

University of Mary Washington
Highlights of the Governor's Amendments
to the 2010-12 Biennial Budget
December 17, 2010

Governor McDonnell presented his proposed amendments to the 2010-12 biennial budget at a joint meeting of the Senate Finance Committee, the House Appropriations Committee, and the House Finance Committee on December 17, 2010.

A summary of the key components related to higher education and the University of Mary Washington (UMW) is presented below. The Governor's budget amendments, as well as those introduced by state legislators, will be considered by the 2011 General Assembly, which convenes on January 12, 2011. 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:

Employee Retirement Contributions - VRS: Currently, the state covers the full VRS contribution requirement for all employees hired prior to July 1, 2010. New employees in VRS hired after July 1, 2010, currently pay 5% of their base salary into the system. Governor McDonnell's amendments include a proposal to require all employees in VRS to contribute 5% of their base pay into the system.

Employer Retirement Contributions - ORP: Currently, the state contributes 10.4% of base salary for employees enrolled in an optional retirement program (e.g., TIAA-CREF) and hired before July 1, 2010. For employees in an optional retirement program hired after July 1, 2010, the state contributes 8.5% toward the ORP. The proposed budget amendment will set the state's contribution rate to 8.5% for all employees enrolled in an ORP. Unlike the VRS proposal, there is no mandatory employee payment to compensate for the decline in the state's ORP contribution rate.

Base Salary Increase: To help offset the VRS contribution requirement, the Governor's budget includes a 3% permanent salary increase effective July 1, 2011, for state employees currently enrolled in VRS. Employees enrolled in optional retirement programs are not eligible for the salary increase.

One-Time Bonus: The proposed amendments include a potential 2% one-time bonus for all employees (VRS and ORP) on December 1, 2011, contingent upon the state ending the 2010-11 fiscal year with a year-end general fund balance exceeding twice the statewide general fund cost of the bonus. If year-end balances do not meet the requirement for a 2% bonus, the amount of the bonus will be pro-rated downward based on actual balances.

Only employees that attain at least a "meets expectations" rating on their latest performance evaluation will be eligible for the bonus.

- **Higher Education Performance and Innovation:** The Governor's recommended budget actions include the establishment of a pool of \$50 million to address higher education innovation and performance. The funding pool is allocated among four key areas:

Productivity: \$33.0 million to strengthen base operations and enhance student enrollment, retention and graduation, with a focus on growing the number of students majoring in science, technology, engineering and math (STEM) and health care.

Affordability: \$13.0 million for undergraduate student financial assistance.

On-line courses: \$3.0 million to expand and enhance the availability of on-line course offerings.

Classroom technology: \$1.0 million to enhance the use of technology in the classroom.

In order to access these funds, institutions must submit proposals to the Secretary of Education for evaluation, with consultation from the State Council of Higher Education, the House Appropriations Committee, the Senate Finance Committee and the Department of Planning and Budget. Institutional proposals are to include productivity, innovation and savings strategies it intends to implement to streamline operations and reduce operating costs in low priority areas and how these resources will be reprogrammed. Performance and reporting expectations will be required for each proposal awarded funding.

- **Virginia Research and Technology Investment Fund:** The Governor's budget includes the allocation of \$25 million to be used for, among other things, grants or loans to support innovation and commercialization of research and to increase applied technology research capabilities of institutions of higher education. Companion legislation will be introduced during the 2011 Session to establish the program.
- **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 2011-12.
- **Student financial assistance:** No additional state funding recommended beyond that included in the competitively-awarded Higher Education Performance and Innovation pool.
- **Dahlgren Education and Research Center:** The Governor's budget includes an increase of \$1.0 million in general fund support for operating costs in FY12 for the Dahlgren Education and Research Center (DERC). This brings the total general fund operating budget for the DERC to \$1,250,000. 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).
- **Interest Earnings – Credit Card Rebates:** The Governor's budget restores allocations in 2011-12 related to higher education restructuring for interest earned on tuition and fees and for credit card rebates. In order to be eligible for allocations, institutions must be deemed certified with regard to certain performance measures under the higher education

restructuring act. For UMW, the potential allocations are \$83,173 for interest earnings and \$52,273 for credit card rebates.

- **Federal Stimulus Funding:** The Governor's budget recommendations include an increase of \$77,439 in the allocation of federal stimulus funding for UMW. This brings the total one-time allocation in FY11 to \$3,483,596.

Prioritization of Funding for Certain Debt-Funded Expenses

- **Prioritization of Funding for HEETF and Capital Outlay Projects:** The Governor's budget recommendations continue the requirement that the Secretary of Finance 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 maintenance reserve program, 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: An allocation of \$415,196 in 2010-11 and \$562,604 in 2011-12. UMW's 2009-10 allocation for maintenance reserve projects was \$640,000. Beyond the institutional allocations, the Governor's budget includes a \$2.0 million maintenance reserve pool from which additional allocations may be made on a competitive basis for unanticipated emergencies and other facilities maintenance priorities.

Higher Education Equipment Trust Fund (HEETF): An allocation of \$528,581 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 will 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:** Other capital outlay amendments requested by UMW but for which no action is reflected in the Governor's budget include the following:
 - *New Student Center / Dining Hall:* Debt authorization of up to \$45.0 million was requested for a new student center and the renovation or acquisition of a student dining facility.
 - *Land Acquisition:* Authorization to use up to \$5.0 million in University funds for the purchase of property adjacent to the campus and consistent with the Master Plan.
 - *Language Amendment:* Authorization for UMW to consider alternative contractual arrangements with private entities in the demolition, renovation, construction and purchase of a variety of student facilities.

UMW will work with the administration to include these items in the Governor's amendments or seek support for legislative amendments.