Budgeting at Georgia Tech

Workshop for School Chairs
September 12, 2014
Based on Fiscal 2015 Budget

Presented by Jim Kirk (jkirk@gatech.edu)
Office of Institute Budget Planning &Administration
Outline

I. Review of Higher Ed Terminology
II. Overview of Georgia Tech’s Budget
III. Budget Update
IV. Budget Process at Georgia Tech
I. Higher Education Finance Terminology
Terminology

• Fund Accounting – fund is an accounting entity with self-balancing set of accounts
  o Segregated for purpose of carrying on specific activities
  o Segregation required by GAAP, regulations, or state law

• Major Fund Groups:
  o Resident Instruction - see below*
  o Each “B” Unit – Georgia Tech Research Institute (GTRI) & Enterprise Innovation Institute (EI2)
  o Auxiliary Enterprises – businesslike operations
  o Student Activities – Student Activity Fee funding

* fund group that encompasses the academic core of GT; all operations except the fund groups below
Terminology

• General Operations – general revenue from any of the sources below:
  o State
  o Tuition
  o Indirect cost recoveries
  o Student fees and other general revenue
• Projects – lowest level of GT accounting and budgeting
• Program/Function – major service areas budgeted (instruction, research, public service, support areas)
  o Each project assigned a program
• Account Number – object of expenditure code (personal services, other operating, etc.)
Terminology – Major Programs/Functions

**Basis for Structure: IPEDS (Integrated Postsecondary Education Data System)**

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Plant Operation and Maintenance
- Scholarships and Fellowships
II. Overview of Georgia Tech’s Budget:
- Capital Budget
- Operating Budget
Capital Project Funding Methods

Renovations/Minor Projects:
  o Endowment, State & other Gen Ops, Dept. Funds

Major Projects:
  • State Bonds (annual General Assembly approval)
  • Gifts through GT Foundation
  • Recoveries from sponsored projects
  • Capital Leases – GT Facilities, Inc.*
  • Earmarked student fees

* GT non-profit affiliate corporation providing financing for major capital projects
Recent Major Capital Projects

- **Engineered Biosystems Building** – $113M total budget: $64M in state funding + $49M Institute and donor funds; located on 10th St.; completion June 2015
- **Mason Building Renovation** – $10.5M budget; $4.0M from donors and balance from Institute and MRR; Civil and Env Eng – near Bunger Henry; complete FY13
- **Stamps Field Improvements** – budget $5.5M; CRC reserve, donor, & other Institute sources; replacement of turf and improved drainage; completion Dec. 2013
- **Chapin Building Renovations** – historic renovation; state $1.9M, total budget $2.5M; start Jan. 2014 and completion August 2014
- **Price Gilbert Library & Crosland Tower Renovation** – total budget $84.6M; State bonds $76.1M; renovation to begin FY15, completion FY17; tied into EmTech
- **High Performance Computing** – high rise planned for Tech Sq; in planning stage

**Engineered Biosystems Building**

**Mason Building**
**Engineered Biosystems Building (EBB)**

*A Case Study*

- **What?** 220,000 square feet of multidisciplinary research space to accommodate expansion of the Institute’s biomedical research enterprise
- **Who?** CoE and CoS new & existing faculty
- **Cost?** $113M total building construction budget;
  - $64M state funding – remainder from donors and GT sources; completion in mid-2015
Engineered Biosystems Building (EBB)
A Case Study, Part 2

- Permanent Building Operating Budget (Personal and Non-Personal Services):
  - $2.0M EBB (Animal Facility, Core Labs, CoE, CoS, IBB/PRL, IT)
  - $1.2M Facilities Management
  - $1.0M Utilities
  - $0.8M Fringe Benefits (estimate 60 new FTEs)
  **$5.0M Total**

- One-Time Funds:
  - $6.6M Core Lab Equipment (purchase over several years)
  - $1.8M Animal Facility Equipment
Operating Budget: Where does the money come from?

Georgia Institute of Technology
Revenue Budget by Source
FY 2015

- Sponsored Operations 36%
- State Appropriations 15%
- Student Tuition 21%
- Indirect Cost Recoveries 10%
- Departmental Sales and Services 4%
- Other General 4%
- Auxiliary Services 10%

Total Georgia Tech Revenue Budget: $1,498,199,448
Operating Budget: Where does the money go?

Georgia Institute of Technology Expenditure Budget by Function FY 2015

- Research: 45%
- Instruction: 20%
- Auxiliary Services: 13%
- Scholarships & Fellowships: 3%
- Operation of Plant: 10%
- Institutional Support: 4%
- Academic Support: 4%
- Public Service: 1%
- Student Services: 2%

Total Georgia Tech Expenditure Budget: $1,472,617,712
Revenue-Related Topics

• Tuition and Fees
• Affiliate Organizations
• State Funding
• Tuition Waivers and Assistantships
• Indirect Cost Recoveries
Fall 2014 Tuition and Fee Rates

(Per Semester for full-time students*)

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<th>Residents (9% inc.)</th>
<th>Non-Residents</th>
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<td>Undergraduates</td>
<td>$4,501</td>
<td>$14,153</td>
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<td>Graduates</td>
<td>* $6,172</td>
<td>$13,800</td>
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<td>Mandatory Fees**</td>
<td>$1,196</td>
<td>$1,196</td>
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* Full-time defined as more than 6 hours for undergraduates and 12 hours or more for graduate students
** Mandatory fee total includes $544 Institutional Fee initiated by the Board of Regents.
Tuition Peer Comparison – Resident Undergraduates (annual)

Georgia Institute of Technology
Undergraduate In-State Tuition
Public Peer Institutions
FY 2014

Penn State
Michigan
Minnesota
Illinois-UC
Washington
UCLA
UC-Berkeley
UT-Austin
Virginia Tech
Purdue
Georgia Tech
NC State
Texas A&M
Florida

Peer Average: $10,085
Peer 75th Percentile: $11,834
Tuition Peer Comparison – Non-Resident Undergraduates (annual)

Georgia Institute of Technology
Undergraduate Out-of-State Tuition
Public Peer Institutions
FY 2014

- Michigan
- UCLA
- UC-Berkeley
- UT-Austin
- Washington
- Penn State
- Purdue
- Georgia Tech
- Illinois-UC
- Florida
- Virginia Tech
- Texas A&M
- NC State
- Minnesota

Peer Average: $28,167
Peer 75th Percentile: $33,824
Georgia Tech Mandatory Fees*
(Per Semester for Fall 2014)

- Transportation - $81
- Student Health - $160
- Student Activity - $123
  - Student Center
  - Campus Recreation Center Operations
  - Student Organizations
- Technology - $107
- Athletic - $127 (for Athletic Association)
- Campus Recreation Center (debt svc) - $54
- USG Institutional Fee (BOR implemented) - $544

**TOTAL - $1,196**

* All students pay if > 4 credit hours
GT State and Tuition Revenue Trends

Georgia Institute of Technology
Tuition and State Funding Comparison
FY 2005 - FY 2015

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<td>$122.22</td>
<td>$127.17</td>
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<td>$199.61</td>
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<td>$236.22</td>
<td>$263.36</td>
<td>$235.50</td>
<td>$216.84</td>
<td>$197.67</td>
<td>$204.67</td>
<td>$209.50</td>
<td>$214.35</td>
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**Note:** State Funding Resident Instruction only; includes Research Consortium and Special Funding Initiatives
Revenue-Related Topics

- Tuition and Fees
- **Affiliate Organizations**
- State Funding
- Tuition Waivers and Assistantships
- Indirect Cost Recoveries
Affiliate Organizations at GT

• Affiliated Organizations of the Georgia Institute of Technology are legally separate nonprofit corporations that assist Georgia Tech in achieving its mission.

• The strategic goals and priorities of Georgia Tech are established by the President acting under the guidance of the Chancellor and the Board of Regents of the University System of Georgia.

• The legal authority and operating control of each Affiliated Organization is clearly defined, and each has a contractual or other formal agreement that describes its relationship with Georgia Tech.

• The Affiliated Organizations are individually functioning entities that are operated separately and in a professional, open and responsible manner. Each organization issues separate financial statements, but the business and financial activities of each are coordinated with the business and financial activities of the Institute.

Source: http://www.larm.gatech.edu/aff-org

NOTE: Georgia Tech is careful in handling any financial transactions with affiliates to ensure that such actions do not violate affiliate and state rules.
Principal Affiliate Organizations

- GT Foundation (GTF)
  - Separate donor funding sources for campus units
  - GTF Institute Support Budget – allocated by President
  - Contributions to capital projects
- GT Research Corporation (GTRC)
- GT Facilities Inc. (GTFI)
- Georgia Advanced Technology Ventures (GATV)
- GT Athletic Association (GTAA)
- GT Alumni Association
Revenue-Related Topics

- Tuition and Fees
- Affiliate Organizations
- **State Funding**
- Tuition Waivers and Assistantships
- Indirect Cost Recoveries
State Funding Recap – FY 2015 ($M)

- **Resident Instruction**
  - Formula Funding $214.35

- **“B” Units**
  - GT Research Institute (GTRI) 5.63
  - Enterprise Innovation Institute (EI²) 7.27
  - Subtotal “B” Units $12.90

**TOTAL STATE FUNDING** $227.25
State Funding Notes

• Current State funding formula:
  o Principal basis – enrollment (credit hours) by: student level and group (discipline)
  o Square footage basis for facilities O&M allocations
  o Formula drives funding for USG, not individual schools
  o BOR determines allocations of funding approved by General Assembly
  o Status –
    • In place at least through FY16
    • Replacement with performance-based formula

• 5-Year State Reductions: $99.7M, or 35% of FY09 State Funding Base
Revenue-Related Topics

• Tuition and Fees
• Affiliate Organizations
• State Funding
• Tuition Waivers and Assistantships
• Indirect Cost Recoveries
Impact of Tuition Waivers on Budget
(Fall 2013 figures cited below)

• Total Tuition Waivers: $50.6M of $180.7M tuition assessed was waived (28%)

• Types of Waivers
  o Graduate Assistantships – students work either in research (GRA’s) or instruction (GTA’s) – Total $43.1M
  o Other Waivers: & Undergraduates – $7.5M
    • Cross enrollment (with other USG institutions)
    • Out of state tuition waivers
    • Economic Advantage
    • Military
    • Other Categories

• Recovery Method – Graduate Student Tuition Remission Program (GSTRP): tuition recovery from sponsored programs – $26.8M of $50.6M waived in Fall 2013
Types of Graduate Assistantships

• Graduate Research Assistant
  o Student involved in sponsored research
  o Expectation that student’s resident tuition recovered from sponsor – GSTRP
  o Other GRAs committed to new faculty

• Graduate Teaching Assistant
  o Student assists faculty in classroom activities
  o Student’s tuition covered by Institute budget
Financial Requirements on Waivers

- Awarding of graduate assistantships controlled by student’s home department.
- Students with assistantships must perform research or teach; GRAs or GTAs
  - GRAs typically on sponsored funds
  - GTAs typically paid through General Operations funding
- Work performed on assistantship must be directly related to student’s course of study.
- Fiscal responsibility for waivers shared between Institute and academic departments
  - Waiver targets approved by Provost’s Office
  - Annual review with colleges based on waivers over or under non-sponsored waiver bases.
Revenue-Related Topics

- Tuition and Fees
- Affiliate Organizations
- State Funding Formula
- Tuition Waivers and Assistantships
- Indirect Cost Recoveries
Indirect Cost Revenue

- Indirect cost recoveries permitted by most sponsors
  - “Overhead” costs of doing business
- Governed by Federal Government’s OMB Circular A-21 (“Facilities and Administrative Costs”)
  - OMB Circulars undergoing consolidation
- Areas recovered include: facilities costs, central administrative costs, unit administrative costs, library, & sponsored program administration
- Approved rate applied to direct expenditures under sponsored agreements to recover F&A
- FY15 budgeted F&A revenue $146M for GT (includes GTRI) – 10% of total budget
What does F&A pay for?
F=Facilities & A=Administration

Components of GT Capped Organized Research F&A Rate

- **F-Plant Maintenance**: 24.0%
- **F-Building & Impr Depreciation**: 11.6%
- **F-Interest on Financed Bldgs**: 4.6%
- **F-Library**: 2.0%

- **A-Departmental Admin**: 26.6%
- **A-Sponsored Programs Admin & GTRC**: 11.3%
- **A-Student Services**: 8.4%
- **A-Admin & General**: 2.1%

**Source**: GT Financial Services
## Fiscal 2015 Indirect Cost Rates

### Facilities and Administrative Rates

Approved by the Office of Naval Research for Georgia Institute of Technology Resident Instruction units (other than GTRI)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Rate</th>
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<tbody>
<tr>
<td>Organized Research - Capped</td>
<td>55.9%</td>
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<tr>
<td>Organized Research - Uncapped</td>
<td>59.6%</td>
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<td>Industrial</td>
<td>59.8%</td>
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<tr>
<td>Instruction</td>
<td>55.2%</td>
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<td>Other Sponsored Activities</td>
<td>36.1%</td>
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Distribution of RI Indirect Cost Recoveries

GTRC:
• Portion of ICR (F&A) recoveries retained by GT Research Corporation (21.7%) to:
  o Cover operating costs
  o Provide grants back to RI units for faculty start-up & cost sharing

Balance (78.3%) to Resident Instruction:
• 30% of ICR returned to colleges as incentives to be further allocated at deans’ discretion
• Incentive based on growth over previous year
III. Budget Outlook
Recent Budget Challenges

- Faculty growth not keeping up with enrollment
  - Student/Faculty ratio increase – 18:1 to 23.1 over 12 years
  - Larger class sizes and fewer course sections

NOTE: Ratio computed by dividing fall enrollment by instructional tenure/tenure track faculty
Recent Budget Challenges

- Administrative support in colleges
- Facility expansion for enrollment increases and research requirements
- Market challenges - faculty and staff
- Continued quality of student services with growing enrollment
- Faculty start-up and matching requirements
- Deferred maintenance of aging facilities
FY 2015 Approved Budget – Revenue

- **State Funding (+$4.8M)**
  - Modest new formula funding in FY15 – $1.5M (0.7%)
  - Minimal state funding for merit raises - GT’s share $381K
    - $3.1M required for 1% average raises
  - Fringe benefit increases funded for retirement & health increases

- **Tuition (+17.6M)**
  - Resident undergraduate and graduate increase 9%
  - Strong non-resident undergraduate fall enrollment expected
  - Online masters increase of $900K to cover FY15 costs

- **Continued Special Institutional Fee ($544 – all students)**

- **Indirect Cost Recoveries (no increase)**
  - Expected continuation of decline in FY15 and gradual increase in FY16 and out-years
FY 2015 Approved Budget – Expenditures

• Mandatory Requirements & Previous Precedents
  o Average 4.0% merit raises approved for 80% of employees (3.2% average for all employees)
  o Health insurance and retirement increases
  o Faculty: strategic hires, promotions, start-up
  o High performance computing
  o Mission critical items including IT network & security, leases, campus safety & environmental health, utilities
  o Full Engineered Biosystems Building (EBB) implementation – opens April 2015
  o EmTech – joint library storage facility with Emory
FY 2015 Approved Budget – Expenditures

- **Priority Base Funding Items** *(total $6.1M “new workload”)*
  - New faculty – $2.0M
    - Distribution by Provost to colleges
    - Target of Opportunity funding
  - Graduate student support – $900K
  - Fringe benefits on EBB, new faculty, and other new positions – $1.1M
IV. Budget Preparation and Execution at Georgia Tech
Summary of Budget Preparation Process

Principal Actors in Internal GT Budget Process:

• Executive Staff: President, Provost, Executive Vice President for Administration and Finance, Executive Vice President for Research
• Deans, Vice Presidents, and Other Unit Heads
• Key Unit Budget Contacts
• Mandatory Student Fee Advisory Committee
Summary of GT Budget Preparation

- **December**
  - Presentation of GT priorities to Board of Regents

- **December – January**
  - Revenue estimates
  - Tuition and fee recommendations to BOR

- **Mid- to late Feb.**
  - Budget instructions and forms issued to campus

- **Early March**
  - Base budget distribution to campus units (Form 1)

- **March**
  - Colleges & other unit budget submissions to respective Office of the President executives
  - Internal budget meetings with executives

- **End of March**
  - Legislature’s approval - Appropriations Act
  - Division budget requests finalized (Form 2 and backup)

**Budget Calendar:** [http://www.budgets.gatech.edu/Views/Calendar.aspx](http://www.budgets.gatech.edu/Views/Calendar.aspx)
Summary of GT Budget Preparation

- **Early April**
  - Campus budget meetings with Office of President executives and deans/division heads

- **Mid-April**
  - BOR Approval of tuition, fees and budget allocations

- **Mid-to Late April**
  - Executive staff decisions on internal GT priorities
  - Allocations to units: new allocations and/or reductions

- **Early May**
  - Preparation by units of detailed Original Budget
  - Submission of original budget to BOR (approval at May BOR meeting)

- **July 1st**
  - Budget execution for new FY begins
Budget and Financial Calendar – College Process

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Source: David Moore, College of Sciences
Budget Execution @ GT – Key Points

• Responsibility budgeting and accounting: division and department heads responsible for their own budgets
• Flexibility in managing budgets: e.g. transferring funds internally between units and between P/S and non-P/S, creation of positions if funds available
• Internet Budgeting Solution (IBS): system used for budget preparation and amendments
• Cannot cross sources of funding
• Allocations lapse at year-end unless approved by Office of President per budget policy on deficits and carry forward funds
Key GT Central Budget and Planning Units

Steve Swant
Executive Vice President
Administration & Finance

Jeff Scott
Senior VP – A&F
Institute Planning & Resource Management

Jim Kirk
Budget Planning & Administration

Sandi Bramblett
Inst Planning and Research

Howard Wertheimer
Capital Plg/Space Management

Financial Svces, Grants & Contrs, Other Offices
Need additional information??

http://www.budgets.gatech.edu/

Questions??