

Budget and Furlough meeting
July 17, 2009

Although this meeting was called to discuss our fiscal situation, this is the first time we have been together since the death of Kent Earley. I was pleased to see the number of colleagues from across campus attend his funeral. This kind of support does not happen on every campus. I appreciate how we do support each other. Kent gave 20 years to our college and was an excellent colleague. Let's take a moment to reflect on his life in the way most appropriate for you.

Thank you.

Now to turn to the subject at hand. Does everyone have a handout? I was planning to discuss this in a month when we meet but we decided there was much concern and speculation so it was important to get information to you in a more timely manner.

Revenue

The revenue situation in Georgia has not been good. In general, tax revenue in Georgia comes as follows:

51% was from individual income tax (down 12.2% from FY 2008)

33% was from sales and use tax (down 8.8% from FY 2008)

6% was from fuel tax

5% was from corporation tax (down 26.3% from FY 2008)

5% was from tobacco, alcohol, and tag tax

It all works together – if income is down, income tax is down, then people will buy less, and sales taxes go down.

Unemployment

In May of 2008, the unemployment rate for the nation was 5.5% and for Georgia 5.9%. There were times during the year when the unemployment rate was much higher in Georgia than nationally but as of June 2009, the national unemployment rate was 9.5% and Georgia's was 9.7%. The report this week shows 10.1% unemployment in Georgia. Over 1 in 10 adults in Georgia is unemployed. The next national statistics will be released on August 7th.

Tax Collections

Tax collections in Georgia were \$254.5 million less in June 2009 than in June 2008. This is down 15.7% making a total of 10.5% or \$1.9 billion less revenue during FY 2009 that just ended June 30th than FY2008.

The guesstimate for tax collections for calendar year 2009 is down 9.5% and for calendar year 2010, it is down 4%. The unemployment rate is expected to continue to increase to about 10.4 % in Georgia in calendar year 2010 and drop to 10.3% in calendar year 2011.

Our state revenue does not look good and of course this is not good for Dalton State.

Dalton State budget

As of July 1, 2008, Dalton State was budgeted \$15,422,361 in state dollars. During FY 2009 ending June 30th, we returned to the state 12% of our budget or \$1,759,314. Our budget for FY 2010 is \$14,304,373 including \$147,029 in formula funding which is the additional money we received for increases in credit hours. But this lags two years. After a fiscal year is completed, the legislature considers and funds the formula (one year) which we then receive in the next year's budget (second year). Had this been a normal year, our allotment increase would have been \$1,098,204 rather than \$147,029 which has been partially offset by federal stimulus funds. So we only received about 10% of the increase.

For FY 2010, each one percent of our state revenue is \$143,000. We have already been told to hold an additional 6% for the coming year. This is \$858,000 and we are at an 18% reduction.

We also must remember the stimulus money. The University System of Georgia received \$92.6 M dollars in stimulus money. The legislature took an additional \$92.6M from the USG budget and replaced it with \$92.6M from the stimulus money. This works out to be 5% of the budget and will cover two years. Beginning in FY 2012, this money very likely will be gone and we will need to develop a strategy for operating without it. Dalton State's share of the stimulus money we will need to make up is \$746,513.

This is what I want you to remember. We have lost 12% of state funding as we begin this fiscal year. We will probably lose a minimum additional 6% as we have already been told to hold that. We probably will not receive the 5% two years from now that makes up the stimulus money. If you are keeping track, that is 23% or \$3,568,489 less than when FY 2009 began last July. This is based on information as we have it today. There still could be additional reductions. It is obvious we cannot continue as we have.

Our salvation thus far has been the increase in the number of students and an increase in the number of credit hours generated. I do not want to be known as the President who was only interested in numbers because quality is important. But at this time, every additional student paying tuition does make a difference in our bottom line and replaces money cut from our state allotment.

During the past fiscal year, every department was careful in spending and this has to continue. We appreciate all the steps taken to be fiscally responsible.

Eliminations

We cannot operate at a deficit. To accomplish this, several decisions have been made:

1. We have increased the number of students in many sections. Often this has added students beyond what you may find as the optimal number. I appreciate what you are doing.
2. We are adding as many sections of classes as we possibly can. This is both on campus and at DSC in Gilmer County where all the originally scheduled classes are full.
3. We are closing the Catoosa Center in Fort Oglethorpe at the end of summer. All but two classes for fall had less than 10 students. If we move all these classes to our main campus, which we are planning, we can have as many as 40 students per class depending upon the size of the classroom and the discipline being taught. We have students waiting to get into classes so we will better meet our mission of being an access institution. The direct cost of operating the center is about \$75,000, exclusive of faculty salaries. We are better using our resources and educating more students for the same dollar.
4. This pains me but we are eliminating as much travel as possible. As a rule, we will allow in-state travel to USG sponsored meetings and for required accreditation meetings. I hate that we had to make this decision to put travel on hold but it is for now. We expect to save over \$100,000.
5. As faculty and staff leave for other positions or retirement, we will look at programs to determine if the enrollment is sufficient and adequately cost effective to hire a replacement. Some programs that up until now were not at all considered, may be closed.
6. The Foundation is in the same position of having less income. They have decided to cancel and not fund the dinner they have sponsored at the beginning of the school year so they can keep funds in programs they support for the campus such as travel, professional development, or international study.

Other decisions will follow and none will be easy.

1. We have to do what we can to protect the core of the institutional mission.

2. We are committed to developing the new majors that were just instituted. We need to be preparing for the time the economy improves and cannot be stuck several years behind.

Suggestions

What I request from you are suggestions that might save the College money. Is there something that really is not useful? Are there procedures that could be changed that will save time, effort, and resources? Is there something we really can do without at least until the economy turns around?

We are all adults and retribution will not occur on this campus. I would prefer you include your name when sending suggestions so if I have questions, I can get further information. However, I will accept anonymous ones as well but prefer people owning their own suggestions. And if you cannot do that, please tell your dean or director so the suggestions can be passed on to me as soon as possible.

Some activities we are required to do such as implementing Peoplesoft upgrades or going to ADP for processing our paychecks. Many services we provide for students are required by law and we cannot change those. But maybe something could be revamped in another way.

We all know there are various pots of money on a campus and we cannot legally take money from one pot and put it into another. Students pay a technology fee. We cannot pay a math faculty salary from this. We have renovations occurring on campus. For example, Westcott has been in the planning for several years and money used is specifically for remodeling. Other renovations are being completed this summer because that is the purpose of the money. The bell tower was built with money contributed specifically for that purpose. We could not divert that money to a different building project. So some things will continue even if you believe something else is more important.

Furloughs

The USG office has decided that each President may make the decision to implement furloughs. If furloughs were determined to be necessary on a campus, this would have to be proposed to the Chancellor to make the case. It will then be approved or rejected.

The System office can also make the decision to implement furloughs across the system. You have all heard legislators making statements about how little we have suffered because we have not utilized furloughs. And yesterday I read that beginning this month, legislators will begin taking a furlough one day per month at least through the end of the calendar year. The System office has developed a Draft Furlough Policy and calculations of a one-day furlough amount. It will apply to ALL employees regardless of source of funding, place of work, or if you are new, have been employed 20 years, or are temporary. Benefits will not be affected. Employees who will fall below a floor of \$23,660 will not be required to take a furlough. Currently in the draft policy, each day is calculated at .38% of your salary. But again, this is in draft form.

If furloughs are implemented, you will NOT work in any way at that time. However, it has been mandated that no classes will be cancelled. We may therefore take half day increments. As of right now, NO furloughs are currently scheduled. And at this time I am NOT considering implementing them.

Questions

Scott, John, Jodi and I will answer any questions you might have.