGET-IN-BRIEF Fiscal Year 2012

Size of budget? \$1,357.2 million in revenue

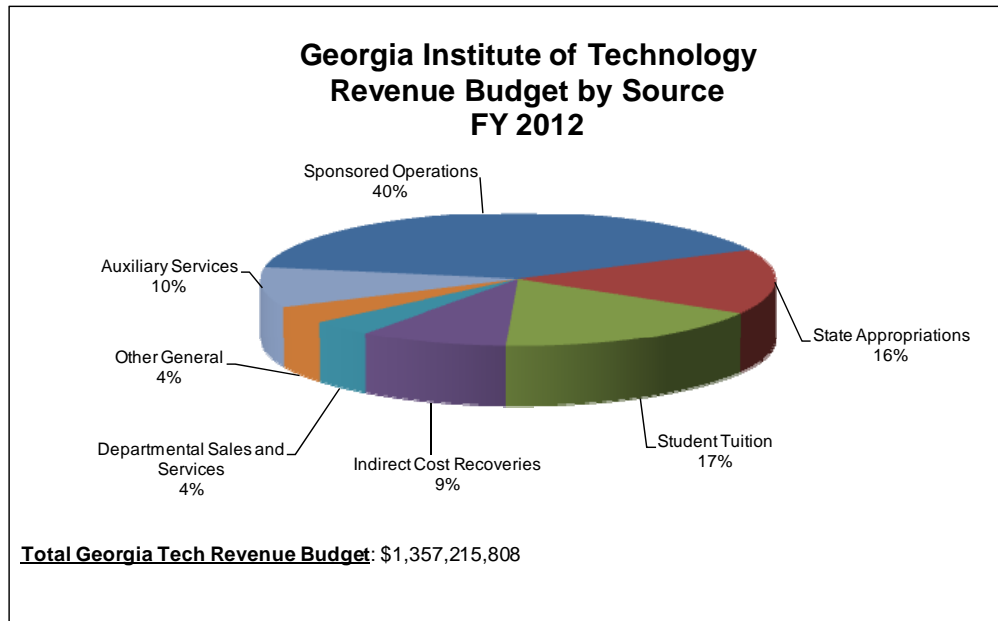
Note: Approximately \$114.2 million not included in Georgia Tech's budget is expended by affiliate organizations: GT Foundation, GT Athletic Association, GT Alumni Association, and GT Research Corporation; Grand Total budget with affiliates of \$1.471.4 million

Where does the money come from? Five main revenue sources (92% of total):

| | | |
|--|--------|-----|
| 1. Sponsored funding* (grants and contracts) | \$544M | 40% |
| 2. Tuition | \$235M | 17% |
| 3. State appropriations | \$210M | 16% |
| 4. Auxiliary Enterprises** | \$130M | 10% |
| 5. Indirect Cost Recoveries | \$127M | 9% |

*"Sponsored" includes an estimated \$75 million from GT Foundation for scholarships & other purposes.

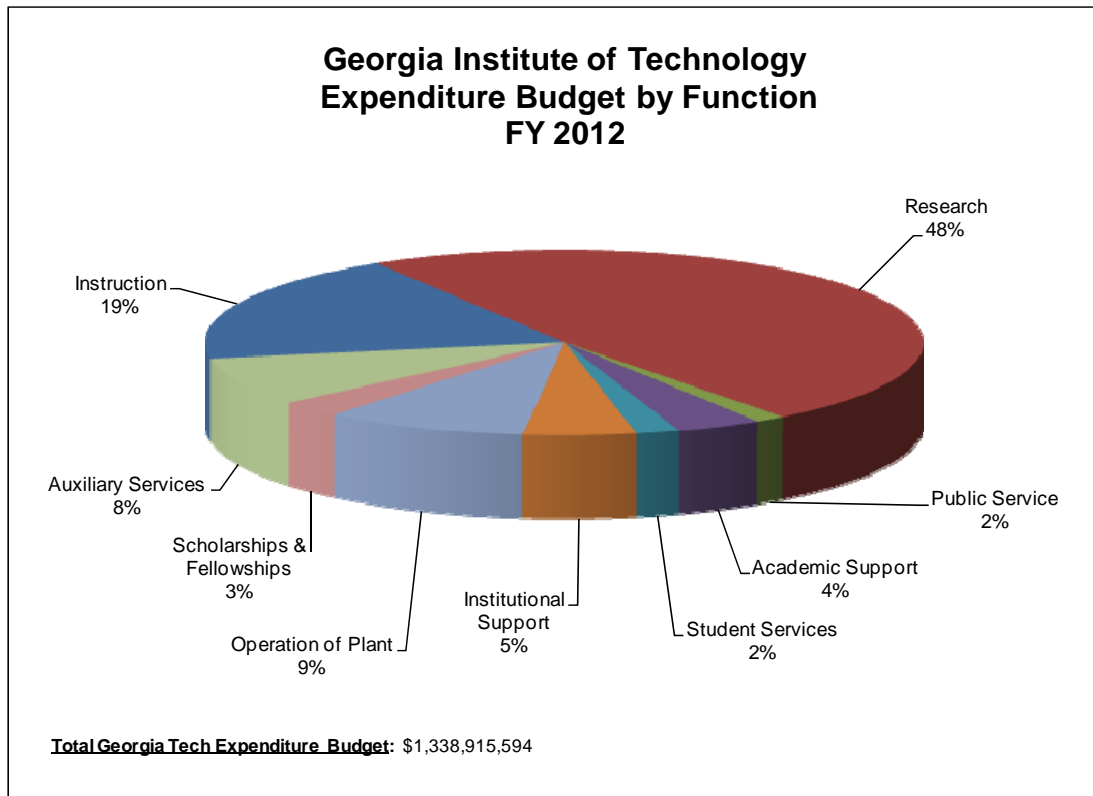
**"Auxiliary Enterprises" includes: housing, transportation, parking, dining, student health, the post office, and telecommunications.



NOTES: (a) Chart excludes affiliate organizations such as GT Foundation, GT Athletic Association, GT Athletic Association, and GT Research Corporation. (b) State appropriations declined from 19% of the GT budget in FY11 to 16% in FY12.

Where does the money go? Three main uses by program category (84% of total):

| | | |
|---|--------|-----|
| • Research | \$647M | 48% |
| • Instruction | \$255M | 19% |
| • Operation and Maintenance of Plant (including utilities & leases) | \$122M | 9% |
| • Auxiliary Enterprises | \$112M | 8% |



How is Georgia Tech's funding determined each year?

State Allocations: Most state funding for higher education is established via a funding formula driven principally by student enrollment, by type of student – graduate, undergraduate, course of study. State funding is approved by the Legislature in the Annual Appropriations Act and is intended to cover a portion of state institutions' instructional costs for Georgia residents, with the balance coming from tuition and other sources. Funding is approved for the entire University System of Georgia (USG) and is then allocated to institutions by the USG governing board, the Board of Regents. The funding formula works as follows:

- Number of faculty required by enrollment mix (undergraduate and graduate students)
- Multiplied times: an assumed salary rate for faculty
- Plus instructional support and operating expenses
- Plus fringe benefits, other support costs, and facilities costs based on square footage
- Plus miscellaneous other costs, including a technology factor
- Equals the total funding formula requirement
- Minus student tuition and fees and other adjustments
- **Equals state funding requirement to be provided by Legislature**

The General Assembly must reconsider the formula funding each year. After the Legislature approves the Annual Appropriations Act, usually in March or early April, the Board of Regents (BOR) determines the allocations to USG schools, generally at its April meeting. In large part the allocations are based on the formula funds generated by the respective institutions. In some cases funds are earmarked by the Legislature for specific programs, such as funding for the Georgia Tech Research Institute (GTRI) and the Enterprise Innovation Institute (EI²). These are referred to by the state as “B Units.”

In addition to formula funding, in years where funds are available, the Legislature approves money for pay raises and increases in fringe benefit costs such as employee health insurance and retirement. The pay raises usually apply to faculty and staff alike and often are effective at some date following the beginning of the fiscal year, which is July 1st. From Fiscal 2005 through 2009, employee raises have been funded as of January 1st. There has been no raise funding for Fiscal 2010 through 2012.

Tuition and Fees: Following the General Assembly’s approval of the state budget, the BOR determines the level of increase for Georgia Tech’s and other institutions’ tuition rates. At the same time, the BOR sets the levels of institutions’ mandatory fees based on recommendations from the President of Georgia Tech and presidents of other institutions. At Georgia Tech the President receives recommendations from the Mandatory Student Fee Advisory Committee and other bodies with student representation.

Revenue Generated by Georgia Tech: The balance of Georgia Tech’s budget is generated from its own sources, including indirect cost (“overhead”) revenue from grants and contracts. Various laws and regulations govern these revenue sources.

What is Georgia Tech’s budgeting and accounting structure?

Based on Generally Accepted Accounting Principles, the State Appropriations Act, and BOR guidelines, Georgia Tech budgets its resources on a fund accounting basis. This dictates that certain revenue be segregated into separate funds for accountability purposes. Most of Georgia Tech’s activities are budgeted in “Resident Instruction,” which includes not only instruction, but also, research, public service, facilities, and support functions. In addition to “RI,” there are separate funds for student activities, funded by student fees, auxiliary enterprises, also funded by fees, and units with earmarked state funding – GTRI and EI². All functions with the exception of auxiliary enterprises are referred to as “Educational and General.” The table below summarizes these major functions, each included in a separate fund.

| Georgia Tech Fiscal 2012 Revenue By Major Function (in millions of dollars) | |
|--|------------------|
| Resident Instruction | \$966.5 |
| Georgia Tech Research Institute (GTRI) | 229.6 |
| Enterprise Innovation Institute (EII) | 18.0 |
| Student Activities | <u>13.0</u> |
| Subtotal Educational & General | \$1,227.1 |
| Auxiliary Enterprises | <u>130.1</u> |
| Total Georgia Tech | \$1,357.2 |

What are Georgia Tech’s tuition and fees?

Georgia Tech’s tuition and mandatory fee levels for Fiscal 2012 are shown below (for entering students):

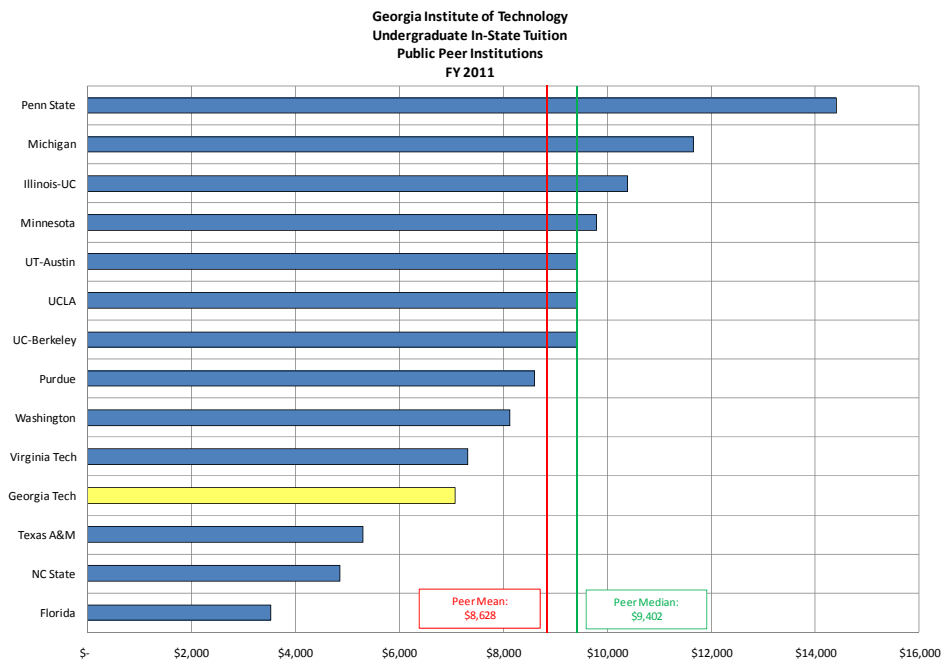
| Full Time Tuition & Fees/Semester | Undergraduate | | Graduate | |
|--|-----------------------------|----------------------|-----------------------------|----------------------|
| | Residents (in-state) | Non-Residents | Residents (in-state) | Non-Residents |
| Tuition | \$3,641 | \$12,746 | \$4,993 | \$13,430 |
| Mandatory Fees (Fall 2011) | \$1,185 | \$1,185 | \$1,185 | \$1,185 |

Note: Each undergraduate entry class since fall of 2006 has a separate tuition rate due to the “Fixed for Four” program. See Bursar’s Office website for rates by class. This program has been discontinued beginning with students entering in the fall of 2010.

The mandatory fees paid by all students are: transportation, student health, athletics, student activities, technology, and student athletic facility (for Campus Recreation Center debt service). The total mandatory fees for spring 2012 total \$1,185 for all students. This includes a \$544 “institutional fee” approved by the Board of Regents to assist schools in absorbing budget reductions.

Despite recent increases, Georgia Tech’s level of tuition and fees remains lower than many of its peer institutions, especially for undergraduate resident students. The following chart shows that Georgia Tech’s annual tuition and fee levels for undergraduate resident and non-resident students are well below the weighted average of its peer schools in Fiscal 2011.

Many students also pay **elective fees** for such services as housing, dining, and parking based on their use of these services. These fee levels, along with tuition and mandatory fees, are displayed on the Bursar’s Office web site (<http://www.bursar.gatech.edu/tuiandfee.php>).



What have been the State budget cuts and funding trends?

Beginning in Fiscal Year 2009, the State began experiencing serious reductions in revenue collections due to the economic conditions. Statewide budgets were cut heavily to offset deficits. The impact on Georgia Tech has been the following:

- State funding loss of 31% over four years from FY09 through FY12 – \$87.9 million
- Net reduction of 25%, or \$70.1 million, after offsetting increases from formula funding, pay raises (FY09), and fringe benefit increases
- Decline of state funds as a percentage of Georgia Tech’s **total budget**: 33% in FY09 to 15.5% in FY12
 - Decline of state funds as a percentage of the **Resident Instruction/General Operations budget**: 41% in FY09 to 36% in FY12

| | |
|---|---------------------------|
| Total 3-Year Cuts | \$87.9M |
| <u>Additional FY12 Losses:</u> | |
| Enrollment Formula Funding Not Approved | \$8 to \$10M |
| Facilities O&M Formula Funding Not Approved | <u>\$1.7M</u> |
| Total 3-Year State Funding Losses | \$97.6M to \$99.6M |

| |
|---|
| Georgia Institute of Technology Recap of FY09 - FY12 State Allocations Based on Approved FY12 Board of Regents Allocations |
|---|

| FY09 ORIGINAL BUDGET/ 3-YEAR PERMANENT CUTS | Resident Instruction | B-Units (GTRI/EI ²) | GT GRAND TOTAL |
|--|-------------------------|------------------------------------|---------------------|
| FY09 Original Budget State Funding | 263,363,736 | 18,444,638 | 281,808,374 |
| FY09 Original Budget & Mid-Year Cuts | (31,935,306) | (2,403,356) | (34,338,662) |
| FY10 Original Budget & Mid-Year Cuts | (26,795,799) | (1,338,101) | (28,133,900) |
| FY11 Original Budget Cuts | (4,401,272) | (561,380) | (4,962,652) |
| FY11 Approved Amended Budget | (12,875,262) | (569,823) | (13,445,085) |
| FY12 Original Budget Cuts | (6,462,797) | (569,823) | (7,032,620) |
| TOTAL 3-YEAR CUTS | (82,470,436) | (5,442,483) | (87,912,919) |
| Percentage Reduction FY09-12 | 31.3% | 29.5% | 31.2% |