Financial Resources Strategic Planning Draft 1/25/16

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Focus: All Operating Budgets, to include Auxiliaries and Grants & Sponsored Projects

CURRENT FINANCIAL POSITION

Georgia College (GC) has managed to support a progressive financial base over the past ten years, albeit a turbulent financial environment of decreasing state appropriations, with rising financial demands being placed on the students. State appropriations, tuition and general fees make up approximately 70% of the total University operating budget. State appropriations as a percentage of total education and general funding has dropped 20% over the past ten years, and tuition and general fees now make up approximately 46% of the total operating budget. GC's total operating also includes auxiliary enterprises, sales and services activities, capital funding, gifts, grants and research contracts. GC's unrestricted budgets are primarily tuition driven.

Georgia College is fortunate to have a stable undergraduate enrollment base with steady retention and graduation rates and related revenue streams. The undergraduate enrollment base has recognized significant increases since fall of 2012 to help address the notable decline in graduate enrollment. With a future capped undergraduate freshman cohort of 1,435, there is limited opportunity for new revenue other than tuition rate increases. This redirects our attention to sustainable enrollments through greater sophomore and junior retention rates (which is critical to offset revenue losses stemming from initiatives for increased four-year graduation rates as opposed to six-year graduation rates), focus on a viable pool of transfer students, increase the number of paying out-of-state students, and target increases in graduate enrollment. In order to maintain current programming needs in the educational and general budget supported through state appropriations and tuition and fees, we must sustain an inflow in these revenue sources of at least $91M, or supplant with alternative unrestricted funding sources. This $91M revenue base is supported with 6,539 full-time equivalent students. Current student headcounts supporting this base include 6,036 undergraduates and 853 graduates, which include 122 out-of-state students, 58 dually enrolled students, and 220 one-hundred percent online students (they pay only the institution and technology mandatory fees). GC has significant revenue generating opportunities in increasing the sophomore and junior retention rates, which hover around 72% and 68%, respectively, and just increasing each by 1% can generate approximately an additional unrestricted $200K annually. A viable transfer pool is becoming increasingly more challenging, yet it continues to be a vital component in balancing a sustainable enrollment base. An intentional focus and funding is being placed on out-of-state recruiting with plans on growing that base by at least 40 students over the next five years; although out-of-state waivers will be used in the initial stages to help build relationships in the targeted new states (North Florida, North Carolina (Charlotte), South Carolina (Charleston), New York, New Jersey, Illinois (Chicago), Maryland (Baltimore) and Washington D.C.), the goal is to eventually establish a reputation in these states and garner new revenue streams with the additional out-of-state tuition charges, which is approximately three times the in-state rate. Graduate enrollment targets support a goal of 250 additional graduate students over the next five years, or approximately $1.8M in unrestricted funds; this initiative and investment will be challenging as competition continues to rise. Currently offering 25 graduate programs, there is a greater need for intentional focus on the cost effectiveness and benefit of all graduate programs, given the high cost to deliver factor.

Auxiliary operations is self-supporting and is managed at adequate levels, which help to ensure facility and equipment renewal and replacement needs are met. The majority of auxiliary unrestricted funding is tied to capital repair and replacement reserves, with little discretionary funding to support additional institutional needs. Of the current $7M reserve balance, over $5M is in Housing, which is a public-private venture with the

Georgia College Foundation, LLC. Collectively, auxiliary operations generate a positive cash flow, with the understanding and institutional acceptance that some auxiliary units are critical and may at times operate in a deficit. Of the various units of Auxiliary Services, Housing generates the most revenue, and Dining Services is the most profitable. The majority of auxiliary revenue stems from mandatory and elective student fees, and over the past five years the system's quasi moratorium on fee increases has created some operational challenges and service restrictions in some of the auxiliary units. The mandatory fee supported programs within Auxiliaries currently recognize~~s~~ approximately 13,000 paying instances annually and given our current direction, this number is not slated to change very much, supporting the need to increase rates to address rising costs in the operating units.

Georgia College currently has five public-private ventures, PPVs, with long-term debts of approximately $126M. Two of these ventures are funded through Georgia Higher Education Facilities Authority and are the two most vulnerable in the ability to make debt-service payments. These two are the Wellness and Recreation Center and the Campus Bookstore/Theater Building. The Wellness & Recreation Center is supported by a student mandatory fee, which is strongly influenced by overall enrollment, with a negative impact for any total online programming. The other three PPVs are with the Georgia College Foundation, LLC and comprise Housing, Student Center and Irwin Street Parking Lot, all of which are adequately meeting debt service and repair and replacement reserve needs. There is a robust effort at the system level to move all existing and new USG Housing to a Public-Private-Partnership (P3) initiative in which the Concessionaire maintains operational revenue and expenses of the facilities. This initiative will drastically change the funding dynamics and related employee base for GC.

Athletic funding for Georgia College is also primarily driven by a mandatory fee with some subsidization from general funds for allowable salaries, and donor foundation funding for scholarships and capital improvements. Athletics has recognized two recent years of five-percent operating budget reductions and is on track to fully exhaust operational reserves this fiscal year. Without a fee increase in FY 2017, additional cuts or greater dependency on general funds will ensue. Currently, there is a system review as to the allowable athletic expenses that can be expended from general funds, and the outcome of this review will have a significant impact on the funding and overall operation of Athletics moving forward.

Another revenue source utilized to support the mission of the institution is quasi-restricted student fees that do not fall into the aforementioned categories. The student activity fee and the technology fee are two of the larger revenue streams that support targeted programming, with some flexibility in expenditures within the given programs. Some of the targeted goals garnered in the strategic plan may best be addressed within these funding sources.

Departmental Sales & Services is a source of funding used to classify both revenues and expenditures for sales and services operations that are supported by sales or fees collected for services on a self-supporting basis. Departmental sales accounts are considered institutional (state) funds and should only recover costs for providing the sales or service. Departmental Sales & Services differs from Auxiliary in that this type activity should not have a markup for profit. Departmental Sales & Services falls into two basic categories: 1) Sales & Services for Educational Activities, which includes revenues that are required to conduct instruction, research, and public service; and 2) Service Centers which are operating units providing a service, a group of services, or products to various University departments rather than to individuals, or to fulfill our primary mission (instruction, research, public service & outreach) for entities external to the University that basically do not restrict or stipulate how the payment for services is used or reported. Some initiatives introduced in the strategic plan may best be supported through a departmental sales & services activity, which generally does not require additional funding from general operations, but may require additional resources related to facilities. Currently, building overhead charges for utilities (indirect overhead) are not included in GC's Departmental

Sales & Services rate structure. Increasing rates to factor in this type of costs – e.g., rental rates on space - will help generate unrestricted revenue sources for the University by redirecting expenses currently being funded through general funds.

Georgia College's capital improvements and major building repairs and renovations are typically handled through the sale of general obligation state bonds. Georgia College annually assesses needs and updates a fluid list of facility funding needs, which are ultimately managed at the system level for funding approval during the annual legislative sessions.

GC Foundation and GC Alumni Association are increasingly playing a more critical role in helping to sustain the operation of the institution primarily through the support of student scholarships, contributing approximately $835K in FY 2015. Additionally, 19.2% of GC's students receive Pell, 68.8% receive the State's HOPE scholarship, and 43.2% receive some sort of federal loan. Over the past ten years, GC's tuition and fees have increased one-hundred and fifty percent. Students and their parents are shouldering a greater portion of educational expenses, and assistance in meeting the rising costs surrounding higher education is only going to become increasingly more important given the demographic scan of potential students entering the higher education arena. GC cannot discount tuition or offer scholarships with general funding, leaving the GC Foundation, GC Alumni Association, and limited mandatory fees as the only sources of funds to meet this critical need. The upcoming capital campaign will support an intentional focus in expanding the student scholarship base.

Sponsored grants and projects are viable resources contributing over $3M annually, but they typically come with restricted purposes. Seeking sponsored funding to support new targeted programming, public-service projects, and additional undergraduate research opportunities help to enrich the mission of the University and in some instances help alleviate funding pressure on general funds, especially in addressing needed lab renovations and equipment. New grants and the related indirect cost funds create additional revenue sources for the University and can possibly alleviate some expenses currently directed toward general funds.

With the volatile and quickly changing landscape surrounding higher education, one of the biggest risks in allocating resources is making big investments in technology and physical infrastructure based on what we know and need today, realizing that these needs and investments are subject to change before we fully recognize a positive return on our investments. In this exercise, we will focus our resource goals and related initiatives based on what we know today, in addition to embracing the flexibility to make changes over this plan's life-span as new information and needs become known.

As we embark on our new vision of becoming a nationally recognized, premiere liberal arts institution, we fully grasp our current financial foundation, while recognizing our strengths, weaknesses, threats and opportunities that will possibly drive our financial model moving forward. Given our limited resources, sound financial stewardship is an imperative for Georgia College and constant monitoring allows us to take full advantage of redirection opportunities to sustain quality programming and services. Prioritization will continue to be critical in helping formulate redirection of our existing funding to higher institutional priorities. New revenue streams and the ability to be nimble with resources, coupled with a culture of continuous prioritization and funding redirection will be a necessity for survival moving forward.

SWOT ANALYSIS

Strengths:

- identified liberal arts niche in public higher education and a positive reputation
- strong applicant pool - FY 2016 received 3,979 undergraduate applicants, accepted 3,001 and matriculated 1475

- quality students - as recognized through higher high school GPAs and standardized test scores
- professional advising staff and faculty mentoring model
- strong co-curriculum base to support a positive residential living environment
- dedicated grants office and highly-competent staffing
- dedicated and competent faculty and staff
- system-wide P3 opportunities
- starting capital campaign, with identified transformative pillars
- robust and reliable IT infrastructure and system-technology platforms with USG staff support: PeopleSoft Human Capital, PeopleSoft Financials and Banner
- state bond support for major and minor capital projects
- safe campus
- vendor support in dining services to address the changing demands of the student population demands in food venues

Weaknesses:

- capped undergraduate enrollment and minimal influx in new revenue streams through tuition and state appropriations for enrollment growth
- rural location and the difficulty in recruiting a highly qualified and diverse student, faculty, and staff population
- limited resources to support need-based scholarships
- system imposed restrictions on increases in mandatory fee-related programs
- potential forced participation in outsourcing housing to a P3 system initiative
- deferred maintenance backlogs - over $4M
- increasing demands on resources (time and labor) for compliance reporting
- lag in capital funds to support full renovation of Terrell Hall, the Old Courthouse, Herty Hall lab updates, Library footprint changes to meet today's needs
- Almost all of auxiliary reserves are tied up in R&R reserves, meaning no funds available for unrestricted usage
- lack of large meeting spaces
- need for a performing arts center
- growth in graduate programs generate less of a return on investment
- inconsistent monitoring of graduate programs for cost effectiveness and possibly elimination
- technology gap between students and faculty

Opportunities:

- create discretionary funding through redirection of current funding base
- new revenue streams from out-of-state tuition
- learn to be comfortable with and adapt to change - seek out positive opportunities in all functional areas
- grow a culture of consistent discovery, and create critical thinking opportunities in all faculty, staff and students
- use an institutional teamwork approach (faculty, staff, students, community) to create strategic foresight and institutional direction
- use digital dependence and social media to our advantage
- ability to build on previous prioritization study
- be flexible in the campus store layout and product selection to support the dynamic changing market needs in course materials and products
- find philanthropic avenues/sources to support transformative ideas
- create new and dynamic blended, online instructional programs (engaging students in the modeling)
- integrate "gaming" in instructional delivery (engaging students in the modeling)

- develop a child development learning center to augment COE instructional learning lab opportunities, and to offer an additional employee benefit
- investment in GC's new career services initiatives
- intentional focus on increases in sophomore and junior retention rates, as well as graduation rates
- capital campaign support for capital improvements at the old courthouse
- be vigilant and proactive on consistent environmental scans and engage in broad-participation (students, faculty, staff, community) dialogs as to how outside factors can potentially have an impact on how we make decisions
- remain flexible and quick to respond to adjustments needed to the strategic plan
- monitor strategic appropriation of indirect funding, allowing for potential redirection of general funding sources
- engage in and support the capital campaign, with identified transformative ideas
- opportunities in Georgia's emerging film industry
- discuss possibility of elimination of costly intercollegiate sports to less costly sports
- generate grants for academic lab renovations and equipment
- create strategic partnerships with large corporation foundations
- have colleges work with congressional delegation to secure funding for special projects
- eliminate non-profitable graduate programs and redirect faculty to undergraduate needs
- provide incentives for faculty to utilize grants, possibly tied to promotion and tenure
- focused training for faculty usage of D2L to meet student requests for essential course information (grades, syllabi, class calendars, etc.)
- support for faculty learning labs to foster greater creativity in classroom technology usage and new instructional delivery materials
- partner with 3rd party for international student placement in "pathway program"
- garner lobbyist support for federal/state funding for targeted curricula programming
- new norms of crowd-sourced lesson plans, information fluency, and individualized learning
- evolution of wearable technology and usage in and out of classroom – for the digital generation
- programming for stackable certificates (bundling and connecting different content areas through professional certificates and credentials that would lead directly to employment)
- college affiliated retirement communities
- enrollment triggered start dates to supplant declined enrollment and revenue in spring semesters
- campus-grown gourmet foods
- pool of very old restricted loan funds possibly converted to unrestrictive endowments
- transition current bookstore space to a gaming center for tournaments-or other instructional needs
- meal-plan food delivery contracts
- space rental on radio tower and unused west-campus property
- increase rental rates for University space usage
- develop or invest in currently unused west campus property (revenue-generating real estate project or managed forestation program to generate revenue through periodic timber harvesting) – (study was conducted years ago, and report is available)
- Incorporate alternative 8 week instructional programs into the Fall and Spring semesters

Threats:

- greater competition in graduate programming, and changes in program demands
- uncertainty in the world of higher education, ambiguity, complexity
- demographic changes and the ability to address their needs and expectations (growing number of first-generation, minority, and low-income students)
- digital dependence and the power of social media with negative publicity

- government influence on financial aid and free education
- increased global competition and online delivery demand
- potential P3 forced participation could lower current housing standards in facility maintenance and decrease funding for co-curricular housing programming
- growing population with mental health concerns
- potential consolidation within USG
- growing expectations from community as it relates to economic development
- growing demand and usage of “big data" and systemic implications of bad data
- increasingly lower attention spans of students, with constant attention directed toward technology presence in multiple forms
- increased number of sexual assaults with known assailants
- need for alternative, lower-cost instructional tools (phase-out or repurpose of brick and mortar bookstores)
- no tuition increases (lack of discretionary funds to support partial formula funding demands on benefits, new and aging retiree pool, and new square footage)
- growing competition for federal, state and local grant funds
- MOWR changes and the impact on instructional resources needed for the more advanced incoming freshman class
- MOWR increase in local students and the additional costs to the institutions for unfunded books and unfunded demand on services supported through regular student mandatory fees
- potential reduction in state funding for credit hours generated through online programs
- the new generation of students, parents and alums expect personalized and adaptive solutions to their college needs and wants, which requires funding solutions

GOAL, RELATED INITIATIVES, AND MEASURABLE OUTCOMES

Align all resources to ensure the strategic planning priorities of Georgia College are addressed.

Strategic Initiatives to achieve goal:

I. Maximize revenue by properly managing an appropriate enrollment mix of undergraduate, graduate, in-state, and out-of-state students; additionally, a continuous focus on minimizing higher tuition and fee increases is necessary to help address tuition dependency concerns...

a) Monitor tuition revenue streams to ensure adequate resources are maintained and new unrestricted resources are utilized at an optimal level. Ensure new institutional goals and strategic initiatives are being funded to support the mission, vision and advancement of Georgia College.
   - ✓ Measurement: 1) Ensure budgetary revenue projections are met through quarterly monitoring and reporting of all budgets against actual receipts; and 2) All funding requests and subsequent allocations must include the institutional goal(s) and related strategic initiative(s) it will support, as measured through the annual budgetary planning and allocation processes.
   - ✓ Champions: Financial Services, Institutional Research, Enrollment Management, College Deans, Directors, and Executive Cabinet

b) Enhance out-of-state enrollment base (to include international students) and related revenue streams through targeted recruitment efforts in other states and partnerships with appropriate international student joint ventures, on-boarding services and pathway programs.
   - ✓ Measurement: Increase in related student headcount and revenue collection, as measured through Institutional Research and Financial Services USG annual reports.

- ✓ Champions: Enrollment Management, International Office, Institutional Research, and Financial Services

c) Critically review justifications for all tuition and fee increases, to include continual benchmarking of rates with recognized comparative markets.
- ✓ Measurement: 1) Ensure all rate increase justifications include proof of the exhaustion of the possibility of cost cutting measures and possible alternative revenue measures, and 2) Annually document tuition and fee rate structures with identified aspirational and peer institutions.
- ✓ Champions: Financial Services, Institutional Research, Deans, Fee Managers, Mandatory Fee Committee and Executive Cabinet

d) Enhance graduate enrollment base and related revenue streams through targeted recruitment efforts and a variety of online and face-to-face content delivery methods.
- ✓ Measurement: Increase in related student headcount and revenue collection, as measured through Institutional Research and Financial Services USG annual reports.
- ✓ Champions: Graduate Coordinators, College Deans, Senior Associate Provost/ Director of Graduate Programs

II. Be vigilant in monitoring programming costs and related redirection opportunities, to include prioritization of unrestricted funds – understanding key drivers of cost and revenue across various colleges and programs (focus on cost containment and efficiency)…

a) Utilize internal and external data to scrutinize all instructional and non-instructional program delivery costs and mission relevance.
- ✓ Measurement: Establish and document annual review processes and procedures for instructional cost per-credit-hour evaluations, and obsolete program and service duplication identification, to be annually implemented at the college and departmental levels.
- ✓ Champions: College Deans, Program and Service Directors, Institutional Research, Financial Services, Chief Information Officer, and Executive Cabinet

b) Utilize relevant benchmarking data from identified peer and inspirational institutions to assist in cost comparisons for instructional and non-instructional programs and services.
- ✓ Measurement: Document comparative analysis of relevant University System of Georgia and national data elements (IPEDS, Delaware Study, USG curriculum data inventory and USG financial reports, etc.).
- ✓ Champions: College Deans, Department Chairs, Program Directors/Managers, Institutional Research, Financial Services, Chief Information Officer, and Executive Cabinet

III. Expand grant and sponsored project funding and prioritize usage of indirect cost funding…

a) Utilize contracted liaisons for federal and state legislative representation to optimize federal grant opportunities to support targeted instructional needs.
- ✓ Measurement: Annual dollar value of grants garnered through legislative partnerships.
- ✓ Champions: Grants Office, Independent Contracting Firm for federal legislative representation, GC External Relations, and Executive Cabinet

b) Establish funding partnerships with foundations in large corporations to provide related industry curriculum needs (customized corporate training or on-site professional majors), utilizing corporate advisory committees.
- ✓ Measurement: New programming and related profit in delivery of contractual partnerships with corporations.
- ✓ Champions: Grants Office, GC Foundation, College Deans, Executive Cabinet

c) Annually review indirect cost funding to optimize usage and transfer opportunities to redirect general funded related costs where applicable.

- ✓ Measurement: Amount of indirect cost revenue utilized to support administrative overhead of grant administration costs as a percentage of indirect income.
- ✓ Champions: Grants Office, GC Foundation, College Deans, Executive Cabinet

d) Develop ways to increase faculty participation in project grant writing, sharing of indirect cost revenue, release time for writing, and continued access to Faculty Research Grant program.
- ✓ Measurement: Number of grant applications and incentive attributed to the application (if applicable).
- ✓ Champions: Grants Office, College Deans, Executive Cabinet

IV. Operate Auxiliary Enterprises to meet institutional needs with minimal fee increases, minimal charge-backs to the institution, and watchful savings and redirection opportunities…

a) Continuous monitoring of student needs, and where feasible, implementation of sustainable student services.
- ✓ Measurement: Annual survey results on student requests and ensuing new auxiliary initiatives.
- ✓ Champions: Auxiliary Services, Mandatory Fee Committee, and Executive Cabinet

b) Eliminate services or outsource where practical and financially viable.
- ✓ Measurement: Document review of potential opportunities.
- ✓ Champions: Auxiliary Services and Executive Cabinet

c) Expand existing services to community where a need is currently not being met.
- ✓ Measurement: Number of profitable extended services.
- ✓ Champions: Facilities Operations/Sustainability, Auxiliary Services, Public Services and Executive Cabinet

d) Review restrictive policies at federal, state, system, and local levels that may prohibit full participation in revenue generating businesses for Auxiliary Services at GC, and facilitate awareness of need for potential revisions.
- ✓ Measurement: Number of policies reviewed and action for change requested.
- ✓ Champions: Auxiliary Services, Financial Services, and Executive Cabinet

V. Ensure that all quasi-discretionary fee supported revenue streams (e.g., Student Activity fee, Technology Fee, Health & Wellness fee, and lab fees, etc.) address mission goals where applicable…

a) Align all annual funding allocations with initiatives of the strategic plan.
- ✓ Measurement: All new fee requests and subsequent allocations must include the related institutional goal(s).
- ✓ Champions: Financial Services, Mandatory Fee Committee, Fee Managers, Student Government Association, Dean of Students, Executive Cabinet

Questions from Steering Committee:

- ❖ *What does financial sustainability look like at a preeminent public liberal arts university? Financial sustainability for any institution is the ability to adequately manage resources to accomplish the mission and vision of the institution. If GC's strategic plan and related goals reflect the desired level of a preeminent public liberal arts university, then financial sustainability is accomplished if we can adequately achieve our goals through the funding methodology we've outlined. Different goals will target different funding resources, and careful analysis and accountability to match the two will need vigilant attention.*
- ❖ *What strategies can GC use to reduce tuition dependence and increase funding from non-state sources?*

The tuition-dependence paradigm has shifted way too far for any realistic changes. The only realistic sources for general operations would be unrestricted foundation funding and unrestricted grant funding. We also know the trajectory of foundation giving is earmarked for special purposes, which negates the opportunity to support operations.

- *What is the most effective use of resources to support the GC mission? This is why prioritization and goal setting and assessment are imperative.*
- *What funding priorities will yield maximum return to accomplish the mission and enhance student learning? This will come out of the holistic strategic plan underway.*
- *What are the revenue implications for ambitious, but doable, target enrollment levels for out-of-state and international students? Too many variables to discern without a concrete profile. The plan initially is to establish the relationships and build enrollments through total and partial out-of-state waivers, and eventually attract a student stream that will be able to pay the out-of-state rates.*
- *What quality/level of campus auxiliary services (e.g., dining, parking, transportation) are expected at a preeminent public liberal arts university? Services that first and foremost meet the desires of the students at a cost that can't be achieved elsewhere for less. Services that are nimble and dynamic to address the changing desires of fluid populations. Services that are wide-based to address diverse audiences.*