

AGENDA

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

April 19, 2011

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AGENDA

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

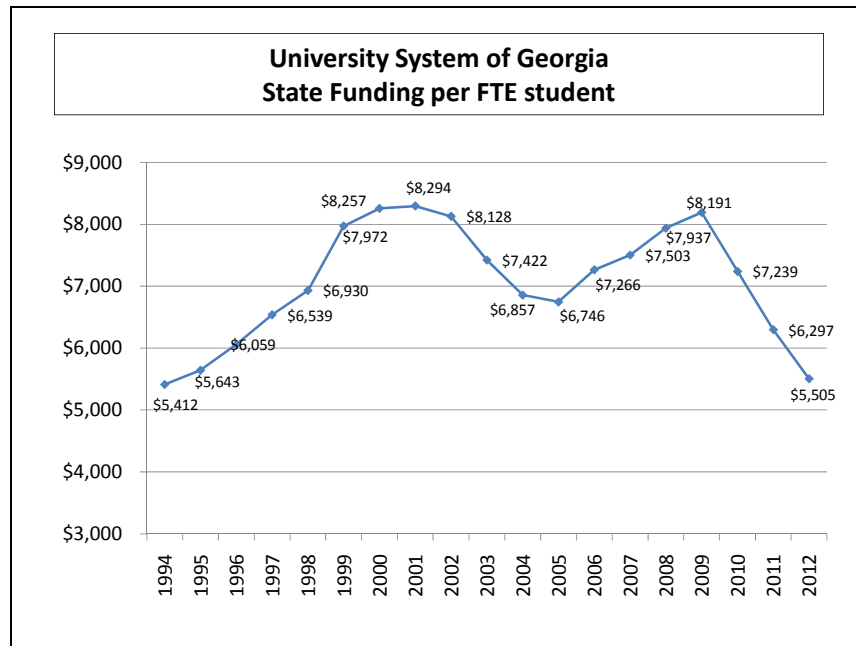
April 19, 2011

1. Fiscal Year 2012 Budget Allocations and Fiscal Year 2011 Amended Budget

Recommended: That the Board approve the allocation of state appropriations for fiscal year (“FY”) 2012 among institutions and operating units of the University System of Georgia as well as the fiscal year (“FY”) 2011 amended budget. All allocations for FY 2012 are pending the Governor’s signing House Bill 78, the Appropriations Act for FY 2012.

Background: The total state funds for the University System of Georgia at the beginning of FY 2011 was \$1.95 billion. The continuing economic downturn and the loss of federal stimulus funds at the state level are fully reflected in the FY 2012 budget. The recommended budget for FY 2012 is \$1.74 billion, which includes a net reduction of \$187 million in state and stimulus funds, transfer of programs and other adjustments, and represents the first time that the formula request has not been funded. Appendix IA lists the changes from FY 2011 to FY 2012. The amounts by institution are shown in Appendix IB.

The FY 2012 projected state funding per FTE student will be the lowest for the University System since FY 1994:



1. Fiscal Year 2012 Budget Allocations and Fiscal Year 2011 Amended Budget (Continued)

FY 2012 Budget:

The state funds budget for FY 2012 is \$1.74 billion, including \$1.55 billion in formula funds and \$185 million in all other line items. Compared with an original budget for FY 2011 of \$1.69 billion in formula funds, \$23 million in stimulus funds and \$224 million in other line items, the FY 2012 budget represents a total net reduction of \$208 million, or 10.7%. The reductions for the institutions include \$146 million (8.6%) in formula funds and \$23.2 million in stimulus funds. The line items were reduced by \$18.6 million, or 8.3%. Along with reductions, there were significant transfers out of the University System budget for the Georgia Research Alliance and the Georgia Cancer Coalition, which were transferred to the Department of Economic Development in the amount of \$20.1 million, less net reductions of \$7.06 million. The UGA program at Griffin, in the amount of \$849,108, was transferred from special funding initiatives to the formula.

	FY 2011 Original Budget	Reductions	Additions, Transfers, Adjustments	FY 2012 Budget
Formula funds	\$1,698,668,785	(\$145,893,376)	\$905,986	\$1,553,681,395
Stimulus funds	\$23,186,142	(\$23,186,142)	\$0	\$0
Line Items	\$ 224,493,205	(\$18,610,698)	(\$20,758,017)	\$ 185,124,490
Total	\$1,946,348,132	(\$187,690,216)	(\$19,852,031)	\$1,738,805,885

FY 2012 Reductions:

The reductions for the University System institutions for FY 2012 total \$169 million. All general reductions were pro-rated based on each institution's share of the state-funded budget.

A significant reduction in state funds at a time of increasing enrollment presents a difficult challenge for the institutions of the University System of Georgia. As good stewards of the institutions, presidents are committed to preserving quality while meeting the needs of students across the state. Responses to reductions have included eliminating staff and faculty positions (resulting in more part-time faculty at some institutions), reducing the number of course offerings, increasing class size, decreasing services (such as student advising), increasing efficiencies, decreasing operating and travel expenditures, increasing deferred maintenance, and reducing library holdings.

In addition to the reductions for the institutions, the appropriations act calls for an adjustment of \$6.1 million to institutions that either have a low funding per FTE or a special circumstance in

1. **Fiscal Year 2012 Budget Allocations and Fiscal Year 2011 Amended Budget (Continued)**

FY 2012. The institutions are: Kennesaw State University, \$3.1 million, Georgia Gwinnett College, \$2.4 million, Gainesville State College, \$400K, and College of Coastal Georgia, \$200K.

FY 2012 Formula:

For the first time, the formula increase of \$177 million requested by the Board of Regents based on increased enrollment and other factors was not funded by the state, due to the difficult economic climate. The formula request included \$145.3 million based on the increase in credit hours in FY 2010, \$8.7 million for the maintenance and operations of new buildings, \$18.1 million for the health insurance premium increases in 2011, and fringes for retirees totaling \$4.9 million.

FY 2012 Capital Budget:

The total bond package for capital projects for the Board of Regents is approximately \$180.9 million for FY 2012 and includes:

- \$45 million for Major Repairs and Rehabilitation (MRR).
- \$4 million for equipment for buildings previously funded for design and construction at North Georgia College & State University (Forsyth campus) and Atlanta Metropolitan College.
- \$12.5 million for infrastructure projects at the Georgia Institute of Technology, Georgia Gwinnett College and South Georgia College.
- \$107.6 million in construction funds for projects at Armstrong Atlantic State University, Clayton State University, Georgia College & State University, Georgia Southern University, Georgia Southwestern State University, Kennesaw State University, University of West Georgia, Valdosta State University, Abraham Baldwin Agricultural College, College of Coastal Georgia and Dalton State College.
- \$3.2 million for a design project at the University of Georgia.
- \$7.5 million for MRR projects at the Rock Eagle 4-H, Agricultural Experiment Station and Cooperative Extension Service facilities.
- \$1 million for equipment for the Agricultural Experiment Station and Cooperative Extension Service facilities statewide.
- \$1.2 million for the Twiggs County public library.

All allocations are pending approval of House Bill 78, the FY 2012 Appropriations Act, by the Governor.

1. **Fiscal Year 2012 Budget Allocations and Fiscal Year 2011 Amended Budget (Continued)**

FY 2011 Amended Budget:

The total budget for the University System of Georgia at the beginning of FY 2011 was \$1.95 billion. As a result of the economic climate, the state funds budget was reduced to \$1.81 billion at the end of FY 2011. Appendix ID outlines the changes from the beginning of FY 2011 to the FY 2011 amended budget by institution.

During the course of the year, as revenue collections for the state declined, the University System received a net \$135.0 million reduction to the base, including \$101.9 million in formula funding and \$23.2 million in stimulus funds to institutions and \$9.9 million for all line items. The final budget for FY 2011 as approved by the General Assembly is \$1.81 billion (House Bill 77), which is a decrease of 6.9% from the original budget for FY 2011.

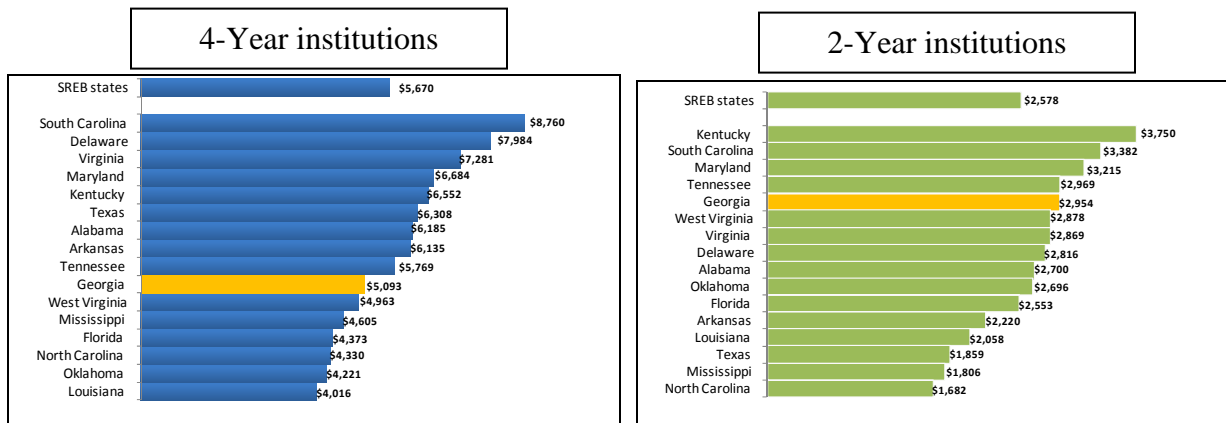
	FY 2011 Original Budget	Reductions	Transfers/ Adjustments	FY 2011 Amended Budget
Formula funds	\$1,698,668,785	(\$101,920,030)	(\$ 211)	\$1,596,748,544
Stimulus funds	\$23,186,142	(\$23,186,142)	\$0	\$0
Line Items	\$ 224,493,205	(\$ 9,866,951)	(\$ 748)	\$ 214,625,506
Total	\$1,946,348,132	(\$134,973,123)	(\$ 959)	\$1,811,374,050

The Governor has signed House Bill 77, the Amended Appropriations Act for FY 2011.

2. Fiscal Year 2012 Tuition and Special Institutional Fee

Recommended: That the Board approve the tuition rates for fiscal year 2012, to become effective fall semester 2011. Recommended tuition rates appear in Appendix IIA.

Background: Tuition and fees in the University System continue to provide excellent value for the students. Among all 16 states of the Southern Regional Education Board (SREB), Georgia ranks 10th among four-year institutions and 5th among access institutions for FY 2010.



FY 2012 represents an extraordinary year for the University System, with reductions of \$169 million for the institutions as well as the lack of funding for the formula request in the amount of \$177 million. **Therefore, the total gap or shortfall faced by the institutions is \$346 million.** Clearly, the entire gap cannot be made up by increases in tuition and fees, as it would require an increase of more than 34%.

Institutions have employed reduction actions, as well as increased efficiency and productivity in absorbing cuts, while continuing to protect the quality in the classroom. A tuition increase is a measure of last resort and is intended to provide for students the faculty, courses, and services necessary for timely graduation as well as to equip them for future success.

The Board has the difficult challenge of balancing the needs and priorities of students and institutions in maintaining excellence at a time of declining state funds, with the strategic priority of maintaining affordability and accessibility in creating a more educated Georgia. FY 2012 also includes changes in the HOPE scholarship program, which will pay 90% of the FY 2011 tuition for most recipients. An approximate 10% of students who meet higher academic standards, including SAT and GPA requirements, will qualify for a 100% of the FY 2012 tuition rate. In all cases, HOPE recipients will have to fund the mandatory fees and book allowance previously provided by the scholarship. Even though fewer than 30% of the USG students receive the HOPE scholarship, the Board is sensitive to both the amount students will have to pay, and

2. Fiscal Year 2012 Tuition and Special Institutional Fee (Continued)

keeping the HOPE payment on the FY 2012 tuition rate as close to 90% as possible in this transition year.

Proposed Undergraduate Rate Increase:

The recommended strategy for FY 2012 balances the University System's needs and priorities as well as the sensitivities related to students and HOPE, and is a hybrid model that combines a low tuition increase and an increase to the special institutional fee. There are three objectives:

1. Maintain affordability and accessibility by keeping the overall increase in tuition and special institutional fee to a single digit percentage.
2. Maintain HOPE payment for FY 2012 tuition as close to 90% of the FY 2011 rate as possible.
3. Maintain excellence at institutions in the University System.

Specifically, the components of the undergraduate rate increase proposal are as follows:

1. A low tuition increase of 3% for all institutions across all sectors, for a full-time rate based on 15 credit hours:
 - a. \$106 per semester at the research universities,
 - b. \$64 per semester at comprehensive universities,
 - c. \$41 per semester at state colleges, and
 - d. \$36 per semester at two-year colleges.
2. Increase the special institutional fee by:
 - a. \$100 at 29 institutions,
 - b. \$150 at College of Coastal Georgia and Georgia Gwinnett College,
 - c. \$250 at three research universities, and
 - d. \$350 at Georgia Institute of Technology.

All increases to the special institutional fee are reflected in Appendix III (mandatory fees).

This hybrid model accomplishes the strategic priorities for FY 2012 with the following results:

1. The overall, weighted-average increase of tuition and the special fee is 9% for the entire University System;
2. The HOPE payment on FY 2012 tuition is 87.4% at all institutions; and

2. **Fiscal Year 2012 Tuition and Special Institutional Fee (Continued)**

3. The projected revenue increase is \$170.5M, of which \$49M is from prior year changes related to discontinuing the fixed-for-four program and raising the ceiling from 12 hours to 15 hours, and \$121M is from the increase in tuition and the special institutional fee.

Given the overall shortfall of \$346 million, the combination of tuition and special fee increases means that the institutions will absorb \$176 million, or 51%, of the total shortfall.

Additionally, out-of-state tuition will increase by the same dollar amount as in-state tuition.

FY 2008 Students coming off the Fixed-for-Four Tuition Plan:

The FY 2008 cohort of students coming off the “Fixed-for-Four” (FFF) tuition will pay the incoming rate for FY 2012. Since these students paid the same low rate for four years, those who did not graduate in four years will pay substantially increased tuition in year 5 (fall 2011). At four-year institutions, this increase is \$26.74 per credit hour, a 22% increase; at Georgia State, this increase is \$54.74 per credit hour, a 29% increase; and at Georgia Tech and the University of Georgia, this increase is \$1,393 per semester, a 62% increase.

FY 2009 Students:

The FY 2009 cohort of students represents the last cohort on the Fixed-for-Four tuition plan, and will continue to pay the same guaranteed tuition rates from FY 2009.

Graduate and Professional Program Tuition:

In fiscal year 2008, the Board of Regents’ new policy on graduate tuition rates took effect and allowed University System of Georgia institutions having graduate programs to request a separate “core” graduate tuition rate based on market and cost considerations. Similarly, institutions can request approval for separate tuition rate adjustments for select competitive professional programs.

The recommended “core” graduate tuition rates appear in Appendix IIB, as do the recommendations for changes in tuition rates for professional programs.

3. **Fiscal Year 2012 Mandatory Student Fees**

Recommended: That the Board approve the proposed mandatory student fees, including reallocations of the Special Institutional Fee, for FY 2012 for institutions of the University System of Georgia, to become effective fall semester 2011. Recommended mandatory student fees appear in Appendix III.

Background: By policy, the Board of Regents approves all mandatory fees and fee increases. The major mandatory fees include intercollegiate athletic fees, student health service fees, student activity fees, parking and transportation fees, technology fees, and, in recent years, fees to support private funding of facilities such as recreation centers, parking decks, student centers and similar projects. The recommendations contained in Appendix III were developed following a review of institutional fee requests that considered, among other things, the current financial position of the programs and activities supported by fees. Further, each request was accompanied by documentation provided by the related institution concerning the committee review process required by Board of Regents policy, which requires each fee and the budget it supports to be reviewed by a committee comprised of a minimum four students and at least fifty percent of the committee membership.

A summary of fee increase recommendations is provided below.

New Fees and Fee Increases, excluding PPV fees:

Georgia Institute of Technology	<ul style="list-style-type: none"> • Athletic Fee, \$4 • Health Fee, \$4 • Technology Fee, \$4
Georgia Health Sciences University	<ul style="list-style-type: none"> • Health Fee, \$7
University of Georgia	<ul style="list-style-type: none"> • Activity Fee, \$3 • Technology Fee, \$6 • Transportation Fee, \$3
Georgia Southern University	<ul style="list-style-type: none"> • Activity Fee, \$1 • Athletic Fee, \$5 • Health Fee, \$6 • Transit Fee, \$2
Albany State University	<ul style="list-style-type: none"> • Activity Fee, \$20
Armstrong Atlantic State University	<ul style="list-style-type: none"> • Activity Fee, \$5 • Athletic Fee, \$9 • Technology Fee, \$13
Clayton State University	<ul style="list-style-type: none"> • Activity Fee, \$10 • Athletic Fee, \$25

3. Fiscal Year 2012 Mandatory Student Fees (Continued)

Columbus State University	<ul style="list-style-type: none"> • Activity Fee, \$5 • International Fee, \$14 (New) • Technology Fee, \$3 • Special Institutional Fee, \$50
Fort Valley State University	<ul style="list-style-type: none"> • Technology Fee, \$20
Georgia Southwestern State University	<ul style="list-style-type: none"> • Activity Fee, \$3 • Athletic Fee, \$9 • Success Center, \$6
North Georgia College & State University	<ul style="list-style-type: none"> • Technology Fee, \$10
Savannah State University	<ul style="list-style-type: none"> • Athletic Fee, \$24 • Health Fee, \$2 • Transportation Fee, \$4
University of West Georgia	<ul style="list-style-type: none"> • Athletic Fee, \$11 • Health Fee, \$10 • Transportation Fee, \$5
Dalton College	<ul style="list-style-type: none"> • Access Card Fee, \$20 (New) • Athletic Fee, \$50 (New)
Georgia Gwinnett College	<ul style="list-style-type: none"> • Athletic Fee, \$60 (New) • Health Fee, \$5 • International Fee, \$2
Gordon College	<ul style="list-style-type: none"> • Athletic Fee, \$8
Middle Georgia College	<ul style="list-style-type: none"> • Activity Fee, \$36 • Health Fee, (\$15)
Darton College	<ul style="list-style-type: none"> • Activity Fee, \$10 • Athletic Fee, \$21 • Technology Fee, \$4
East Georgia College	<ul style="list-style-type: none"> • Access Card Fee, \$15 (New) • Health Fee, \$30 (New) • Parking Fee, \$12
Georgia Highlands College	<ul style="list-style-type: none"> • Athletic Fee, \$50 (New)
Georgia Perimeter College	<ul style="list-style-type: none"> • Access Card Fee, \$10 (New) • Health Fee, \$10 (New)
South Georgia College	<ul style="list-style-type: none"> • Athletic Fee, \$25 • Records Fee, \$10 (New)
Waycross College	<ul style="list-style-type: none"> • Athletic Fee, \$5 • Technology Fee, \$4 • Transportation Fee, \$6

3. Fiscal Year 2012 Mandatory Student Fees (Continued)

Reallocations from Special Institutional Fee: The following is the list of fees recommended for reallocation. Each of these requests has gone through the normal student fee approval process with the student fee advisory committee.

Georgia State University	<ul style="list-style-type: none"> • Athletic Fee, \$12 • International Fee, \$2 • Special Institutional Fee, (\$14)
College of Coastal Georgia	<ul style="list-style-type: none"> • Recreation & Intramural Fee, \$25 (New) • Special Institutional Fee, (\$25)

PPV Projects:

1. Augusta State University: Student Life & Engagement Center Fee, \$115. This fee will be used to support the design, construction and operation of a 58,600 square foot facility on the West Campus located near Wrightsboro Road.
2. Macon State College: Recreation Center Fee, \$140. This fee will be used to support design and construction of a student recreation center.
3. Fort Valley State University: Student Center Facility Fee, \$50 increase to current fee of \$100 fee (total \$150). The fee increase will be used to support the financing of the Multi-Use Center/Stadium and provide recreational, social, and study areas for students enrolled at the University.
4. Columbus State University: Recreation-Facility Fee, \$10 increase to current fee of \$125 fee (total \$135). This fee increase will be used to support debt service payments.
5. Columbus State University: Parking Deck Fee, \$3 increase to current fee of \$39 fee (total \$42). This fee increase will be used to support the maintenance and upkeep of the university parking deck and provide safe and viable parking options for the university community.
6. Georgia College & State University: Wellness Center Fee, \$50 increase to current fee of \$75 fee (total \$125). This fee increase will be used to support the construction debt service for a new Wellness Center.
7. Georgia College & State University: Transportation/Parking Fee, \$2 increase to current fee of \$64 fee (total \$66). This fee increase will be used to expand routine service due to increased student demand.
8. Savannah State University: Student Center and Stadium Facility Fee, \$10 increase to current fee of \$150 (total \$160). This fee increase will be used to support the construction debt service for the Student Center and the renovation of the Football Stadium.

3. Fiscal Year 2012 Mandatory Student Fees (Continued)

9. University of West Georgia: Athletic Complex Fee, \$10 increase to current fee of \$70 (total \$80). This fee increase will be used to support the operating costs and the proforma requirement of an annual surplus.
10. Georgia Gwinnett College: Student Center Fee, \$5 increase to current fee of \$100 (total \$105). This fee increase will be used to support the operational costs associated with the facility.
11. Kennesaw State University: Recreation Center Fee, \$1 increase to current fee of \$42 (total \$43). This fee increase will be used to support operations of the Wellness Center.

Kennesaw State University is seeking early approval of an increase to the Recreation Center Fee in the amount of \$35 to fund facility expansion and renovation. The additional increase of \$35 (total \$78) would be effective fall 2012.

3. Fiscal Year 2012 Mandatory Student Fees (Continued)

Elective Fees requiring Board Approval:

The policy revisions adopted by the Board in January 2010 require certain elective fees to be approved by the Board. They include any fee or special charge that is required to be paid by all full-time, undergraduate students at the institution or by all undergraduate students in a specific degree program, with the exception of specific course fees for supplementary costs. Prior to this change in Board Policy, program fees were already in place at Clayton State University, Kennesaw State University, and Columbus State University. All three institutions have been allowed to continue these charges through FY 2012, during which the appropriateness of the fee will be assessed. No action by the Board is required for FY 2012.

In accordance with the Board Policy, the fees below are recommended for approval.

Institution	Fee	Current Amount	Proposed Rate	Students Impacted
Kennesaw State University	128 Meals	\$ 974	\$ 1,022	Residential, full-time, first-year students with less than 30 hrs.
Kennesaw State University	16 Meals	\$ 126	\$ 132	Residential, full-time, sophomores and juniors (≥ 30 -89 hrs.)
Kennesaw State	8 Meals	\$ 65	\$ 68	Residential, full-time, seniors (≥ 90 hrs.)
Kennesaw State University	48 Meals	\$ 372	\$ 390	Commuter, full-time, first-year students with less than 30 hrs.
Kennesaw State University	16 Meals	\$ 126	\$ 132	Commuter, full-time, sophomores and juniors (≥ 30 -89 hrs.)
Kennesaw State	8 Meals	\$ 65	\$ 68	Commuter, full-time, seniors (≥ 90 hrs.)
College of Coastal Georgia	Dining Dollars	\$ -	\$ 120	Students with 8 or more hours attending classes at the Camden Center
College of Coastal Georgia	30 Meal Pack Dining Plan	\$ -	\$ 195	Brunswick campus students with 8 or more credit hours who do not live in the residence hall.

3. Fiscal Year 2012 Mandatory Student Fees (Continued)

Mandatory Fee: Change in Fee Name:

It is recommended that the Board approve combining the Recreation Fee and the Recreation Center Fee at Georgia Gwinnett College and name the combined fees the “Health and Wellness Fee.”

Upon approval of the new Athletic Fee for Georgia Gwinnett College, it is recommended that the Board approve the combining of the Athletic Fee and the Intramural Fee and name the combined fees the “Athletic Fee.” The integration of fees will meet the student’s requests to reduce the number of fees.

4. **Information Item: State Auditor's Presentation of the Fiscal Year 2010 Financial Statement Audit Results for the University System of Georgia (Joint Meeting with Committee on Internal Audit)**

Claire Arnold, Deputy Director, Georgia Department of Audits and Accounts, will present information on the Fiscal Year 2010 Financial Statement Audit Results for the University System of Georgia.