

MIDDLE GEORGIA STATE UNIVERSITY

Budget Stakeholder Report

Fiscal Year 2017



Dear MGA Stakeholder:

Thank you for your interest in the Middle Georgia State University (MGA) budget process. Whether you are an employee, student or just an interested community member, we are pleased that you are taking an interest in MGA. The purpose of this report is to educate you about MGA's budget process, the actual sources and uses of the Fiscal Year 2017 budget, and other items affecting MGA's financial sustainability. Again, thank you for your interest in MGA and we hope you find this report informative.

Budget Overview and Institutional Priorities

Faced with a flat tuition rate, flat enrollment, and a \$1.9Million cut in State Appropriations, the FY2017 budget required more adaptability and active stewardship than ever before. The commitment of Faculty and Staff to continue to "do more with less" allows MGA to operate administratively lean while focusing our resources on institutional priorities. These priorities provide the foundation for institutional and academic growth with significant investment in the following areas:

- **Expansion of Graduate Mission** – With the successful launch of two graduate degrees and approval of two more in FY2016, MGA's Graduate Studies is poised for rapid expansion of degrees and growth in students. The FY2017 budget provides the infrastructure to support this growth with the addition of an Assistant Dean, Graduate Admissions personnel, and multiple faculty lines.
- **School of Aviation Expansion and Growth** - The Georgia State Legislature approved \$4.2Million in General Obligation bonds to fund Year 1 of the Aviation Strategic Plan which includes the Macon and Atlanta expansion as well as aircraft and hangar investments at the Eastman campus.
- **Launch of VECTR** – With the completion of the VECTR (Veterans Education Career Transition Resource Center) in Warner Robins and the establishment of other initiatives for veterans, MGA is ready to provide academic courses, workforce training, and other educational services to veterans.
- **Investment in Faculty & Staff Compensation** – State funding of 3% merit increases for faculty and staff along with new faculty salary ranges by discipline in the Nursing and Natural Sciences Departments allowed MGA to provide the first significant salary increases since FY2009. Salary increases totaled \$925,557 for merit, \$67,095 for faculty promotions and \$137,606 for market adjustments in Nursing and Natural Sciences. These increases, including benefits, totaled over \$1,333,704.

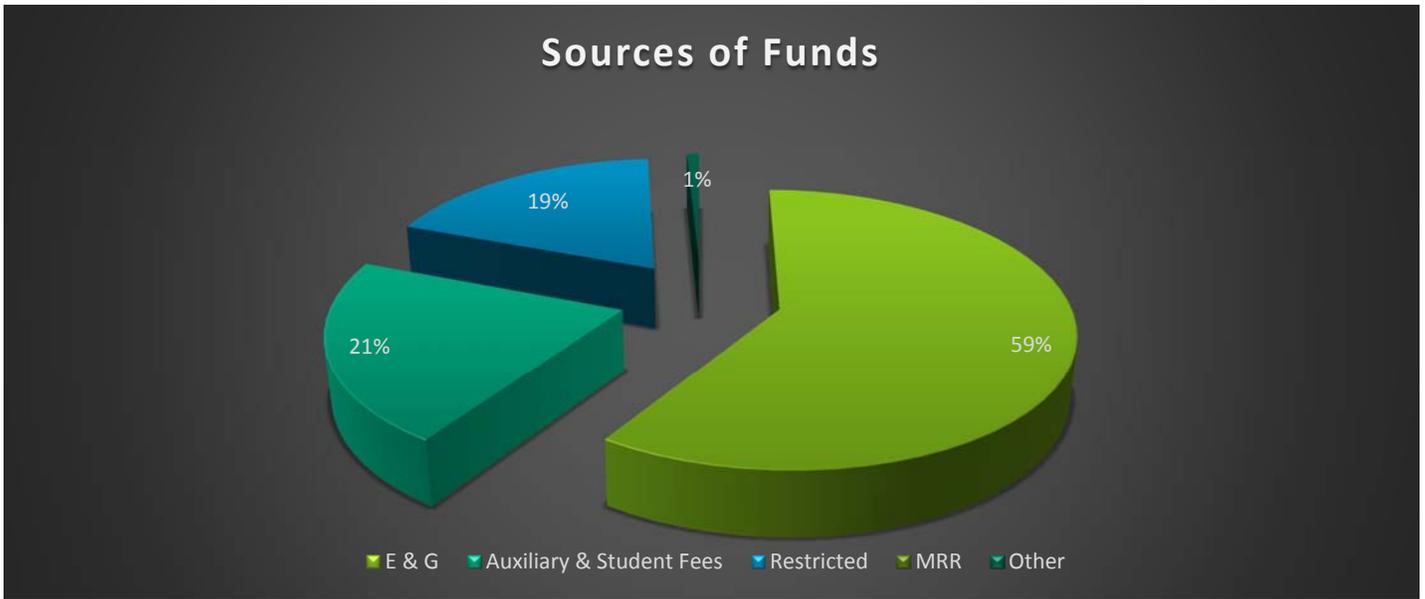
The lean budget year forced MGA to continue the centralized, incremental planning and resource allocation model which provides for more strategic use of resources, more discretion in budget revision, and more deliberate use of excess funds.

Sources of Funds

MGA's total FY2017 budget is \$104,010,528 which was budgeted by fund sources into different "pots of money" including the following:

- **Education & General (E&G) \$61,717,770:** Current operations of the educational programs.
- **Auxiliary & Student Fees \$22,252,416:** Housing, bookstore, food services, Athletics and Student Activities, including the Macon Recreation & Wellness Center.
- **Restricted (Sponsored Operations) \$19,193,241:** Commonly referred to as grant or contract funds.

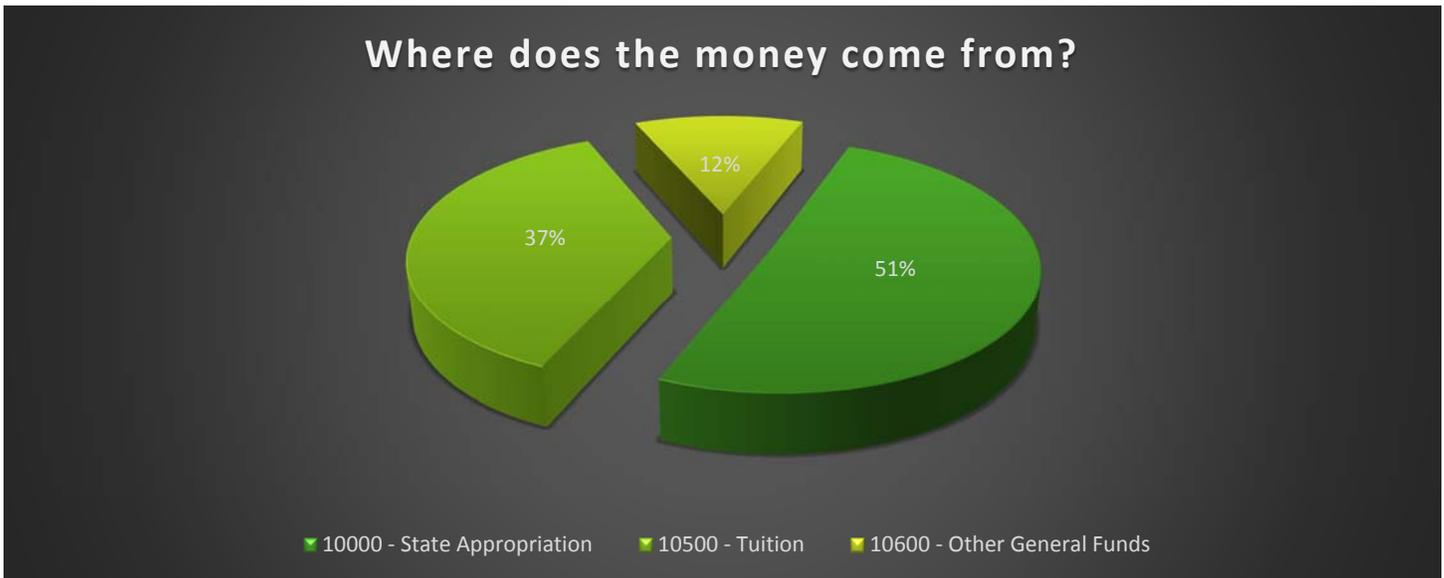
- **Major Repairs & Renovation (MRR) \$1,500,000:** Used for renovations of existing space.
- **Other \$836,831:** Includes Indirect Cost Recovery and Departmental Sales and Service.



Each “pot of money” has specific purposes which limit the acceptable expenditures for that fund. While MGA’s E&G funds support the majority of salaries and are also the budget that is decreasing the most, the MRR fund, which provides funding for building renovations, has stayed relatively stable. This explains why we are still able to renovate buildings even though we constantly warn of budget cuts.

Educational and General Budget

The Educational and General (E&G) budget can be viewed as the general operating budget of the university and totals \$61,717,770, an increase of \$818,858 over FY2016 (1.3% increase). The sources of this budget are State Appropriations (\$31,262,699), Tuition Revenue (\$22,852,270), and Other General Funds (\$7,602,801) which includes the Institutional Fee. The chart below shows the breakdown by source:

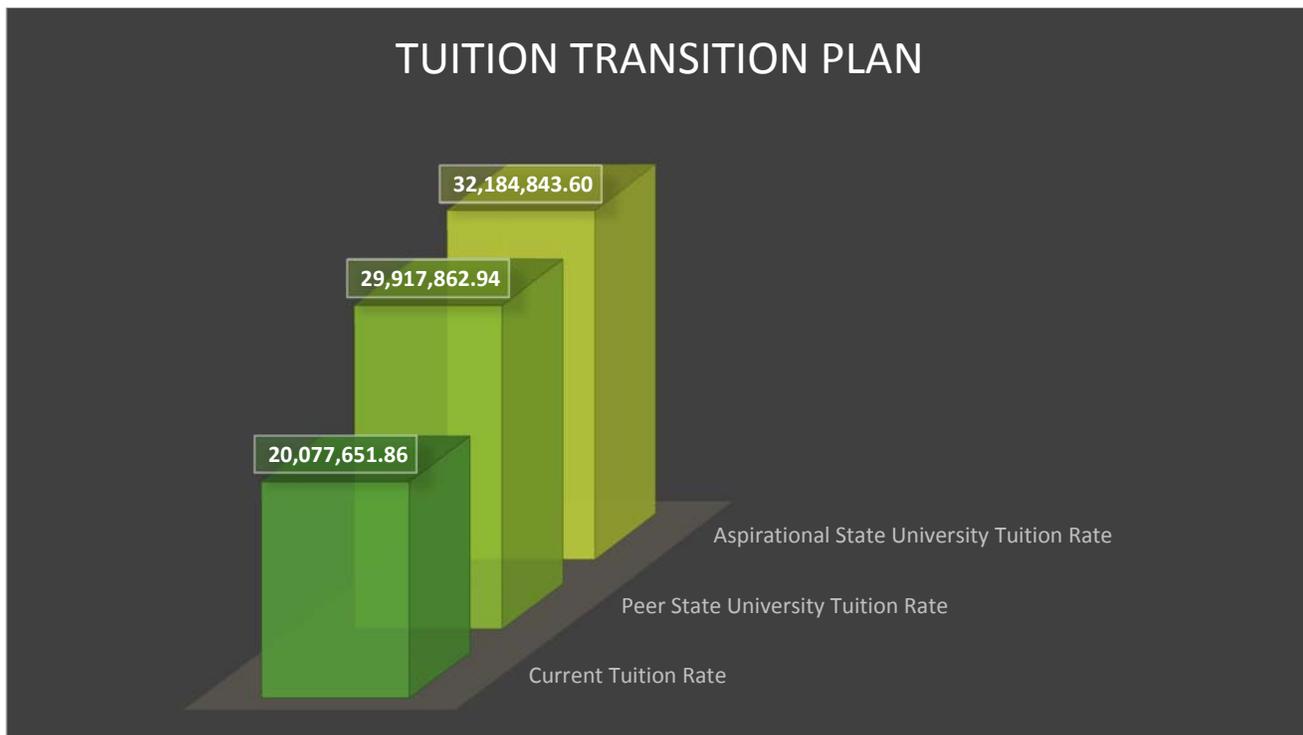


The percentage of the E&G budget from State Appropriations remained steady at 51%, but the total amount of State Appropriations decreased by \$297,681 or just under 1%. Total State Appropriations were decreased by \$1.9M for the enrollment decline but MGA received additional funding for the employee merit increases (\$869,712), VECTR Center positions (\$669,457), and health insurance increases (\$110,431). Since all of the increases were for mandated expenditures, in reality the State Appropriations available for new initiatives decreased significantly more than the \$297K. There was no state funding of university initiatives in the original budget.

Budgeted tuition revenue is just slightly more than the previous year due to the expected flat enrollment and no increase to the tuition rate. MGA had expected to increase tuition by approximately \$10/credit hour as we moved to Year 2 of the tuition transition plan. It is important to understand how MGA's tuition rate of \$108.67/credit rate hour compares to other state universities and the total amount of revenue generated. MGA planned to transition the tuition rate over a six year period with Year 1 (FY2016) increasing revenue by approximately \$2.15Million. The frozen tuition rates of FY2017 derailed the six year plan.

Early discussions at the USG point to a very low to no tuition increase for FY2018, but re-starting the Tuition Transition Plan to bring MGA's tuition up to the level of other State Universities will be a priority in discussions with the USG. This increase would provide funding for "university level" initiatives.

The chart below shows tuition revenue of \$20.1M based on FY2016 credit hours and the current tuition rate of \$108.67. However, our state university peers with a per hour rate of \$161.93, would have brought in \$29.9M with the same number of credit hours. Other state universities charge \$174.20 and would have received a staggering \$32.2M for the same number of credit hours. MGA operates at a significant disadvantage due to the tuition differential as shown in the table below.



Expenditures of E&G funds can be broken down into four main categories:

1. **Personal Services:** Full-time and part-time faculty and staff, student assistants and related benefits.
2. **Travel of Employees**
3. **Operating:** Supplies & materials, repairs & maintenance, rents, other operating, small-value equipment, printing & publications, per diem & fees, contracts and telecommunications, etc.
4. **Equipment/ Capital Outlay:** Library collections and any individual equipment items over \$5,000.

MGA's E&G budget is heavily personal services at 84%, followed by operating at 15% with the remainder in travel and equipment. Due to this high percentage of expenditures dedicated to employee compensation, the only method of making substantial reductions in the budget is to cut positions. So far, MGA has successfully managed the multiple budget cuts through deletion of vacant positions and reductions in other areas; however if budget cuts continue, it is possible that other methods, including lay-offs or furloughs, may be explored.

The table below shows the expenditure of E&G funds by category.

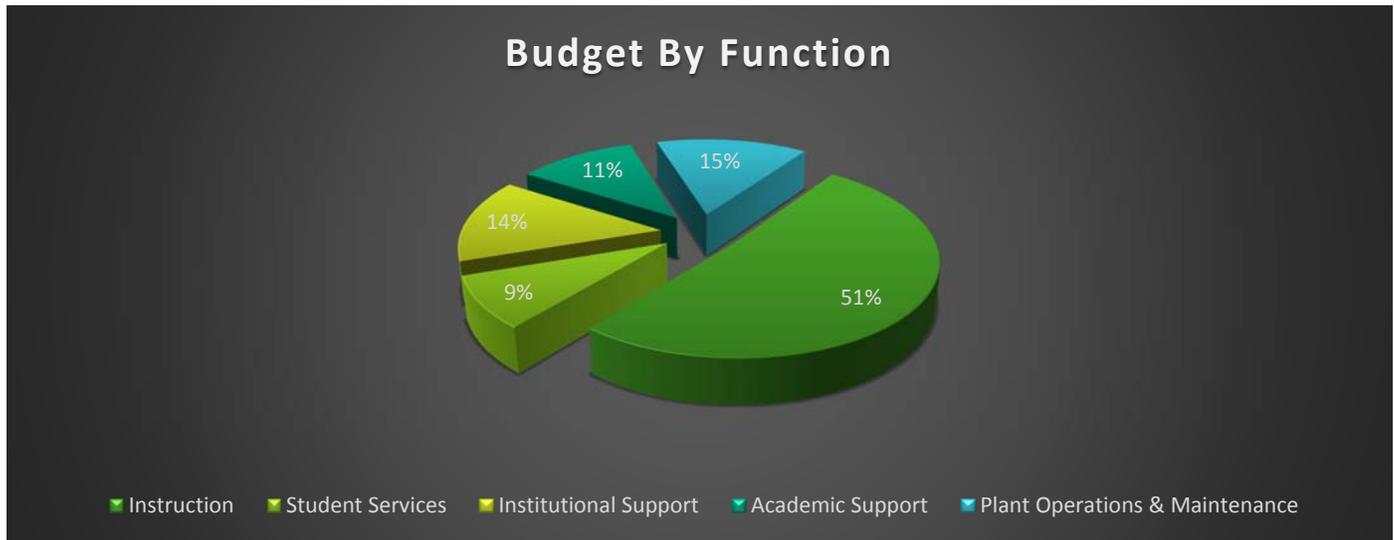


Some of the actions employed to balance the original FY2017 budget are as follows:

- MGA used insurance reserves to fund an entire department with the expectation of re-allocating funds from vacant E&G positions during the year in order to move this department back to the E&G budget.
- MGA already operates lean, but eight additional vacant staff positions were cut in the original budget.
- Reductions in Operating, Travel, and Equipment Budgets.
- Reduction in Part-Time staff and student assistant budgets.

But balancing the original budget is not the whole story. Since submission of the original budget at the beginning of May, numerous unbudgeted items have come to light such as the increase in overtime pay caused by the changes in the Fair Labor Standards Act (FLSA) which is estimated to cost \$300,000 annually. Therefore, even if MGA's headcount and thus tuition revenue exceeds budget, there is an entire list of items that must be budgeted before any of the "excess" funds can be utilized for new initiatives.

Higher education institutions use a standardized group of functions to classify expenditures and aid in comparison and benchmarking across sectors. Appropriately, just over 51% of E&G expenditures support the Instruction function. Plant Operations and Maintenance (which includes Police) is a distant second with 15% as shown in the table below.



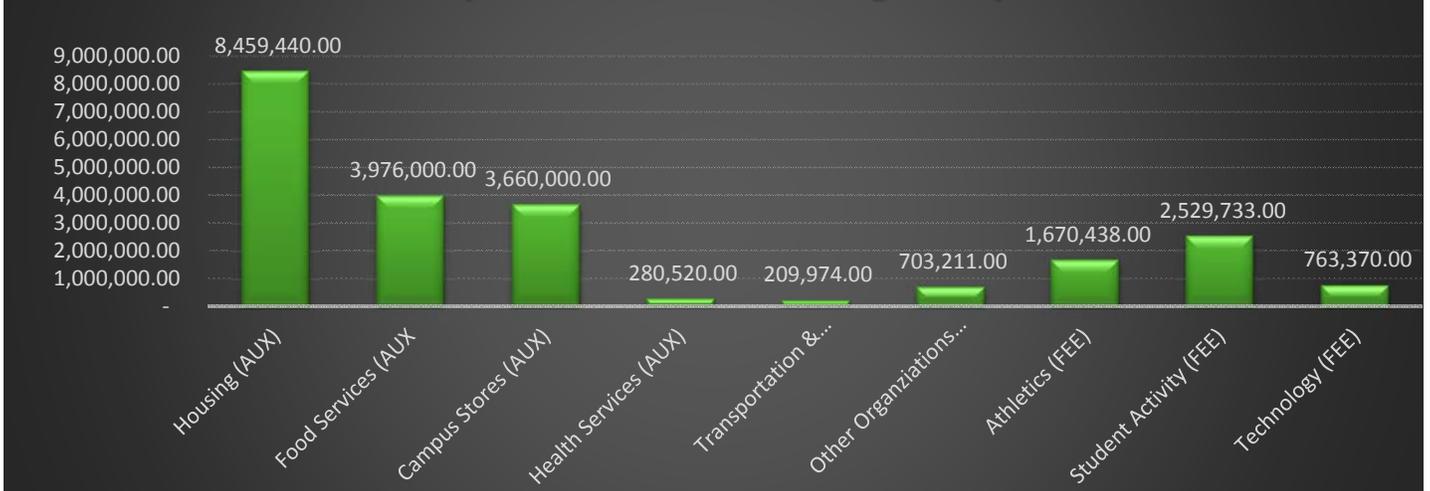
Auxiliary and Student Fees

Auxiliary enterprises are activities that exist to provide a service, either directly or indirectly, to students, faculty and staff for which a fee is charged. These enterprises must operate on a self-supporting basis and include Housing and Residence Life, Campus Stores, Food Services, Vending, Parking, Camps and other. Priorities for Auxiliary budgets for the coming year include:

- Setting revenue growth targets for each Auxiliary Fund;
- Establishing five year operating plans reflecting growth and profitability; and
- Looking to extend the recent success with Housing Operations.

MGA charges multiple student fees which are budgeted and accounted for separately to properly match revenues and expenditures. These fees require an advisory committee of students and faculty to review the budget and make recommendations to the President concerning the expenditure of these funds. The chart below shows the breakdown of Auxiliary and Student Fee budgets:

Auxiliary & Student Fee Budgets by Fund



Restricted and MRR Funds

MGA acts as a fiduciary agent for a majority of the Restricted Funds that flow through the institution such as Federal Pell grants and other types of financial aid. MRR (Major Repairs & Rehabilitation) has been approved for \$1.5M for FY2017 for renovation of campus facilities.

Looking Ahead

As the Fiscal Year 2017 budget year progresses, Budget Services will be paying close attention to the following:

- Enrollment and tuition revenue compared to budget;
- Amount of overtime payments due to changes in the Fair Labor Standards Act;
- Management of vacant positions;
- Progress of Tuition Transition Plan;
- Amount of FY2018 cut in State Appropriations; and
- Sustainability of all revenue/expenses changes.

All adjustments/additions to the FY2017 budget must be sustainable in the ensuing years. While an improving enrollment picture will help to reduce the cut to State Appropriations in FY2018 from the current year's \$1.9Million, MGA still experienced a 1.16% decrease in headcount in FY2016 which could lead to a cut in FY2018 State Appropriations for the fourth consecutive year.

The key to MGA's FY2017 budget is to closely monitor and re-allocate funds from vacant positions and excess revenue. These re-allocations should cover the additions to the original budget and allow funding of select initiatives during the year.

As MGA continues to battle fiscal challenges, the university has managed to adapt and thrive. The FY2017 budget is a perfect example of MGA's adaptability as we have allocated resources in support of our mission, our vision, and our core values. We look forward to a strong year of continuing to adapt and move forward as a university in FY2017.