GEORGE MASON UNIVERSITY
BOARD OF VISITORS
EXECUTIVE COMMITTEE MEETING
AND
PUBLIC COMMENT SESSION
per Code of Virginia § 23.1-307

April 2, 2020
Merten Hall, Fairfax Campus
8:30 – 11:00 a.m.

AGENDA

I. Call to Order

II. President’s Remarks

III. Economic Outlook Presentation

IV. Current Operations Overview

V. FY 2021 Financial Plan

VI. Public Comments

VII. Board Discussion

VIII. Adjournment

To provide public comment and/or participate, please note:

Due to the COVID-19 outbreak and restrictions on public gatherings, additional measures are being implemented to minimize interpersonal contact and maximize social distancing among participants. Measures include directives from the Governor of Virginia, as well as recommendations from the Centers for Disease Control and Prevention (CDC).

As such, in-person attendance will be limited. We encourage submitting comments in advance and participating remotely. To submit comments and for remote web streaming information, please visit the Board of Visitors website (bov.gmu.edu).

For those who choose to provide in-person verbal comments:
Registration information is provided through the Board website (bov.gmu.edu). Comment will be received during the “IV. Public Comments” portion on the agenda, at the discretion of the Rector. We suggest all those registered to provide verbal comment arrive at the beginning of the meeting, as the timeframe provided is for planning purposes only. Once all verbal comments are provided to the Board, no other public comment will be received during the meeting.
The Economic Impact of the Coronavirus Pandemic in the Washington Region
Forecast as of March 30, 2020

With the continued worsening of the pandemic in the Washington region, the economy is projected to contract 0.8 percent in 2020 and rebound 3.0 percent in 2021 assuming that 1) the current containment strategies are sufficient, 2) normal business operations return in July and 3) consumer confidence and spending returns quickly. The regional outlook continues to have considerable uncertainty and even a modestly longer or more severe pandemic would result in a significantly larger contraction and a slower recovery.

Figure 1. Annual Change in the Washington Region’s GRP, 2007 – 2019 – 2024
Forecast 1: Current Containment Strategy Successful by July & Quick Return of Consumer Sentiment
Forecast 2: Containment Period Lasts into Fall & Slower Return of Consumer Sentiment

Source: The Stephen S. Fuller Institute at the Schar School, GMU

I. Immediate Impacts of the Pandemic

Increased Uncertainty
Firms and households will postpone major decisions, some investments, and/or durable goods purchases until after the pandemic is controlled. If the pandemic is controlled within 1-3 months, many of these activities will resume relatively quickly.

Lost Productivity from Professional Workforce
Workforce disruption and work-from-home policies or mandates have reduced the productivity of the professional workforce. While the Washington region’s industries are somewhat better able to accommodate a remote workforce than other metros in the U.S., regional output has been reduced because of inefficiencies.

Shutdown of Leisure & Hospitality, Retail & Consumer Services Sectors
A near-total shutdown of these industries (Figure 2 on page 2) was in effect by mid-March. These sectors represent 18.7% of the region’s workers (593,000 workers), 8.0% of the region’s economic activity as measured by Gross Regional Product (GRP) and has accounted for the majority of pandemic-induced economic contraction so far.
II. Downside Risks of a Worsened or Prolonged Pandemic

Semi-Shutdowns of Other Sectors
A more severe or prolonged pandemic that lasts past July would deepen the productivity losses associated with the region’s professional firms, increase credit and financial constraints, and disrupt supply chains beyond the manufacturing and transportation sectors. As a result, the region’s Construction, Professional & Business Services, Financial Activities, and Non-Profit/Association sectors would materially reduce output.

Income and Net Wealth Loss
The pandemic’s immediate effects on net wealth have varied significantly by household but have thus far been isolated to Leisure & Hospitality, Retail and Consumer Service worker wages and stock/equity investments. In aggregate, these represent a small share of all disposable spending in the region and their loss or volatility is not likely to lead to changes in consumer demand after the pandemic is controlled. A longer pandemic would affect a larger share the region’s industries and their worker’s wages. As a result, post-pandemic consumer spending would not recover to its pre-pandemic level even after the health crisis is resolved.

Consumer Sentiment
If and when consumers return to the pre-pandemic spending will depend not only on how much income or wealth was lost but also on consumer sentiment. The pandemic, or the institutional response to it, may weaken consumer sentiment and result in a slower recovery. This is a more likely scenario if the pandemic worsens or lasts into the summer.

Economic Bottlenecks
The Washington region is less susceptible than other parts of the U.S. to the supply chain bottlenecks that have been caused by decreases in international manufacturing. However, economic bottlenecks from postponed activities will affect the region to some degree. The magnitude of these bottlenecks and how fast the region can catch-up from them will be determined by the length and severity of the pandemic.
GEORGE MASON UNIVERSITY
BOARD OF VISITORS

Executive Committee Meeting
& Public Comment Session

April 2, 2020 | Office of the Senior Vice President
Current Operations Overview
Current Macroeconomic Environment

• Market liquidity and credit impact
• Federal Reserve actions to mitigate risk
• Pandemic ended longest business expansion on record\(^{(1)}\)
  • National economy contracts 0.2%; DC region economy stalls, increasing 0.1\(^{\text{\%}}\)\(^{(1)}\)
  • Initial Jobless Claims at 3.28M (prior record 695K (10/82)\(^{(2)}\)
  • Hardest hit: service industries that rely on discretionary spending and/or with strong international ties \(^{(1)}\)
• Supply chain “shut downs” will impact Capital Projects costs and schedules

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\(^{(1)}\) Stephen Fuller Institute, GMU “The Effects of the Coronavirus Pandemic on the Washington Region’s Economy” 3/18/20; assumes operations effected through 5/2020
Moody's Investor Service Outlook: Negative for US Higher Education

- Coronavirus outbreak increases downside risks:
  - Universities' response reduces revenue and increases expenses. Impact immediate; duration unknown
  - Enrollment uncertainty for FY2021
  - Risks to multiple revenue streams; potential erosion to balance sheets

- What could change the outlook?
  - A sustained recovery in financial markets
  - Reversal of economic slowdown in late 2020
  - Stable enrollment for fall 2020

(1) Moody's report of 3/18/2020
Current GMU Operational Environment

• Remote Learning Achievements
  • 5,200 virtual courses; 140,000+ Blackboard page views on first day
  • Special arrangements for fine arts, specialized labs, and similar
• Teleworking Workforce
  • 11,800 workforce remote working
  • Only essential staff on campus (physical presence required)
  • Complex assessment of deployment, development, and resource utilization
• Technology Strain and Successes
  • Strained bandwidth and infrastructure
  • Rapid development and deployment achieved
• Planning to Manage Operating Losses and Refunds
GMU Strengths

• Most affordable public Carnegie R1 doctoral institution in Commonwealth
  • Undergraduate in-state tuition is 35% below its closest peer
• Largest and most diverse public research university in VA
  • 28% first generation; 53% racial/ethnic minority
  • Drove 64% of net public university enrollment growth (2010-2019)
  • Risen 90 places in rankings over the last two years
• Mason is a great investment:
  • 6-year graduation rates exceed national averages
  • 5 years out, Mason alumni earn among the highest salaries in VA
GMU Strengths (cont.)

- Intellectual; Innovative; Proven economic driver
- Strong R&D partner, supported by Carnegie R1 research status
- Strong Enrollment & Demand:
  - Over past five years, freshman applications increased 33%
  - Half of applicant pool is early decision
- Mason Moody’s rating of Aa3
- Annual operating margins exceed key target percentages
- Faculty ability to institute virtual instruction
GMU Challenges

• Fewer Commonwealth resources compared to peer VA doctoral institutions:
  • 74% of State general fund resources per undergrad student
  • Faculty & staff compensation is the among the lowest against peers
• Tuition is among the lowest of peers (though drives affordability)
• Manual Processes:
  • Challenging transition to telework
  • Lack of automation; overly transactional environment
• Business and operational infrastructure has not kept up with growth:
  • Personnel, Technology, Processes, Research, Faculty Ratios
GMU Risks: Short / Medium Term

• Financial impact of COVID-19:
  • Expenses and Revenue Losses estimated from $48M to $69M through FY20

• Enrollment & Retention challenges
  • Post-COVID FY21 undergraduate enrollment preliminary projections may be down 5% from original 6-Yr Plan and 2% from FY20 budgeted enrollment
  • This translates to a range of $25M-$30M potential revenue loss from planned enrollment growth pre-COVID

• Lost revenue streams (events, summer school, etc.)

• Investment portfolio risk

• Construction and other project delays

• Uncertainty in Commonwealth E&G appropriations
Risk Mitigation Strategies:
Short / Medium Term

- Stand up Summer Initiatives online
- Defer non-critical initiatives
- Continue prioritized strategic investments
- Cost savings and reductions where necessary
- Identify new opportunities for high-ROI investments
- Public assistance and recovery funds and allocations
  - Estimated $20M from Federal stimulus, based upon Pell enrolled
  - Other funds expected
GMU Risks: Long Term (2021 - Forward)

• Ongoing Enrollment challenges
  • Most acute with international students
• Funding at risk:
  • E.g.: Commonwealth budget, IDIA and TTIP funding, etc.
• Reduced ability to secure debt
• Disruption in higher education landscape
  • E.g.: delivery modality changes

• Diminished Fundraising
• Workforce retooling for a new normal
• Workforce depletion; hiring and re-hiring challenges
• Continued broader economic downturn
Risk Mitigation Strategies: Long Term

• Potential deep dive into / leapfrog efforts for online learning:
  • Transcend WebEx to sophisticated online experiences
  • Scale quickly to leverage opportunity
• Operational efficiencies and effectiveness
• Capitalize on our affordability
• Develop niche, tech talent, and high-opportunity programs
• Reimagination of strategic initiatives under new leadership
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Investment</th>
<th>Risk</th>
<th>Severity of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access &amp; Affordability:</td>
<td>$16.2M</td>
<td>Enrollment &amp; Retention</td>
<td>High</td>
</tr>
<tr>
<td>• Increase Student Financial Aid &amp; Scholarships</td>
<td></td>
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<tr>
<td>• Accessible Pathways to Success: ADVANCE &amp; Online Education</td>
<td></td>
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</tr>
<tr>
<td>2. Student Success Initiatives:</td>
<td>$2.0M</td>
<td>Lack of investment in student success</td>
<td>High</td>
</tr>
<tr>
<td>• Continued implementation of Student Experience Redesign</td>
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<tr>
<td>• Expanded funding for student life (career coaching, advising)</td>
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<tr>
<td>• Enhanced programming for at-risk students</td>
<td></td>
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<tr>
<td>3. Academic Excellence:</td>
<td>$7.0M</td>
<td>Erosion of academic quality</td>
<td>High</td>
</tr>
<tr>
<td>• New and enhanced programs: $2M</td>
<td></td>
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<td></td>
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<tr>
<td>• New tenure/tenure-track faculty lines to provide instruction</td>
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<tr>
<td>&amp; support historic enrollment growth: $5M</td>
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<tr>
<td>Initiative</td>
<td>Investment</td>
<td>Risk</td>
<td>Severity of Risk</td>
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</tr>
<tr>
<td>4. Talent Ecosystem:</td>
<td>$43.4M</td>
<td>Inability to Recruit &amp; Retain talent</td>
<td>High</td>
</tr>
<tr>
<td>• Support Competitive Compensation, 3% salary increase: $16.4M</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• Mitigate Salary Compression &amp; Market Equity issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>❯ Faculty: $12M (multi-year strategy)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>❯ Classified Staff: $15M (multi-year strategy)</td>
<td></td>
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</tr>
<tr>
<td>5. Research Excellence:</td>
<td>$8M</td>
<td>Carnegie 1 Research Designation</td>
<td>Medium</td>
</tr>
<tr>
<td>• Support Carnegie 1 Research Infrastructure: $3M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Research Faculty Hiring: $5M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Innovation &amp; Economic Prosperity</td>
<td>$235M over 20 years</td>
<td>Ability to be regional economic engine</td>
<td>High</td>
</tr>
<tr>
<td>• Tech Talent Initiative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>❯ IDIA, School of Computing, and Increased Production of Tech Talent Bachelors &amp; Masters Degrees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Institutional Effectiveness</td>
<td>$5M</td>
<td>Inefficient use of scarce resources, sub-optimization of employees</td>
<td>Medium</td>
</tr>
<tr>
<td>• Optimize organizational design &amp; decision processes to support organizational efficiencies &amp; academic excellence</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Plan to Move Forward

• Implement Mitigation Strategies
• Maintain Strategic Investment Initiatives
• Diversify Revenue Streams
• Pursue Online Opportunities
• Pursue Tier 3 Designation
• Effectiveness, Efficiency, and Innovation
• Prioritize Adaptability and Fiscal Nimbleness
FY 2021 Financial Plan
**FY 2020 Q2 Actual and Budget**

<table>
<thead>
<tr>
<th>Cash basis, in 000’s</th>
<th>FY 2019 Actual</th>
<th>Q2 FY 2020 YTD</th>
<th>FY 2020 Budget*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$1,079,470</td>
<td>$649,435</td>
<td>$1,215,000</td>
</tr>
<tr>
<td>Net Tuition and Fees</td>
<td>$433,595</td>
<td>$251,215</td>
<td>$448,700</td>
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<tr>
<td>State Appropriations</td>
<td>136,249</td>
<td>80,496</td>
<td>154,800</td>
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<tr>
<td>Grants &amp; Contracts</td>
<td>193,085</td>
<td>108,516</td>
<td>212,500</td>
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<tr>
<td>Auxiliary Enterprises</td>
<td>238,989</td>
<td>141,043</td>
<td>257,600</td>
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<tr>
<td>Other Operating Revenue</td>
<td>55,031</td>
<td>50,909</td>
<td>51,400</td>
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<tr>
<td>Capital Grants</td>
<td>22,522</td>
<td>17,256</td>
<td>90,000</td>
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<tr>
<td>Total Expenses</td>
<td>$1,027,434</td>
<td>$573,916</td>
<td>$1,215,000</td>
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<tr>
<td>Salaries and Wages</td>
<td>$428,384</td>
<td>$235,494</td>
<td>$481,273</td>
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<tr>
<td>Fringe Benefits</td>
<td>122,173</td>
<td>63,723</td>
<td>158,283</td>
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<tr>
<td>Direct Expenditures</td>
<td>476,877</td>
<td>274,699</td>
<td>575,444</td>
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</tbody>
</table>

- FY 2020 Budget adjusted from earlier presentations to remove $32M estimated value of GMUF activity that will not flow through GMU financial statements (i.e., amounts paid directly to other GMU affiliates or third parties on GMU's behalf) to provide more meaningful comparison to YTD actual results.
## FY21-FY22 Biennium Budget Requests

### Six-Year Academic Plan Submission

<table>
<thead>
<tr>
<th>Mason Priority</th>
<th>Mason Strategies</th>
<th>Mason FY 2021</th>
<th>General Fund FY 2021</th>
<th>Mason FY 2022</th>
<th>General Fund FY 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Provide Affordable Access for All Students</td>
<td>$5.0M</td>
<td>$5.0M</td>
<td>$6.5M</td>
<td>$6.5M</td>
</tr>
<tr>
<td>2</td>
<td>Support Salary Compensation Increases</td>
<td>$8.5M</td>
<td>$8.5M</td>
<td>$8.9M</td>
<td>$8.9M</td>
</tr>
<tr>
<td>3</td>
<td>Enrollment Growth &amp; Degree Awards</td>
<td>$10.0M</td>
<td>$10.0M</td>
<td>$12.0M</td>
<td>$12.0M</td>
</tr>
<tr>
<td>4</td>
<td>Elevate Research</td>
<td>--</td>
<td>$5.0M</td>
<td>--</td>
<td>$5.0M</td>
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<tr>
<td>5</td>
<td>Support New Faculty Hires</td>
<td>$5.0M</td>
<td>$5.0M</td>
<td>$6.25M</td>
<td>$6.25M</td>
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<td>6</td>
<td>Support Emergency Retention Funding</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$1.5M</td>
<td>$1.5M</td>
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<tr>
<td>7</td>
<td>Student Success Initiatives</td>
<td>$0.5M</td>
<td>$0.5M</td>
<td>$0.6M</td>
<td>$0.6M</td>
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<tr>
<td>8</td>
<td>Accessible Pathways</td>
<td>$0.6M</td>
<td>$0.6M</td>
<td>$0.6M</td>
<td>$0.6M</td>
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<tr>
<td>9</td>
<td>New &amp; Enhanced Programs</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$1.2M</td>
<td>$1.2M</td>
</tr>
<tr>
<td>10</td>
<td>Research of Consequence</td>
<td>--</td>
<td>$1.5M</td>
<td>--</td>
<td>$1.5M</td>
</tr>
<tr>
<td>11</td>
<td>Online Degrees</td>
<td>--</td>
<td>$0.5M</td>
<td>--</td>
<td>$0.75M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$31.6M</strong></td>
<td><strong>$38.6M</strong></td>
<td><strong>$37.6M</strong></td>
<td><strong>$44.8M</strong></td>
</tr>
</tbody>
</table>
0% In-state, Undergraduate Tuition Increase
- $4.6M Tuition Moderation increase to GF
- Six-Year Plan assumed a 5% increase for both in-state and out-of-state undergraduate tuition and a 3.5% increase for both in-state and out-of-state graduation tuition

Faculty and Staff Compensation Increases
- Faculty & University Staff (A/P Faculty) - 3% bonus
- Classified Staff - 3% bonus

Student Financial Aid
- $6.95M additional funds for undergraduate, need based aid; $53,400 for graduate aid
- Total of $14.0M over the biennium

Tech Talent Initiative
- $5.8M operating support for launch of School of Computing & increased production of BS & MS tech talent degrees
- $84M capital support for IDIA/Arlington
- $14M capital support for BS capital projects

Support for Enrollment and Student Success
- $10M general support
Budget Scenarios, Challenges and Trade-offs
FY 2021 Potential E&G Revenue Sources

Original 6 Year Plan
- Tuition Increase $24.6M
- Enrollment Growth $22.3M
- Institutional Aid ($5M)
- State Comp $8.5M
- Fin Aid $5.0M

Commonwealth Conference
- Tuition Increase $23.9M
- Enrollment Growth $20.1M
- Institutional Aid ($15M)
- TTIP $5.8M
- State Comp $5.3M
- Fin Aid $6.9M
- State Support $10.0M

Commonwealth Conference With Tuition Moderation
- Tuition Increase $23.9M
- Enrollment Growth $9.7M
- Tuition Increase $3.9M
- Institutional Aid ($10M)
- TTIP $5.8M
- State Support $10.0M
- Tuition Mod $4.6M
- Fin Aid $3.5M
- State Comp $5.3M

Post COVID-19
- Tuition Increase $23.9M
- Enrollment Reduction ($4.5M)
- Institutional Aid ($6M)
- TTIP $5.6M
- State Support $10.0M
- Fin Aid $3.5M
- Tuition Mod $4.6M
- State Comp $5.3M

Tuition Increase
- $24.6M
- $23.9M
- $23.9M

Enrollment Growth/Reduction
- $22.3M
- $20.1M
- $9.7M

State Support
- $25.1M
- $10.0M
- $10.0M

State Financial Aid
- $5.0M
- $6.9M
- $3.5M

State Interest Earnings
- $1.0M

Institutional Aid
- ($5M)
- ($15M)
- ($6M)
Proposed FY 2021 Use of Funds

Original 6 Year Plan

- **Budget Requests** $32.8M
- **Mandatory Items** $12.2M
- **Salary Increases** $17M
  - 4% Faculty
  - 4% Classified
- **Strategic Initiatives** $19.5M

$81.5M

Refined Budget Estimates

- **Budget Requests** $32.8M
- **Mandatory Items** $12.2M
- **Bonuses** $14M
  - 3% Faculty
  - 3% Classified
- **Strategic Initiatives** $12.0M

$70.9M

Scenario 1 (6 Year Plan)

Scenarios 2-4
Proposed FY 2021 E&G Overview (Revised)

*Funds needed for additional mandatory expenses and strategic investments.

<table>
<thead>
<tr>
<th>Category</th>
<th>Original 6 Year Plan</th>
<th>Commonwealth Conference</th>
<th>Commonwealth Conference (w/ Tuition Moderation)</th>
<th>Post COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources</td>
<td>$81.5</td>
<td>$58.0</td>
<td>$28.4</td>
<td>$33.6</td>
</tr>
<tr>
<td>Uses</td>
<td>$81.5</td>
<td>$70.9</td>
<td>$70.9</td>
<td>$70.9</td>
</tr>
<tr>
<td>Funding Gap*</td>
<td>$0.0</td>
<td>($12.9)</td>
<td>($42.5)</td>
<td>($37.3)</td>
</tr>
</tbody>
</table>

*Funds needed for additional mandatory expenses and strategic investments.

**Uses Include:**
- Academic programs, mandatory costs, compensation, and strategic initiatives
Thank You