

Virginia Commonwealth University Summary of the Governor's FY 2012 Budget Amendment Recommendations and 2012-14 Budget Recommendations

On December 19, 2011, Governor McDonnell presented to the General Assembly his budget recommendations for the 2012-14 biennium, along with the amendments he proposes to the budget for the remainder of this biennium.

This summary has been prepared based on a review of the “Caboose Bill” (2012 Budget) and the 2012-14 Biennial Budget Bill and summary budget documents and presentations. The summary is subject to revision.

FY 2012 – Elimination of the proposed FY 2012 \$10 million reduction for higher education. VCU’s portion of that reduction would have been significant.

General Fund Appropriations

- **Higher Education Opportunity Act of 2011:** The Governor’s budget provides an increase of \$8,963,004 in each year of the biennium (FY 2013 and FY 2014) in state general funds to support achievement of the goals of the Virginia Higher Education Opportunity Act of 2011 (Top Jobs Act, TJ21).

The Governor’s funding is focused on: affordability for students and families by increasing financial aid and base operational funding; research (explanation of funding is described more fully below) and degree production; and enrollment growth (as measured between 2010 and 2011).

Initiative	FY 2013	FY 2014
Base Operations	\$ 4,105,117	4,105,117
Enrollment Growth (2010/2011)	2,076,250	2,076,250
Degree Production	2,050,402	2,050,402
Financial Aid	731,235	731,235
Total	\$ 8,963,004	\$ 8,963,004

- **Central Accounts Distribution:** The Governor’s budget provides an increase of \$1,146,412 in each year of the biennium (FY 2013 and FY 2014) in state general funds to fund a variety of rate changes from central government in the prior year (e.g., employee health insurance, workers compensation, retirement, salary increase). This does not include any changes proposed in the current legislative session.
- **Reallocations:** In lieu of budget reductions the Governor’s budget requires institutions of higher education to reallocate the equivalent of 3% of their FY 2012 educational and general fund appropriation in FY 2013 (\$4,256,726 for VCU) and 5% in FY 2014 (\$7,096,082 for VCU) to “programs and strategies that serve to advance the objectives of the Higher Education Opportunity Act of 2011.”

These funds will be “unallotted” at the institutional level, but will not be transferred away from the institution. Institutions will be required to submit proposals to the Secretary of Education in order for the funding to be allotted for use by the institution. The secretary will evaluate proposals

in consultation with money committees, DPB and SCHEV staff. The language in the budget directs that the criteria to award funding be consistent with the recommendations of the Governor's Commission on Higher Education Reform.

- **Massey Cancer Center:** The Governor's budget continues funding of \$5.0 million each year of the biennium for the Massey Cancer Center to support research activities in support of NCI Comprehensive status.
- **Higher Education Research Initiative:** The Governor's Budget appropriates \$1.5 million in each year to support continued cancer research at the Massey Cancer Center, \$1.5 million in each year to the University of Virginia to support cancer and medical translational research and \$3.0 million each year in one-time funding to the Hampton University Foundation to complete cancer treatment facilities at the Proton Therapy Institute. The funds will be unallotted until the institutions submit a report to the Governor and Chairs of the House Appropriations and Senate Finance Committees by September 1, outlining research/treatment accomplishments during the previous fiscal year.
 - This Initiative also provides \$2.6 million each year to establish a competitive research grant for research efforts identified in the institution's six-year plans. Funding must be matched by at least two times the value of the general fund appropriation within a three year period.
- **Life Sciences Initiative:** The introduced budget provides \$5.0 million in each year to match private sector funding for research focused on cancer, infectious diseases, neurodegenerative disorders, and allergies, as well as acquisition of a tissue library and relocation costs for development stage companies locating to the Commonwealth. The funds are to be provided to a non-stock corporation research consortium initially comprised of Virginia Commonwealth University, the University of Virginia, Virginia Tech, George Mason University, and Eastern Virginia Medical School. Explicit criteria for the use of the funding is included in Item 105.N. of the introduced budget.
- **Virginia Biotechnology Research Park:** The Governor's budget includes operating support to VCU of \$250,000 each year for the Virginia Biotechnology Research Park.

Actions Impacting VCU Faculty and Staff

- **VRS Employees:** No increase in employee contribution is required in the introduced budget.
- **VRS Employer Contribution Rates:** As of July 1, 2012, the budget proposes an increase in VRS employer contribution rates to 8.76%. Although the state rate is currently 2.08% and scheduled to change in the fourth quarter of FY 2012 to 6.58% for pay periods effective on or after March 25, 2012, institutions of higher education have had to pay in to the VRS Suspend Account at the rate of 6.58% for all of FY 2012. Thus, the increase that will have to be made up for the tuition portion of VCU's fringe rate will be from 6.58% to 8.76%. The general fund portion of the rate change is included in a central appropriation
- **Salaried Employee Bonus:** The Governor's budget proposes a one-time bonus of up to 3% to all classified employees and other full-time employees (including higher education faculty), who were employed on April 1, 2012 and remain employed until at least November 24, 2012 who "meet certain criteria on their performance evaluations." The bonus is contingent on statewide discretionary unspent general fund appropriations on June 30, 2012 to meet or exceed twice the general fund cost of the bonus and that each agency returns savings equal to at least the cost of the bonus. The bonus would be paid December 1, 2012.

- **Employee Healthcare:**
 - The Governor proposes no increases to employee healthcare deductibles or copayments.
 - An increase in employee health care premiums has been proposed which is anticipated to be \$10 to \$15 per month for family coverage. Actuarial numbers have not been finalized to determine the exact increase.
 - A proposal to offer two new options to the state’s healthcare plans. COVA Care and COVA Connect will provide the following:
 - Annual eye examinations for those with expanded benefits (rather than the current option of every two years).
 - A Diabetes Disease Management Pilot that will eliminate the copayment of Tier 1 & 2 diabetes medications and supplies.
- **Other Employee Benefits:** Effective July 1, 2012 life insurance (from 1.02% to 1.19%) and health insurance credit (from .99 to 1.00) contributions are increasing slightly, but Virginia Sickness and Disability Program contribution rate (from .66% to .47%) is going down slightly.

System-wide Actions

- **Eminent Scholars:** The Governor’s budget eliminates all remaining general fund support (state matching funds) for the Eminent Scholars Program. The impact on VCU would be a loss of \$98,502 of state funds to various schools and units throughout the University. The Eminent Scholars Program provided state funds to match earnings on University endowments that support distinguished faculty.
- **Financial Incentives Under Restructuring:** The introduced budget includes appropriation of funding for the financial incentives under the higher education restructuring act – interest earnings and credit card rebates for the biennium – interest earnings (\$1.8 million in FY 2013 and \$2.5 million in FY 2014) and credit card rebates (\$1.4 million in FY 2013 and FY 2014).
- **Higher Education Equipment Trust Fund (HEETF):** The Governor’s budget keeps VCU’s funding at \$6,714,380 in each year.
- **Virtual Library of Virginia (VIVA):** The Governor’s budget includes \$2.8 million each year to support a new academic e-books initiative in key science, technology, engineering, math and other research areas and to maintain existing databases.
- **Auxiliary Balance Earnings:** The introduced budget continues to direct the interest earnings on auxiliary balances to the general fund.

Nongeneral Fund Appropriation – The Governor’s budget adjusts VCU’s nongeneral fund appropriation to reflect the following:

- **Additional Tuition & Fee Revenue:** \$22,338,882 in both FY 2013 and 2014 to reflect existing projections of tuition and fee revenues based on Board approved 2011-12 tuition and fee rates and current enrollments.

- Additional Authority to Allocate VCU and MCV Foundation Endowment Earnings on the Eminent Scholar Program: \$300,000 in both FY 2013 and FY 2014 to reflect the actual expenditure the institution has made in prior years. This commitment was made prior to the elimination of the state support proposed in the Governor’s budget. The amount that can be taken from the endowments is constrained. VCU is losing \$98,502 in state support for this program.
- Additional nongeneral fund authority to reflect the current level of activity in service provided through the Operations Service Agreements between the Health System and the University: \$3,300,000 in both FY 2013 and 2014.
- No additional nongeneral fund authority has been provided to reflect the increased costs associated with items included in the introduced budget. An analysis of those costs will be made and the impact on tuition will be calculated.

VCU’s Capital Outlay Budget

- **Planning Funds:** Provides \$250,000 in planning funds for each of the following projects:
 - Construct and Renovate Information Commons and Libraries (Cabell Library)
 - Renovate Sanger Hall, Phase II
 - Virginia Treatment Center for Children at VCU Health System
- **Maintenance Reserve:** The proposed budget level funds VCU’s maintenance reserve funding at \$2,592,132 in each year for deferred maintenance.
- Authorizes the following capital project to be funded using University resources and authorizes the issuance of debt:

Construct Medical College of Virginia campus parking deck	\$30.0 million
---	----------------

Other Issues of Note

- **Prohibition on Increasing Tuition-Funded Student Aid:** Language in the General Provisions of the introduced budget prohibits institutions from increasing beyond the levels “appropriated for this purpose in the 2012-14 biennium” the amount of tuition and fee revenue generated from in-state students that is used to support financial aid. The language directs the Higher Education Advisory Committee to evaluate the appropriate use of tuition and fee revenues in support of financial aid.
- **Indigent Care Reduction at VCU Health System:** The introduced budget continues the budget reduction from the 2010-12 biennium for indigent care services paid to the VCU and UVA academic health centers. VCU Health System reduction is estimated at \$9.35 million each year.

Medicaid and indigent care funding for the two academic health centers (i.e., VCU and UVA) were significantly impacted by the budget. The leadership of the VCU Medical Center is meeting with Administration officials and continuing to analyze the full impact of these reductions.

- **VCU-Qatar:** The Governor’s budget transfers appropriation authority for the Qatar campus to a separate Item in the budget to allow for the Qatar campus activities to be tracked separately from other educational and general programs pursuant to requests from the state.