

**Budget update at University Council  
3:30 p.m. Thursday, April 23, 2009**

Opening slide

- My goal this afternoon is to give you a brief overview of the budget situation as we know it at the moment, with the caveat that it may yet change in the coming months. But the FY10 budget for the state has been approved, and the Regents have acted on tuition and formula funding allocation, so this is a good time to make this presentation.

Slide 2 -- National economic indicators

- Every story needs context, and the story of the UGA budget is best seen in the context of what has happened to the national economy, the state economy, the state budget and the Regents' budget.
- To that end, these first slides show a set of national economic indicators for the past year or so. On January 4, 2008, the Dow Jones Industrial Average was 12,800. During the summer, it floated in the mid-11,000 range.
- Between mid-September and early October, it fell 2,000 points to 8,451 until, in early March, it hit 6,626, then rose to 7,837 early this month.

### Slide 3 –National economic indicators (Unemployment/Housing)

- During that same period, the national unemployment rate moved from 4.9% in January 08 to 8.5% in March 09. Housing sales were 44,000 in January 08, 43,000 in July 08, 32,000 in October 08, and 23,000 in January 09 before rising a bit to 27,000 in February 09.

### Slide 4 – National Economic Indicators (Inflation)

- And maybe an economist in the room can explain this to me, but the inflation rate started at 4.08% in January 08, peaked at 5.6% in July 08, fell to 1.07 % in November 08 and was 0.24% in February 09.
- All of that paints the bleak national picture that we all know far too well. And it wasn't any better in this state.

### Slide 5 – Georgia economic indicators (Unemployment)

- Unemployment in Georgia was 5.4% in February 08, 6.2% in July, 7.1% in November, 8.5% in January and 9.1% in March.

### Slide 6 – Georgia economic indicators (Revenue Collections)

- January 2008 state revenue collections were up 2% over January of 2007, but in February they were up less than a percent. At this point, FY08 revenue collections were up only 2% for the entire year over FY07, and because the FY08 budget was predicated on 4.4% growth, the Governor revised his revenue projections for the year. Because these revenue projections are the basis for the state budget, when the projections are lowered, the budget is in danger.
- In March, collections fell 1.6%. April and May, because of some changes in the collections procedures, were a wash, but in June they fell 9.4% over the previous June and this meant that for the year, FY08 revenue collections were actually a full percent BELOW what was collected in FY07.

- At the same time these revenue figures were being released, the Governor's Office of Planning & Budget directed state agencies to prepare budget reduction plans of 3.5% for FY09 and 4% for FY10.
- This negative trend continued as we began FY09. With collections down by 6.6% in July and 7.0% in August, OPB directed all agencies to reduce FY09 expenditures by 6% and to submit plans to reduce total spending by 6%, 8%, and 10% for both FY09 and FY10.
- In December, revenue collections were down 8.9% over the previous December and almost 3% for the year. Recent months have seen even more significant drops in revenue collection with January down 14.3%, February down 34.8%, and in March, they fell 14.5%.
- The percentage decrease year-to-date for this fiscal year compared to last year is **8.0 percent**.

### Slide 7 – Cuts to other state agencies

As you can see, all state agencies are feeling the impact of the economic decline.

- Department of Agriculture – 6%
- Department of Community Affairs – 49%
- Department of Corrections – 5%
- GBI – 7%
- Department of Natural Resources – 19%
- Department of Public Safety – 14%

### Slide 8 – Cuts to BOR

- The Regents' FY10 budget was cut \$275 million
- Decline in state appropriations per student for the System as a whole, FY01 to FY10. In constant dollars, state support per USG student has fallen from \$8,294 in FY02 to \$5,947 for FY10.

## Slide 9 -- Cuts at peer/aspirational institutions

We are also not alone among our peers in higher education.

- UGA's budget was cut 11.7%, an **approximately \$47 million cut to the Resident Instruction Budget, also known as the "A Budget"**
- Iowa State – 11%
- Florida – 10%
- Iowa – up to 12%
- Missouri – prepare for 15%, 20% and 25%
- South Carolina/Clemson – 17.7%
  
- I hope that context is helpful to you – and not too depressing. I won't dwell on it, but I do believe it is an important part of this discussion.

## Slide 10: University of Georgia Challenges

- So we are facing a \$47.7 million cut to the University's Resident Instruction budget, also known as the "A" Budget. Additionally, there was also \$12 million in cuts to the "B" budget, which supports our cooperative extension effort and special initiatives, a sum that will have to be absorbed by these units. These are challenging times, but we are going to

face this together, knowing that we must maintain quality for the outstanding students that we serve.

- I want to thank all of you and the people you represent for how you have taken on this challenge. I know that every one of you is doing more than you were doing a year or so ago. I know that vacant positions – and there are more than 400 of them – have shifted the burden of that work to you.
- I know that travel funds are hard to come by, and that travel is critically important to the work of faculty and staff at a great university. I know that staff and administrative support is reduced in many offices, and that makes it hard to do your jobs.
- I have told the Governor and Legislative leadership that I am proud of how UGA's people have responded, and I have also told them that they cannot expect long-term quality without significant state support.

Slide 11 – University of Georgia Challenges: What do we know?

- No FY10 merit increase
- Some student impact in the form of tuition and fee increases.

- The \$13.7 million shortfall in utilities has been reduced to \$7.8 million through good management and the conservation efforts of people across campus.
- The \$6 million gap in insurance costs has been cut in half by the changes in the employer premium cost approved by the Regents.
- Every employee and every student at the University is helping us address the budget shortfall out of his or her own pocket.

#### Slide 12 – Tuition and formula allocation

- As of last week, the Board of Regents has discontinued the Fixed for Four tuition guarantee program for new, incoming students. UGA and Georgia Tech now operate under a separate tuition structure than the rest of the University System institutions.
- Incoming freshmen here will pay tuition 25% higher than this year's freshman class -- \$3,035 per semester for full-time students.
- The tuition increase means \$14 million for UGA, and the extension of the \$100 fee means \$7 million.
- Tuition for incoming students is set at a flat rate of 15 hours. For financial aid and verification of enrollment purposes, a



full load is defined as 12 hours. However, the vast majority of our freshmen take more than that. It is important to remember that in order to complete a degree in 4 years, students should be taking 15 hours.

#### Slide 13 – Tuition and formula allocation

- Here and at Tech, almost 6,000 of the 6,758 freshmen took 13 hours or more, so this should not be a significant change.
- The intent is to increase credit-hour production and speed the graduation timeline.
- Fifth-year seniors will pay the freshman rate – a 40% increase over this year.

#### Slide 14 – Much-needed funding from the Legislature

- We did receive much-needed funding from the Legislature.
- We obtained \$5.9 million in capital funding for the Northwest Precinct utility plant and \$26.6 million for the Special Collections Library. These funds come from a separate funding source than the general operating budget, and are important to the core work of the institution.
- We also received \$7.7 million in new funding for the medical partnership

- I want to express for the record my thanks to Senator Bill Cowsert and Representative Bob Smith for their efforts in supporting the University during this legislative session.

Slide 15 – Institutional versus unit-based decision making

- It is important to understand that while we have made some decisions at the institutional level, we have also tried to allow units as much flexibility as possible in deciding how to manage the cuts. Deans, directors and department heads know the needs of their units and are in the best position to manage their own budgets.

Slide 16 -- What don't we know?

Special session

Additional cuts

Layoffs/furloughs

Travel funds

- Whenever budgets get tight, and difficult decisions have to be made, it is easy to see our three missions of teaching, research and service in competition with each other.

- Let me be clear: Any emphasis on protecting the classroom should not be interpreted as a lack of support for research or service.
- In particular, research holds the promise of a revenue stream through grants and licensing fees. Creative inquiry is the foundation of all great research institutions, and UGA faculty excel in this area.
- And in difficult times, this state needs our service more than ever.
- All three missions are important, and our management efforts have focused on supporting all three.
- I particularly want to thank the staff, and I hope you have made an effort to express appreciation to the staff in your departments. It is no exaggeration to say that staff are the engine that drives this university, allowing the faculty to do its work.
- At the lower end of the wage scale, staff are feeling the effects of the recession more than most. Consider that the reduction in the percentage of health insurance premium paid by UGA resulted in a \$1,000 increase annually on the most popular plan. That is a lot to cover.
- So, I encourage you to make sure staff in your areas know that you appreciate them and the work they do.

Slide 17 – UGA is worth the investment

Important for UGA

Important for Georgia

Important for the future economic development of this region

Maintaining quality will require increased state and private support

Closing slide

- Questions? Comments?