

BUDGET TOWN HALL MEETING

**George Mason University
March 9, 2011**



Where Innovation Is Tradition

Mason has been Planning, Leveraging and Advancing Strategies to Maintain Momentum During Turbulent Economic Times: 2010 - 2014

- **Unit Restructuring & Reorganizing**
- **Reducing, Deferring & Eliminating Costs**
- **Leveraging & Bridging Resources**
- **Breaking Down Fund Barriers**

Mason has developed strategies to support enrollment growth and program expansion while anticipating a renewed partnership with the Commonwealth of Virginia

- **Improved Resources (Operating Funds)**
- **Financial Aid/Scholarships**
- **Increase Research**
- **Compensation Competitiveness**
- **Improved Capital Infrastructure**

FY 2012 STATE BUDGET CHANGES

FY 2012 GENERAL FUND ADDITIONS FOR MASON

➤ Interest Earnings on Tuition	\$1.53M
➤ STEM Faculty Startup Support	\$3.00M
➤ O&M for New E&G Facilities	\$2.87M
➤ CISCO/4VA	\$0.85M
➤ Enrollment Growth (Base Adequacy) Funding	\$1.13M
➤ In-State Undergraduate Financial Aid	\$1.24M

TOTAL ADDITIONS: \$10.62M*

* All figures are rounded

OTHER BUDGET ITEMS (Conference Bill)

- **No change to ORP contribution rates (remains at 10.4%)**
- **VRS employees will receive 5% salary increases and begin paying 5% of their new salaries as a pretax retirement plan contribution**
- **Department of Transportations plans \$10M for the West Campus Connector project**
- **No mid year bonuses; no other salary increases.**

COLA LANGUAGE IN STATE BUDGET

In consultation with the Secretary of Education, the Secretary of Finance, and the Chairmen of the House Appropriations Committee and Senate Finance Committee, or their designees, the State Council of Higher Education for Virginia shall review, and if necessary, update institutional peer groups giving consideration to (1) the impact of cost-of-living indices on the current cohort of peer institutions for public colleges and universities that currently receive a state-approved cost-of-living adjustment or (2) public colleges and universities where the impact of enrollment patterns resulted in the percentage of graduate degrees conferred increasing by more than 10 percentage points between 1997 and 2007 concurrent with a like decrease in the percentage of undergraduate degrees conferred during the same period. The State Council shall report its findings and recommendations to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees no later than September 1, 2011.

FY 2012 BUDGET SETBACKS

- **No Planning/Construction Funding for Health Sciences Building – Fairfax**
- **No Planning/Construction Funding for Life Sciences Building – Prince William**
- **No \$250K Hylton Performing Arts Operating Support**
- **Loss of \$1.4M Maintenance Reserve Funding**
- **State Budget Still Includes \$10M in Unspecified GF Reductions to Funding for Higher Education (Mason Plans \$1M Reduction)**

MASON BUDGET & PLANNING COMMITTEE

- **We are looking to further lessen the tuition and fee increase**
- **We are looking to fund some of our highest unfunded priorities**
- **We are looking to stabilize future year tuition increases at lower rates than in the past several years**
- **We are looking to improve faculty/staff compensation**

WHAT'S OUR TWO-YEAR E&G OUTLOOK?

- **State appears to be funding in-state student enrollment growth**
- **State appears to be funding O&M for new E&G facilities**
- **When state salary increases are once again provided, Mason is well-positioned for higher-than-average faculty salary increases (COLA language)**
- **Mason appears to have a plan to maintain annual tuition increases at the 6-8% level for the next couple of years**

GEORGE MASON UNIVERSITY COMPARISON OF E&G FY 2011 BUDGET AND PLANS FOR FY 2012 AND FY 2013

SOURCES	FY11 REVISED BUDGET	FY12 PLAN	FY13 PLAN
General Fund	\$ 113.1M	\$ 103.6M	\$ 107.7M
ARRA*	20.1M	0.0M	0.0M
Tuition & Fees	247.6M	264.7M	287.9M
All Other Sources	25.5M	24.6M	24.6M
Current Revenues	\$ 406.3M	\$ 392.9M	\$ 420.4M
Bridge/Carryforward	(18.2M)	12.0M	6.2M
Net Total Budget	\$ 388.1M	\$ 404.9M	\$ 426.6M

* American Recovery and Reinvestment Act (“Stimulus”) Funds

Note: Excludes \$3.2M Equipment Trust Fund and Commonwealth Financial Aid

FY 2012 TUITION ONLY CALCULATIONS

	<u>\$</u>	<u>Impact</u>
➤ FY 2012 budget changes increasing tuition rates		
➤ Loss of ARRA and GF	\$35.9M	+ 15.3 %
➤ O&M costs for new facilities	5.9M	+ 2.5 %
➤ Financial aid	2.0M	+ 0.9 %
➤ Mandatory contract escalation costs	1.6M	+ 0.7 %
➤ Selective program support	3.1M	+ 1.3 %
TUITION INCREASE BEFORE MITIGATION	\$48.5M	+ 20.7 %

New facilities scheduled to come online during FY 2012 combined with increased financial aid, contract escalation costs and program support drive the required tuition increase to 20.7%.

FY 2012 TUITION CALCULATION

TUITION INCREASE BEFORE MITIGATION	\$48.5M + 20.7 %
➤ Bridge funding carried forward from FY 2011	(\$12.0M) - 5.1 %
➤ Permanent budget reductions	(8.2M) - 3.5 %
➤ Reallocate NGF bonus funding	(3.3M) - 1.4 %
➤ Auxiliary enterprise support for E&G (increase)	(0.6M) - 0.3 %
➤ Premium program pricing (net income)	(0.4M) - 0.2 %
PRELIMINARY FY 2012 TUITION INCREASE	\$24.0M + 10.2%
BUDGET-RELIEVING STATE SUPPORT	(5.2M) - 2.2%
RESULTING FY 2012 TUITION INCREASE	\$18.8M + 8.0%

Budget-relieving state appropriations applied to FY 2012 tuition yields a tuition and fee rate increase of 8.0%. Decreasing the rate of tuition increases is among Mason's highest institutional priorities.

SNAPSHOT: MOMENT IN TIME

IN-STATE UNDERGRAD		
	2010-11	2011-12
Tuition *	\$ 6,320	\$ 6,861
Student Fee	2,364	2,518
TOTAL	\$ 8,684	\$ 9,379

OUT-OF-STATE UNDERGRAD		
	2010-11	2011-12
Tuition *	\$ 23,084	\$ 24,457
Student Fee	2,364	2,518
TOTAL	\$ 25,448	\$ 26,975

8.0% INCREASE

6.0% INCREASE

Mason's budget projections anticipate 6%-8% annual tuition increases for the next couple of years

* Includes the Educational Resource Fee

Source: GMU Executive Budget Summary 2010-2011, GMU E&G Budget Model

RETIREMENT PLAN CHANGES

CONFERENCE BILL 2011

- **No Changes To ORP**
- **Cash Match Reinstated At \$20/Pay Period For FY 2012**
- **Changes To VRS/VaLors**

VRS CHANGES EFFECTIVE JULY 1, 2011

FOR CURRENT PRE-JULY 1, 2010 EMPLOYEES

- **5% Pay Raise to VRS & VaLORS Participants (Law Enforcement Officers Retirement Plan)**
 - **Salary Increase = 5% of Current Salary**

- **Contribute 5% Pre-Tax to VRS & VaLORS**
 - **Contribution = 5% of New Salary**

The following are hypothetical examples at three salary levels with the following assumptions:

- **The Tax Status at Married with 2 Federal & State Deductions**
- **No Other Deductions are Considered**

VRS IMPACT ON PAY

ANNUAL SALARY \$40,000

	CURRENT	5% INCREASE	\$ INCREASE (DECREASE) PER PAY	% CHANGE	ANNUAL TOTAL
Annual Salary	\$40,000.00	\$42,000.00			
Gross Pay/Period	\$1,666.67	\$1,7500.00	\$83.33	5.00%	\$2,000.00
Less Taxes:					
Federal	118.96	118.33	(0.63)	-0.53%	
VA State	73.46	73.22	(0.24)	-0.33%	
Social Security	70.00	73.50	3.50	5.00%	
Medicare	24.17	25.38	1.21	5.01%	
5% VRS Employee Contribution		87.50	87.50		\$2,100.00
Net Pay	\$1,380.08	\$1,372.07	\$ (8.02)	-0.58%	\$ (192.36)

VRS IMPACT ON PAY

ANNUAL SALARY \$55,000

	CURRENT	5% INCREASE	\$ INCREASE (DECREASE) PER PAY	% CHANGE	ANNUAL TOTAL
Annual Salary	\$55,000.00	\$57,750.00			
Gross Pay/Period	\$2,291.67	\$2,406.25	\$114.58	5.00%	\$2,750.00
Less Taxes:					
Federal	212.71	211.85	(0.86)	-0.40%	
VA State	109.40	109.07	(0.33)	-0.30%	
Social Security	96.25	101.07	4.82	5.01%	
Medicare	33.23	34.89	1.66	4.99%	
5% VRS Employee Contribution		120.31	120.31		\$2,887.50
Net Pay	\$1,840.08	\$1,829.07	\$(11.01)	-0.60%	\$(264.30)

VRS IMPACT ON PAY

ANNUAL SALARY \$70,000

	CURRENT	5% INCREASE	\$ INCREASE (DECREASE) PER PAY	% CHANGE	ANNUAL TOTAL
Annual Salary	\$70,000.00	\$73,500.00			
Gross Pay/Period	\$2,916.67	\$3,062.50	\$145.83	5.00%	\$3,500.00
Less Taxes:					
Federal	306.46	305.36	(1.10)	-0.36%	
VA State	145.34	144.92	(0.42)	-0.29%	
Social Security	122.50	128.63	6.13	5.00%	
Medicare	42.29	44.41	2.12	5.01%	
5% VRS Employee Contribution		153.13	153.13		\$3,675.00
Net Pay	\$2,300.08	\$2,286.05	\$(14.03)	-0.61%	\$(336.76)

TIME SERIES COMPARISON: VRS/ORP

	ORIGINAL		AFTER 5% CHANGE		AFTER 3% INCREASE	
	VRS	ORP	VRS	ORP	VRS	ORP
Annual Salary	\$70,000.00	\$70,000.00	\$73,500.00	\$70,000.00	\$75,705.00	\$72,100.00
Gross Pay/Period	\$2,916.67	\$2,916.67	\$3,062.50	\$2,916.67	\$3,154.38	\$3,004.17
Less Taxes:						
Federal	306.46	306.46	305.36	306.46	318.46	319.58
VA State	145.34	145.34	144.92	145.34	149.94	150.37
Social Security	122.50	122.50	128.63	122.50	132.48	126.18
Medicare	42.29	42.29	44.41	42.29	45.74	43.56
5% VRS Contribution			153.13		157.72	
Net Pay	\$2,300.08	\$2,300.08	\$2,286.05	\$2,300.08	\$2,350.04	\$2,364.48

MASON REMAINS FISCALLY STRONG

- **A renewed funding partnership with the Commonwealth strengthens Mason’s financial position**
 - **FY 2012 “funding cliff” remains significant**
 - **State funding support is higher than anticipated**
 - **Mason’s “bridging” strategy – planned “leveling” effect**
- **Moderate enrollment growth continues to provide an expanded tuition revenue base (record breaking applications)**
- **Barring unforeseen events, no unit budget reductions are anticipated in FY 2012**