

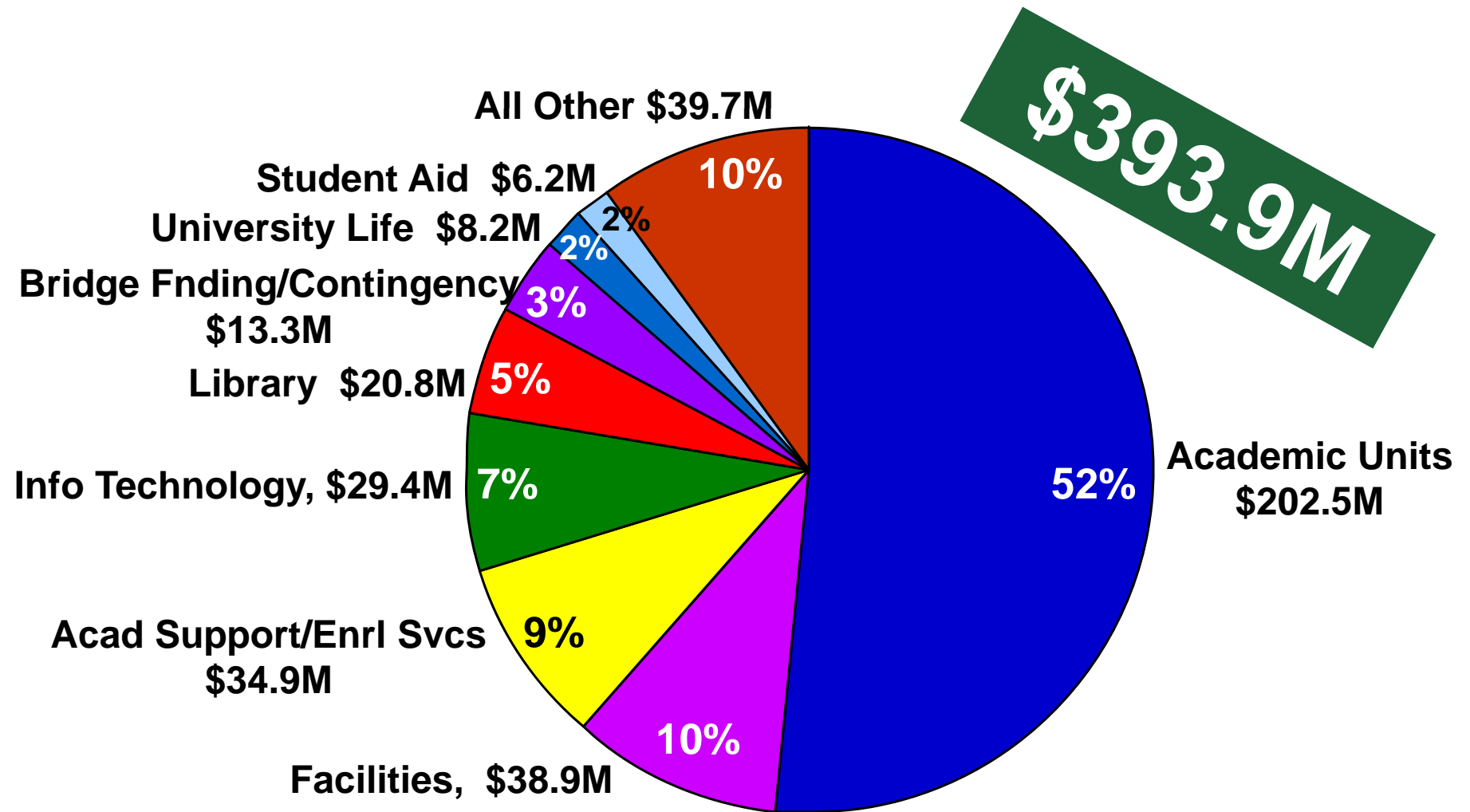
BUDGET TOWN MEETING

George Mason University
February 3, 2011



Where Innovation Is Tradition

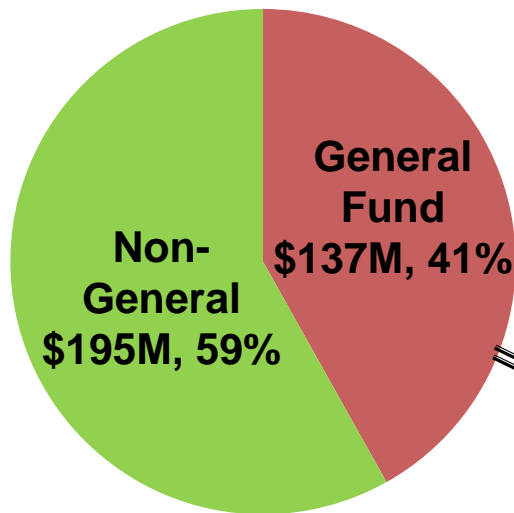
E&G BUDGET BY PROGRAM FY 2011



E&G BUDGET – PARADIGM SHIFT

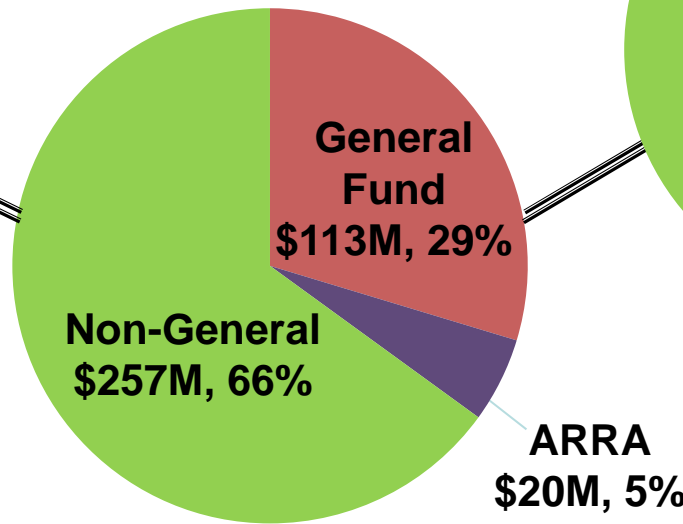
FY 2008 - 2012

FY 2008



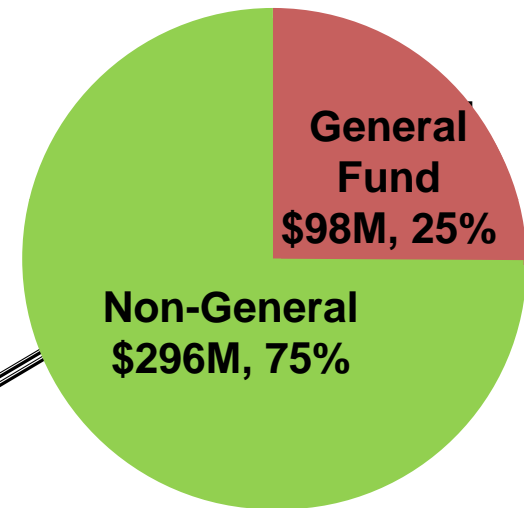
\$332M

FY 2011



\$390M

FY 2012



\$394M

STATE FUNDING BUDGET REDUCTION HISTORY

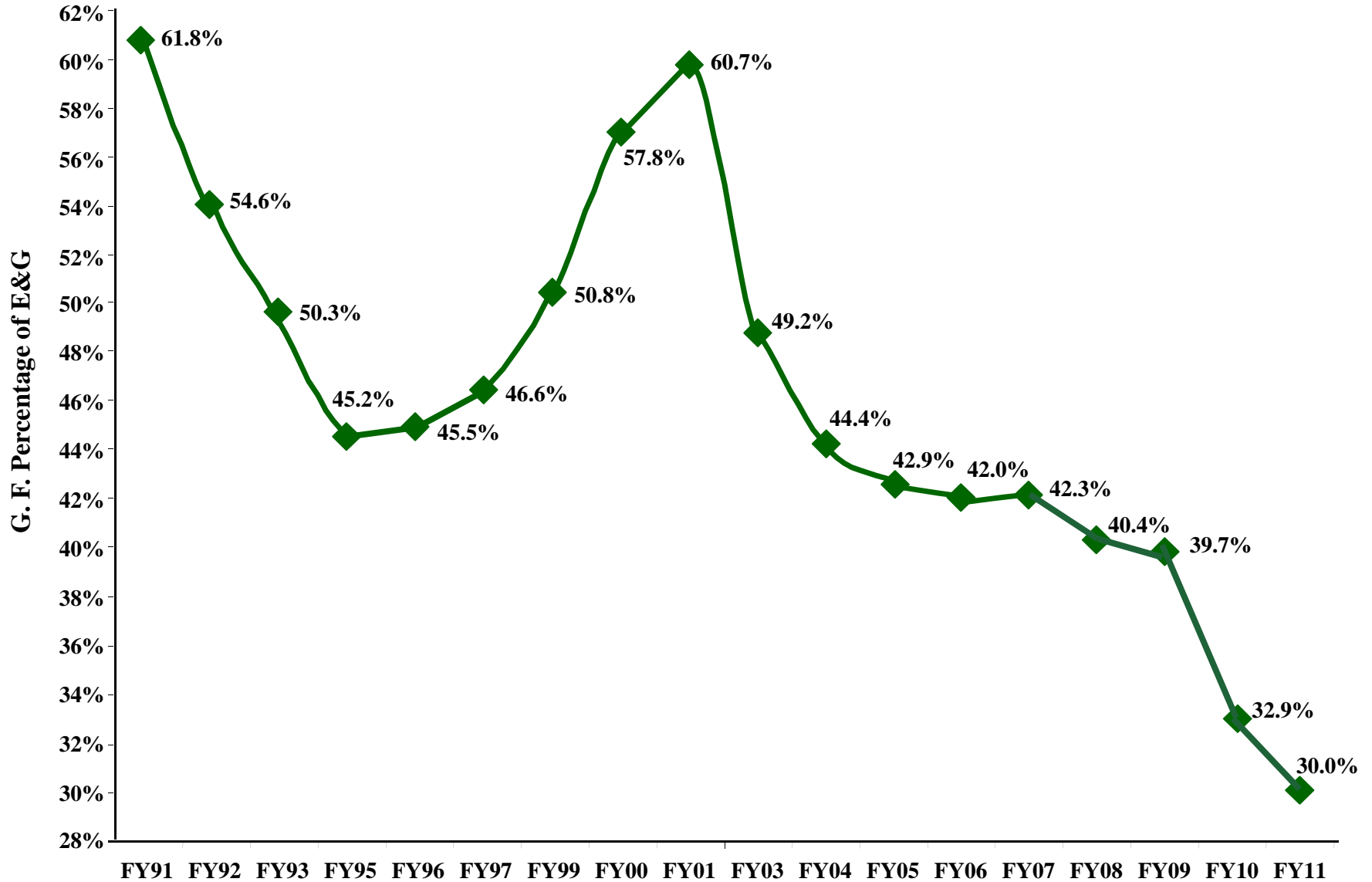
GEORGE MASON UNIVERSITY STATE FUNDING BUDGET REDUCTION HISTORY FY 2008 - 2012

DATE	REDUCTION	PERCENT	STRATEGY
FY 2008	\$ 6.8M	5%	Reductions
FY 2009	9.7M	7%	Reductions/Tuition
FY 2010	11.2M	8%	Reductions/Tuition/ARRA
FY 2010 (Sept-09)	17.6M	15%	Reductions/ARRA
FY 2011	2.0M	2%	Reductions/Tuition/ARRA
FY 2012	<i>TBD - \$1M so far</i>		Reductions/Tuition/Bridging
Total	\$ 47.3M	37%	

* American Recovery and Reinvestment Act ("Stimulus") funds.

Including FY08 Reductions, Auxiliary Interest and Maintenance Reserve State Support Has Declined by 37%

GENERAL FUND % OF SUPPORT TREND ANALYSIS



STRATEGIES TO ABSORB STATE FUNDING REDUCTIONS, FY 2008 - 2011

- Reduced or eliminated discretionary travel, supplies, equipment, service contracts, and professional development – *budget reductions not restored*
- Restructured, reduced, or eliminated information technology services and maintenance contracts – *budget reductions not restored*
- Substituted library service agreements with other regional universities for library acquisition costs – *budget reductions not restored*
- Reduced institutional initiative funding – *budget reductions not restored*
- Implemented energy management strategy to increase building efficiency and reduce overall energy consumption – *cost savings offset by GF reductions*

STRATEGIES TO ABSORB STATE FUNDING REDUCTIONS, FY 2008 - 2011

- Increased class sizes by reducing the overall level of instructional and support positions and services – *budget reductions not restored*
- Reduced the number of course sections offered – *budget reductions not restored*
- Increased faculty teaching loads – *budget reductions not restored*
- Cover E&G instructional costs from other revenue sources including non-student fee Auxiliary Enterprise sales and research indirect earnings – *funding from non-state and non-student fee sources increases each year*

OPERATING AMENDMENTS

- **Enrollment Growth** **\$4.5M E&G**
\$1.08M AE
- **STEM Faculty Startup Support** **\$3.0M**
- **Hylton Performing Arts Center
Community & Educational Programs** **\$500K**
- **Auxiliary Enterprise Interest** **\$1.2M**
- **Maintenance Reserve Funding** **\$1.2M**

CAPITAL AMENDMENTS (General Fund Support)

- **Health & Human Services Building
@ FFX (Planning) \$ 3.2M**

- **Life Sciences Building
@ PW (Planning) \$ 3.2M**

- **West Campus Connector
(Phase I) \$15.0M**

POTENTIAL ACTIONS IMPACTING TUITION AND THE E&G BUDGET FY 2012

Work in
Progress

COMMONWEALTH

- Restore Maintenance Reserve Funding
- Eliminate FY 2012 General Fund Reduction
- Provide Student Financial Aid Funding
- Provide Enrollment Growth Funding
- Restore Auxiliary Enterprise Interest Income
- Provide O&M Funding – New E&G Buildings

Work in
Progress

MASON

- Revenue Enhancement
- Cost Containment

FY 2012 TUITION ONLY CALCULATIONS

	<u>\$</u>	<u>IMPACT</u>
➤ FY 2012 budget changes increasing tuition rates		
➤ Loss of ARRA and GF (includes interest income)	\$35.9M	+ 15.3 %

With no other revenue or expenses changes in FY 2012, a tuition increase of 15.3% would be required to make up for the combination of losing \$20M in ARRA funds and \$16M in General Fund reductions

***NOBODY PAYS TUITION ONLY
ALL STUDENTS PAY TUITION & FEES***

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 ONLY STRATEGY

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 %
RESULTING FY 2012 TUITION INCREASE	\$24.0M + 10.2%

Consistent with the FY 2011 approved budget, Mason continues to advance this “tuition-leveling” bridging strategy along with permanent budget reductions, program and infrastructure investments and increases in non-tuition revenues.

SNAPSHOT: MOMENT IN TIME

IN-STATE UNDERGRAD		
	2010-11	2011-12
Tuition *	\$ 6,320	\$ 7,067
Student Fee	2,364	2,506
TOTAL	\$ 8,684	\$ 9,573

OUT-OF-STATE UNDERGRAD		
	2010-11	2011-12
Tuition *	\$ 23,084	\$ 24,457
Student Fee	2,364	2,506
TOTAL	\$ 25,448	\$ 26,963

10.2% INCREASE

6.0% INCREASE

* Includes the Educational Resource Fee
 Source: GMU Executive Budget Summary 2010-2011, GMU E&G Budget Model

VIRGINIA DOCTORAL INSTITUTION TUITION & FEES FOR IN-STATE UNDERGRADUATE STUDENTS

INSTITUTION	2009-10	2010-11	\$ CHANGE	% CHANGE	Model 2011-12	\$ CHANGE
William & Mary	10,800	12,188	1,388	12.8%		
UVA	9,672	10,628	956	9.9%		
Virginia Tech	8,735	9,589	854	9.8%		
VCU	7,117	8,817	1,700	23.9%		
GEORGE MASON	8,024	8,684	660	8.2%	9,573	889
Old Dominion	7,318	7,708	390	5.3%		
AVG Excl Mason	\$8,728	\$9,786	\$1,058	12.3%		

Even with a 10.2% increase next year, Mason's tuition and fees would remain below this year's average for VA doctoral institutions with GF support also below the average

EFFICIENCY & EFFECTIVENESS STUDY SPRING, 2011

- **BOARD OF VISITORS ENGAGEMENT**
- **SEARCH FOR BEST PRACTICES**
- **UNIVERSITY OWNERSHIP OF PROCESS**
 - **Consultant/Partners**
 - **Peer Team Assistance**
 - **Support Service Focus**



These are difficult times, but together we can maintain momentum by continuing to search for improved effectiveness.

WE ARE VERY, VERY GOOD!!!

RETIREMENT PROPOSALS

LEGISLATIVE SESSION

2011

PROPOSED: VRS CHANGES EFFECTIVE JULY 1, 2011

Proposed for Current Pre-July 1, 2010 Employees:

- **Have grandfathered employees contribute 5% pre-tax to VRS & VaLORS (Law Enforcement Officers Retirement Plan)**
- **3% Pay Raise to VRS & VaLORS participants only**

*** All proposals are subject to change based on the Virginia General Assembly approval.**

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**

PROPOSED: VRS IMPACT ON PAY

ANNUAL SALARY \$40,000

		3% INCREASE	\$ INCREASE (DECREASE) PER PAY	% INCREASE (DECREASE) PER PAY	ANNUAL AMOUNT
Annual Salary	\$40,000.00	\$41,200.00			
Salary Per Pay	\$1,666.67	\$1,716.67	\$50.00	3.00%	
5% VRS Employee Contribution		\$85.83	\$85.83		\$2,060.00
NET PAY	\$1,380.08	\$1,348.87	\$(31.21)	(2.26%)	\$(749.36)

PROPOSED: VRS IMPACT ON PAY

ANNUAL SALARY \$55,000

		3% INCREASE	\$ INCREASE (DECREASE) PER PAY	% INCREASE (DECREASE) PER PAY	ANNUAL AMOUNT
Annual Salary	\$55,000.00	\$56,650.00			
Salary Per Pay	\$2,291.67	\$2,360.42	\$68.75	3.00%	
5% VRS Employee Contribution		\$118.02	\$118.02		\$2,832.50
NET PAY	\$1,840.08	\$1,797.14	\$(42.94)	(2.33%)	\$(912.34)

PROPOSED: VRS IMPACT ON PAY

ANNUAL SALARY \$70,000

		3% INCREASE	\$ INCREASE (DECREASE) PER PAY	% INCREASE (DECREASE) PER PAY	ANNUAL AMOUNT
Annual Salary	\$70,000.00	\$72,100.00			
Salary Per Pay	\$2,916.67	\$3,004.17	\$87.50	3.00%	
5% VRS Employee Contribution		\$150.21	\$150.21		\$3,605.00
NET PAY	\$2,300.08	\$2,245.44	\$(54.64)	(2.38%)	\$(1,161.32)

PROPOSED: ORP CHANGES EFFECTIVE JULY 1, 2011

Proposed for Current Pre-July 1, 2010 Employees:

- **Reduce ORP contribution from
10.4% to 8.5%**

PROPOSED: IMPACT ON ORP RETIREMENT

PROJECTED YEARLY RETIREMENT INCOME AS A % OF FINAL SALARY					
		10.4% CONTRIBUTION RATE		8.5% CONTRIBUTION RATE	
ENTRY AGE	ENTRY SALARY	ACCUMULATION AT RETIREMENT	YEARLY INCOME	ACCUMULATION AT RETIREMENT	YEARLY INCOME
35	65,000	\$671,983	\$49,384	\$549,217	\$40,362
			38.75%		31.67%
50	80,000	\$299,671	\$22,023	\$244,923	\$17,999
			18.90%		15.44%

PROPOSED: INCENTIVE BONUS

- **Proposed language provides authority of up to a 2% one-time contingent performance incentive bonus to all state employees, provided the general fund meets certain criteria.**

PROPOSED: NEW RETIREMENT PLAN

- **Create a New Optional Defined Contribution Plan for All Employees Effective January 1, 2012**

HOUSE & SENATE BILLS FOR POST - JULY 1, 2010 EMPLOYEES

➤ **House Bill 2410 & 2465**

➤ **Senate Bill 1115 & 1008**

CURRENT RETIREMENT PROGRAM FOR POST JULY 1, 2010 EMPLOYEES

Employee Contribution:

VRS & ORP 5.0%

Employer Contribution: ORP 8.5%

HOUSE & SENATE BILLS FOR POST - JULY 1, 2010 EMPLOYEES

	<u>Maximum</u>	<u>Minimum</u>
Employer	8.5%	5%
Employee	<u>8.5%</u>	<u>5%</u>
Total Contribution	17.0%	10%

Post-July 1, 2010 employees will have an option to choose VRS defined benefit plan