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State contribution to the GSU budget

Submitted by Kathleen Comerford

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11/6/2013

QUESTION:

What is the total contribution of the State of Georgia to the Georgia Southern Budget?
How does that compare to the contribution from 20 years ago?

RATIONALE:

The State of Georgia has cut funding to Georgia Southern in most years since 1999, but a plaque outside the Zach Henderson Library still states that the State contributes 50% to our budget. This is no longer true, and ought to be changed as it misleads student and public users of the library.

Of greater importance, the continued cuts, in particular the latest threat of a 5% cut, significantly damage the ability of the university to provide a quality education. If the university will provide information on the cumulative effects of the cuts, we can better defend our programs to the legislature and argue against further cuts.

Submitted by:

Sandra Peacock

Michael Moore

RESPONSE:

11/10/2013: The SEC has approved.

11/15/2013: To all,

Attached is a spreadsheet that we have developed to answer the RFI about % state support. We did not have data, easily accessible, for 20 years. I hope this will give them enough.

Please let me know if you need more or how to "post" this response.

Rob Whitaker

Attachment: [FY2003 - FY2014 Original Budget \(Education and General\)](#)

6.5. State Contribution to the GSU Budget (Robert Whitaker) Robert Costomiris, Senate Moderator and Chair, Senate Executive Committee: And the fifth one was the state contribution to the GSU budget, which was passed off to Rob Whitaker, the Vice President for Business and Finance. He is here today. He is on the agenda to speak about budgetary matters in general and so he, and he has submitted a response to this in the form of a what do I want to call it?

7. GSU Budget Report: Rob Whitaker, VP for Business and Finance: A couple of things that Robert asked me to do is 1) look at that budget data and kind of take you through that. The fact that we've been asked to prepare a 5% budget cut — that request came from the University System of Georgia as opposed to coming down through the Governor's office.

Well, starting off with the total budget of Georgia Southern University, this chart will basically show you that there is a total budget right now of \$342 million dollars at Georgia Southern. Board of Regents Policy and business procedures requires each institution to budget and expend funds in support of the operations specific to each fund. They are not interchangeable. When one fund is losing revenue or support we can't take away from one and move it to the other.

The five smallest funds, about 6.5% of the budget or \$21 million, that's unexpended plant capital type project indirect cost recovery money we get through our research grants, technology fees, departmental sales and services, and student activities. That's about 6.5% of the budget. The next largest fund is restricted/sponsored that's where we do our private funded research. Also our financial aid is processed through that fund. That's about 11% of our budget or \$39 million.

The next largest fund will be Auxiliary Services. It's about 25% of the total budget or \$87 million. That's where our Housing, Food Services, Transportation, and Athletics — a lot of different groups are in that that allow us to operate those auxiliary service functions that are services to our students.

The final fund which is probably the most important fund is general operations. It makes up the largest percent, 57% of the budget and it's \$194 million. That's where we conduct our core mission of instruction. That's the day-to-day operations of the University.

There are basically three fund sources for general operations. There's state appropriations, there's tuition and fees, and then there's some miscellaneous revenue, the biggest of those is the institutional fee that we charge students. Tuition made up 51% or \$98 million of our general operations budget. State appropriation made up 42% or \$81 million, and then the miscellaneous, other fees, was about \$14 million or 7% of the budget.

That's basically the quick answer to the RFI for the current year that the funding is basically 51.42 or actually it will be 51.49 when I add the two together. The largest place we spend our money in our general operations budget is obvious to everybody, is instruction —\$94 million of our budget, 48% if you add to that the academic support function of \$22 million basically 60% of everything we bring in in general operations gets spent on instruction, and the support of instruction.

The next largest piece to the pie is institutional support —\$33 million, or 17% of the budget. And then we have Physical Plant where we make an investment there to maintain our buildings of \$26 million or 13%. Student Services — 7.6%, \$14 million; public service and state funding research, a small 2% or \$3.9 million of the budget. John Brown (COBA): Could you tell me exactly what institutional support is? It's a term that doesn't convey a lot of meaning to me.

Rob Whitaker (VP, Business and Finance): That's all the services that support the institution — it will be Business and Finance, Accounting, it will be IT, its the marketing, operations behind the scenes, making the institution work.

John Brown (COBA): How is that different from academic support?

Rob Whitaker (VP, Business and Finance): Academic support is your Deans, Chairs, its more related to supporting the academic function, the instruction function. Rob Whitaker (VP, Business and Finance): Funding for higher education in the state of Georgia has significantly changed in the last 20 years. The funding formula, 20 years ago, was based on a premise of 75% - 25% percent, split — 75% to be funded by state appropriations/25% to be funded by tuition and fees.

In 2014, like I mentioned just a while ago, 42% of the budget came from state appropriations and then 58/59% of that came from tuition and fees. If you go back 13 years, you'll see that the split was 69 state appropriation and the balance of that being tuition and fees. In about 2011 we made the crossover from being funded majority state appropriation to now being funded majority tuition and fees.

If you look back over the year's you can see back in 1994, we had \$5400 worth of state funding per student. And if you look now in 2014, that's an estimate going in to the Fall Semester of \$6,082. So less that \$600 increase over the last 20 years and I think all of us in this room can agree that the cost of educating students has increased by much more than just 24% over the last 20 years. Enrollment drives the formula.

If you look back, Georgia Southern has enjoyed a very good robust five-years of enrollment growth. We had some very good years starting in 2007 working our way up to 2013. Obviously, now here in 2014, this Fall Semester, we're down about a hundred students, enrollment decline in this Fall Semester is what created the reason that we're being asked to do that 5% budget cut. This enrollment decline does two things: it reduces our tuition that we're going to have to offset any budget cuts, but at the same time, it drives that enrollment funding formula.

I want to go back to this chart, if you think about the last five years, go back one year, the five years where we had enrollment growth. But at the same time we have had 32% budget cut to the University System of Georgia. I think only 2010 fiscal year did this institution pass along any budget cuts down to the department level.

We've been able to maintain our funding through enrollment growth, through the increase in tuition revenue, and so that's why we've not experienced the cut that we're having to look at this year as we go into the next fiscal year. You'll notice that the System is going to have to cut its funding by \$20 million because of enrollment related decline throughout the System. There is actually about \$40 million institutional decline and about \$20 million in growth. It netted out to \$20 million decline to the System, and so that's what the System office is having to manage and that's why the System office has asked us at Georgia Southern to prepare for a 5% budget cut. The same time they also told us we could not ask for any new money next year. We're excluded from even asking for new money, and they've told us that tuition increases, if at all, will be very very small, and, so again, we've got to look to grow our institution from the organic inward looking as opposed to what we might get from the Board of Regents or through the legislative process. The current formula we use was created back in 1982. It is driven by credit hours. It has a couple of productivity factors. There was actually a Higher Education Funding Commission that was set up. They've already made the recommendation that we will move forward to a performance-based funding model, the Tennessee model is what we're going to use for our framework.

Its obviously going to reward progression degrees, its going to have target populations that will be incentivized. It will also look at what the sector mission state priorities might be to kind of help derive how we get that end result in the formula. The Ground Rules for the new formula is its going to go into effect for Fiscal 2016. That next topic there that FY15 formula, whatever gets finalized in this legislative session for 2015 budget which starts July coming up is going to be the base for this new funding formula. We're not going to have any new money. We should not reduce the money. We don't expect the tuition policy will be put into the new funding formula. We've been told that we can expect that a freshman coming in at Georgia Southern we'll get 50 cents on the dollar of that first 15 hours or basically tuition money only. They are not going to get any state funding until they progress to that 15 credit hours, 30, 60, 90, graduated out the door. How do we convince students that 15 hours is important, not 12, not 14, how do we get them to 15, and get them completed through 15. We want them to succeed in that 15 hours, so it is an important piece.

Pat Humphrey (COSM): One question. I don't know if this is more appropriate for you or Dr. Keel, but it came up at our department meeting earlier today. Given that we all still have the clause of bad furloughs in our contracts, has there been any talk about using furloughs to try to make this 5%?

Dr. Brooks Keel (President): I can address that. No, there've been no conversations about furloughs to address the budget cut.

Devon Jensen (COE): In your report, and something that has been troubling me a little bit, we have a 2.74% decline in the revenues at the college, or at the Georgia level, yet they are asking for a 5% reduction. That's a big difference. We know that institutions are already running right on the edge so why are they asking for a 3% reduction from institutions?

Rob Whitaker (VP, Business and Finance): I think the answer to that question is better answered by the Board of Regents is because they gave us the 5% but I think their thinking is that they had to insure enough monies from institutions to be able to manage a \$20 million decline in funding from the legislature.

Brooks Keel (President): Let me just add to that. That's essentially what we were handed down. You need to keep in mind that although the state of Georgia passes money to the University System of Georgia, with the intention of it going to the individual units, the Board of Regents and the University System of Georgia has complete authority to distribute that money in essentially any way they see fit. They are looking at roughly 20 institutions that saw a decrease in enrollment and roughly 11 institutions saw an increase in enrollment. And as I understand it, the budget instructions which were passed out to all 31 institutions, those universities that had an increase in enrollment were asked to indicate how they would spend any new money that they might collect from the Regents; those that were flat or slightly decreased were asked to prepare for a 5%; those that institutions that had significantly, a greater decreases in enrollment were asked as to how they would actually come up with their own cuts and there were some institutions that had significant decreases in enrollments.

Tim Whelan (CLASS): One of the last slides, it said something about bonus and it was pass rates. Can you explain that? Are you talking about pass rates from a class? Rob Whitaker (VP, Business and Finance): It was a framework item, and I think there were trying to think about how they may bring in pass rates on professional exams into the formula.

Brooks Keel (President): That's exactly correct, and just to, there are other unique things that may or may not apply to us. There is going to be something for special initiatives, I think, that Rob mentioned. There'll be something for adult learners, there'll be a bonus for pass rates, and now you are looking at law schools and vet schools and medical schools and those sorts of things that have professional, our nursing program, may or may not qualify for that.

Rob Pirro (CLASS): I have two questions. That 75/25 formula that's changed for all units across the University System, is that correct?

Rob Whitaker (VP, Business and Finance): The 75/15 formula was a mechanism to appropriate to the University System of Georgia, so in essence, yes, all institutions now are funded through that 75/25 formula that's no longer 75/25.

Rob Pirro (CLASS): But did the decrease in the contribution to various units within the University System is different, is that correct? So some might get 41%, some might get 50, or is there variation across the units of the

Rob Whitaker (VP, Business and Finance): I think it will vary a little bit, percent to here and there, but I don't think you'll find an institution that's still 75% funded by state appropriation and 25%. I think all institutions average-wise are in that same realm of 50/50 now.

Rob Pirro (CLASS): The last question I have, has the University System made an official statement as to why they've gone from 75/25 to 40/60? Rob Whitaker (VP, Business and Finance): It's not the University System of Georgia, its our Governor, its our legislature, they have implemented budget cuts to a funding formula.

Brooks Keel (President): We are no different than virtually every state in the Union. With the possible exception of Texas and North Dakota who have seen increases because of minerals and that sort of thing that they have. Virtually every state is in the exact same position that we are with the state contribution, the subsidy, if you will, that states provide for public education has been decreased almost the same as it has in Georgia.

Ellen Hamilton (CHHS): As we move forward to the new formula who's going to be tracking that data of the recruitment, the retention, the promotion, and the graduation? Is that an internal collected data base or is it going to be collected at the University System level, and we have to justify one way or the other? Rob Whitaker (VP, Business and Finance): Combination of all of the above, but yes we obviously are going to collect data at the institutional level.

Janice Steirn (CLASS): Will any consequences of not meeting the progression goals be divided down to like college-levels, or will it be kept at the University-level? Rob Whitaker (VP, Business and Finance): We've not had conversations about how we would implement that at the University-level. Brooks Keel (President): The cuts most certainly will be passed down to the University, unless something drastically changes in the way the System operates, and I don't foresee that ever happening. That would be up to the individual university campus to decide how they would split those cuts around, but I can certainly assure you that we are going to be looking at every single college, we do that now, and every single Dean is looking at every single department, and I'll ask the Provost to comment as it clearly falls in her wheelhouse, but the are expectations are that the colleges will have goals to meet and if they don't meet those goals there will be budget ramifications associated with that.

Tony Barilla (COBA): I just had a really quick question. I didn't see your formula, I saw a list of your variables. I was actually waiting to see the formula so I could identify which was one a revenue side and the cost side, and so I would just like to ask a simple question, going in blind because, again, I haven't seen your formula, yet. If we're at such an enrollment situation where we are down 52 students from last year, or 60 students from last year, has anyone done a cost benefit analysis as to whether we should just simply give out a 100 new scholarships and attract

100 new students from other schools, and then therefore take that cost compared to the revenue cut that was coming and seeing if there's the benefit that occurs or not?

Brooks Keel (President): The use of state dollars for scholarships is a very difficult position to be in as you would imagine. It has to come from Foundation, private sources, and that sort of thing, and if what you're essentially talking about is buying students and we are obviously doing that all the time. You know, there are a lot of way we could increase our enrollment. One would be the easy way would reduce our minimum entrance requirements from 1010 down to say 950. So what that means is that the students that we're going after have a higher SATs and right now as you know our average for this past Fall was 1112, and in order to do that, we have to offer scholarships to a lot of those high-end students and as the other universities are beginning to look at enrollment and every single one of them is, those that have the greater endowments, foundation endowments to offer scholarships those students are going there.

Ed Mondor (COSM): One question that I have is will we be penalized if Georgia Southern students transfer?

Brooks Keel (President): Wow, that's a great question.

Jean Bartels (Provost): What I can tell you is there has been conversation about what happens with students who transfer. Essentially that would be kind of a transfer situation. What happens with transient students and there's a sensitivity to understanding that we should not get penalized because a student has continued in the System. We're fortunate here because our database systems, our office of Strategic Research is able to trace where our students go, so we actually can tell you where our students are and document that they have not left; they are going to be graduating someplace else, so they made a transfer decision, but they are not lost to the System, or to a degree of any kind from any place. The System is starting to, has made many many conversations about that very fact that they are going to have to look at that and we can't be punished for somebody that makes a transfer. Brooks Keel (President): If I could add just one thing along those lines, and Dr. Bartels indicated that the System is looking at how they calculate graduation rates to be fair to those sort of things. The federal definition of a six-year graduation rate is first-time entering freshmen, first-time full-time freshmen, that stay at your institution for six-years and ours is roughly right now 51%, and that has increased over the last several years, again much if not entirely to all your credit. But if you add those students that leave Georgia Southern and go to another University System of Georgia institution and graduate in our old engineering program, not the new engineering program, but the old engineering program is a great example of that, the GTREP program where kids would transfer to Georgia Tech, you can add 10 points to a six-year graduation rate. If you go nationally and we're just now beginning to get the national data in place so we can track a Georgia Southern student that transfers to California and graduates and how do we get credit for that, because that's a success. As you well know, the whole population of students is radically different now than when it was when the six-year graduation rate was first determined because of the number of times the student would transfer in and out of a university is phenomenal now than what it compared to be. And so all those issues are still being worked out. This formula has not been

decided yet. They are working feverishly on it and we will certainly keep you up-to-date as we hear exactly how these issues are going to be dealt with.

Barry Balleck (CLASS): I'm really wondering about what seems to be the apparent public disconnect between what we're getting from the Chancellor's office and what we're getting from the legislature. I'm quoting from Senator Jack Hill, the Chairman of the Senate Appropriations Committee in his newsletter from last week where he outlines many of the same things that you just outlined for us in terms of the deficits that the state is facing and he goes through a long series of these things, but in the last two paragraphs of his document he says, "In this document we have outlined about \$173 million needed for the FY 14 amended budget. For FY 2015 general we have totalled approximately some \$527 million in entitlement and formula requirements and other obligations. The good news is that monthly revenue growth appears to support the amended needs and year-to-date revenue totals are in the 4-5% range which would support the above expenditures." So why are we getting this disconnect from the Chancellor's office and the state legislature? Who, by the way, several members of my department have had private conversations with Senator Hill and he says that this is something that is not being discussed by his colleagues in the legislature at this point.

Rob Whitaker (VP, Business and Finance): I don't know that there is a disconnect there as much as just a misunderstanding. When you think about what he says in the paragraph, he talks about there's money to fund entitlements, there's money to fund formulas. Well, our formula has some positive lines to it. But there's one negative line at the very top and so when he says we can fully fund the formula. Well, they're never going to say they can fully fund the formula. If they fund the net increase or decrease to the formula funding for higher education and they've done what they in theory are supposed to do and there's other formulas: K-12 is on a formula funded bases, and they'll get an increase of the revenue. The revenue is increasing so there's more money to fund all those things he lists, and they are going to do that. The System office is trying to manage and grapple with, if we don't get that \$20 million, and you have to really remember its a \$40 million cut to a \$20 million gain. How do we manage that within the University System of Georgia.

Barry Balleck (CLASS): Well, but as it says he addresses that \$21 million deficit in this document and then says at the end revenue should be or would be sufficient, doesn't say should he says would be sufficient to do this. And it just seems to me we have this public discussion going on from the Chancellor's office who is having the discussion with the USG institutions, but we're not seeing this discussion take place in the larger public. And I'm just wondering if there's any speculation as to why that is occurring. Russell Keen (VP, Government Affairs and Community Engagement): Also read Senator Hill's newsletter that goes out and I think what he's talking about in terms of the discourse that's not being discussed is that as people are receiving these updates on state revenue continuing to increase, but what they're not getting the updates on are the increased health care costs, Medicaid and those type things. As Vice President Whitaker alluded to earlier, if you look at the University System you've got a \$20 million enrollment deficit in addition to the \$20 million increase in health care. I think they are, you know, just to repeat what's already been said, they are trying to address those issues. I

think as a state, they are looking at increased health care costs, Medicaid, there, you know, there is this perception that the revenues are going up 5%, 9% and all this is great news, but what we're not hearing are the increased expenses there so I don't think that, you know, if you take one segment out and say well, the increase in revenue could cover this specific portion, that may be true, but the big picture it presents a different story. So I don't know if that, just wanted to clarify some of that, and then just to go back a little bit to explain that the budget for the state of Georgia originates in the House. The Governor makes a recommendation. The budget originates in the House through all of the committees. The House passes a budget, it goes to the Senate. The Senate goes through a committee process. They have their version of the budget. Then there's a budget conference committee. Its represented by three conferees from the House and three conferees from the Senate. And the Governor's office is certainly at the table, and has some influence there, but ultimately they come up with a document that they pass out. Mark Welford (COSM): I was curious, where is our Capital Campaign funding, could this have provided some monies to generate scholarships to meet enrollment shortfalls. Brooks Keel (President): The Capital Campaign is getting geared up to launch the silent phase which will probably begin this summer. The Campaign is a \$100 million Campaign and we hope that in seven years after its completed, keeping in mind that the silent phase will not even start until this June or July. That we will start having some of those dollars that we desperately need to provide those scholarships. Its a constantly evolving situation for us and we're going to keep fighting for it.