



February 25, 2013

MEMORANDUM

TO: Provost, Deans, Vice Presidents, and Major Unit Heads

FROM: G. P. "Bud" Peterson, President
Georgia Institute of Technology

RE: Budget Planning for Fiscal Years 2013 and 2014

Governor Nathan Deal presented his budget proposals for the Fiscal 2013 (FY'13) Amended Budget and the Fiscal 2014 (FY'14) Budget to the General Assembly last month. While there are only minor changes to FY'13 Budget, the FY'14 proposal is very positive for higher education and included his recommendation to support the Board of Regents' requests for:

- a) Full formula funding based on enrollment increases
- b) Funding of the Major Repair and Rehabilitation (MRR)
- c) State share of required fringe benefit increases.

As anticipated, the Governor recommended making the 3% state funding reduction implemented in the FY'13 Budget, permanent, while the additional one-time 2% reduction will only apply to the FY'13 Budget and will not apply to the Georgia Tech Research Institute or the Enterprise Innovation Institute. In anticipation of these reductions, our original plan absorbed these reductions centrally through funding delays and the use of one-time funds and additional tuition revenue resulting from our fall enrollment, which was larger than anticipated. As a result, it will not be necessary to request further reductions from on campus units at this time. However, we will need to continue to be cautious about any program expansions and/or new positions. All units will need to continue efforts to implement cost saving measures to free up funding for strategic initiatives.

The General Assembly is now reviewing the Governor's proposals, with a target of completing the state Appropriations Act for Fiscal 2014 by the end of March. The Board of Regents will then most likely make its decisions on tuition, mandatory fees, and funding allocations at its April meeting. If the Governor's recommended budget is approved by the General Assembly, we will have experienced a reduction in our state appropriation of \$99 million (~35%) since FY'09. In addition, the System did not receive any new formula funding in FY'12, which translates to an additional loss of \$9.9 million for Georgia Tech, bringing the total reduction to slightly in excess of \$109 million or 39% of our state funding base from five years ago.

Despite these substantial reductions, we have been able to continue to provide outstanding educational, research and service programs and also provide funding for a number of new faculty lines to help maintain the quality of our academic programs and continue to address the

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student to faculty ratio. Thanks to the concerted efforts of the various campus units and our central financial staff, we have been able to support “mandatory” items of the Institute such as public health and safety needs, rising facility costs, fringe benefit costs not covered by the state, and classroom and other instructional support, without having to pass along any further reductions to the individual unit.

Georgia Tech’s tuition levels still lag behind our public peer institutions, especially for resident, undergraduate students, where we are only at 71% of our peer average. As a result, we will continue to work with the Board of Regents to achieve our goal of reaching the average of our peer institutions for both resident and non-resident students. In addition, we anticipate that the \$544 Institutional Fee approved by the BOR several years to help institutions offset budget reductions while minimizing the impact on the HOPE scholarship program, will continue in FY’14. We will continue to work to shift a portion of this fee to tuition, especially for graduate students.

As has been the case in the past several years, the Governor did not include merit pay funding in the FY’14 Budget proposal. However, we will continue to work with the Board of Regents and the Legislature to find ways to ensure that we can reward faculty and staff at a level commensurate with their contributions and ensure the continued excellence of our educational, research, and public service missions.

The Office of Institute Budget Planning and Administration has posted [budget instructions and forms](#) for FY’14. Later this spring, the executive vice presidents and I will be scheduling the FY’14 planning meetings with the deans and other division heads. Through this planning process we will again embrace the *Georgia Tech Strategic Plan* as our benchmark for making critical resource allocation decisions. The objectives of these meetings are the same as last year’s:

1. Identify each unit’s strategic initiatives for the next year.
2. Determine how these initiatives support and advance the *Georgia Tech Strategic Plan*.
3. Establish how each budget request will help move the Institute forward toward our goal to “define the technological research university of the 21st century.”

Thank you again for your continued support and for your efforts as we work to continue Georgia Tech’s tradition of excellence.

xc: S. Swant
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