



**A New Budget Process for VCU
January Update
Council of Deans**

January 3, 2011
David W. Hanson

Agenda

- General Update
- List of Proposed and Established Principles to Guide Process
- Timeline

General Update

- Governor introduced his 2012-2014 biennial budget on December 19:
 - Higher education generally, and VCU specifically, fared better than it has in a number of years.
 - Eliminated a \$10 million annual budget reversion – VCU’s portion of that would have been about \$1.2 million a year.
 - No **NEW** budget reductions, though there is a “reallocation” of 3% (\$4.3 million) in 2013 and 5% (\$7.1 million) in 2014.
 - Lost permanent state support of \$41.0 million between FY 2011 and FY 2012.
 - VCU received \$8.2 million in new operating support annually and \$731,235 in additional financial aid. Received \$1.2 million a year in support for increased fringe benefit costs.

General Update – Governor’s Budget, cont’d.

- Massey Cancer Center continued funding of \$5.0 million from FY 2012 in each year of biennium and an additional \$1.5 million allocation under the Higher Ed. Research Initiative.
- There is no general faculty or staff salary increase in either year of the biennium. There is a contingency 3% bonus on December 1, 2012.
- There is no increase in VRS employee contribution rates, but an estimated \$10 to \$15 per month increase in family health care coverage premiums.
- Under the Governor’s Life Sciences Initiative VCU, UVA, Virginia Tech, GMU and EVMS are eligible for \$5.0 million a year to match private sector funding for research focused on cancer, infectious diseases, neurodegenerative disorders, and allergies.

General Update – Governor’s Budget, cont’d.

- All state funding for the Eminent Scholars program is eliminated. VCU’s allocation had dropped to \$98,502 annually.
- The Higher Education Equipment Trust fund is level funded for each year of the biennium.
- VCU received planning funds for two high priority capital projects: The Construction and Renovation of the Cabell Library Information Commons and Libraries Project and the Renovation of Sanger Hall, Phase II Project.
- Funding for the VCU Health System is of concern – reductions estimated at \$9.35 million annually for indigent care services each year were included. Leadership of the VCU Medical Center is meeting with the Administration officials and continuing to analyze the full impact of these reductions.

General Update – Budget Process Transformation

- We continue to move forward with the work of the Budget Process Transformation
 - Getting new website – hopefully more user friendly. First meeting with Creative Services is this Friday. Terry and Jay are going to join us. We welcome any thoughts you have.
 - Meeting with affected parties – scheduling times to meet with Fiscal Administrators on both campuses in February.
 - Creating a Budget 101 presentation to bring to University community throughout January.
 - Will be contacting you to get nominations for “focus group” members.

Guiding Principles: Results of the Break Outs

- Transparency - there are different levels of transparency. Is it the process that will be transparent, the final budget, or throughout?
- Financial Stewardship
- Fiscal Responsibility
- Collaboration
- Innovation - Build rewards into the budget model/How to “right size” incentives? How not to have unintended consequences?
- Quest Focused

Guiding Principles: Results of the Break Outs, cont'd.

- Need a model that engenders confidence of the “center”
- One Time Budget Process would help (“Ways & Means” concept)
- National/International recognition for decision making based on mission and strategic direction – external validation that we are “doing what we say”
- Parsimony of variables, but robust (understandable)
- Accountability/authority aligned at all levels
- Cost out Quest

Guiding Principles: Results of the Break Outs, cont'd.

- How can the new budget process deal with those elements that are “outside” the control of schools
- Explicit expectations re: mission (up and down the institution)
- Reporting availability/process transparency
- Information provided at all levels, available easily to all
- Academic integrity is job one
- Current incremental cost based budget when considered school-by-school is a relic that has become convention. May be built upon false assumptions and will need to be deconstructed.

Timeline

- January – Budget Overview and training with University stakeholders; form Focus Groups.
 - Continual questions: Are the guiding principles right? Are we holding to them? Reassess/evaluate.
- February – Update with Council of Deans; Begin review of sources of revenues (EPT's, Carry-forwards, tuition differentials); Brief Board of Visitors on new process.
- March – Development of new budget schedule for FY 2013.
- March and Early April – intense months for old budget process for FY 2012. General Assembly passes budget, sent to Governor.