



## 2006-08 Budget Update

Virginia Commonwealth University

Board of Visitors

February 9, 2006

## The objectives of today's presentation are to . . .

- Provide perspective on national and state trends affecting higher education budgets.
- Brief the Board on the Governor's budget recommendations for 2006-08.

## The overall outlook for higher education is good, both on a national and state level.

- Nationally, state funding increases for higher education in 2005-06 were the strongest in five years.
  - Funding grew 6.0% nationally. Virginia's 7.7% increase ranked 12<sup>th</sup> among the states.
  - Over the past 3 years, Virginia's 18.4% increase ranked 3<sup>rd</sup> among the states (national average is 9.7%).
- Continuing support for higher education, both nationally and in Virginia, will depend on:
  - Continued economic and revenue growth.
  - Impact of the federal budget deficit on discretionary federal spending (research support and student aid).

# The introduced budget is the strongest for higher education in at least 15 years. . .

- Governor Warner's budget:
  - Supports enrollment growth and rewards degree completion;
  - Increases faculty and staff salaries (including a supplement for eminent scholars);
  - Upgrades instructional commitment (HEETF);
  - Improves affordability, through additional student financial aid;
  - Makes a substantial one-time infusion for higher education research;
  - Supports operation and maintenance of new facilities coming on line;
  - Supports capital outlay, including cost over-runs for previous projects, equipment and furnishing for projects nearing completion, new construction projects, and increases for maintenance reserve projects; and
  - Recommends further restructuring initiatives.

## Supports enrollment growth and rewards degree completion (base adequacy). . .

- SCHEV recommended \$506.3 million (\$277.8 m. GF / \$228.5 m. NGF) to reach full base adequacy by FY2008.
  - For VCU, the recommendation totals \$47.8 million GF and \$41.7 million NGF, to eliminate a total funding shortfall of \$89.5 million.
- Governor Warner's recommendation provides \$149.0 million (\$101.4 m. GF / \$47.6 m. NGF) to fund projected enrollment through FY2007 and growth in degrees awarded.
  - For VCU, the recommendation includes \$16.5 million GF with an \$8.1 million tuition match.

# The introduced budget makes progress in addressing the base adequacy shortfall. . .

	FY06 GF Shortfall*	FY07 GF Budget Recommendation
George Mason University	\$56,400,174	\$17,077,891
<b>Virginia Commonwealth University</b>	<b>62,633,523</b>	<b>16,456,482</b>
Old Dominion University	28,409,055	9,823,193
University of Virginia	44,255,553	3,917,107
James Madison University	18,702,363	3,423,885
Virginia State University	3,277,136	2,496,268
University of Mary Washington	8,839,065	1,960,417
University of Virginia's College at Wise	1,601,595	1,833,528
Virginia Tech	28,201,568	1,765,930
Radford University	14,240,547	1,649,265
Longwood University	7,252,153	1,493,697
College of William & Mary	5,462,445	1,167,264
Christopher Newport University	4,820,101	859,302
Richard Bland College	1,161,729	657,728
Virginia Military Institute**	-	297,706
Norfolk State University**	-	284,545
Virginia Community College System	89,418,473	36,195,779
Grand Total	\$374,675,480	\$101,359,987

\* Includes SCHEV calculated cost of fixing the base as reflected in material presented at the December 14, 2005 SCHEV meeting.

\*\* SCHEV judges that VMI and NSU are currently funded at greater than 100% of the base adequacy calculation.



## **Increases faculty salaries -- making progress toward the 60<sup>th</sup> percentile. . .**

- **For teaching and research faculty:**
  - SCHEV recommended an average annual 4.8% increase for T&R faculty, to reach the 60<sup>th</sup> percentile by FY2008.
    - For VCU, an annual 6.2% increase in 2006-08 is needed to reach the 60<sup>th</sup> percentile.
  - Governor Warner's budget funds an average salary increase of 3.65% in the first year, with the goal to reach the 60<sup>th</sup> percentile by FY2010.
    - For VCU faculty, a 4% increase is recommended.
- **For administrative faculty, graduate teaching assistants, part-time faculty and classified staff:**
  - 3% increase is included in the first year, plus ½% for classified pay practices to address recruitment, retention and reward issues in state employment.

## Upgrades instructional commitment (through the Higher Education Equipment Trust Fund). . .

- SCHEV recommended financing \$103.4 million in equipment purchases for the 2006-08 biennium.
  - Allocation methodology funds regular inventory replacement (using a nine-year replacement cycle), technology upgrades, and student microcomputer needs with a three year replacement cycle.
  - For VCU, \$7.0 million in equipment is recommended each year.
- Governor Warner's budget mirrors SCHEV's recommendation. It also provides an additional \$6.0 million for VCU in a separate research initiative.

## Improves affordability, through additional financial aid. . .

- SCHEV estimated that fully funding need-based undergraduate aid by FY2008 would require \$110.1 million in additional GF support.
  - SCHEV's recommendations use the "Partnership Model" to allocate funds – giving greater weight to institutions with higher proportions of students with need.
- Governor Warner's budget recommendation uses the Partnership model in large part, providing an additional \$10.9 million for need-based undergraduate aid.
  - For VCU, it provides an additional \$1.4 million in general funds for each year.

# The budget provides about \$1.4 million each year to VCU, for need-based undergraduate aid...

	Full Funding of Partnership Model by 2007-08	2007-08 Governor's Recommendation
<b>Doctoral Institutions:</b>		
<b>Virginia Commonwealth University</b>	<b>\$14,477,078</b>	<b>\$1,375,893</b>
Old Dominion University	13,095,562	1,254,627
George Mason University	12,641,860	1,213,318
Virginia Tech	8,135,452	840,375
University of Virginia	2,137,869	336,452
College of William and Mary	895,025	181,025
<b>Comprehensive Institutions:</b>		
Radford University	\$5,999,951	\$570,635
Norfolk State University	4,680,765	439,235
James Madison University	4,463,355	414,961
Virginia State University	3,929,746	373,817
Longwood University	2,700,514	253,089
Christopher Newport University	2,705,445	249,957
University of Virginia's College at Wise	1,554,453	147,420
University of Mary Washington	1,041,871	96,850
Virginia Military Institute	25,157	51,231
<b>Two-Year Institutions:</b>		
Virginia Community College System	\$31,468,836	\$3,048,654
Richard Bland College	143,049	19,406
<b>Total Funding Recommendation</b>	<b>\$110,095,988</b>	<b>\$10,866,945</b>



## Makes a substantial one-time infusion for research. . .

- Governor Warner's budget includes \$87.1 million GF in FY 2006-07 and \$15.3 million GF in FY2007-08 to strengthen leading research programs.
  - For VCU, it includes \$12.5 m. for research in cancer, neurological and metabolic diseases (to be matched with \$5.6 m. in institutional funds).
  - Another \$4.2 m. GF is to be allocated between VCU and UVA for collaborative research in regenerative medicine (with a one-for-one institutional match).
- Includes additional \$10 million in graduate aid: \$946,000 per year for VCU.
- Permanently allocates to VCU interest earnings on non-federal sponsored program activities.
- Includes \$10.0 million in general funds for the Commonwealth Technology Research Fund to support collaborative, translational research aimed at commercialization of discoveries.
- Includes authorization for the VCBA to issue up to \$50 million in debt to fund pressing capital improvements for research facilities or equipment.



## Supports operation and maintenance of new facilities. . .

- SCHEV recommended funding for O&M for new facilities coming on line in the biennium.
  - For VCU, \$51,957 in FY2007 for the new School of Nursing and \$864,640 in FY2008 for the new Schools of Nursing, Business, and Engineering.
- Governor Warner's budget provides O&M funding for facilities scheduled to be open by June 30, 2007.
  - For VCU, \$57,124 in FY2007 and \$228,498 in FY2008 for the School of Nursing.

## Supports capital outlay for higher education (new construction, market escalation, equipment and furnishings, maintenance reserve). . .

- \$482.5 million in additional general fund support for capital projects.
- \$116 million to address the recent market escalation of construction costs associated with previously funded projects.
- \$33.9 million for equipment and furnishings for capital projects to be completed in FY2007.
- \$60.4 million for maintenance reserve funding.
  - For VCU, the recommendation is \$10.2 million.

# VCU-specific capital outlay recommendations . . .

Project	University Request				Governor's Recommendation			
	General Fund/ State-Supported Debt	Nongeneral Funds		Total	General Fund/ State-Supported Debt	Nongeneral Funds		Total
		Cash	Debt			Cash	Debt	
Maintenance Reserve	9,344,855	505,842	-	9,850,697	10,195,486	-	-	10,195,486
GOB Projects/Equipment:								
a. School of Nursing Equipment	290,000	-	-	290,000	290,000	-	-	290,000
b. Medical Sciences Building II Equipment	3,700,000	-	-	3,700,000	-	-	-	-
c. Sanger Research Laboratory Reno. Phase I, Project 2 Equipment	750,000	-	-	750,000	750,000	-	-	750,000
d. Hibbs Building Renovations Equipment	139,000	-	-	139,000	139,000	-	-	139,000
e. Music Center Renovations Equipment	100,000	-	-	100,000	-	-	-	-
f. Franklin Terrace Renovations Equipment	136,000	-	-	136,000	136,000	-	-	136,000
g. School of Engineering Phase II Equipment	3,800,000	-	-	3,800,000	-	-	-	-
Code Compliance: Life/Fire Safety/ADA Compliance	1,000,000	-	-	1,000,000	-	-	-	-
Medical Sciences Building II Supplemental Funding *	16,275,000	-	5,425,000	21,700,000	12,377,000	-	5,359,000	17,736,000
Old Business Building Major Renovation-Auditorium Addition	25,000,000	-	-	25,000,000	18,997,000	-	-	18,997,000
Sanger Hall Gross Anatomy Laboratory Renovations	6,900,000	-	-	6,900,000	-	-	-	-
School of Dentistry Addition	6,222,500	4,000,000	1,527,500	11,750,000	-	-	-	-
School of Dentistry Renovations (Wood/Lyons Buildings)	24,125,000	-	875,000	25,000,000	-	-	-	-
Pollak Building Major Renovations	10,500,000	-	-	10,500,000	-	-	-	-
Land Acquisition	7,500,000	-	-	7,500,000	-	-	-	-
Massey Cancer Center Addition	6,000,000	-	-	6,000,000	6,000,000	-	-	6,000,000
Massey Cancer Center Vivarium Renovations	4,000,000	-	4,000,000	8,000,000	-	-	-	-
Monroe Park Campus and MCV Campus Recreation Facilities	-	2,000,000	55,522,400	57,522,400	-	-	57,523,000	57,523,000
Tennis Center Complex Supplemental Funding	-	3,000,000	-	3,000,000	-	3,000,000	-	3,000,000
Monroe Park Campus Parking/Housing	-	-	19,428,500	19,428,500	-	-	19,429,000	19,429,000
Music Center Renovations	649,347	-	-	649,347	750,000	-	-	750,000
Engineering Bioprocessing Facility **	1,465,581	-	-	1,465,581	3,032,000	-	-	3,032,000
Theater Row Renovations	-	5,400,000	-	5,400,000	5,400,000	-	-	5,400,000
Sanger Hall 7th Floor Renovations	-	2,700,000	-	2,700,000	-	2,700,000	-	2,700,000
Rice Center Development II & III	-	4,500,000	-	4,500,000	-	4,500,000	-	4,500,000
<b>Total</b>	<b>127,897,283</b>	<b>22,105,842</b>	<b>86,778,400</b>	<b>236,781,525</b>	<b>58,066,486</b>	<b>10,200,000</b>	<b>82,311,000</b>	<b>150,577,486</b>

\* Governor Kaine's budget amendments include an additional \$3,964,000 in general funds for the MSBII project, which brings the total recommendation for the project to \$21,700,000.

\*\* The Governor's recommendation for the Engineering Bioprocessing Facility includes \$1,465,581 for the requested construction project cost shortfall plus \$1,566,419 for equipment.



## Recommends further restructuring initiatives. . .

- Approves management agreements for “tier three” institutions: W&M, UVA and VaTech.
- Outlines areas for memoranda of understanding for “tier two” institutions: human resources/personnel policy and/or information technology.
- Establishes education-related and financial and administrative measures for annual assessment and certification by SCHEV, with institutional benchmarks to be published by July 15, 2006.

# In total, the introduced budget significantly increases state GF support for VCU. . .

	2006-07	2007-08
<b>Educational and General Programs</b>		
Enrollment growth and degree completion	\$16,456,482	\$16,456,482
Faculty salary increases	2,147,198	3,964,058
Operation and maintenance for new facilities (School of Nursing)	57,124	228,498
Other state support (insurance, workers' comp, other costs)	580,852	816,693
<b>Total Educational and General Programs</b>	<b>\$19,241,656</b>	<b>\$21,465,731</b>
<b>Need-Based Undergraduate Student Financial Assistance</b>	<b>\$1,375,893</b>	<b>\$1,375,893</b>
<b>Higher Education Equipment Trust Fund - Equipment</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>
<b>Research Initiative*</b>		
Research in cancer, neurological and metabolic diseases	\$12,500,000	-
Research in regenerative medicine (estimated 50/50 share with UVA)	2,100,000	-
Graduate student financial assistance	946,000	946,000
Supplemental HEETF allocation - value of equipment purchases	6,000,000	-
<b>Total Research Initiative</b>	<b>\$21,546,000</b>	<b>\$946,000</b>
<b>Capital Outlay (includes Governor Kaine's MSB II amendment)</b>	<b>\$62,030,486</b>	<b>n/a</b>

\* Does not include statewide recommendation of \$10 million for the Commonwealth Technology Research Fund nor \$50 million in VCBA debt authorization for research facilities and equipment.



## Next steps. . .

- The House and Senate will report on their individual budgets on February 19, with differences to be resolved by March 7.
- The University is continuing its budget development based on the Governor's recommendations, which may be adjusted by General Assembly actions.
- 2006-07 tuition and fees are to be submitted to the Board in April for approval along with the 2006-08 budget.