



Budget Planning for Fiscal Years 2012 and 2013

February 24, 2012

Last month, Governor Nathan Deal presented his budget proposals for the FY '12 Amended Budget and the FY '13 Budget. As anticipated, he announced a continuation of the 2% state funding reduction implemented this year into FY '13, essentially making it a permanent reduction. In anticipation of this action, we had instructed all Resident Instruction units to hold back 1.2% of their General Operations budgets as part of our plan to balance the overall institutional budget. Approval of the Governor's Amended FY '12 budget requires that we proceed with the implementation of this reduction as anticipated. Georgia Tech Research Institute and the Enterprise Innovation Institute, which have separate state appropriations, will also be implementing appropriate steps to accommodate this reduction.

The approval of the Governor's Amended FY '12 budget means that we have now experienced a reduction in our state appropriation of just over \$100 million (~33%) since FY '09, including over \$1.0 million in formula funds that we anticipated receiving this year, to operate the Clough Undergraduate Learning Commons. Incorporating the formula funding loss and the total general reductions imposed along with the modest additional resources received from the state means that our state appropriation today is only 73% of what it was just four years ago.

While this is a substantial reduction by any measure, thanks to careful planning and the exceptional efforts of our faculty and staff, we have been able to continue to provide outstanding educational, research and service programs, while at the same time identifying some recurring funds for a limited number of new faculty lines in order to maintain the quality of our academic programs and not increase our student to faculty ratio.

As I have said in the past, our budget has been and will continue to be a challenge for us. We appreciate the Governor's proposal to the General Assembly to reinstitute full formula funding for FY '13, and while this will provide some relief, it will take several years to make up for the loss of approximately \$10 to \$12 million of formula funds that we anticipated receiving in FY '12. This, along with the loss of the operational funding for the Clough Commons, will continue to present a challenge for us.

Our priority goal for the current legislative session is to ensure that the funding for the Major Repair and Renovation (MRR) and the proposed Engineered Biosystems Building (EBB), approved by the Regents and included in the Governor's proposed FY '13 budget, remains intact.

With respect to tuition, we continue to lag far behind our peer institutions, particularly in terms of resident undergraduate tuition. We will continue to work to achieve our goal of reaching the average of our peer institutions for both resident and non-residents. A portion of the \$544 Institutional Fee implemented by the Board of Regents over the course of the past several years to reduce the impact on the HOPE scholarship program and partially offset the budget

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reductions, was intended to “sunset” this year; however, we anticipate that this fee will continue, with the possibility of some small portion of it being rolled into tuition.

I, along with other members of the executive leadership team, continue to be very concerned about the imposed restrictions on employee compensation. Over the course of the past three years, we have set aside a limited amount of funding to address salary compression issues and ensure that we can reward and retain our very best performers. In addition, as part of our FY '12 budget plan, we provided cost of living adjustments to employees earning \$30,000 or less. We will continue these efforts.

While I had hoped that we could provide funding for an expanded merit pay plan for Fiscal Year 2013, the Governor did not include merit pay funding in his budget proposal. However, I want to assure you that we will continue to work with the Board of Regents and the Legislature to find ways to ensure that all of our employees are compensated in a manner commensurate with their contributions, so that we can continue to provide the highest quality education for our students and support our outstanding research and public service efforts.

As we move into FY '13, we will continue to keep the Georgia Tech Strategic Plan as our guide and focus on the best use of the limited resources available to us. In our pursuit of that, we will hold a series of FY '13 planning meetings with deans and other division heads, to be attended by the executive vice presidents and myself. The focus of these will be the following:

1. Identify each unit's strategic initiatives for next year;
2. Determine how these initiatives support and advance Georgia Tech's strategic plan; and
3. Establish how the budget request will help move the Institute forward toward our goal of “defining the technological research university of the 21st Century.”

Prior to these strategic discussions, each executive vice president will meet separately with their directors to discuss their specific budget requests. The Office of Institute Budget Planning and Administration will provide budget instructions for FY '13 to the campus this week.

Thank you again for your continued support and for your extraordinary efforts in all that you do to continue Georgia Tech's tradition of excellence.

Sincerely,

A handwritten signature in black ink, appearing to read "G. P. Peterson", with a long horizontal flourish extending to the right.

G. P. “Bud” Peterson
President