

**Campus forum on FY09 budget status
3-4:30 p.m. Friday, September 5, 2008
Masters Hall and
10:30 a.m. to noon, Wednesday, September 17, 2008
Tate Center Theater**

Opening slide

- Good afternoon, and thank you for taking the time to discuss this important topic. I also want to welcome those who are watching online.
- I will take a few minutes to provide an overview of what we know about the budget situation and some of the forces at play in the decision-making process, and then we will open the floor for questions.
- It is certainly clear that the current budget discussions reflect the broader economic picture in our state and nation.
- Many of you are asking hard questions about how you run your own homes: cutting back on air conditioning; driving less; cutting costs; scaling back.
- We are doing the same at UGA, and at other agencies across the state.

Slide 1

- Here is what we do know. The FY09 budget for the state of Georgia is \$21.1 billion, of which \$2.2, or 10.4%, supports the 35 units of the University System of Georgia.

- Of that \$496 million is directed to UGA: \$401 million in Resident Instruction, or what is often called the “A” budget; and \$95 million in the “B” units. “B” units are those that support our cooperative extension and outreach mission throughout the state. UGA is \$2.35% of the state budget and 22.55% of the University System of Georgia budget.

Slide 2

- This university has always been a high priority for the state. In recent years, UGA has received capital funding for the Coverdell Center, completion of the Animal Health Research Center, the School of Art, the dining hall at Rock Eagle, the expansion of the College of Pharmacy and the Special Collections Library.

Slide 3

- The state has provided recurring support for utility rate increases and faculty salary competitiveness.
- And the Georgia Research Alliance, which is an important initiative, has received more than \$39 million since FY02.
- The Governor, the Legislature, and the Regents are facing some difficult decisions. But they have supported UGA generously, and we are truly indebted to them.

- Today I am going to focus on fiscal year '09--July 1, 2008-June 30, 2009. We will need to plan responsibly for the following fiscal year, FY10, but many factors may change between now and then.

Slide 4

- The projected shortfall in the FY09 state budget is \$1.6 billion, and this slide shows what various state agencies are facing. You will note that even K-12 education is being asked to cut, although at a lower rate. That is a significant step for the Governor to take and speaks to the seriousness of the situation.

Slide 5

- What does this mean for UGA? A 6% cut to the state portion of our budget is \$29.8 million -- \$24.1 million from Resident Instruction and \$5.7 million from "B" units. 8% is \$39.7 million. 10% is \$49.6 million. The University of Georgia, like all of the public colleges and universities in the System, has been asked to prepare for further cuts.

Slide 6

- Although the cuts will not be official until the Legislature acts on them, we have been directed to reduce expenditures. As it would not be wise to wait until after the first of the year

to make some decisions, we have already taken steps to reduce costs in a number of areas as you see on this slide.

- Many of our units are holding faculty and staff positions vacant, reducing operating expenses, and reducing travel.
- We are going to do everything we can to avoid layoffs in FY09, and will work diligently to avoid such actions. It is difficult to predict FY10, but we cannot rule out continued challenges in that year, as well.
- As of today, the pay raise for University System employees is still in the budget.
- If the economy shifts, as I hope and believe it will, we will be in better stead. However, if the downturn continues, FY10 will present additional challenges.

Slide 7

- I mentioned earlier that the state had provided some relief for rising utility costs, but that relief does not cover the increase we have experienced in the past six years. We currently face a \$6.1 million shortfall in the increase in health care costs. (Remember that the university pays the majority of your premium.)

Slide 8

- And we face a \$13.7 million shortfall in uncontrollable utility costs.

Slide 9

- I do want to congratulate the campus community on the reduction in energy use. The red bars show energy consumption during the past 18 years, and you can see that it has gone down. The thin green line, however, shows the rapidly rising cost of energy since FY07.

Slide 10

- That is the backdrop for where we are today. All of us are looking for certainty in this situation, because we are all more comfortable when budget matters are certain. However, we, along with those in state government, will be watching the state revenue collections carefully in the coming months, as they will be a barometer for our planning.
- I hope that gives you an overview of the budget situation and some context for the decisions that have been made and will be made in the coming weeks and months.
- I am very grateful for what all of you here are doing to ensure that we hold down costs when possible, from the vice presidents, deans, associate provosts, directors, and department heads to individual faculty and students. The

University community is pulling together—exactly the action that the state would expect from its flagship institution.

- These are difficult times and most of us will feel some pain as we work through this. But the University of Georgia has been through difficult times before and has always come out stronger.
- Many good things are happening at UGA. We are again in the Top 20 public higher education institutions in U.S. News and World Report, due to the excellence of our faculty and students.
- Demand for admission is up, both in undergraduate and graduate admissions.
- Let me close with this: We are not going to quit. We are going to continue to provide a top quality education for our students. We are going to continue to conduct research that improves the lives of Georgians. And we are going to continue to serve the people of this state as we are charged to do as a land-grant institution.
- Thank you for your attention. I will take your questions now.