

Virginia Commonwealth University

Summary of the Governor's Proposed Amendments to the 2012-14 Budget

On December 17, 2012, Governor McDonnell presented his proposed amendments to the 2012-14 biennial budget.

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

The Governor's amendment recommendations for higher education were split into "buckets" for the allocation of \$20.3 million. An additional \$10.5 million was recommended in other areas of higher education. The increased funding was off-set by the "surprise" \$5.7 million budget reduction each year included in the biennial budget adopted last year which the Governor did not eliminate.

General Fund Appropriations

General Fund Support for VCU	
Initiative	FY 2014 Proposed Changes
Enrollment Growth	\$389,386
Degree Incentives	861,041
Financial Aid – Undergraduate	260,598
Parkinson's and Movement Disorders Center Support	250,000
Total	\$1,761,025
<i>* Does not include \$7,054 LOD payment</i>	
Chapter 3, 2012 Budget Reversions	(\$1,395,226)

- **Higher Education Opportunity Act of 2011:** The Governor's amendments provide additional general funds in FY 2014 to supplement the original funding allocations provided to higher education in support of the goals of the Higher Education Opportunity Act of 2011. An increase of \$1,250,427 in the second year of the biennium (FY 2014) is provided in state general funds to support achievement of the goals (Enrollment Growth and Degree Incentives) of the Top Jobs Act (TJ21).
- **Parkinson's and Movement Disorders Center:** The Governor's amendments include operating support to VCU of \$250,000 in FY 2014 to support research for Parkinson's and movement disorders.
- **Line of Duty Support:** The Governor's amendment recommendations also include operating support to VCU of \$7,054 to cover the general fund share of Line of Duty costs for state agencies.
- **Chapter 3 Budget Reversions:** The Governor's amendments did not eliminate the Central Appropriation budget reduction included in the budget approved in the 2012 session. Because the reduction is in language only, institutions were not made aware of the \$5.7 million budget cuts, one in each year of the biennium, until October, 2012. This results in a reversion of \$697,613 in each year for VCU.
- **Reallocations:** The Governor's amendments require state agencies to take further budget cuts. Higher education institutions were given additional 3% budget reallocations, rather than cuts, to

reach a total 5% reallocation in FY 2014 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 \$4,300,758 for VCU. The funds will be “unallotted” at the institutional level, but will not be transferred from VCU, as will occur with agency cuts. The funds will be “reallotted” once VCU has submitted proposals to the Secretary of Education for the use of the funds.

Actions Impacting VCU Faculty and Staff

- **VRS Employees:** No increase in employee contribution is required in the Governor’s amendments.
- **Full-time Faculty and Classified Employee Salary Increase:** No change to the two percent base salary increase on July 10, 2013, is proposed.

System-wide Actions

- **Central Appropriations – Health Insurance Premiums:** The Governor’s amendments include general fund support for the state costs associated with changes in the employer’s share of health insurance premiums. Specific amounts for individual institutions will be calculated at a date yet to be determined. The increase is meant to fund the state share of an increase in health insurance premiums. There will be a nongeneral fund portion to be absorbed by VCU, as well.
- **Financial Incentives Under Restructuring:** The Governor’s amendments include appropriation of funding for the financial incentives under the higher education restructuring act – interest earnings and credit card rebates for the biennium – \$2.4 million in FY 2013 and \$1.8 million in FY 2014. Specific allocations for VCU will be determined by DPB.
- **Higher Education Equipment Trust Fund (HEETF):** The Governor’s proposals keep VCU’s funding at \$7,969,949 in FY 2013 and \$6,714,380 in FY 2014 with no reimbursement in FY 2013, but two reimbursements in FY 2014. Institutions are allowed to purchase equipment in 2013, but will not be reimbursed until at least the first quarter of FY 2014.
- **Increased Tuition Assistance Grant (TAG) support:** The Governor’s amendments transfer funding from FY 2013 to FY 2014 to accommodate changes in enrollment and award amount. This action will increase the grant award from \$2,800 to \$3,100 for undergraduate students (a 10.7% increase) and \$1,300 to \$1,500 (a 15% increase) for graduate and medical students.

VCU’s Capital Outlay Budget

- The Governor has recommended \$262,829,000 from bond proceeds for construction funding for a number of construction projects, including VCU’s Information Commons and Library project. In order to qualify for the construction funding VCU will have to meet the following criteria:
 1. Detailed planning has been completed;
 2. Projected construction cash needs for the project have been submitted to the Director, Department of Planning and Budget, indicating the quarterly cash needs from the signing of the construction contract until its completion;
 3. The Six-Year Capital Outlay Plan Advisory Committee has reviewed the construction cost for the project and found it to be consistent with the recommendation of the Department of

General Services and the other provisions of this paragraph and has authorized the project to advance to the construction stage; and

4. Sufficient bond authority is available to meet current cash needs as certified by the Secretary of Finance.

Language

- **Student Financial Assistance:** Language in the Student Financial Assistance for Higher Education section of the Governor's proposed budget amendments proposes to expand the use to of appropriated funds to include work study as an option for distributing financial aid.
- **General Fund support for VCU's School of Pharmacy:** The adopted budget provided VCU's School of Pharmacy \$500,000 in FY 2014 to support the Center for Compounding Practice and Research. Language was added in the Governor's proposed amendments to allow the funds to support any costs associated with creating the Center including facility-related expenses.
- **Institutional Performance Standards:** Language included in the Governor's proposed amendments directs that the performance measures in the budget may not be in conflict with those recommended by the Higher Education Advisory Council and adopted by the State Council of Higher Education. There is some ambiguity as to whether the recently adopted SCHEV performance standards have been endorsed in the Governor's budget through this provision in addition to the existing standards or in lieu of the existing standards.
- **Health Insurance Benefits for Part-Time Employees:** Language included in the Governor's proposed amendments directs that all state employees in all branches of government who work 30 hours or more per week on average per month are considered to be, for health benefits purposes only, full-time employees eligible to participate in the health benefits plan for state employees with the standard contribution. VCU is currently reviewing practices to determine the impact of this provision.

VCU Health System

- **Correction of error in Chapter 3:** The Governor's amendments provide funding for the teaching hospitals to correct an error in their payments for FY 20114. The appropriation act includes the elimination of hospital inflation and continued prior year reductions in indigent care funding that are higher than intended due to an incorrect calculation. The amendment corrects that error. Provides \$5.4 million for VCU Health System.

Nongeneral Fund Appropriations – As requested by VCU, the Governor's amendments adjust VCU's nongeneral fund appropriation to reflect the following:

- \$30,411,054 in both FY 2013 and 2014 to reflect existing projections of tuition and fee revenues based on current enrollments and tuition and fees.
- \$6,294,320 in both FY 2013 and FY 2014 for sponsored program debt service on three new research buildings that will be completed or renovated during 2014.
- \$23,415,127 in both FY 2013 and FY 2014 to reflect projected auxiliary enterprise revenues.
- \$2,300,000 in both FY 2013 and 2014 to reflect the current level of activity in service provided through the Operations Service Agreements between the Health System and the University.