

University of Mary Washington
Highlights of the Governor's 2010-12 Biennial Budget
and Proposed Amendments to the 2009-10 Budget
December 18, 2009

Governor Kaine presented his 2010-12 biennial budget as well as proposed amendments to the 2009-10 budget (Caboose Bill) at a joint meeting of the Senate Finance Committee, the House Appropriations Committee, and the House Finance Committee on December 18, 2009.

A summary of the key components related to higher education and the University of Mary Washington (UMW) is presented below. The Governor's budget recommendations are based in part on various revenue measures, such as elimination of car tax relief. As such, the budget recommendations are subject to the passage of these measures as well as other changes that may be proposed by Governor-elect McDonnell and members of the 2010 General Assembly. More detailed information on the Governor's budget may be found at: <http://www.dpb.state.va.us/>

Operating Budget

- **Compensation:** The Governor's budget recommendations include a number of actions affecting employee compensation:

Mandatory Furlough: The Caboose Bill incorporates the Governor's FY10 budget reduction plan of September 8, 2009. This reduction plan includes a mandatory one day furlough for May 28, 2010 for all employees. Institutions have flexibility in determining the actual date of the furlough. No additional furlough days are proposed in the 2010-12 budget.

Salary Increases: The Governor's budget does not include a salary increase in either year of the 2010-12 biennium.

Employer Retirement Contributions: The 2010-12 budget proposes that employees pay 1% of salary in FY11 and 2% of salary in FY12 toward the cost of retirement previously paid by the Commonwealth. This requirement will apply to employees in the Virginia Retirement System as well as optional retirement plans (e.g., TIAA-CREF)

Deferred Compensation Match: The 2010-12 proposed budget suspends the cash match program on state employee deferred compensation accounts. Currently, employees can receive up to \$20 per pay period or \$480 per year in matching amounts provided by state agencies.

- **Budget reductions:** The Governor's recommended budget actions do not include any additional reductions for FY10 or FY11. The full extent of the current state funding reductions, however, has been offset in part with federal stimulus funds (ARRA). Once the federal stimulus funds expire after FY11, the University must address a total revenue loss from federal and state sources currently estimated at about \$5.4 million. This revenue loss has been anticipated and is reflected in the University's multi-year planning scenarios.

- ***Tuition and fees:*** The Governor's budget recommendations do not include any restrictions on E&G tuition and fee increases. The current five percent annual increase cap on mandatory non-E&G fees, such as UMW's auxiliary Comprehensive Fee, remains in place for 2010-11.
- ***Student financial assistance:*** No additional state funding recommended.
- ***Dahlgren Education and Research Center:*** The Governor's budget includes general fund support of \$250,000 for operating costs in FY12 for the Dahlgren Education and Research Center (DERC). UMW's budget request sought \$508,000 in general funds for FY11 and approximately \$1.3 million in general funds for FY12. The DERC will serve as an anchor in the development of education and research partnerships between state higher education institutions and the adjacent Naval Support Facility – Dahlgren (NSFD). Additional operating revenue for the DERC will be supported by participating institutions offering educational programs at the Center.
- ***Other revenue adjustments:*** The Governor's budget recommendations include several actions affecting revenues retained by higher education institutions. In effect, these actions, which are summarized below, represent additional budget cuts to the institutions.
 - ***Interest earnings on auxiliary revenue balances:*** Currently, institutions retain the interest earnings from auxiliary revenue balances. The Governor's budget recommendations for FY10, FY11 and FY12 capture a total of \$7.2 million on an annual basis in interest earnings from the institutions. The impact on UMW is estimated at about \$75,000 annually.
 - ***Transfer 5% of auxiliary revenue balances:*** This recommended action will capture an estimated 5% of auxiliary revenue balances as of June 30, 2009 for the 2010-11 fiscal year. For UMW, this one-time reduction is estimated at \$30,000.
 - ***Interest earnings on tuition interest earnings and credit card rebates:*** Currently, higher education institutions that meet management standards are permitted to retain interest earnings on tuition revenue and receive a rebate on credit card purchases not exceeding \$5,000. In total, higher education receives about \$10.5 million annually, of which UMW receives approximately \$150,000. The Governor's budget eliminates these allocations beginning in FY12.

Prioritization of Funding for Certain Debt-Funded Expenses

- ***Prioritization of Funding for HEETF and Capital Outlay Projects:*** The Governor's budget recommendations require the Secretary of Finance to submit a plan to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees prior to the 2011 General Assembly that prioritizes the issuance of debt for the Higher Education Equipment Trust Fund (HEETF) and various capital outlay projects. To the extent that the Commonwealth has sufficient debt capacity, the schedule for the issuance

of debt is to follow the following priority order:

- **Priority 1: Maintenance Reserve**
- **Priority 2: Higher Education Equipment Trust Fund**
- **Priority 3: Equipment for Previously Funded Projects**
- **Priority 4: Energy Conservation Projects**
- **Priority 5: Construction Funds for Projects with Completed Planning**

Potential funding allocations for UMW under this prioritization schedule include the following:

Maintenance Reserve: \$768,808 in each year of the biennium. UMW's 2009-10 allocation for maintenance reserve projects was \$640,000.

Higher Education Equipment Trust Fund (HEETF): An estimated allocation of \$540,000 in each year of the 2010-12 biennium. UMW's 2009-10 HEETF allocation was \$631,660.

Equipment for Previously Funded Capital Projects: Assuming sufficient state debt capacity, UMW would receive \$4.5 million for equipment at the Dahlgren Education and Research Center.

Energy Conservation Projects: None.

Construction for Projects with Completed Planning: UMW's project under this category is the Convergence Center. Although no amount was set out in the Governor's budget, the project cost is estimated at \$28 million.

Other Capital Outlay

- **Other Capital Outlay projects:** The Governor's budget recommendations include authorization to debt fund the following projects using University revenues:
 - **Renovate Residence Halls:** An additional debt authorization of \$5.0 million in 2009-10 and \$12.0 million in the 2010-12 biennium.
 - **Construct parking lot, Battleground Athletic Complex:** Debt authorization of \$1.8 million in the 2010-12 biennium.
 - **Renovate Battleground Athletic Complex Fields and Facility:** Debt authorization of \$300,000.