

AGENDA
COMMITTEE OF THE WHOLE
FINANCE AND BUSINESS OPERATIONS

April 17, 2012

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AGENDA

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

April 17, 2012

1. Budget Recap – Fiscal Year 2012 Amended and Fiscal Year 2013

The Vice Chancellor for Fiscal Affairs, John Brown, will provide an update on the fiscal year 2012 Amended and the fiscal year 2013 budgets, as approved by the General Assembly.

2. Fiscal Year 2012 Amended Budget

Recommended: That the Board approve the allocation of state appropriations for fiscal year (“FY”) 2012 amended budget.

Background: The total state funds budget for the University System of Georgia at the beginning of FY 2012 was \$1.74 billion. Appendix I outlines the changes from the beginning of FY 2012 to the FY 2012 amended budget by institution. The final state funds budget for FY 2012 as approved by the General Assembly is \$1.70 billion (House Bill 741), which is a decrease of 1.95% from the original budget for FY 2012. The reductions are pro-rated based on share of institution’s state funds budget. Reductions identified specifically by HB 741 were made accordingly.

	FY 2012 Original Budget	Reductions	FY 2012 Amended Budget
Formula funds	\$1,553,790,529	(\$31,075,810)	\$1,522,714,719
Line Items	\$ 185,124,490	(\$ 2,872,628)	\$ 182,251,862
Total	\$1,738,915,019	(\$33,948,438)	\$1,704,966,581

3. Approval of Resolution for the Continuation of Special Institutional Fee

Recommended: That the Board approve a resolution for the continuation of the Special Institutional Fee, effective fiscal year 2013, in accordance with budget reduction requirements approved by the Board in September 2011.

Background: In December 2008, the Board approved a temporary fee for spring semester in response to budget cuts. The continuing budget reductions imposed by the State of Georgia necessitated increases to and a continuation of the fee to maintain quality, offer courses for students to meet graduation requirements, and meet increased enrollment demand.

The Special Institutional Fee is scheduled to sunset on June 30, 2012. The fee will be considered as continuing, and will be re-evaluated annually thereafter, as with all mandatory fees. Appendix III contains the Special Institutional Fee by institution.

A RESOLUTION

WHEREAS, cumulative state fund budget reductions at a time of increasing enrollment have presented a difficult challenge in preserving educational quality while meeting student needs;

WHEREAS, the Board of Regents and University System institutions have managed over \$1.4 billion in state fund reductions through eliminating staff and faculty positions, freezing and delaying hiring, reducing course offerings/program expansion efforts, increasing class size, and decreasing services such as student advising; increasing efficiencies, decreasing operating and travel expenditures, increasing deferred maintenance/decline in campus maintenance, reducing library holdings and requiring faculty and staff to take six furlough days;

WHEREAS, budget reductions in Fiscal Year 2009 resulted in the Board of Regents approving a temporary Special Institutional Fee for spring semester 2009;

WHEREAS, additional budget reductions in Fiscal Year 2010, Fiscal Year 2011 and Fiscal Year 2012 required the continuance of the Special Institutional Fee to maintain quality, offer courses for students to meet graduation requirements, meet increased enrollment demand and increased workload;

WHEREAS, the Fiscal Year 2012 budget did not include additional funding formula of \$145 million to recognize the growth in students and was essentially an additional budget reduction, thus leading to an increase in the Special Institutional Fee to offset the impact on quality and course offerings;

WHEREAS, the Fiscal Year 2013 budget provides a net increase in state funding but does not provide funding sufficient to allow for the termination of the Special Institutional Fee and the loss of \$210 million in revenue without adverse impact on students and institutions;

WHEREAS, the minutes of the Board of Regents meeting from April 2011 reflect a sunset date of June 30, 2012 for the Special Institutional Fee;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS that the Special Institutional Fee shall continue for Fiscal Year 2013;

BE IT FURTHER RESOLVED that the Board shall designate the Special Institutional Fee as a mandatory fee applying to all students except those specifically exempted in this resolution;

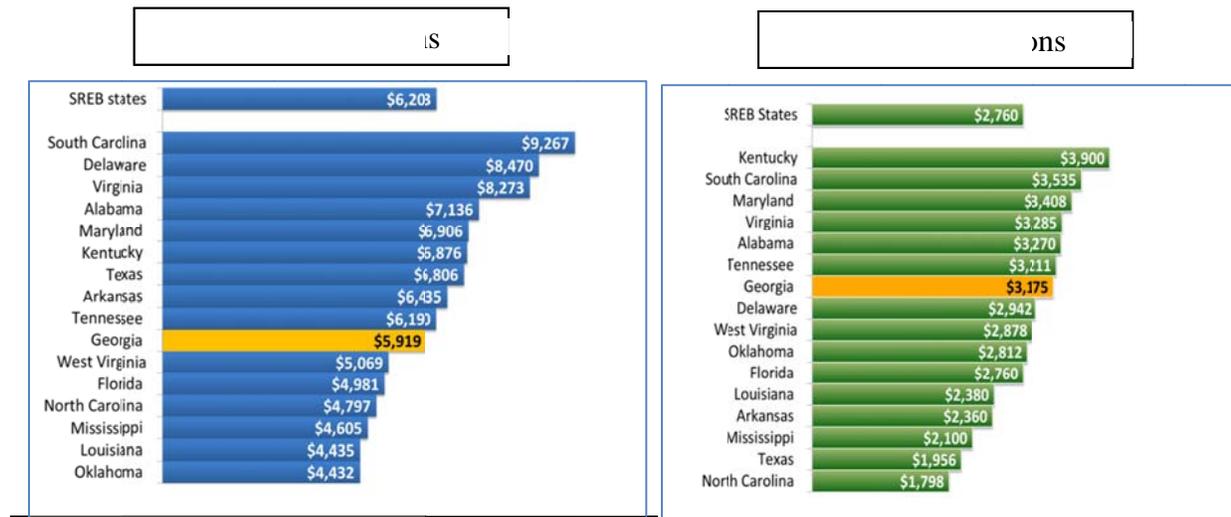
BE IT FURTHER RESOLVED that the Special Institutional Fee shall be exempt or reduced for the following: A) Exempt all active duty military students; B) Reduce the Special Institutional Fee by 50 percent for all students taking less than 5 credit hours; C) Exempt joint enrolled students; D) Exemption for cross-registered students at multiple institutions who pay the Special Institutional Fee at the home institution only; and E) Exempt students who typically do not pay fees such as senior citizens;

BE IT FURTHER RESOLVED that the Special Institutional Fee will be considered as continuing, and will be re-evaluated annually as part of the Board's normal review of tuition and fees.

4. Fiscal Year 2013 Tuition

Recommended: That the Board approve the tuition rates for fiscal year (“FY”) 2013, to become effective fall semester 2012. Recommended tuition rates appear in Appendix IIA (Undergraduate Tuition) and Appendix IIB (Graduate and Professional Programs).

Background: Tuition and fees in the University System are an excellent value for students; among all 16 states of the Southern Regional Education Board (SREB), Georgia ranks 10th among four-year institutions and 7th among access institutions for FY 2011.



In response to the economic downturn, institutions have implemented 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.

Maintaining affordability is one of the highest priorities of the University System of Georgia. This is especially important given the current economic climate and recent changes to the HOPE scholarship program. In an effort to maintain affordability, the University System of Georgia is committed to keeping tuition low.

4. Fiscal Year 2013 Tuition (Continued)**Proposed Undergraduate Rate Increases:**

The recommended strategy for FY 2013 balances affordability and quality across all sectors of the University System, recognizing that research institutions must remain nationally competitive.

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

1. A tuition increase of 2.5% for all institutions across all sectors, except for Georgia Institute of Technology, University of Georgia and Georgia State University.
2. A tuition increase of 6% for the Georgia Institute of Technology.
3. A tuition increase of 5% for the University of Georgia.
4. A tuition increase of 3.5% for Georgia State University.

Additionally, out-of-state tuition will increase by the same percentage for all institutions except the University of Georgia and Georgia State University. Out-of-state tuition will increase by the same dollar amount as in-state tuition for the University of Georgia and Georgia State University.

	In-State		Out-of-State	
	\$ Increase per Semester	% Increase	\$ Increase per Semester	% Increase
Georgia Health Sciences University	\$ 91	2.5%	\$ 319	2.5%
Georgia College and State University	\$ 81	2.5%	\$ 294	2.5%
Regional Universities	\$ 59	2.5%	\$ 209	2.5%
Comprehensive Universities	\$ 55	2.5%	\$ 200	2.5%
Comprehensives with Special Missions	\$ 59 - 64	2.5%	\$ 209 - 228	2.5%
State Colleges	\$ 35	2.5%	\$ 128	2.5%
Georgia Gwinnett College	\$ 41	2.5%	\$ 154	2.5%
Two-Year Colleges & Newly Approved State Colleges	\$ 31	2.5%	\$ 117	2.5%
Georgia Institute of Technology	\$ 218	6.0%	\$ 765	6.0%
University of Georgia	\$ 182	5.0%	\$ 182	1.4%
Georgia State University	\$ 127	3.5%	\$ 127	1.0%

4. Fiscal Year 2013 Tuition (Continued)

The recommended tuition differentials for the research institutions are market driven and based on comparative tuition data for peer institutions.

A 6% tuition increase is recommended for Georgia Institute of Technology. Georgia Institute of Technology is a world-renowned institute and competes on a global scale. This institution offers many high-cost programs and must generate sufficient revenues to remain technologically competitive and provide quality program offerings. Based on the tuition data of peer institutions, the undergraduate tuition rates at Georgia Institute of Technology are below the average tuition rates of their peers. A 6% tuition increase begins to move Georgia Institute of Technology to their peer tuition average.

In-state tuition increases of 5% and 3.5% are recommended for the University of Georgia and Georgia State University, respectively. Both the University of Georgia and Georgia State University are below the peer averages for in-state tuition. The recommended tuition increases move the tuition rates closer to the peer averages. Maintaining quality in the classroom and a competitive edge are essential for the research institutions.

The recommended out-of-state tuition increases for the University of Georgia and Georgia State University are based on the same dollar increase as the in-state tuition. This computes to a 1.4% increase for the University of Georgia and a 1% increase for Georgia State University. The current out-of-state tuitions rates already are above their comparative peers.

FY 2009 Students coming off the Fixed-for-Four Tuition Plan:

The first cohort of students (FY 2009) coming off the “Fixed-for-Four” (FFF) tuition will pay the incoming rate for FY 2013. 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 2012).

Graduate and Professional Program Tuition:

The Board of Regents’ policy on graduate tuition allows 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.

5. Approval of Proposed Revision to *The Policy Manual*, 7.3.4.1 Out-of-State Tuition Waivers

Recommended: That the Board approve the proposed revision to the Board Policy, Section 7.3.4.1 Out-of-State Tuition Waivers, effective July 1, 2012.

Background: Superior, out-of-state students are in high demand by institutions across the country; therefore, the tuition charged by institutions for these students must be market sensitive. Selection of highly qualified students is integral to the performance and success of our institutions. Highly qualified students bring focus, determination, intelligence, and inspiration to the classroom setting, and generally forge long-lasting relationships as alumni. These students are attractive to numerous college and universities across the nation and select their institution of higher learning from factors that include both the program as well as those things the institution can offer towards their education.

Over time, out-of-state tuition rates may, in some cases, become greater than rates charged by peer or comparable institutions. This may cause University System of Georgia (“USG”) institutions to be at a competitive disadvantage in attracting the best and brightest students, which may compromise the overall quality of certain programs. Institutions must have the ability to compete with offerings of peer institutions to attract these superior students. The proposed change in Board policy will give Presidents additional flexibility to attract and retain these students, thus increasing the competitiveness and quality of USG institutions.

Understandings: The proposed recommendation for Section Proposed Revisions to The Policy Manual, 7.3.4.1 Out-of-State Tuition Waivers, constitutes a revision of the previous policy. Proposed revisions are provided below. Please note that any strikethrough text represents a deletion from the current version, and the bold, highlighted text represents an addition to current policy.

<i>Current Policy</i>	<i>Proposed Policy</i>
7.3.4.1 Out-of-State Tuition Waivers	7.3.4.1 Out-of-State Tuition Waivers
<p>International and Superior Out-of-State Students</p> <p>International students and superior out-of-state students selected by the institution president or an authorized representative, provided that the number of such waivers in effect does not exceed two percent (2%) of the equivalent full-time students enrolled at the institution in the fall term immediately preceding the term for which the out-of-state tuition is to be waived.</p>	<p>International and Superior Out-of-State Students</p> <p>International students and superior out-of-state students selected by the institution president or an authorized representative, provided that the number of such waivers in effect does not exceed two percent (2%) four percent (4%) for the University of Georgia, Georgia Institute of Technology, Georgia State University, Georgia Health Sciences University, and two percent (2%) for all other institutions of the equivalent full-time students enrolled at the institution in the fall term immediately preceding the term for which the out-of-state tuition is to be waived.</p>

6. **Fiscal Year 2013 Mandatory Student Fees**

Recommended: That the Board approve the proposed mandatory student fees for fiscal year (“FY”) 2013 for institutions of the University System of Georgia, to become effective fall semester 2012. 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 of four students and at least fifty percent of the committee membership.

A summary of fee increase recommendations is provided below.

New Fees, Fee Increases and Fee Eliminations, excluding PPV fees:

Georgia Institute of Technology	• Transportation Fee, \$5
Georgia Health Sciences University	• Wellness Fee, \$10
University of Georgia	• Transportation Fee, \$3
Fort Valley State University	• Athletic Fee, \$20
Georgia College and State University	• Athletic Fee \$6
Georgia Southwestern State University	• Athletic Fee \$5
Kennesaw State University	• Athletic Fee \$8
Savannah State University	• Athletic Fee \$7 • Transportation Fee, \$8
Southern Polytechnic State University	• Activity Fee \$8
Dalton State College	• Transportation Fee, \$20
Georgia Gwinnett College	• Athletic Fee, \$20
Georgia Perimeter College	• Health Fee, \$10
Middle Georgia College	• Records Fee, (\$10) <i>Eliminate Fee</i>

6. Fiscal Year 2013 Mandatory Student Fees (Continued)

PPV Projects:

1. Columbus State University: Recreation-Facility Fee, \$35 increase to current fee of \$135 fee (total \$170). This fee increase will be used to meet lease payment obligation.
2. Georgia College & State University: Wellness Center Fee, \$50 increase to current fee of \$125 fee (total \$175). This fee increase will be used to support the lease payment obligation associated with the new Wellness Center.
3. Savannah State University: Student Center and Stadium Facility Fee, \$10 increase to current fee of \$160 (total \$170). This fee increase will be used to support the lease payment obligation associated with the new Student Center and the renovation of the Football Stadium.
4. Southern Polytechnic State University: Transportation Fee, \$5 increase to the fee of \$100 (total \$105). This fee increase will be used to meet lease payment obligation associated with the Parking Deck.
5. Darton College: Student Activity Fee. \$40 increase to current fee of \$160 (total \$200). This fee increase will be used to meet lease payment obligation associated with the newly constructed Student Center.

6. Fiscal Year 2013 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 2013, during which the appropriateness of the fee will be assessed. No action by the Board is required for FY 2013, except as noted below.

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

Institution	Fee	Current Amount	Proposed Rate	Students Impacted
Fort Valley State University	Wildcat Cash	\$ -	\$ 100	All non-residential, full-time, undergraduate students
Kennesaw State University	128 Meals	\$ 1,022	\$ 1,073	Residential, full-time, first year students with less than 30 hrs.
Kennesaw State University	16 Meals	\$ 132	\$ 138	Residential, full-time, sophomores and juniors (≥30-89 hrs.)
Kennesaw State University	8 Meals	\$ 68	\$ 71	Residential, full-time, seniors (≥90 hrs.)
Kennesaw State University	48 Meals	\$ 390	\$ 410	Commuter, full-time, first year students with less than 30 hrs.
Kennesaw State University	16 Meals	\$ 132	\$ 138	Commuter, full-time, sophomores and juniors (≥30-89 hrs.)
Kennesaw State University	8 Meals	\$ 68	\$ 71	Commuter, full-time, seniors (≥90 hrs.)
College of Coastal Georgia	Dining Dollars	\$ 120	\$ 120	Students with 8 or more hours attending classes at the Camden Center
College of Coastal Georgia	Summer Dining Dollars	\$ -	\$ 50	Students with 6 or more hours attending classes during the summer session
College of Coastal Georgia	30 Meal Pack Dining Plan	\$ 195	\$ 195	Brunswick campus students with 8 or more credit hours who do not live in the residence hall.

7. Fiscal Year 2013 Budget Allocations

Recommended: That the Board approve the allocation of state appropriations for fiscal year (“FY”) 2013 among institutions and operating units of the University System of Georgia (“USG”). All allocations for FY 2013 are pending the Governor’s signing House Bill 742, the Appropriations Act for FY 2013.

Background: The total state funds budget for the USG at the beginning of FY 2012 was \$1.74 billion. The recommended state funds budget for FY 2013 is \$1.83 billion. Appendix IVA lists the changes from FY 2012 to FY 2013. The allocations by institution are shown in Appendix IVB. Appendix IVC lists the changes from FY 2012 to FY 2013 in the Special Funding Initiatives and Research Consortium.

FY 2013 Budget:

The state funds budget for FY 2013 is \$1.83 billion, including \$1.63 billion in formula funds and \$197 million in all other line items. The FY 2013 budget represents a total net increase of \$89.7 million, or 5.16%.

	FY 2012 Original Budget	Additions	Reductions	Transfers and Eliminations	Net Increase to Pass- Through Organizations	FY 2013 Budget
Formula funds	\$1,553,790,529	\$114,401,015	(\$35,286,153)	(\$1,214,596)	-	\$1,631,690,795
Line Items	\$ 185,124,490	\$11,774,433	(\$1,519,306)	\$1,056,982	\$442,390	\$ 196,878,989
Total	\$1,738,915,019	\$126,175,448	(\$36,805,459)	(\$157,614)	\$442,390	\$1,828,569,784

FY 2013 Additions: \$126.2 Million

The \$126.2 million increase for fiscal year 2013 includes the following major components:

- \$114.4 million for the formula funds:
 - \$72.6 million in funding for enrollment-related increases
 - \$14.6 million for the TRS rate increase from 10.28% to 11.41%
 - \$11.0 million for employer share of health insurance
 - \$5.7 million for new system retiree health benefits
 - \$5.2 million for general liability premiums, unemployment insurance and worker’s compensation premiums
 - \$3.8 million for operation and maintenance of new facilities
 - \$831K for debt service payback projects
 - \$500K for a teaching Eminent Scholar
 - \$152K for rate increases to the Employees’ retirement system
 - \$25K for the Center for Advancement Leadership Skills

7. **Fiscal Year 2013 Budget Allocations (Continued)**

- \$11.8 million in increases for line items:
 - \$5.0 million for the Georgia Health Sciences University Cancer Center
 - \$3.6 million for the Health Professions Initiative
 - \$1.3 million for employer share of health insurance and retiree health benefits
 - \$702K for the TRS rate increase from 10.28% to 11.41%
 - \$600K for four crop scientists (Agricultural Experiment Station)
 - \$394K in funding for the Public Library formula increase
 - \$105K for SREB dues and final year of osteopathic medicine
 - \$50K for industrial storm water solutions for Georgia's poultry industry (GTRI)

These increases reflect the continued support state funding partners provide, despite difficult economic times, to the USG to fulfill its mission of teaching, research and service.

FY 2013 Reductions: (\$36.8 Million)

The reductions for the USG institutions for FY 2013 total \$35.3 million for formula funds and \$1.5 million for line items. All reductions are pro-rated based on each institution's share of the state-funded budget, except those specifically outlined in HB 742. As good stewards of the institutions, presidents are committed to preserving quality while meeting the needs of students across the state. Responses to the 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.

FY 2013 Transfers and Eliminations: (\$157,314)

- \$615K Transfer Herty Advanced Materials Development Center program from Economic Development to Georgia Southern University for maintenance and operations
- \$128K Transfer funds for the Georgia Statewide Consortium of Technology from the Department of Labor
- (\$600K) Eliminate funds for Georgia Leadership Institute
- (\$300K) Eliminate funds for Accountability Plus
- Transfer funds for GALILEO in the amount of \$2.6 million from Special Funding Initiatives to Regents Central Office
- Transfer funds for the Fort Valley Land Grant Match in the amount of \$2.5 million from Teaching program to Special Funding Initiatives
- Transfer funds totaling \$557K from HBCU-Mission Related programs at Savannah State and Albany State Universities from Special Funding Initiatives to Teaching program
- Redirect funds totaling \$586K from ICAPP Health to the Health Professions Initiative

7. Fiscal Year 2013 Budget Allocations (Continued)**FY 2013 Allocation Recommendations:**

Allocations of state funds by institution are listed in Appendix IVC.

- Of the new enrollment funds of \$72.6 million, funds are allocated based on a combination of factors: (1) enrollment increases over the past two-year period, (2) restoration of budget reductions to maintain quality and (3) targeted institutional priorities.
- Allocations of cost increases for maintenance and operations for new space are allocated based on institutional projections of cost increases over the past two-year period. This provides funding for additional square footage that came on line in FY 2012, since no formula funding was received in FY 2012.
- Allocations of cost increases for health insurance, new retiree health benefits, and the TRS and ERS rate increases are allocated based on institutional projections of cost increases.
- All general reductions are pro-rated based on share of each institution's state funds budget.
- Any changes identified specifically by HB 742 were made accordingly.

FY 2013 Capital Budget:

The total bond package for capital projects for the Board of Regents is approximately \$325.8 million for FY 2013 and includes:

- \$11.1 million for equipment for buildings previously funded for design and construction at Abraham Baldwin Agricultural College, College of Coastal Georgia, Georgia Southern University, Georgia Southwestern State University, Kennesaw State University, and the University of West Georgia
- \$221.1 million in construction funds for projects at Dalton State College, Georgia College and State University, Georgia Gwinnett College, Georgia Health Sciences University, Georgia Institute of Technology, University of Georgia and Valdosta State University
- \$2.2 million in designs funds for Georgia Highlands College
- \$6.5 million for the Infrastructure Expansion at Kennesaw State University
- \$2.5 million for the Griffin Food Technology Center
- \$4 million for minor capital projects for the Agricultural Experiment Station
- \$1.5 million for equipment for the Agricultural Experiment Station
- \$45 million for Major Repairs and Rehabilitation (MRR) for USG institutions
- \$2.5 million for Major Repairs and Rehabilitation (MRR) at Rock Eagle
- \$4 million for the Fort McPherson Retrofit

7. Fiscal Year 2013 Budget Allocations (Continued)

- \$8 million for the Georgia Research Alliance equipment
- \$3 million for renovations of the Rural Development Center
- \$4.4 million for Georgia Public Libraries, including \$2.3 million for Major Repairs and Rehabilitation (MRR)
- \$7 million for the Health and Wellness Center at Georgia Military College
- \$1.8 million for system upgrades at Georgia Public Telecommunications Commission
- \$1.3 million for facility improvements at Georgia Public Telecommunications Commission