



M E M O R A N D U M

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

FROM: G. P. "Bud" Peterson, President 

Cc: Steve Swant, Rafael Bras, Steve Cross

Date: January 25, 2018

SUBJECT: Institutional Budget Process for Fiscal Year 2019

This memorandum is intended to provide you guidance on the budget process for the Fiscal Year 2019, beginning July 1, 2018. Fiscal 2019 is developing similar to the current year, so the budget preparation parameters and tasks will be comparable.

As you recall, FY 2018 presented limited new revenue, requiring us to limit new allocations as well as require the internal redirection of existing resources in order to address the most significant institutional priorities. In addition, we employed numerous cost saving strategies, revenue enhancements, and other measures to minimize or defer expenditures, with the intent to maintain program momentum and address the growing concerns about the cost of higher education.

Governor Nathan Deal proposed his Fiscal Year 2019 budget to the General Assembly on January 11th, and the state funding outlook for the University System of Georgia (USG) and Georgia Tech is mixed. The Governor's proposal is very close to the Board of Regents' request, and we are grateful to the Governor for his continued strong support of higher education.

The Governor's FY 2019 proposal for the University System of Georgia (USG) is summarized below:

- A. An increase in formula funding for the USG of \$54.3 million;
- B. Major funding of \$60.2 million to cover the 25% increase in the employer's share of the Teachers Retirement System (TRS);
- C. No state funding for merit increases;
- D. No funding for increases in health insurance and retiree's health insurance;
- E. Major Repair and Rehabilitation (MRR) funding of \$65.0 million to support physical plant renewal and preventive/deferred maintenance activities;
- F. Additional bond funding of \$30.6 million for the Price Gilbert Crosland Tower Library complex renovation and \$5.0 million equipment for Georgia Advanced Biomanufacturing Center equipment.

At this point, we believe Georgia Tech will receive a significant percentage of the workload funding generated directly by the Institute. We expect TRS funds to be distributed on a pass-through, prorated basis, as in the past. Any discretionary salary actions taken locally and

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possible increased costs of benefits insurance will have to be funded by the Institute from available resources.

The MRR funding, which is distributed throughout the USG, will permit Georgia Tech to continue to fund its highest priority renewal and maintenance projects. I am pleased to see the Governor has supported the second step in the renewal of the Library, as well as equipment for a new initiative in advanced biomanufacturing.

FY 2019 Budget Process:

In summary, the overall outlook for significant new tuition and state resources is not promising. The general cost increases and continuing commitments of the Institute, coupled with the need to self-fund any salary actions and benefit cost increases, suggest that the coming year will have its challenges.

Therefore, in preparing for Fiscal 2019, we will continue our “Priority-Based Budgeting Process,” which involves careful consideration of the allocation of any new resources, as well as the internal redirection of resources. For the new fiscal year, I ask that the executive vice presidents and division heads focus their upcoming budget and program planning on their highest priority new/continuing initiatives consistent with the Georgia Tech Strategic Plan.

Also, I ask that you again evaluate possible re-direction, coupled with possible funding reductions *and/or* shifts within your respective units, in order to self-fund priority internal requests. Once we understand the final USG budget allocation and tuition parameters, we will communicate any other possible actions required across the campus units.

A recurring emphasis in Georgia and across the country in higher education is student affordability. As an important part of our Fiscal 2019 planning, I ask that we advance our many efforts, as well as identify new initiatives to address this priority. Our efforts to date include minimizing mandatory and elective fee increases, continuing to expand our scholarship and fellowship opportunities, offering low cost, high quality, online master’s programs, and implementing summer school improvements including expanded course offerings and a more affordable tuition methodology aimed at improved student progression. We also will continue to minimize the costs of education by pursuing efficiency and cost saving measures in areas such as information technology, distributed shared administrative service/support models, physical plant, human resource support, auxiliary services, etc.

Budget presentation meetings with the ELT are being scheduled for March 16th and 19th. As you prepare your budgets and plans for next year, please describe ***how these align with the Georgia Tech Strategic Plan***. Each presentation should address the following for Fiscal 2019:

- A. An evaluation of your unit’s progress during the previous and current fiscal years in any new spending initiatives, either funded in prior fiscal years through new dollars allocated to the unit or a reallocation of internal resources;
- B. What steps you would take to absorb the 1% and 3% budget redirections and how these actions would impact your unit/division;
- C. Identification and justification of your unit’s strategic initiatives for the next year;
- D. Explanation of how each of your initiatives will continue the Institute’s positive momentum by supporting and advancing the *Georgia Tech Strategic Plan*.

You will find a preliminary budget preparation calendar and forms on the Office of Institute Budget Planning and Administration's ("Budget Office's") [website](#). The attachment outlines this process. As indicated in the calendar, each Executive Leadership Team member will be discussing with his direct reports budget priorities prior to the March budget planning sessions with the entire team.

As always, our budget schedule is extremely tight, since we will have just a few weeks to submit our Original Budget after the BOR's April 17th meeting, when the Board will approve allocations, and tuition and fee levels. We will do our best to provide allocation guidance by late April, but this will depend on our projected financial status after the Board's approvals.

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

ATTACHMENT
Recap of Institute Budget Process for Fiscal 2019

Executive Summary

Georgia Tech's *priority-based budgeting process* is intended to address future resource challenges by ensuring that the current base budget funding is being targeted to the highest priorities, consistent with the [Georgia Tech Strategic Plan](#). Incremental funding available to Georgia Tech, has not been sufficient to cover the research, instructional, public service, student services, facilities, and technological priorities over the past few years; this is expected to continue into Fiscal 2019. The continuing resource challenges are as follows:

- State resource restrictions – With the continuation of the enrollment-based USG state funding formula, Georgia Tech is impacted by other system schools' enrollment declines. Any state funding increase for Fiscal 2019 is expected to be modest.
- Restrictions on future tuition and fee increases – For Fiscal 2018, the Board of Regents (BOR) froze tuition and imposed severe limits on fee increases. Restrictions on tuition and fee increases are expected to continue in Fiscal 2019.
- Extensive demands compared to limited resource growth potential
 - Georgia Tech needs to address a number of institutional “must pay” items next year such as the increase in fringe benefits, legal compliance, facilities operations and maintenance, cybersecurity, research data protection, research equipment refreshment, and the upcoming CODA high performance computing building.
 - The funding demands also include new faculty to address enrollment growth, instructional quality, faculty support, student services, retention of top faculty and staff, employee/student health and well-being, and improved student progression – retention and graduation.

These funding demands exceed the expected level of Georgia Tech's resources for next year. In light of the continuing funding challenges, the Fiscal 2019 budget process is intended to:

- Link program planning and resource allocation, with a focus on the [Georgia Tech Strategic Plan](#)
- Target incremental resources *and redirected funding from current budgets* to support new and highest program priorities intended to advance the Strategic Plan.

The process is similar to last year's, with the identification of funding in each division that could be redirected by the Executive Leadership Team (ELT) to other priorities and new or priority initiatives. *In addition, deans, vice presidents, and other division heads are asked to identify how new funding provided in Fiscal 2018 is being applied to address objectives defined in the earlier requests.*

Required Fiscal 2019 Submissions

- “[Program Reduction Proposals](#)” at 1% and 3% levels
- In-depth justification of any new program initiatives or significant expansion of current programs via the “[Program Expansion Form](#)”
- Base Budget Computation Form initiated by Budget Office for each division – “[Form 1](#)”

- Summary of new request items via “[Form 2](#)”
 - Description via the presentation to the ELT (no specific format defined) of how new funding in Fiscal 2018 for new or expanded programs has been used to address the program objectives identified.
- NOTE:** If a unit has not yet utilized any of the new funding, then the description should indicate the immediate and future year plans for the funding, with a focus on planned results.

Overview of Fiscal 2019 Budget Process

> Preliminary submissions to respective Executive Leadership Team Executive – President, Executive VP, or Provost:	> Early to Mid-February
• Program Expansion Proposals*	
• Program Reduction Proposals @ 1% & 3% levels	
> Planning meetings with respective ELT member on submissions	> February
> Submission and ELT review – final program increase/reduction proposals	> Early March
> Division presentations to Executive Leadership Team	> March 16 and 19
> BOR approval of tuition, fees, allocations, & merit raise guidelines	> April 17
> ELT allocation decisions for Original Budget	> Mid- to late April
> Campus unit detailed Original Budget submissions	> April 27
> GT submission of Original Budget to BOR	> Early May
> ELT determination of additional budget allocations based on resources available	> June – October

[Detailed Budget Calendar Link for Campus Units](#)

* **NOTE:** “Program Expansion Proposals” submitted for major initiatives; all requests to be summarized on Form 2’s