

George Mason University

Cover Letter – FY2025 Six Year Plan Update

July 15, 2024

Dear Op-Six:

Thank you for the opportunity to update and refine the George Mason 6-Year Plan.

In general terms, the plan submitted last year remains consistent with George Mason goals and strategic directions. George Mason appreciates the support offered by the Commonwealth over the last year. In particular, we are grateful for the \$11.5 million incremental General Fund allocation, additional funds for financial aid, and recasting the \$8 million received as one-time funding in FY24 as permanent base budget.

In the coming year, we seek to continue to provide exemplary opportunity and excellence to our students and the Commonwealth while simultaneously finding creative solutions to funding gaps. As we are addressing a deficit, the detail found in the financial workbook must be considered in context, i.e. the workbook assumptions do not account for the measures we are currently undertaking to mitigate the deficit as soon as possible.

As detailed in our General Fund request, our strategies align with and support the Governor's Higher Education Agenda. However, longstanding fiscal concerns paired with uncertainty regarding revenue from various sources will affect and inform our capacity and productivity. Specific strategies and concerns include:

- Increased Commonwealth support for academic programming and students:
 - **Virginia Military Survivors' and Dependents' Education Program (VMSDEP).**
 - This critically important program has experienced significant growth in recent years and is expected to continue to grow. George Mason is committed to partnering with the Commonwealth to bolster the long-term sustainability of this important program.
 - The requested amount of \$11.7 million per year reflects the estimated cost of FY24 actual foregone revenue and has not been adjusted for any base or one-time state support resulting from the 2024 Special Session(s) pending final action and allocations by the State Council of Higher Education for Virginia.
 - This submission holds the projected cost of VMSDEP waivers constant throughout the six-year plan. Recognizing recommendations from the Governor's Task Force may reduce the growth rate in future years, we also hold open the possibility that additional funding may be needed based on actual program growth.
 - **Financial aid:** George Mason seeks to meet 100% of students' unmet need. Further, we seek to extend Mason Virginia Promise (MVP) grants to all Pell-eligible students. Mason allocates 1/3 of all tuition increases to support financial aid. Regrettably, this is not sufficient to meet student need.
 - Initiatives **expanding access** that require additional investment include the ADVANCE program (provides personalized support to students enrolled at 2-year partner institutions), the Early Identification Program (designed to engage underserved population), a pilot direct admissions program for low-income Virginia

- students, the expansion of Bachelors to Accelerated Masters programs, and increasing online accessibility.
- Enhancing our already impressive **student success** record requires investments in new technologies to consolidate services for ease of access and clarity of understanding. This technology will integrate student support initiatives including academic and career advising, student success coaching, and additional student business services. Student success initiative investments are also requested for MasonWorks, the student employment program, and strengthening student wellbeing and mental health services.
 - Despite the elimination of General Fund support for the **Online Virginia Network (OVN)**, George Mason University continues to operate and support online learning programs to increase access to educational programs for all Virginians.
 - Tuition and General Fund Revenue:
 - Given the critical role tuition revenue plays in long-range fiscal planning, George Mason's capacity is currently significantly constrained as decisions regarding tuition rates have yet to be made beyond the next year.
 - This planning constraint is exacerbated by the uncertainty regarding future General Fund allocations.
 - Despite these uncertainties and the instructions to assume no revenue increases, we have projected growth in financial aid expenditures (including those that are direct reductions to net tuition revenue) in anticipation of student need.
 - Compensation and Market Influences
 - Human resources are the foundation of the work we do. To remain competitive and continue to provide the Commonwealth, students, and families superior education and workforce development opportunities, investments in this area are critical. SCHEV's Resource and Planning Committee Agenda Book January 9, 2024, specifically noted *"In public higher education, the Commonwealth's policy has been to fund each institution's average faculty salary at the 60th percentile of its national peers... One institution, George Mason University, is below the 30th percentile."* This is a critical aspect of George Mason's need for increased state support.
 - The unfunded portion of compensation/merit increases remains a factor George Mason must navigate in any planning or budget exercise. This is the single largest driver of tuition increases given that George Mason must fund more than half of state-mandated salary increases from non-general fund (NGF) sources.
 - Market influences and the cost of living in Northern Virginia contribute to driving increased costs for quality human resources, where DC is one of the highest cost regions in the US.
 - Maintenance reserve support for E&G buildings
 - In collaboration with DPB and DEB, George Mason underwent a comprehensive review of assets and adjusted current replacement value of buildings, resulting in a substantial increase in the total value of assets. This increase will result in a more commensurate allocation of maintenance reserve funding for the size of the institution. We look forward to working with the Commonwealth to update the calculation of Mason's general fund allocation for maintenance reserve. Mason will utilize this funding to meet our most critical needs within our E&G buildings.

- We are currently projecting a shortfall for our critical deferred maintenance needs in our E&G buildings of \$96 million over the next 5 years. The funds will be used on a number of E&G buildings on all campuses.

Given our current funding, George Mason must be nimble to balance our planned investments and projected expenses with uncertain revenue from both the Commonwealth and tuition. For example, in FY26, the state's approved budget includes a salary increase. As the Commonwealth's cost share will be less than half of the dollars required, George Mason will be challenged to find the dollars required that our talented workforce deserves. As we are unsure of, and cannot rely upon, an approved tuition increases for FY26, there is an anticipated need to cut other E&G expenses in order to fund the institutional portion of the salary increase.

To be clear, cutting expenses while trying to meet multiple demands, from VMSDEP to salary increases, will require eliminating or diminishing programs and/or reductions in force that directly contribute to the Governor's priorities. The impacts of budget constraints in meeting the Governor's goals are interwoven at many levels. Impacts on one initiative may be felt across different priorities. As we consider next steps, impacts by stated priority may include:

- Preparing Students for High Demand Jobs in Virginia
 - Program development and growth: George Mason's capacity to develop new programs, including Bachelor to Accelerated Masters programs, or to enhance current programming that produces graduates meeting the needs of Virginia's workforce will be constrained. The absence of and/or the ability to recruit qualified human resources at rates commensurate with the cost of living in Northern Virginia matched to qualifications is critical for this work.
 - Access will be unnecessarily limited as the needs of underserved populations with diversity of experience, background, and need will not be met financially and/or in the provision of support to enable success.
- Promote a Vibrant, Safe and Healthy Campus
 - George Mason strives to provide the resources to meet both the physical and mental health needs of our students. Our capacity to develop and enhance those resources will be constrained to the investments made, again connected to the human resources required.
 - Providing student support services for veterans, students with disabilities, or other special-needs populations requires investments in human resources qualified to meet their needs. In a market like Northern Virginia, the capacity to recruit is directly connected to our ability to compensate accordingly.
- Maintain Affordability and Reduce the Cost of Higher Education
 - As an R1/Access institution, George Mason fills a critical niche in supporting populations that would otherwise not be served. The financial aid investments required to meet unmet need is substantial, including those students coming through the Mason Virginia Promise pipeline.
 - Restricting financial aid available to students by definition decreases affordability and access.
 - Innovative programming like Bachelor to Accelerated Masters programs will be constrained given budget allocations, impacting George Mason's capacity to contribute to this goal as well.

- Online programming meets the needs of a variety of underserved populations. Enhancing student success in this space is a question of providing access and learning how to ensure students are provided with the education needed for workforce success.
- Build the College and Career Ready Pipeline in Partnership with K-12 Divisions
 - George Mason is a national leader in providing access through partnerships that have proven to be effective and valuable.
 - The Early Identification Program, MVP and ADVANCE directly connect to this goal and investment requests are detailed in our financial documents.

Underlying all these concerns will be the tempered progress we will be able to make in investments carefully implemented and considered aimed at enhancing and modernizing systems and processes for institutional and student efficiency. The technology infrastructure necessary to support current needs, particularly updating the HEETF distribution formula to acknowledge George Mason's transformation to an R1 institution that serves more than 40,000 students, is a profound need as it deeply affects our current capacity, growth and engagement. Finally, it is critical to note that personnel morale will suffer. It is already commonly understood that attrition is a concern given current demands and resources.

As detailed on Tab 6 of the workbook, we seek investment in priority areas that will contribute to the Governor's goals while simultaneously addressing the historically inequitable manner in which George Mason has been funded relative to our peers.

Attachment A to this letter provides detailed information on the specific areas of interest enumerated in the Six Year Plan instructions.

Thank you for the opportunity to submit this updated Six Year Plan and for the recognition of the important contributions George Mason University makes to the advancement and success of the Commonwealth. Increasing regulatory burdens paired with constrained resources in the competitive Northern Virginia market provides a challenging environment. George Mason is proud of the exemplary work we do and seeks opportunities to enhance our contributions. We look forward to continued conversations and refining the Commonwealth's higher education funding model to achieve equity matched with performance. Please contact us for additional information as needed regarding the content of this letter or the companion financial workbook.

Sincerely,

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Vice President for Finance

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George Mason University FY25 Six-Year Plan Update – Attachment A

Regarding specific areas of interest as requested:

- Dissemination of the Fact Pack has been repeated and widespread. Graphics, data and discussion points derived from the Fact Pack have been shared as followed:
 - The Board of Visitors has received the full Fact Pack via email and as part of the February meeting as part of the Board Book. In addition, we have deployed elements in supporting requests for information by Board of Visitors members repeatedly throughout the year, making the Fact Pack a central resource to inform their knowledge and conversations.
 - We have shared elements from the Fact Pack in multiple presentations and discussions with a variety of audiences over the last year. In addition to inclusion at Board of Visitor meetings, both full and within the committees, Fact Pack data and charts have been shared through presentations to George Mason senior executive leadership, school/college deans, faculty and staff town halls, and other broad campus community events.
 - All Fact Packs for all institutions have been shared with George Mason senior leadership. Comparisons with other institutional fact pack have been drawn and highlighted for discussion and consideration in planning efforts.
 - The Fact Pack was adapted to frame academic planning meetings at George Mason. Over the last academic year, 3 sessions of academic planning meetings have been held with each school/college. For each session (student success, faculty staff success, and research) fact packs were developed drawing upon institutional data and metrics aligned with the goals detailed for George Mason in our [Strategic Directions](#). The result has been focused data-informed discussions aimed at aligning school/college activities with institutional priorities. This framework will continue in the future as we refine both the fact packs and discussion prompts.
- The disruptions caused by the new FAFSA form for George Mason have included the following:
 - The uncertainty wrought by the implementation of the new form has slowed the admissions process due to the combined effects of moving deadlines to address the FAFSA delays along with slower student response times. George Mason extended timelines for enrollment deposits and housing applications. Much activity that would normally be complete by this time in the cycle will be completed throughout the summer with efforts aimed at encouraging student to complete pre-enrollment steps.
 - The proportion of admitted students with a completed FAFSA on file fell to 70% whereas in previous years that rate was closer to 75%.
 - Anecdotal evidence suggests that students and families are deferring admission or deciding not to enroll given financial uncertainty. High school counselors are reporting seeing the effect more often for students who are low income, minority, and/or first generation.
 - The yield rate for Virginia students who filed FAFSA remains close to previous years, i.e. around 31%.
 - Beyond the stress introduced in the planning process, the impact on George Mason will likely be lowered yield rates.

- Corrections to the Fact Pack, including the Key Metrics at a Glance, have been previously provided to SCHEV and are noted in the attached commented version of the refreshed Fact Pack. All corrections have been made based on data George Mason can verify.
- Updates on cost control measures as noted in the Six- Year Plan follow up including new/ongoing initiatives and trends of per student overall expenditure and institutional/administrative expenditures:
 - As discussed with OpSix in 2023, George Mason implemented a two-year plan for budget reductions in our Education & General operating budgets for all units.
 - Cost control measures have included:
 - Reducing budgeted expenses
 - Position eliminations with a focus on filling only critical vacant positions
 - Implementation of an incentive retirement program for tenured faculty
 - Efficiency initiatives, and
 - Reductions in non-personnel expenditures such as contract services, rent, subscriptions, supplies, etc.
 - George Mason has also leveraged reserves to generate revenue enhancements, largely in the Auxiliary operations, such as acquiring income-producing real assets, and investing local funds to achieve greater investment returns than earning at the State Treasury.
 - Because these budgetary measures have occurred at a time when total expenses were still increasing given the state-mandated compensation increases in FY23 and FY24, expenditures in total and per student FTE in the refreshed Fact Pack predictably reflect increases over prior years. We note that FY23 E&G Expenses per FTE of \$22K lags the 4-year median of \$24K, in spite of the fact that George Mason's location in the high cost-of-living Northern Virginia region.
 - Nonetheless, institutional/administrative expenditures (in total and per student FTE) reflect a slight decline from the FY22 levels as increases in FY23 were more than offset by expiration of pandemic-era impacts.
- The anticipated financial impact of new legislative or regulatory requirements, which have not been fully included in our financial worksheet due to uncertainty, includes:
 - EO 30 regarding standards for safe use of Artificial Intelligence will impact numerous existing contracts, systems, and operations. As a Tier 3 institution with authority over IT systems, George Mason has already developed ethics and a governance framework to mitigate risks, and this additional layer will likely impede progress while adding significant costs, initially estimated at \$350,000-\$700,000. In addition to EO 30, Commonwealth agencies are increasing information systems security compliance requirements, which are included in this estimate.
 - HB 163 regarding student identification cards/emergency services website: While Mason has implemented digital cards, we anticipate there will remain a demand for physical cards with total potential impact of roughly \$314,000 to \$364,000. This cost includes redesign and replacement of physical ID cards and loss of current ID card stock which would be rendered unusable.
 - HB 700 regarding grants for students in foster care: With published tuition and fees for full-time students at \$13,812/term and room and board of approximately \$15,151 per year, with the potential of 40-50 number of students effected = \$606,040 to \$757,550.

- HB 713 regarding campus safety and emergency preparedness training total potential cost would be valued at \$75,000 which would include labor and updating George Mason's active threat video.
- HB 1342 regarding provision and administration of physical evidence recovery kits under the original bill would include investments totaling \$80,000+ for staffing, certification, and software. As amended, costs associated with establishing an MOU with a local agency would incur costs for potential emergency room and transportation services. These costs would be case dependent and affected by health insurance coverage.
- HB 1365 Higher educational institutions, public; release of student transcripts: George Mason plans to remove all transcript holds as a result of the legislation. The financial impact is largely related to the potential loss of revenue in the absence of using holds as a lever to collect past due balances which could range, based on students with past due balances and previous policies related to payment plans and collection agency referrals from \$350,000 to \$7.7 million annually.
- HB 1505 regarding compensation for student-athletes name, image or likeness would technically be no cost. However, there are anticipated consequences in a variety of forms.
 - To remain competitive with our peers, costs would include investments in staff, programming, facilities, and NIL agreements to total between \$800,000-\$1,000,000.
 - George Mason anticipates less NCAA and A-10 conference distributions.
 - Revenue-sharing of revenues generated from ticket sales and media contracts would result in less funding George Mason can invest in athletic programming.
 - Increased costs associated with athletic scholarships.