

Virginia Commonwealth University Summary of the Governor’s Proposed 2014-16 Biennial Budget

On December 16, 2013, Governor McDonnell presented his proposed 2014-16 biennial budget, as well as minor amendments to the final six months of the 2012-14 biennial budget.

This summary has been prepared based on a review of the introduced budget bills and summary budget documents and presentations provided by the administration. The summary is subject to revision.

The Governor’s recommendations for higher education provide \$183.1 million over the biennium in support of higher education, consistent with the goals of the Governor’s “Top Jobs” legislation (Higher Education Opportunity Act of 2011). This funding includes approximately \$33.1 million in support of higher education-related entities and programs. Another approximate \$150.0 million was divided into “buckets” for allocation above the base funding provided in the second year of the 2012-14 biennium.

Additionally, state funds for the Virginia Retirement System, other post-employment benefit programs, and the state health insurance fund, which have required tuition matches, are provided in the Central Appropriations Item of the budget. For all of these costs, there is a VCU “match” requirement. The Six-Year Plan VCU submitted to the State this fall assumed a 3% tuition increase in FY 2015 and FY 2016 to support mandatory matched funding and initiatives. The mandatory matching alone in the introduced budget is higher than the combined non-general fund split of our proposed initiatives and mandatory funding assumed in the Six-Year Plan.

Overall General Fund Appropriations

General Fund Support for Higher Education		
Initiative	FY 2015	FY 2016
Base Operations	\$ 6,750,000	\$ 6,750,000
Undergraduate Financial Aid	14,175,000	14,175,000
Graduate Financial Aid	1,575,000	1,575,000
Performance – Enrollment	10,500,000	10,500,000
Performance – Degree Incentives	31,500,000	31,500,000
Performance – Initiatives	<u>10,500,000</u>	<u>10,500,000</u>
	\$75,000,000	\$75,000,000
Higher Education Research	7,275,000	7,275,000
Specific Operating Initiatives	3,425,181	3,724,819
Other Systemwide Initiatives	<u>5,674,764</u>	<u>5,745,249</u>
	\$16,374,945	\$16,745,068
Total – Higher Education	\$91,374,945	\$91,745,068
2% Budget Reallocation for Higher Ed	Language	Language
Central Accounts Funding		
Retirement Programs	\$ 157.5 M	\$ 157.8 M
Other Post-Employment Benefits	15.0 M	15.0 M
State Health Insurance	24.6 M	59.3 M
Up to 3% bonus (12/1/2014)	Language	

Funds above the FY 2014 base recommended for VCU, specifically, are set out in the table on the below.

General Fund Appropriations for VCU

General Fund Support for VCU		
Initiative	FY 2015	FY 2016
Base Operations *	0	0
Undergraduate Financial Aid	634,000	634,000
Graduate Financial Aid	245,695	245,695
Performance – Enrollment	845,432	845,432
Performance – Degree Incentives	3,386,891	3,386,891
Research – Massey Cancer	1,000,000	1,000,000
Research – Parkinson’s	650,000	650,000
Commonwealth Center for Adv. Logistics	219,375	219,375
Research Infrastructure (MariaNet) **	<u>325,500</u>	<u>325,500</u>
Total – VCU	\$7,306,893	\$7,306,893
2% Budget Reallocation for Higher Ed	Language (3,097,793)	Language (3,097,793)
Central Accounts Funding **		
Retirement Programs **	\$ 2,373,451	\$ 2,373,451
Other Post-Employment Benefits**	474,915	474,915
State Health Insurance **	1,481,250	3,595,296
Up to 3% bonus (12/1/2014) ***	<u>Language</u>	<u>-</u>
Total	\$4,329,616	\$6,443,662
* Only ODU and NSU received base funding		
** Requires Tuition Match		
*** VCU Match = up to \$5.2 million for the VCU share of the bonus plus fringe costs		

Higher Education Opportunity Act of 2011: The Governor’s proposed 2014-16 biennial budget provides additional general fund support to higher education institutions in support of achieving the goals of the Virginia Higher Education Opportunity Act of 2011 (Top Jobs Act). An increase of \$4,232,323/year is provided in state general funds to support achievement of the goals. The components of the funding are Enrollment Growth for \$845,432/year and Degree Incentives for \$3,386,891/year.

Undergraduate and Graduate Financial Aid: The proposed budget includes additional undergraduate financial aid support of \$634,000/year and \$245,695/year for graduate financial aid. The undergraduate financial aid funding was floored at \$100,000 per year to ensure every institution received some funding; those institutions below 40% of the current funding model (the Partnership Model) were provided additional funding to help close the gap in achieving 40%.

Massey Cancer Center: The proposed budget includes \$1,000,000/year to support cancer research at the Massey Cancer Center.

Parkinson’s and Movement Disorders Center: The proposed budget includes operating support to VCU of \$650,000/year to support research for Parkinson’s and movement disorders.

School of Pharmacy Compounding Lab: The proposed budget maintained the \$500,000 base funding in the budget for the Compounding Lab.

Line of Duty Support: The proposed budget also include operating support to VCU of \$7,608/year to cover the general fund share of Line of Duty costs.

Commonwealth Center for Advanced Logistics: The proposed budget provides funding of \$219,375/year to Virginia Commonwealth University for participation, along with the University of Virginia, Longwood University, and Virginia State University, in the Commonwealth Center for Advanced Logistics (CCALS).

MariaNet: The proposed budget provides funding of \$325,500/year from the state, with a required \$325,000 VCU match annually and 2.75 positions to support infrastructure upgrades for participation in the Mid-Atlantic research Infrastructure Alliance Network (MariaNet) as an economical way to provide high-speed connectivity paths to support research and instruction. In addition, the university will upgrade access layer switches and cabling infrastructure in buildings with high concentrations of research or instruction in STEM areas.

Reallocations: Language included would require higher education institutions to reallocate 2% of their E&G general fund appropriation in each year, to “programs and strategies that serve to advance the objectives of the Higher Education Opportunity Act of 2011.” This amounts to an additional reallocation of \$3,097,793 in FY 2015 and FY 2016 for VCU, and is in addition to the 2012-14 reallocated amounts. The funds will be “unallotted” at the institutional level, but will not be transferred from VCU, as will occur with agency cuts. The specific programs and strategies for these reallocations have to be documented in VCU’s six-year plans.

Actions Impacting VCU Faculty and Staff

Up to 3% Full-time Faculty and Classified Employee Bonus: Employees receiving a ranking of “meets expectations” would be eligible for a one-time bonus of up to two percent of their base pay. Employees receiving a ranking of “exceeds expectations” would be eligible for an additional one percent bonus, for a total of three percent. Both bonuses are contingent upon certain state revenue and savings triggers. The state funding to be provided, assuming fringes and the normal state share would be up to \$5.0 million. VCU would have to provide, given the same assumptions, \$5.2 million from internal sources.

Targeted 2% Salary Increase for Retention: Following the recommendations of the state employee compensation work group, the base salary of employees in specified high turnover job roles will be increased by two percent effective July 25, 2014. The positions are primarily in law enforcement and health-related services. Total funding from the state is assumed at less than \$50,000/year with a similar match required by VCU.

System-wide Actions

Central Appropriations – Health Insurance Premiums, Retirement Programs and Other Post-Employment Benefits: The Governor’s budget includes general fund support for the state costs associated with changes in the employer’s share of health insurance premiums, and net costs resulting from changes in employer contributions for state employee retirement and other post-employment benefits. An increase, estimated at \$4.3 million the first year and \$6.4 million the second, would fund the state share of an increase for these items. VCU would have to match these at an estimated \$6.3 million the first year and \$8.5 million the second year.

- The Virginia Retirement System (VRS) increase is phased in at 80 percent of the full VRS Board certified rates, as part of the reforms adopted by the General Assembly. The rate increased from 8.76% to 12.33%.
- Other post-employment benefits include increased costs for group life insurance, the Virginia Sickness & Disability Program, and the retiree health insurance credit.
- The state health insurance increase is due to a significant increase in catastrophic claims, high cost specialty prescription medications, impacts with the Patient Protection and Affordable Care Act.

Financial Incentives Under Restructuring: The Governor’s budget includes the appropriation of funding for the financial incentives under the higher education restructuring act – interest earnings and credit card rebates for the biennium – \$3.7 million for interest earnings and \$1.8 million for credit card rebate. Specific allocations for VCU will be determined by DPB.

Higher Education Equipment Trust Fund (HEETF): The proposed budget keeps VCU’s funding at \$7,969,949/year. Institutions are allowed to purchase equipment in 2014, but will not be reimbursed until at least the first quarter of FY 2015 depending on final 2014 General Assembly budget actions.

VCU’s Capital Outlay Budget

No major capital outlay package was recommended for higher education during the 2014-2016 biennium, including projects previously approved during the last biennium for planning.

Maintenance reserve recommended for institutions of higher education and higher education centers to address critical maintenance needs in state-owned facilities of \$39.2 million, of which VCU is allotted \$2.9 million/year, a slight increase over the current biennium.

Funding recommended in central accounts to be disbursed to agencies and institutions of higher education for equipment purchases related to previously authorized capital projects in the amount of \$21.0 million – this includes \$4.86 million funding for VCU’s Information Commons & Libraries project.

VCU Health System

The budget reductions from the 2012-14 biennium for both teaching hospitals (UVA and VCU) that provide indigent care services are continued in FY 2015 at \$14,955,944, but this reduction will be restored in FY 2016.

Prior year inflation reductions for both teaching hospitals will also be continued in FY 2015 at \$9,350,040, but this reduction will be restored in FY 2016.