

**Virginia Commonwealth University**  
**Governor's FY 2010 Budget Amendment Recommendations and**  
**2010-12 Budget Recommendations**  
**January 12, 2010**

On December 18, 2009, Governor Kaine presented to the General Assembly his budget recommendations for the 2010-12 biennium, along with the amendments he proposes to the budget for the remainder of this biennium. His recommendations have been prepared against the backdrop of a \$3.5 billion shortfall between available revenues and high priority spending requirements.

This summary has been prepared based on review of the Budget Bill, a summary Budget Document, and limited detail available from the Governor's budget staff. The summary is subject to revision.

**State-Federal Stimulus Support of VCU's Instructional (E&G) Budget**

The Governor's introduced budget substantially changes the state funding reductions and federal stimulus allocations that were announced in September 2009. Most of these changes result from the federal stimulus bill's Maintenance of Effort requirements (MOE). In general, overall budget reductions for VCU are lowered for FY 2010 and FY 2011, although state budget cuts and the loss of federal stimulus funding in FY 2012 remain as previously announced.

- ***FY 2010:*** In FY 2010, state reductions and changes in federal stimulus funding result in a net reduction of about \$700,000 in the cuts previously announced for VCU.
- ***FY 2011:*** In FY 2011, proposed federal stimulus funding is increased from what was previously assumed, and cuts in state support are reduced – again due to federal MOE requirements. If adopted, combined federal-state support to VCU would increase by \$6.8 million above the proposed budget from FY 2010.
- ***FY 2012:*** In FY 2012, the loss of federal stimulus funding and an additional state budget reduction of \$19.2 million would result in a net reduction of \$42.4 million to VCU's instructional budget compared to FY 2011.
- For the period FY 2008 through 2012, state E&G support will have declined from \$205.7 million in FY 2008 (including central account distributions) to an estimated \$140.4 million in FY 2012.

<b>Fiscal Year</b>	<b>State E&amp;G Support</b>	<b>Federal Stimulus</b>	<b>Total</b>	<b>Difference from Prior Year</b>
FY 2008 (orig. + CA)	\$205,683	--	\$205,683	
FY 2008 (amended)	196,010	--	196,010	
FY 2009	190,430	--	190,430	
FY 2010*	162,154	\$13,799	175,953	(\$14,447)
FY 2011*	159,638	23,161	182,799	6,846
FY 2012*	140,445	0	140,445	(42,354)

\*Based on Governor Kaine's budget, as introduced. (CA refers to distributions from central state accounts for salary increases, fringe benefit changes and related costs.)

### **Actions Impacting VCU Faculty and Staff**

- ***State Employee Retirement Plans:*** The Governor's budget proposes requiring employees to pay a share of contributions toward their retirement. Since 1983, the state has paid the employee retirement contribution as part of an employee's total compensation. In FY 2011, employees will be expected to pay one percent. In FY, 2012, employees would pay two percent.

Employees enrolled in defined contribution plans will also be expected to contribute a portion of the 10.4 percent currently paid by state agencies. The change is phased in, with a one percent contribution required in FY 2011 and a two percent contribution required in FY 2012.

- ***Deferred Compensation Match:*** The Governor's budget suspends the program under which the state provides \$20 per pay period as a match of an employee's deferred compensation contributions.

### **Other Actions in the Operating Budget**

- ***Student Financial Assistance:*** The Governor's budget neither increases or decreases state support of student financial assistance.
- ***Equipment:*** The Governor's budget provides a contingent equipment allocation of \$7.7 million in FY 2011 and \$7.3 million in FY 2012 through the Higher Education Equipment Trust Fund. Actual funding is contingent upon a debt financing plan being developed by the Secretary of Finance prior to the 2011 session which complies with debt capacity guidelines.

- ***Eminent Scholars:*** The Governor's budget includes a reduction \$602,646 each year for Eminent Scholars program. The Eminent Scholars Program provides state funds to match earnings on university endowments which support distinguished faculty.

### **Actions Whose Exact Fiscal Impact on VCU is Not Known**

- ***FY 2010:***

All full-time employees, regardless of fund source, would be furloughed for one work day. NGF savings would be transferred to the state general fund (about \$0.7 million from higher education).

NGF savings resulting from a proposed 4th quarter holiday on VRS and other benefit contributions would be transferred to the state general fund (\$2.3 million from higher education).

- ***FY 2011 (and Beyond):***

VRS and ORP Match: It is unclear whether the proposed employee contribution will involve NGF savings remaining with the institution or being transferred to the state general fund.

Interest on auxiliary enterprise balances will remain in the state general fund (\$5.4 million system-wide in FY 10; \$7.2 million system-wide in FY 11 and 12).

*FY 2011 Only:* Five percent of auxiliary enterprise balances will be transferred to the state general fund (\$18.8 million in total from higher education). VCU's estimated share, we are told now, is \$1.0 million. Housing, dining and food service, parking, steam plant, and student health are included.

### **Capital Outlay**

- ***Maintenance Reserve:*** The proposed budget includes \$3.6 million a year in contingent funding to remedy deferred maintenance. Receipt of this funding is contingent upon a debt financing plan being developed by the Secretary of Finance prior to the 2011 session which complies with debt capacity guidelines. Maintenance Reserve is the first priority in the Board's 2010-16 Six-Year Capital Plan.
- ***General Classroom Building:*** The proposed budget authorizes construction of the general classroom building, contingent upon the Secretary of Finance's development of a debt issuance plan debt financing plan prior to the 2011 session which complies with debt capacity guidelines. Project planning has been completed on this project and it is the first priority for new construction in the Board's 2010-16 Six-Year Capital Plan.

- ***Non-general Fund Capital Projects:*** Authorizes the following capital projects to be funded using, in part or in total, University resources:

Construct West Grace Street Housing & Parking Project	New Construction	\$40.9M
Renovate Pauley Heart Center	Improvements	5.4M
Renovate Siegel Center	Improvements	4.4M
Renovate One Capitol Square	Improvements	3.0M
Construct Baseball Facility	New Construction	3.0M
<b>Total Non-general Fund Authorization</b>		<b>\$56.7M</b>

### **Other Issues**

- Shifting the timing of the biennial budget.
- Budget amendment deadline
  - House of Delegates: Friday, January 15, 5:00 p.m.
  - Senate: Monday, January 18, 2:00 p.m.

**Revenue Actions Assumed in the Introduced Budget**

- The Governor’s budget assumes elimination of a \$950 million appropriation to localities that subsidizes reduction of the personal property tax on cars. Any significant change to this proposal fundamentally alters resources used to soften the cuts to higher education and other fund other areas proposed in the Governor’s budget.
- Elimination of the Dealer Discount for collecting sales tax (\$60.9 million per year).
- De-conform from federal tax law related to depreciation of assets by small businesses (\$30.0 million per year).
- Price increase for ABC sales (\$4.0 million per year).
- 0.5 percent increase on property and casualty insurance premiums; revenue dedicated. (\$22.0 million in FY 11 and \$44.0 million in FY 12).
- \$0.18 fee increase for every line assessed the E-911 fee; revenue dedicated. (\$18.6 million in FY 11 and \$20.3 million in FY 12)
- \$10 fee increase on every deed recorded; revenue dedicated.

	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Personal Property Tax Reimbursement	\$950.0	\$950.0
Dealer Discount on Sales Tax	60.9	60.0
De-conformity on depreciation	30.0	30.0
ABC Mark-up	4.0	4.0
Property and Casualty Premium Tax	22.0	44.0
E-911 fee increase	18.6	20.3
Recordation fee increase	<u>Unknown.</u>	<u>Unknown</u>
Total	\$1,085.5	\$1,108.3