

**University of Georgia**  
**Budget Update**  
**December 4, 2008**  
**Statement to the Cabinet**  
**by President Michael F. Adams**

I would like to begin my comments on the budget situation with words of praise for the people who have spent countless hours working to ensure the long-term financial stability of the University of Georgia. The credit for our careful management of the budget crisis to date goes to the many faculty and staff who have taken on extra responsibility in areas where there are unfilled positions. The credit also goes to the leadership team in the budget area: Arnett Mace; Tom Landrum; and Tim Burgess, with the help of the many dedicated staff in Finance and Administration; and of course the deans, vice presidents, directors, and department heads who face the greatest challenge of managing these budget reductions at the school, college, and departmental levels.

We are facing an economic crisis of a magnitude unprecedented since WWII. My belief has been that we must manage very conservatively during these times, doing all that we can to preserve faculty and staff jobs—which remains my top priority—so that we can continue to carry out our missions of teaching, research and service. To date, we have been able to avoid the worst of this economic recession because of the planning by our budget team that began about this time last year. But we do not yet know how much the fiscal year 2009 budget ultimately will be cut and what the funding levels will look like for 2010.

As you will recall, at their October meeting the Board of Regents directed that we reduce our FY 09 budget by 6%. This action led to a reduction to UGA's state-appropriated funds of over \$29.7 million, with \$24 million being reduced from our Resident Instruction budget and \$5.7 million from our B Units, the experiment station and extension units that extend our research and outreach missions throughout the state.

Although the University System has not received specific budget instructions from the state regarding further budget reductions, the Board of Regents yesterday took prudent action to prepare for a likely budget reduction of 8%. Increasing the FY 2009 budget reduction to 8% would increase the reduction to UGA's state-appropriated funds from \$29.7 million to about \$39.7 million, with \$32.1 million being reduced from our Resident Instruction budget and \$7.6 million from our B Units.

Given the budget challenges facing all public colleges and universities in Georgia, the Board of Regents took the following three actions yesterday in a special called meeting.

First, the Regents voted to reduce the employer contribution rate for the PPO and HMO health insurance plans from 75% to 70%. This action increases the employee cost for these and the Indemnity health plans, if the employee does not opt to move to a lower-cost plan. Importantly, the open enrollment period has been reopened until December 15<sup>th</sup> to allow faculty, staff, and retirees to make different choices should they wish to do so, in light of the change in premiums.

Second, the Regents voted to waive BOR policy 704.021 on mandatory student fee. This is the policy that outlines the standard timetable and procedures by which mandatory fees are typically set by the Board of Regents, usually in April.

Third, they voted to institute a mandatory fee of \$100 per semester at research universities and the largest comprehensive universities, \$75 at the other comprehensive universities, and \$50 at access institutions.

Each of these actions is part of a tiered approach that has been followed over several months by the System to address the changing budget situation. I would like to speak to these items in more detail.

First, the health care action. As UGA faculty and staff will receive the merit salary increases approved for January 1, 2009, these raises will help mitigate the health insurance cost increases that System employees are being asked to bear. At UGA, we have made concerted attempts to address salary concerns in specific targeted areas over the past months and years. As of January 1, 2009, we will have been able to move the minimum salary to \$21,000 after steady steps in that direction over several years. Along with raising the minimum salary, we also allocated funds to mitigate staff salary compression issues that are associated with raising the minimum hiring rate. Likewise, we have allocated over \$1.8 million additional funds in this fiscal year alone to help bring faculty salaries more in line with our competitors, with \$1.3 million of this funding being targeted at the associate professor level. This is the fourth year that we have allocated funds to supplement the merit salary increase pool.

In addition to these targeted salary increase allocations, we also provided funds to add an additional ½% to the 2.5% merit pool provided by the state to ensure that all faculty and staff are receiving a minimum ½% salary increase to help mitigate the impact of the growing cost and inflationary pressures that are confronting all of us.

Such efforts would not have been possible without a shared commitment to these efforts among the senior leadership team, and the belief that such actions were important to the future of the institution. It is not easy to watch progress in salaries diluted by the very real pressures of this economic recession, but the Chancellor and the Board of Regents have been clear in indicating that at this stage of budget reductions, all employees have a role to play in helping address the budget crisis.

While other state agencies and other universities outside of Georgia are taking steps to furlough employees, furloughs are not being considered for University System employees at this time. We are also not yet taking steps towards hard layoffs across the University for full-time positions. However, the pain of the current level of cuts has already had a direct effect on positions. Vacancies are not being filled, and some part-time contracts have not been renewed that would otherwise have been renewed in better times. This is real pain, and real function being lost at this institution.

In total, the budget reductions are forcing UGA to defer filling 167 faculty positions, 183 staff positions, 47 graduate assistant positions, and 52 student worker positions across the institution. These vacancies translate to class sections that are not offered, student course needs that go unmet, and programs that are canceled.

Second, the issue of the Special Spring Semester '09 fee. The action taken by the board places a mandatory fee of \$100 at the research universities, \$75 at the comprehensive universities, and \$50 at the access institutions for Spring 2009 in order to sustain academic quality. The Board will, in the normal course of business, set fees for the next fiscal year in April. The Board of Regents will make decisions about tuition and fees for fiscal year 2010 at that time.

Just as employees are being asked to help significantly in these challenging budget times, students are being asked to step up and help to ensure that the academic quality of this institution remains strong. We will continue to do everything possible to achieve greater efficiency in our operations so that we retain as much flexibility as possible in meeting our academic mission.

I have said before that I believe UGA's tuition is too low; one has only to look at tuition at the other states in the Southern region to see this underscored. The \$4,395 in tuition that UGA is assessing to in-state undergraduates (Fall 2008 and Spring 2009 semesters) is \$1,033 below the median of \$5,428 and \$1,412 below the average of \$5,807 for tuition being assessed by UGA's peers in the Southern region. The national discrepancies are even larger.

As recently as last week, the governor of Florida, one state whose tuition has historically been lower than ours, announced his support for tuition increases of up to 15% to help struggling public colleges and universities.

In taking this action to implement a mandatory fee midyear, the Chancellor and the Regents have acknowledged that maintenance of academic programs depends upon such funds. Georgia's students receive an excellent education at UGA, and as much as I regret increases, I do believe that they are justified to ensure that we can continue to provide appropriate academic offerings to our students that are of the quality that our students demand and deserve and that the state expects from its flagship institution.

Please understand that this is December 4<sup>th</sup>, and there is still a possibility that the budget reduction will go higher than 8%. This is a fluid, ever-changing situation, and we do not yet know how Georgia will fare in the coming months. I also want to be forthright in saying that we do not yet know the prospects for a pay raise in 2010, but I believe it to be slim. We will continue to work closely with the System officials and with our legislative leadership in our planning as we move through these challenging times.

Like almost every higher education institution in the nation, we are facing the challenges of a national economic downturn. Our neighboring states have these same issues. For my part, I remain grateful that UGA is located in Athens, with its strong sense of community and its good quality of life, for I think in difficult economic times such factors become increasingly important.

While we do not know the economic course of the next several months, we will continue to keep the campus informed of additional actions that impact our budget. I remain confident that the day-to-day work that we do to serve students as well as the citizens of Georgia is the best means to provide a bright future for this state. This institution has faced many difficult times in its 223-year history and has survived, each time to grow to a stronger and more expansive level of service. I am confident we will do so again and that there will be improvement in the next 12-18 months. I am truly grateful to all of our faculty, staff, and students for their shared sense of commitment to the University and its academic programs.

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