Budgeting Basics: “The Colors of Money”

GT Staff Council
“Inform Tech”

February 22, 2016
The Budget Office” Where in Organizational Structure?
Outline

I. Basics of GT’s Budget and Accounting Structure
II. Building Blocks of Georgia Tech’s Operating Budget
III. Allowable Uses for Funding Sources
IV. Budget Outlook and FY17 Budget Process
I. Terminology and Budget Structure
What is GT’s basic budgeting and accounting structure?

• Two Principal GT Budgets*:
  o Operating Budget – ongoing operations including:
    • Colleges – instruction and research
    • Interdisciplinary Research Institutes
    • Student support services
    • Facilities and leases
    • Administrative support
  o Capital Budget – one-time major capital investments including:
    • Engineered Biosystems Building
    • Price Gilbert Library and Crosland Tower Renovation
    • West Campus Dining

*NOTE: Excludes affiliate organizations
What is GT’s basic budgeting and accounting structure?

- Budgeting/Accounting by Major Fund Area:
  - Resident Instruction – core GT operations: research, instruction, administration, facilities, student services
  - State Earmarks and Sponsored/Earned Funds:
    - GT Research Institute
    - Enterprise Innovation Institute
  - Student Activities – earmarked student fees for CRC, Student Center, clubs/activities
  - Auxiliary Enterprises – businesslike operations
    - Examples: parking, transportation, housing, dining, student health, retail
What is GT’s basic budgeting and accounting structure?

• 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 & budgeting
• Program/Function – major service areas budgeted
  o Required by U.S. Dept of Education
  o Examples: instruction, research, public service, support areas
  o Each project assigned a program/function
• Account Number – specified expenditure type: personal svces, supplies, equipment, etc.
Affiliate Organizations at GT

- Legally separate nonprofit corporations that assist Georgia Tech in achieving its mission
- Strategic goals and priorities of Georgia Tech established for affiliates by GT President
- Each affiliate – contractual or other formal agreement with GT
- Individually functioning entities operated separately but coordinated with business and financial activities of GT

Source: http://larm.gatech.edu/affiliated-organizations

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

- **GT Foundation** (GTF)
  - Separate donor funding for campus units
  - GTF Institute Support Budget – allocated by President
- **GT Research Corporation** (GTRC)
- **GT Facilities Inc.** (GTFI)
- **Georgia Advanced Technology Ventures** (GATV)
- **GT Athletic Association** (GTAA)
- **GT Alumni Association**
II. Building Blocks of Georgia Tech’s Operating Budget
The Building Blocks – By Source

Building Blocks of Georgia Tech's FY16 Educational & Genl Budget

- $1.39B
- **Student Tuition** ($350M)
- **Indirect Cost Recovs** ($144M)
- **Other General** ($50M)
- **Dept Sales/Svces** ($53M)
- **Sponsored** ($536M)
- **Student Activities** ($14M)

Building Blocks of Georgia Tech's FY16 Total Budget

- $1.54B
- **Student Tuition** ($360M)
- **Indirect Cost Recovs** ($144M)
- **State** ($234M)
- **Other General** ($50M)
- **Dept Sales/Svces** ($53M)
- **Sponsored** ($536M)
- **Student Activities** ($14M)
- **Auxiliary Svces** ($152M)
The Building Blocks – By Unit

Building Blocks of Georgia Tech's FY16 Total Budget by Major Unit

- Auxiliary Services ($151.8M)
- Student Activities ($14.2M)
- Enterprise Innovation Inst ($19.1M)
- GT Research Institute ($319.7M)
- Resident Instruction ($1.04B)
The Building Blocks – “RI”

Building Blocks of Georgia Tech's FY16 Resident Instruction Budget

- Sponsored ($320M)
- Dept Sales/Svces ($38M)
- Other General ($49M)
- Indirect Cost Recovs ($50M)
- State ($220M)
- Student Tuition ($360M)

$1.04B

Building Blocks of Georgia Tech's FY16 R.I. "Gen Ops" Budget

- Other General ($49M)
- Indirect Cost Recovs ($50M)
- State ($220M)
- Student Tuition ($360M)

$679.4M
Recap: Where does the money come from?

Georgia Institute of Technology Operating Revenue Budget by Source FY 2016

- Sponsored: 35%
- Tuition: 23%
- State: 15%
- Auxiliary*: 10%
- Overhead Recoveries: 9%
- Earned/Other: 8%

Total: 100%

* Auxiliary programs are operated like businesses – e.g. parking, transportation, student health, retail, housing, food service

Total Georgia Tech Revenue Budget: $1,541,633,445
What are the state versus tuition revenue trends?

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

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<tbody>
<tr>
<td>$111.97</td>
<td>$122.22</td>
<td>$127.17</td>
<td>$150.45</td>
<td>$164.79</td>
<td>$181.22</td>
<td>$217.35</td>
<td>$235.25</td>
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<td>$199.61</td>
<td>$209.69</td>
<td>$222.14</td>
<td>$236.22</td>
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<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
Recap: Where does the money go?

Georgia Institute of Technology
Expenditure Budget by Function
FY 2016

- Research: 46%
- Instruction: 19%
- Auxiliary Services: 8%
- Scholarships & Fellowships: 3%
- Operation of Plant: 10%
- Institutional Support: 6%
- Student Services: 2%
- Public Service: 2%
- Academic Support: 4%

Total Georgia Tech Expenditure Budget: $1,515,450,357
III. Allowable Uses for Funding Sources
Special Spending Requirements

- Allowable cost matrix – Controller’s Office website
  - Tool to assist accounting and finance staff with making decisions related to Institute expenses
  - Vehicle to determine if certain expenses are allowable on certain fund types.
  - List of all Institute fund groups and expense types
- Technology Fees – Budget Office website
- GT Foundation – based on intention of donors
- Sponsored funding – grants & contracts (next page)
What can be charged to grants and contracts?

**Note:** See Policy Library – “Allowable Expenses”

- Necessary, reasonable, and allocable
- Conform to any limitations or exclusions of award
- Consistency:
  - With policies and procedures that apply uniformly to grants and other requirements of grantee
  - Either direct or indirect cost, not both
  - Consistent with GAAP
  - Not also counted as matching/cost sharing
- Adequately documented
IV. Budget Outlook and FY17 Budget Process
What is GT’s number one budget challenge?

- Faculty growth not keeping up with enrollment:
  - Student/Faculty ratio increase – 21.3 to 26.3 over 10 years
  - Results: Larger class sizes, fewer course sections, less individual faculty contact with students

*NOTE: Ratio computed by dividing fall enrollment by instructional tenured/tenure track faculty and (Sources: USG Information Digest; HRDM reports and IRP Fact Book Faculty table*
Where did the “new money” come from in Fiscal 2016?

<table>
<thead>
<tr>
<th>Georgia Tech</th>
<th>Allocation of Tuition Funding from Rate Increase</th>
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<tbody>
<tr>
<td></td>
<td>Fiscal Year 2016</td>
</tr>
<tr>
<td>Previous Fiscal Year Final Base Budget (FY15)</td>
<td>650,377,473</td>
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</table>

New Georgia Tech Funding:

<table>
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<tr>
<td>Incremental Funds</td>
<td></td>
</tr>
<tr>
<td>Total State Increase</td>
<td>5,377,957</td>
</tr>
<tr>
<td>Less Earmarked Funds: Facilities, Retirement, Insurance, Other</td>
<td>(4,947,381)</td>
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<tr>
<td>Balance Available - Pay Raises and New Workload</td>
<td>430,576</td>
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% of Prior Year Base Budget: 0.1%

Sources - State Funding for Merit Pay and New Workload:

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<tbody>
<tr>
<td>Formula Funding</td>
<td>(1,100,000)</td>
</tr>
<tr>
<td>Merit Raises (total cost/1% = $4.1M)</td>
<td>1,530,576</td>
</tr>
<tr>
<td>Balance Available - Pay Raises and New Workload</td>
<td>430,576</td>
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Where did the “new money” come from in Fiscal 2016?

<table>
<thead>
<tr>
<th>Tuition Revenue:</th>
<th>Incremental Funds</th>
<th>% of Prior Year Base Budget</th>
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<tbody>
<tr>
<td>New General Tuition Revenue from Rate Increase</td>
<td>16,311,000</td>
<td></td>
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<tr>
<td>General Revenue from Enrollment Increase</td>
<td>7,047,000</td>
<td></td>
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<tr>
<td><strong>Total Tuition Increase (excludes tuition earmarked for programs)</strong></td>
<td>23,358,000</td>
<td></td>
</tr>
<tr>
<td>Coverage of Revenue Shortfalls - other Sources</td>
<td>(1,000,000)</td>
<td></td>
</tr>
<tr>
<td><strong>Totala Net Tuition Available for Allocation</strong></td>
<td>22,358,000</td>
<td>3.4%</td>
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## Where did the new money go in Fiscal 2016?

### Georgia Tech
**Allocation of Tuition Funding from Rate Increase**
**Fiscal Years 2015 and 2016**

<table>
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<th>Summary of New Allocations:</th>
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**Summary of New Allocations:**

- **Mandatory Requirements not Covered by Formula & Other Funding:**
  - GT Share of Fringe Benefits (not covered state): $1,229,000 (5%)
  - Other Mandatory Increases: Utilities, Leases, Contractual Obligations, Insurance, Library Price Increases, EMTECH, Tuition Differentials: $7,685,000 (34%)

- **Pay Adjustments:**
  - Merit (3.2% average in FY15 & 2% for FY16), Pay Grade Adjustments, Faculty Promotions: $10,205,000 (45%)

- **Faculty:**
  - New Positions (S/F ratio) and Retention of Existing Faculty; Faculty Startup: $3,761,500 (16%)

**Total Application of New Revenue:**

- $22,880,500 (100%)

**Difference - Available Tuition Revenue Minus Allocations:**

- ($522,500)

(covered by other sources)
What is the budget outlook for Fiscal 2017 and 2018?

**Revenue Factors:**

- **State formula funding:**
  - Strong formula earnings for GT for Fiscal 2017 – but GT’s share uncertain; more “austerity cuts?”
  - No funding for health insurance/retirement increases

- **State share of merit raise costs:**
  - Minimal FY15 & FY16 state funding toward total costs
  - Fiscal 2017 state funding share?

- **Tuition:**
  - Zero rate increases – possibly over next 2 years
  - Modest enrollment increases
  - No further shift resident to non-resident

- **Flat or declining ICR revenue in Resident Instruction**
What is the budget outlook for Fiscal 2017 and 2018?

**Spending Factors:**

- Employee merit pay
- Faculty growth to accompany enrollment:
  - Salaries and administrative support
  - Faculty startup
- Administrative and student support systems
- HPC and other leases
- Research administrative support
- Research equipment refreshment
- IT refreshment and expansion
Conclusion: Improved Approach to Budget Development Needed

Priority-Based Budgeting:

• Over the next five years, incremental funding available to GT will not be adequate to cover research, instructional, public service, student services, facilities, and technology priorities. Revised budget process Fiscal 2017:
  o Link program planning and resource allocation, with a focus on the Georgia Tech Strategic Plan
  o Target new funding and funding in current budgets to support new and expanded program priorities
President’s Instructions to Deans and Unit Heads

- Present your plans and budgets for next year and how these align with the Georgia Tech Strategic Plan.
  - Evaluation of your unit’s progress during the previous and current fiscal years in any new spending initiatives
  - What steps you would take to absorb the 1% and 3% budget reductions and how these actions would impact your division
  - Identification and justification of your unit’s strategic initiatives for the next year
  - Explanation of how each of these initiatives will continue the Institute’s positive momentum by supporting and advancing the Georgia Tech Strategic Plan as we move the Institute forward toward our goal to “define the technological research university of the 21st century”
Need additional information??

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

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

Questions??