

# Virginia Commonwealth University

## Governor's FY 2011 Budget Amendment Recommendations and 2011-12 Budget Recommendations

On December 17, 2010, Governor McDonnell presented to the General Assembly his amendments for the 2010-12 biennial budget.

This summary has been prepared based on a review of the Budget Bill and the summary Budget Document. The summary is subject to revision.

### **Nongeneral Fund Appropriation**

- **Non-General Fund Appropriation:** The Governor's budget restricts VCU from spending half (\$17,175,399) of the revenue in FY 2012 from the tuition and fee increase adopted by the Board of Visitors for the current year. The full tuition estimate (\$34,350,798) is fully appropriated for FY 2011.

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

- **VRS Employees:** Beginning July 1, 2011, employees (faculty or staff) who participate in VRS would begin to contribute five percent of their salaries – on a pre-tax basis – toward the cost of retirement.
  - To offset some of the impact on take-home pay, the budget also proposes a three percent base salary increase for employees (faculty or staff) for VRS participants, effective July 1, 2011.
- **Optional Retirement Plan (ORP) Employees:** Beginning July 1, 2011, the employer contribution for optional retirement plans would be reduced from 10.4 percent to 8.5 percent for employees hired prior to July 1, 2010.
- **Salaried Employee Bonus:** The Governor's budget proposes a one-time bonus of up to two percent to all salaried employees who "meet expectations." The bonus is contingent on year-end balances exceeding twice the cost of the bonus, and can be prorated.
- **New Optional Defined Contribution Plan for All Employees:** The Governor will offer legislation proposing an optional defined contribution plan for all employees effective July 1, 2011. Details will be released at a later date.

### **System-wide Actions**

- **Higher Education Innovation and Performance:** The Governor's budget proposes an incentive fund of \$50.0 million in FY 2012. Specific allocations will be dependent on institutional proposals. The following funding categories have been set out:
  - \$33.0 million to enhance student enrollment, retention and graduation with a focus on increasing the number of students in science, technology, engineering and math (STEM) and health care as well as strengthening base operations;
  - \$13.0 million for undergraduate financial aid;

- \$3.0 million for on-line course availability/enhancement; and
- \$1.0 million for academic transformation through the use of technology.

Institutions will be required to submit proposals to the Secretary of Education for funding from this pool. The secretary will evaluate proposals in consultation with money committee, 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.

- **Virginia Research and Technology Investment Fund:** The Governor's budget proposes an incentive fund of \$25.0 million in FY2012 in the Office of the Secretary of Commerce and Trade. No specific information about the process is included in the budget, beyond language stating that legislation will be introduced in the 2011 session of the General Assembly to establish the program.
- **Higher Education Reversion Clearing Account:** Chapter 874 included a \$10.0 million budget reduction for higher education that was not allocated to individual institutions. The Governor's introduced budget did not alter the \$10.0 million reduction. It will fall to the General Assembly to determine how to address this budget cut.
- **Financial Incentives Under Restructuring:** The Governor's introduced budget proposes appropriation of funding for the financial incentives under the higher education restructuring act – interest earnings and credit card rebates – in FY 2012. VCU's estimated appropriated funding would be \$176,262.

### **Actions Affecting VCU Specifically**

- **Massey Cancer Center:** The Governor's budget proposes increased funding of \$5.0 million in FY 2012 for the Massey Cancer Center to support research activities.
- **Higher Education Equipment Trust Fund (HEETF) and School of Medicine (SOM) Equipment:** Chapter 874 provided an appropriation from the HEETF of \$6,714,380 in each year. In addition, \$12.0 million for equipment for the new SOM building has been appropriated in FY 2012. These allocations are contingent on the Secretary of Finance determining that sufficient debt capacity exists for the following (in priority order):
  - Maintenance Reserve
  - Higher Education Equipment Trust Fund
  - Equipment for Previously Funded Projects
  - Construction Funds for Project with Completed Planning
  - Improvements: Energy Conservation

The Secretary of Finance has not yet made that determination, and so it is not known if there will be funding from the state for the HEETF program in either year or if the SOM equipment will be available.

### **VCU's Capital Outlay Budget**

- **Maintenance Reserve:** The proposed budget includes a contingent \$3.3 million in FY 11 and \$2.6 million in FY 2012 appropriation to remedy deferred maintenance. Like the HEETF and

SOM equipment funding, this funding is contingent on the Secretary of Finance determining that a sufficient amount of debt capacity exists for the following (in priority order):

- Maintenance Reserve
- Higher Education Equipment Trust Fund
- Equipment for Previously Funded Projects
- Construction Funds for Project with Completed Planning
- Improvements: Energy Conservation

The Secretary of Finance has not yet made that determination, and so it is not known if there will be funding from the state for the HEETF program in either year. Maintenance Reserve is the first priority in the Board's 2010-16 Six-Year Capital Plan.

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

General Fund Capital Projects:	
Parking Lot (Transfer Property to Local Government)	\$3.3 million
NonGeneral Fund Capital Projects and authorization of Debt:	
Construct West Grace Street Housing & Parking Project	33.7 million
Acquire & Renovate BioTech I	12.9 million
<b>Total Authorization</b>	<b>\$49.9 million</b>