FINANCIAL FRAMEWORK
July 28, 2016
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Senior Vice President for Administration and Finance
150 Under 50 Rankings 2016

The Times Higher Education 150 Under 50 Rankings 2016 is a ranking of the top 150 universities under 50 years old.

It celebrates young universities that have made a great impact on the global stage in years rather than centuries and showcases the future rising university stars.

George Mason University ranked 59

Strategic Plan: Key Metric

New Rankings released February 1, 2016

Mason included in Top Tier – First Time Ever!

In Virginia, only the University of Virginia, Virginia Tech, VCU and George Mason are classified as “Highest Research Activity”
MASON SERVES

Northern Virginia   Washington Metro Area
Commonwealth of Virginia   The Nation   The World

FAST FACTS (2015 – 2016)

- Enrollment ~ 34,000
- 81% Virginia residents
- 57% receive financial aid
- 69% of first-time freshmen live on campus
- 26% of undergrads live on campus
- 6,502 employees on 4 campuses
- 2,634 teaching & research faculty
George Mason University’s impact on the region

**A SKILLED WORKFORCE**
- 34,000 Enrolled students
- 100,000 Career-ready graduates by 2024

**AN ECONOMIC ENGINE***
- 16,000 Jobs created
- $1.56B Pumped into economy

**THREE DISTINCT CAMPUSES**
- 6,200 Residential students

**JOB CREATION**
- 29 Mason Enterprise Center offices

**DIVERSE STUDENTS**
- 130 Countries
- 50 States

**A TOP-TIER LOCAL COLLEGE OPTION**
- 82% In-state students

**AN AREA NETWORK**
- 100,000 Mason alumni in region

**CONTRIBUTIONS TO K-12 EDUCATION**
- 33% Teachers in Northern VA schools with Mason degrees
- 50% Administrators in Northern VA schools with Mason degrees

* Mason study of economic impact on Virginia in 2012
Source: George Mason University
George Mason University – Return on Investment

Mason Transfer Students
ROI is even better!

*Wage data is five-year average
Source: State Council of Higher Education for Virginia (SCHEV)
George Mason University is Virginia’s Largest Public Research University
FINANCIAL FRAMEWORK

REVENUES
- State Appropriations
- Tuition & Fees
- Retention & Enrollment Mix
- Philanthropy
- New Programs

EXPENSES
- Mandatory Cost Increases and Regulatory Environment
- Academic & Administrative Enterprise
- Debt Service

NET RESOURCES
- FOR STUDENTS
  - Innovative learning
  - Accessible pathways
  - Return on investment
- FOR THE WORLD
  - Elevate research
  - Research of consequence
  - Global learning platform
- FOR THE COMMUNITY
  - 100,000 career-ready graduates
  - Innovation engine
  - Community builder
- FOR FACULTY AND STAFF
  - Support teaching and scholarship
  - Excellence
  - Well-being
  - Diverse academic community

The Mason IDEA

BASE
- Operating and Capital Reserves
- Capital Infrastructure
- Physical Plant
HOW DO WE MAINTAIN MASON’S GREAT OUTCOMES OF INCLUSIVE EXCELLENCE?

ROI

ACCESSIBLE

AFFORDABLE

HIGH QUALITY
Financial Metrics
Debt Service Burden - 2015

Stable Outlook

Target
5.0 - 7.0 %

GMU Debt Service Burden (debt svc / oper exp)

Medians for Moody’s A2 public universities
GMU & Foundation exp finl resources to GMU debt

Medians for Moody's A2 public universities

Positive Trend

Target
0.30 – 0.45
Expendable Financial Resources to Operations – 2015 (%)

GMU & Foundation exp finl resources to operations

Medians for Moody's A2 public universities

Stable Trend

Target: 0.35 – 0.50
Operating Cash Flow Margin - 2015

Stable

Target 12 – 15 %

GMU operating cash flow margin (EBDIA / revenue)

Medians for Moody’s A2 public universities
Revenue
FY 2017 PROPOSED REVENUE BUDGET $1.0B

*VA State Funding, 22%

Capital
- Mason Capital Funds, $5.0

Enrollment Related Fees, 51%
- Tuition, $353.3
- Mandatory Student Services & Activity Fees, $83.9
- Room & Board, $70.2
- Contracted Services, $32.8
- Community & User Service Fee, $84.9

Operating, $138.6
- Financial Aid, $22.3
- Capital Improvements, $57.8

One-Time, $2.5

Philanthropic Activities, $45.0

Sponsored Research, $104.7

All Other Activities, 27%
State imposed a 20% tuition reduction for in-state undergraduate students in FY2000 and rates were held flat through FY2001 and FY2002. 

ARRA included in General Fund.

Data Source: FY1985-FY2013 Institutional Research Fact Book; FY2014-FY2016 Budget Office
## STATE FUNDING DISPARITY

<table>
<thead>
<tr>
<th></th>
<th>WMU</th>
<th>Virginia</th>
<th>VT</th>
<th>VCU</th>
<th>ODU</th>
<th>Mason Average w/o Mason</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$8,294</td>
<td>$9,088</td>
<td>$7,397</td>
<td>$7,209</td>
<td>$6,391</td>
<td>$7,676</td>
</tr>
<tr>
<td>In-State Tuition</td>
<td>15,810</td>
<td>13,515</td>
<td>10,941</td>
<td>10,989</td>
<td>6,348</td>
<td>$11,521</td>
</tr>
<tr>
<td>Total</td>
<td>24,104</td>
<td>22,603</td>
<td>18,338</td>
<td>18,198</td>
<td>12,739</td>
<td>19,197</td>
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</tbody>
</table>

Mason percent of average is **73%** of total

General fund estimate is based on SCHEV FTE projection in the 2B report, numbers for all institutions will change with actual revised numbers.
2001 - 2017 IN-STATE TUITION AND FEES COMPARISON

Range of $\Delta$ $1,552$ to $9,934$ per student

$\Delta = $1,047 per student

Source: SCHEV 2000-01, 2008-09 – Tuition and Total Mandatory Fees
PUBLIC & NON-PUBLIC HIGH SCHOOL TRENDS

Among Mason’s University’s top feeder states, projected declines in the number of total high school graduates (public and non-public) may increase competition in the coming years.

WICHE projects the total number of high school graduates for top feeder states will drop below 2004 levels by 2027/28.

1. Feeder states determined from enrollment funnel data and include: Virginia, Maryland, California, Pennsylvania, New Jersey, and New York

Source: The Western Interstate Commission for Higher Education
Most of Mason’s enrollments come from six states. The low growth in the total number of high school graduates (2.91% in the next 10 years) in these states will make enrollment growth challenging and will require a revised recruiting approach.

**Fall 2014 Domestic Enrollments by State**

- VA: 48%
- Other states: 22%
- NY: 5%
- NJ: 7%
- PA: 7%
- CA: 2%
- MD: 9%

**Projected Total High School Graduates (2013/14 to 2023/24)**

- Virginia: 12.7%
- Other states: 22%
- New York: 5.0%
- New Jersey: 3.9%
- Maryland: 3.9%
- California: 3.9%
- Pennsylvania: 2.2%
- Other states: 22%

States listed represent 78% of the 2014 incoming class; Feeder states excluding VA represent 30.4% of the 2014 incoming class.

Source: The Western Interstate Commission for Higher Education and George Mason 2014 Enrollment Funnel Data
Major changes in the ethnic composition of public high school graduates in Virginia alone are also expected in the next 10 years.

**Projected Change in Public High School Graduates by State (2013/14-2023/24)**

- **2013–14**: 41,000
- **2018–19**: 35,000
- **2023–24**: 30,000

### The Next 10 Years

- The Hispanic population in Virginia is projected to increase by approximately **99%**, or to about 13,700.
- The Asian/Pacific Islander population will increase by **65.9%** to 9,619.

While the total number of public high school graduates in Virginia is projected to grow, the changing ethnic composition of that population should inform how Mason approaches recruiting and enrollment efforts.

Source: The Western Interstate Commission for Higher Education
IMPLICATIONS FOR ENROLLMENT PLANNING

Demographic trends in Mason’s feeder states and labor market trends in Virginia should inform how Mason defines its ideal class.

<table>
<thead>
<tr>
<th>Trends</th>
<th>Implications</th>
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</thead>
<tbody>
<tr>
<td>▪ Varying rates of population growth in high school age population in feeder states.</td>
<td>▪ Mason may need to explore new markets if it wishes to grow out-of-state students.</td>
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<td>▪ Greatly increased diversity in high school age population in feeder states.</td>
<td>▪ Changes may be required to recruiting, academic support, and student services to accommodate needs of a more ethnically diverse student body.</td>
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<tr>
<td>▪ High occupational growth projections in computer, business, and healthcare professions in Virginia.</td>
<td>▪ If Mason wishes to grow graduate enrollment it should conduct further analysis.</td>
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<tr>
<td>▪ GRE test takers indicate interest in natural sciences</td>
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<tr>
<td>▪ Virginia’s economy is expected to grow moderately.</td>
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</tbody>
</table>
Mason needs to make investments to attract and retain students.

- Improving the Student Experience Initiative
- Exploring Partners for Online Graduate Degrees
- Increasing Demand for Student Services
- Commitment to Diversity and Inclusion
- Support Stay Mason
- Increase Undergraduate and Graduate Financial Aid
Expenses
FY 2017 PROPOSED EXPENSE BUDGET $1.0B

- **Enrollment Related, 69%**
  - Educational & General, $514.8

- **Capital, 6%**
  - Financial Aid, $22.3
  - Room & Board, $70.2
  - Student Services & Activity Fees, $83.9

- **Foundation Support for Mason, $45.0**

- **Contracted Services, $32.8**

- **Community & User Service (Non-E&G), $66.4**

- **Research Contracts and Grants, $104.7**

- **All Other Activities, 25%**

**pie chart in millions**
Newspaper Commentary:
Tuition has increased beyond the rate of state budget cuts.
Universities are using tuition to more than offset state budget cuts.

Mason Response:

2005-2015
A Time of Rapid Growth
Mason Expenditures increased ~6%
Per student spending of ~$800 dollars

2005-2015
A Time of Dwindling State Funding and Double Digit Appropriations Cuts
State Support decreased 51%
Per student reduction of ~$4,200

Offset from Tuition Increases: ~$3,400
Enrollment Growth and Self-generated Revenues $800
Newspaper Commentary:

Higher education has grown disproportionately in faculty and staff ratios.

Mason is very efficient.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Faculty/Staff to Student</th>
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</thead>
<tbody>
<tr>
<td>MASON</td>
<td>1:8</td>
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<tr>
<td>Doctoral Average</td>
<td>1:5.8</td>
</tr>
<tr>
<td>William and Mary</td>
<td>1:3.5</td>
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<tr>
<td>VCU</td>
<td>1:7.4</td>
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</tbody>
</table>

Mason would need to add over 1,000 people to be comparable with state average.
There are clear relationships between academic quality and academic spending. George Mason achieves academic success despite relatively modest spending levels.

George Mason aims to achieve increasingly-greater academic success while spending less than the nation’s highest-ranked public universities.

Note: The US News rankings used here include all public and private national universities offering undergraduate, master’s, and doctoral programs. The top 10 public universities within the US News rankings are UC-Berkeley, UCLA, University of Virginia, University of Michigan-Ann Arbor, UNC-Chapel Hill, College of William and Mary, Georgia Institute of Technology, UC-San Diego, UC-Davis, and UC-Santa Barbara.
### Examine the Base: Base Budget Efficiency & Effectiveness Measures

<table>
<thead>
<tr>
<th>FY 2013 - 2017</th>
<th>Debt Deauthorization:</th>
<th>3 Year Total</th>
<th>$197M</th>
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<tbody>
<tr>
<td></td>
<td>Asset Reutilization:</td>
<td>4 Year Total</td>
<td>$197M</td>
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<td></td>
<td>Mason Inn Conversion</td>
<td>Historical Loss</td>
<td>$12M</td>
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<td>Mason Hall Phase I &amp; II</td>
<td>Cost Avoidance</td>
<td>$13M</td>
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<td>Science &amp; Technology Campus</td>
<td>4 Year Total</td>
<td>$24.1M</td>
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<td>FY 2013</td>
<td>$4.7M</td>
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<td>FY 2014</td>
<td>$2.0M</td>
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<td>FY 2015</td>
<td>$9.4M</td>
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<td>FY 2016</td>
<td>$8.0M</td>
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<td>Future Challenge</td>
<td>Pension/Healthcare Increases</td>
<td>4 Year Total</td>
<td>$20M</td>
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<td>FY 2016-18 INITIATIVES</td>
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<td>• Budget Model Redesign</td>
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<td>• Analyze business services to increase efficiency and minimize cost</td>
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<td>• Increase Financial Flexibility with the State</td>
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<td>• Sustainability Initiatives</td>
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<td>• Housing Analysis</td>
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<td>• Restructure Debt</td>
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<td>• Debt Policy</td>
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<td>• Reserve Policy</td>
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<td>• Establish College/School Dashboards</td>
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<td>• Establish College/School Faculty Workload Guidelines</td>
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<td>• Multidisciplinary Research/Education</td>
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<td>• Platform for Educational Innovation</td>
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<td>• Institute for Biomedical Innovation</td>
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<td>• Major clinical partnership(s)</td>
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<td></td>
<td>• Innovation and Entrepreneurship Center</td>
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<td>• Online Graduate Program Partnership</td>
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<td>• Meet Enrollment, Retention and Completion Goals</td>
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<td>• Meet Executive Education Revenue Target</td>
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<td></td>
<td>• Increase Study Abroad and International Enrollments</td>
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</table>
THERE ARE INCREASING PRESSURES ON THE INSTITUTION

Two Years Base Budget Cuts

Tuition Sensitivity

Compensation and other employment cost pressures

Increased Demand for Student Services

Rapid Enrollment Growth

Changing Regulatory Landscape
FY 2017 – CURRENT YEAR

Invest in critical programs & services, and stage the runway for future success

- Compensation Increases for Faculty and Staff
- Increase Financial Aid for Undergraduate and Graduate students
- Increase services and programs related to Diversity and Inclusion
- Invest in Student Enrollment and Access Initiatives
- Increase for Critical Student Services, includes writing center, counseling center
- Invest in Research, includes Institute for Biomedical Innovation
MASON IS EFFICIENT AND EFFECTIVE – HOW DO WE MAINTAIN MASON’S GREAT OUTCOMES OF INCLUSIVE EXCELLENCE?

- Diverse Student Body
- No Disparity in Outcomes
- Tuition and Fees less than most VA doctorals
- Lower Core Spending then Peers
- Great Return on Investment
- Best Student Loan Default Rate in Nation
FORECASTING: A LOOK AHEAD

- Analyze Major Revenue Categories
  - Tuition Pricing Strategy
- Faster Farther Campaign and the Future of Fundraising
- State Relations
- Capital Infrastructure and Investments
Start by doing what’s necessary; then do what’s possible; and suddenly you are doing the impossible.

Francis of Assisi