

THE COLLEGE OF WILLIAM & MARY



Presentation Material

**Committee on Financial Affairs
Board of Visitors**

February 5, 2009

COLLEGE OF WILLIAM AND MARY

GOVERNOR KAINE'S 2008-2010 OPERATING AND CAPITAL BUDGET AMENDMENTS

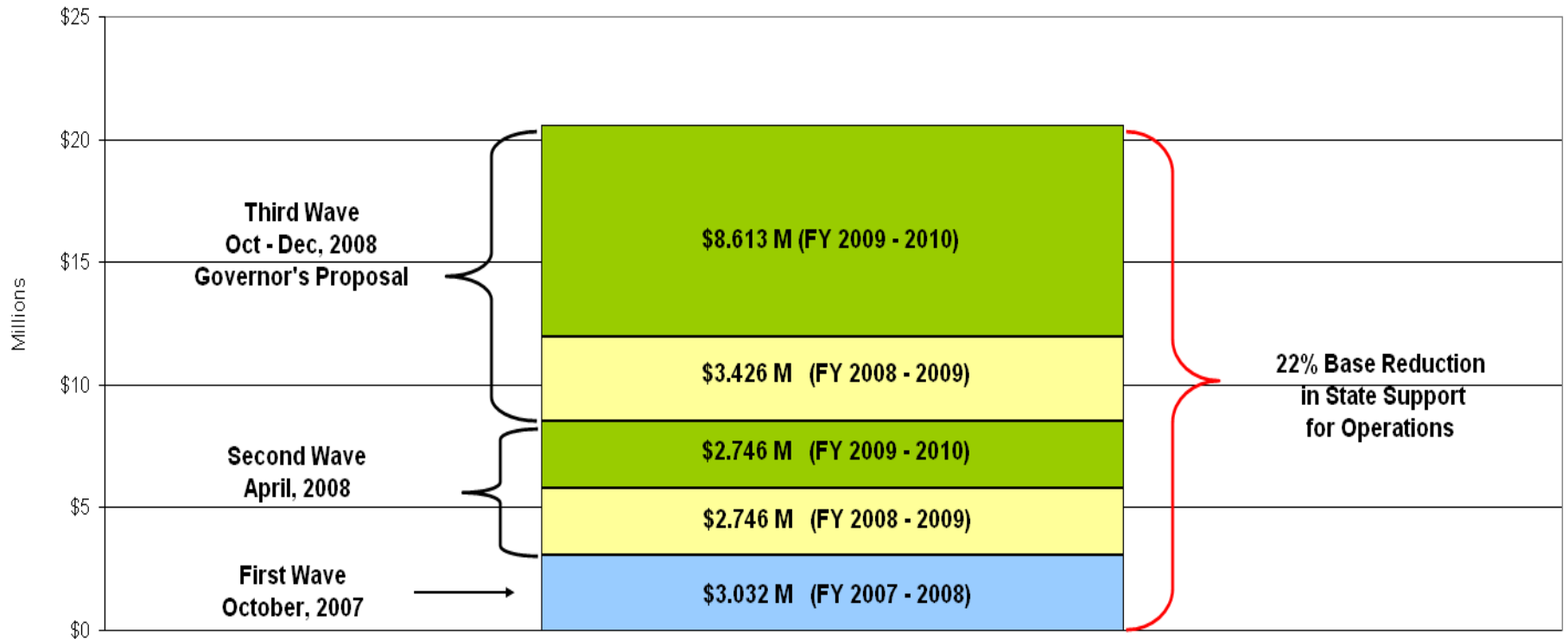
2010 Operating Budget Recommendations:

- 15% reduction in State operating support (\$7.3 million)
- Eliminated Eminent Scholars program (\$1.3 million)
- Eliminated faculty and staff salary support
- Did not include the College in student aid allocation
- Total Base Reduction in State support (\$11.4 million; 22.3%)
 - \$2.746 million (April, 2008)
 - \$3.426 million (October, 2008)
 - \$3.916 million (December, 2008)
 - \$1.271 million (December, 2008)

2010 Capital Amendments:

- School of Education Equipment \$2.8 million
- Small Hall Equipment \$2.2 million

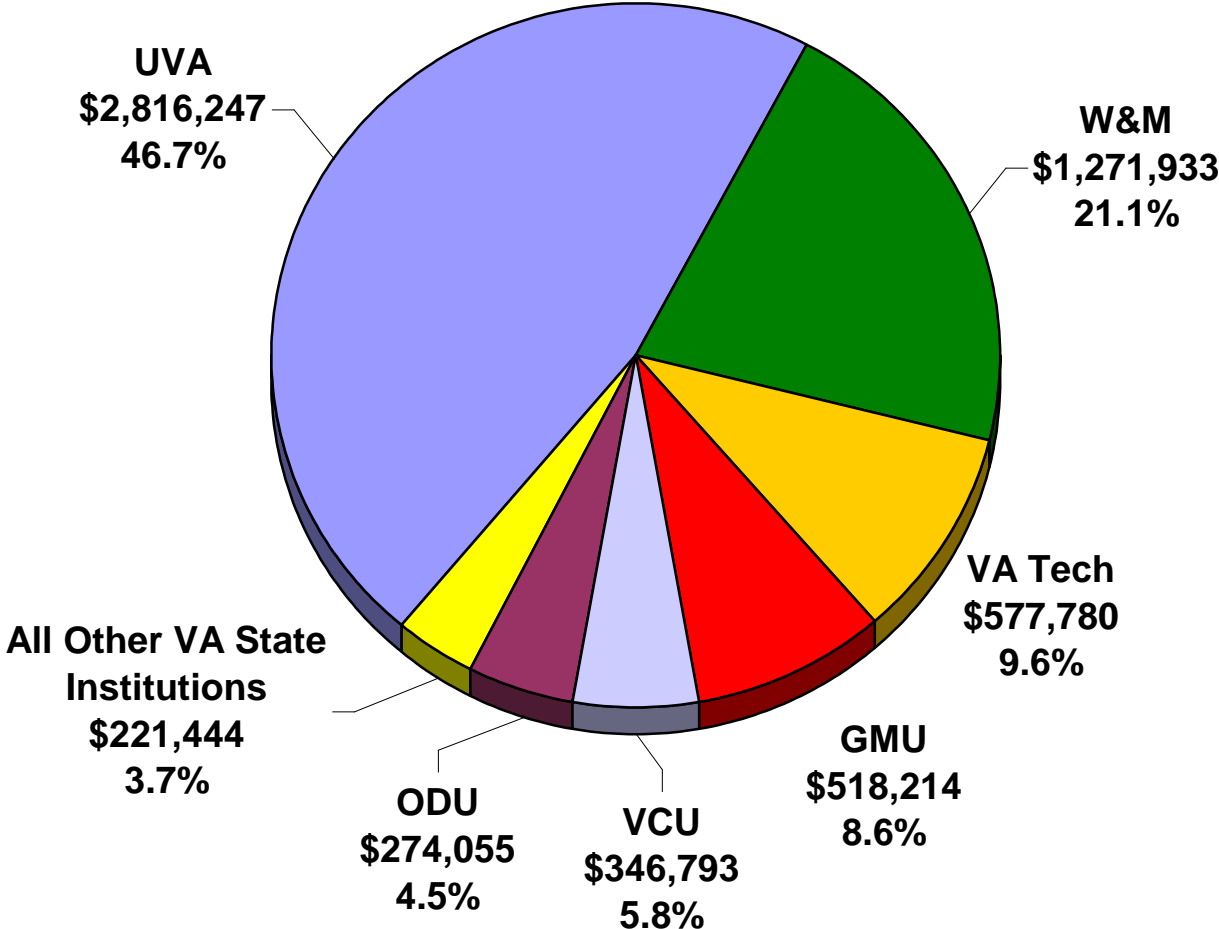
College of William and Mary
Three Waves of Budget Cuts



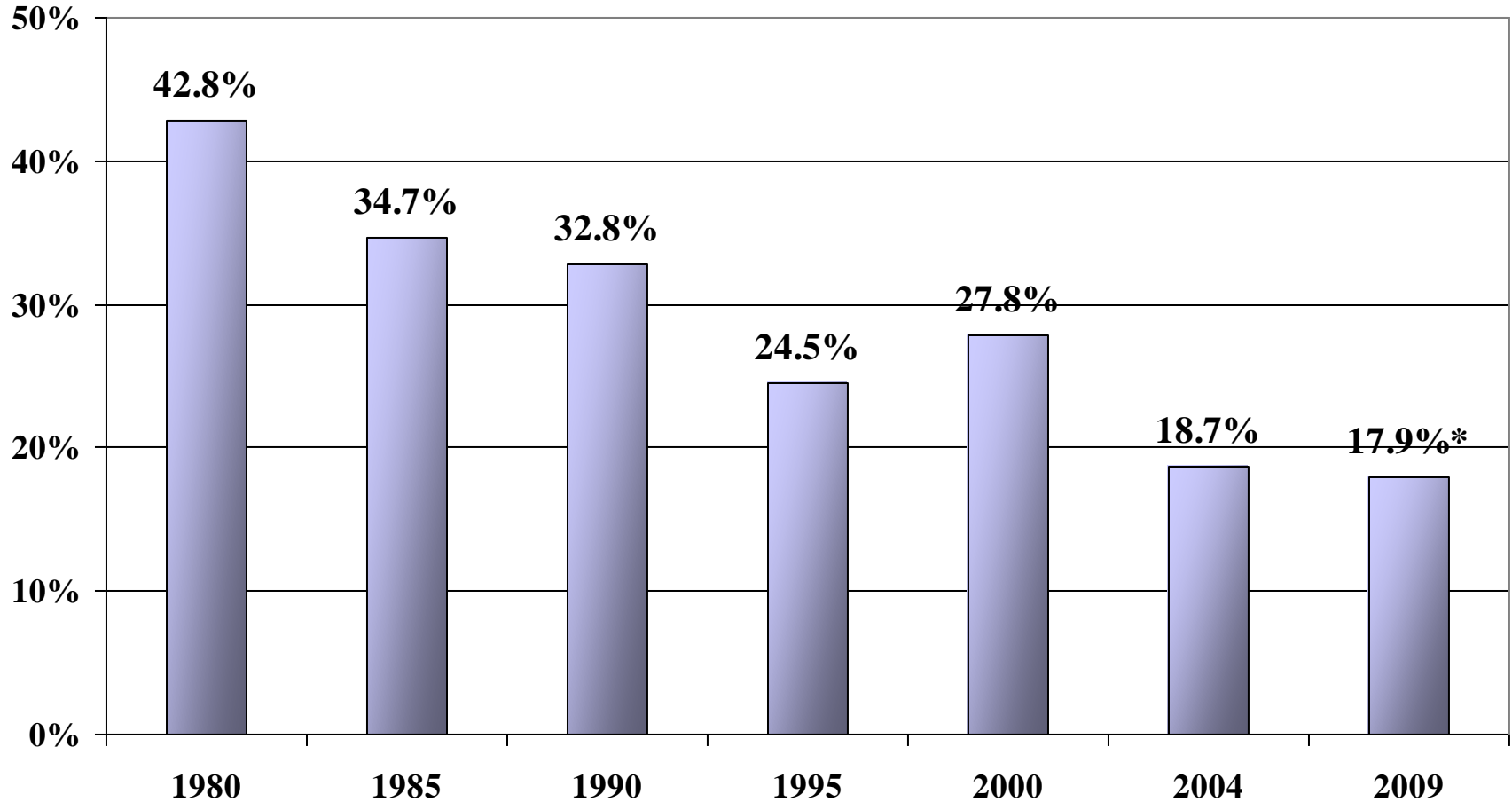
*Proposed base reduction in State support per Governor's introduced budget: \$11.359 million

**FY2009-10 reduction includes Governor's recommended 15% base reduction of \$7.342 million, plus a \$1.271 million reduction in Eminent Scholars funding.

State Council of Higher Education for Virginia Impact of Elimination of Eminent Scholars Program 2008-09 Allocation



College of William and Mary State Support for Operations



*Estimated. Includes impact of 7% general fund reduction required by Governor Kaine in October, 2008.

CHRONICLE OF HIGHER EDUCATION

December, 2008

Survey on Impact of Recession / Actions Taken or Under Consideration

(N=214; public & private)

- Full or Partial Freeze on Faculty Hiring
- Full or Partial Freeze on Staff Hiring
- Actual or Potential Lay-Offs
- Frozen or Delayed Salary Increases
- Operating Reductions (non-personnel)

COLLEGE OF WILLIAM AND MARY

FY 2010 BUDGET DEVELOPMENT

Reduced Base State Support to Date	\$11.4 million
Less Base Savings to Date	<u>– 4.9 million</u>
	\$ 6.5 million

Potential Expenditure Drivers:

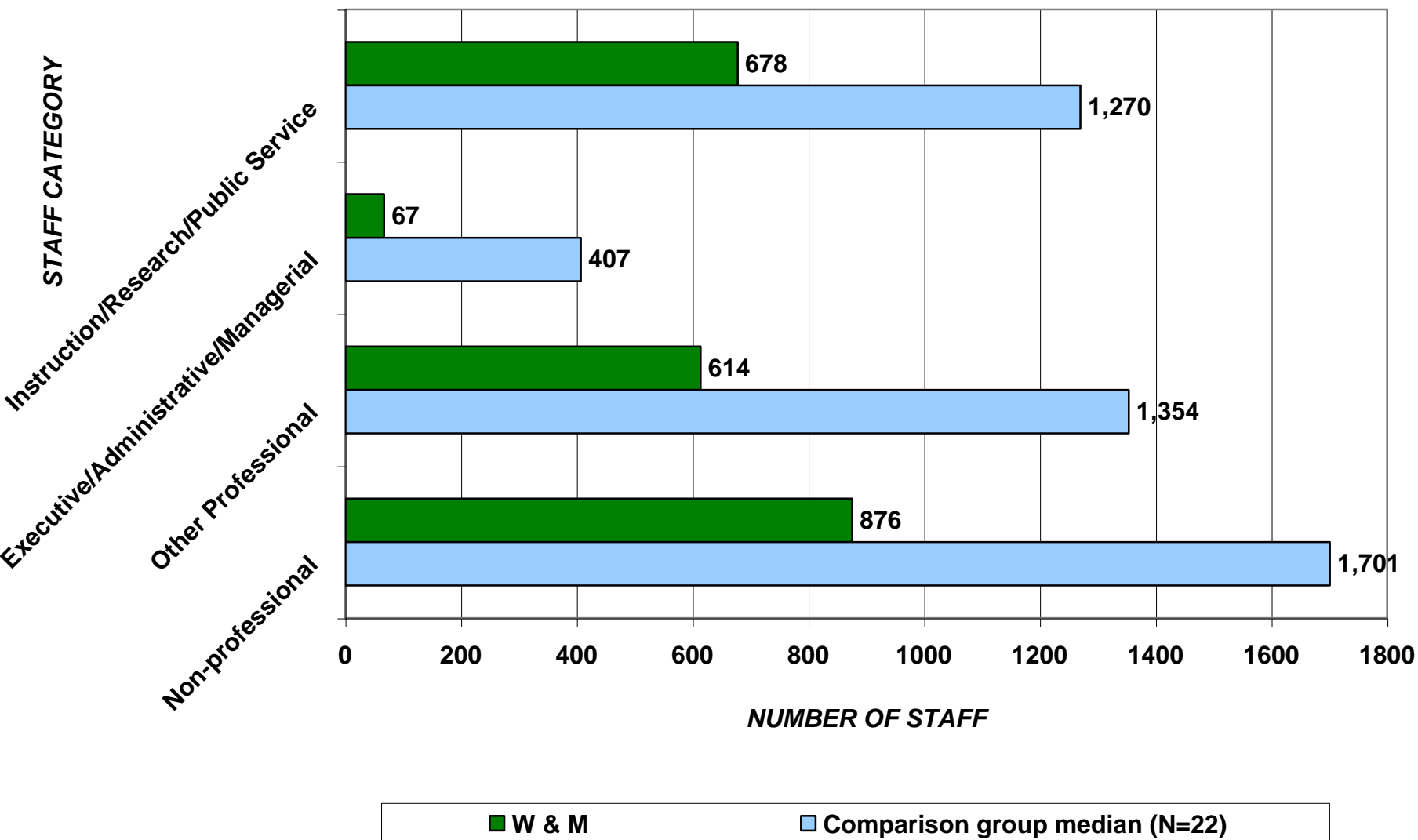
- New Facilities Coming On-Line
- Need-based Student Aid
 - Gateway
- Salary Competition Pool
- Utility / Other Rate Increases
- Reduced Endowment Income

Potential Budget Balancing Actions

- Tuition Increase
- Enrollment
- Limit Hiring
 - Faculty
 - Staff
- Permanent Reduction: Operating Funds
- Eliminate / Reduce Scope: Programs / Activities
- Consolidate Operations

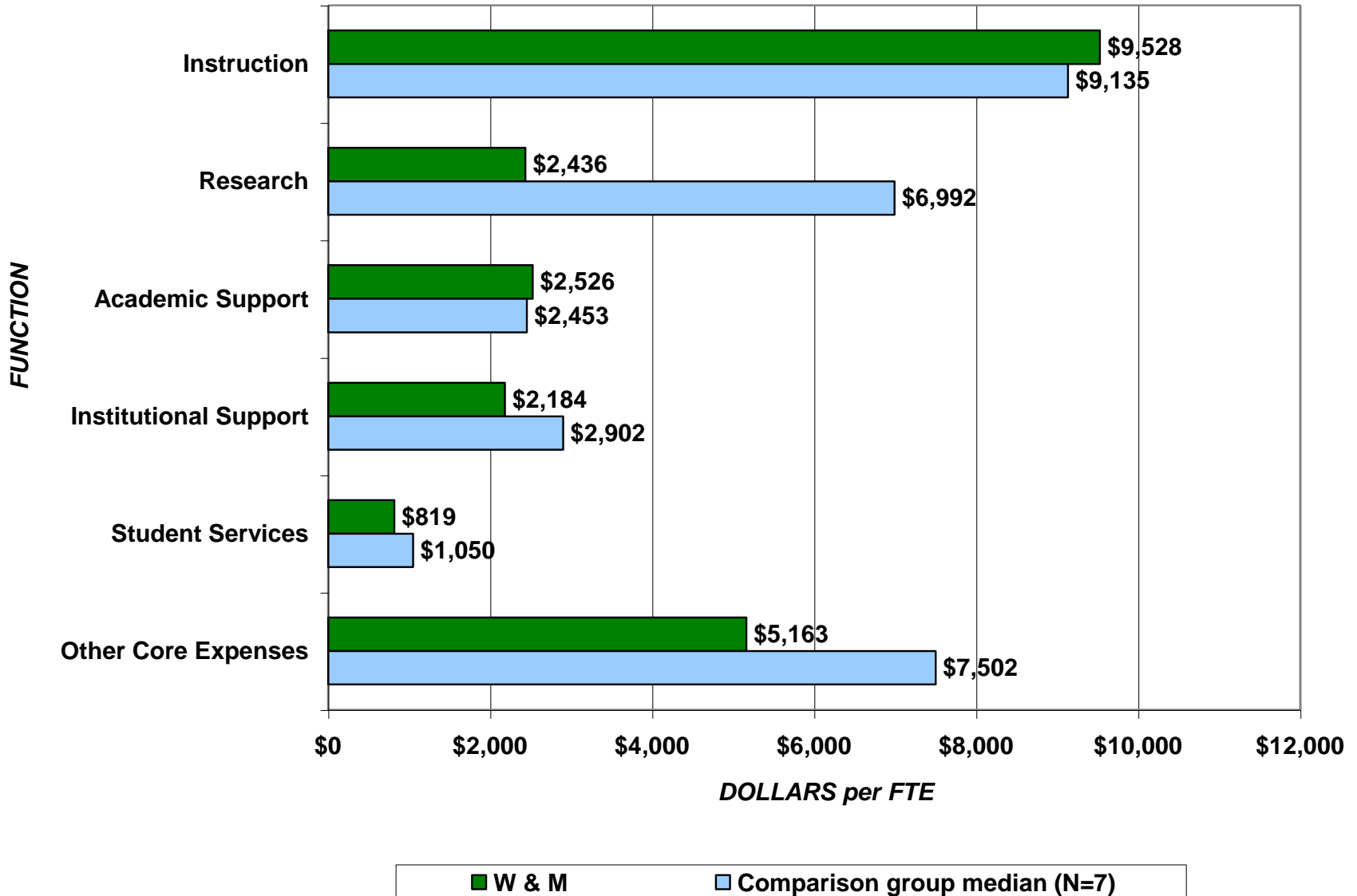
College of William and Mary

Full-Time Equivalent Staff by Assigned Position: Fall 2007



SOURCE: U.S. Dept of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS); Winter 2007-08, Human Resources component.

Core Expenses per FTE Enrollment, by Function: FY 2007



SUMMARY OF OPERATING AND CAPITAL BUDGET AMENDMENTS
SUBMITTED TO 2009 GENERAL ASSEMBLY

Operating:

- **Operating Funds: School of Business** **\$1,637,000**
10.5 FTE

The College requests base funding to support the new School of Business facility opening in May 2009. This request supports all maintenance and custodial functions, including staff and equipment, utilities, technology, and all other support costs and maintenance contracts, etc., that are necessary for management of the 177,000 gross square foot facility. The Commonwealth's support for base M&O funding will maintain the value of this facility while appropriately supporting the instructional environment.

- **Restore Eminent Scholars Funding** **\$1,271,900**

This amends restores the College's share of Eminent Scholars funding eliminated from the Commonwealth's FY 2010 operating budget by Governor Kaine as one of his budget balancing actions. The Eminent Scholars program was initially established in 1964 as an incentive for private donors to establish professorships so that its institutions of higher education could attract and retain eminent scholars from across the nation. Originally providing a dollar for dollar match for income generated by qualifying endowments, the program remains successful in this intent. The Governor's recommendation eliminates approximately \$6.0 million in matching salary support statewide, breaks faith with past donors, and eliminates this incentive for the future.

- **Undergraduate Student Financial Assistance** **\$482,000**

While the Governor's budget recommendations provide approximately \$26 million in additional need-based undergraduate student financial assistance, the formula used for its allocation provides no funding for some institutions including the College. This request would provide funds to address the expected increase in need of in-state undergraduates for FY 2010. Over the past two years the College has experienced a 13.7% increase in the number of Virginia undergraduates with need. Current economic conditions could well exacerbate this situation in FY 2010, requiring an increased level of student aid to adequately support students with need.

COLLEGE OF WILLIAM AND MARY

SUMMARY OF OPERATING AND CAPITAL BUDGET AMENDMENTS SUBMITTED TO 2009 GENERAL ASSEMBLY

Capital:

- **Design Development: Integrated Science Center 3** **\$5,300,000**

The College requests general fund support for the next phase of design of Integrated Science Center 3. This request reflects the preplanning study submitted to the Department of Planning and Budget on October 1, 2008 in accordance with the Commonwealth's capital budget process and supports construction of an interdisciplinary research facility, designed for maximum flexibility to support graduate, undergraduate, and faculty work with an emphasis on technology transfer and building public/private partnerships that can drive/enhance local and regional economies. Applied science, computational science, neuroscience, bioscience, and biophysics are just a few of the interdisciplinary collaborations that will benefit from this facility.

- **Renovation: Tucker Hall** **\$11,020,000**

The College requests general fund support for the final phase of the capital project, Renovation: Tucker Hall. This request is the third step in the Commonwealth's capital budget process, providing funds to complete design and support renovation activities. The project as designed will modernize systems, improve teaching environments, integrate prior renovations and additions, while preserving distinguishing architectural features of a 1909 facility that is home to the College's English Department.

Stimulus Bill Overview

- House version includes \$819 billion in spending increases and tax reductions intended to spur economic growth
 - \$544 billion in spending
 - About \$320 billion will flow to state and local governments
 - \$275 billion in tax relief
- Senate version still does not have a final price tag
 - Spending levels mirror that in House bill
 - Amount in tax relief still unknown
 - Expectation that this could grow in the Senate
 - President's meetings with Congressional leadership this week focused on their interest in increasing the tax relief component
- In both versions, the majority of funding is distributed through existing federal funding formulas and to existing federal programs

Stimulus Bill Summary – Virginia's Share

- Based on initial reports of the House bill as adopted, Virginia would receive funding totaling about \$5.8 billion over approximately two years, exclusive of the tax provisions and payments to individuals (i.e. unemployment benefits, Pell grants, etc.)
- Largest program allocations include:
 - State Fiscal Stabilization Fund
 - Medicaid FMAP Increase
 - K-12 Funding
 - Energy Related Programs
 - Transportation and other infrastructure improvements
- In general, the funding is available upon passage of the legislation, through September 30, 2010
 - However, many programs have specific eligibility time periods and must be analyzed on a program by program basis
 - For example, Medicaid match looks back to October, 2008

Stimulus Bill Summary – Virginia's Share

- In contrast to early discussions, it appears that only about 10% of the funding is being used for infrastructure-type improvements
- The majority of the funding is, in essence, one-time infusions of funding to existing operating programs
 - For example, funding flows through existing homeless shelter grants, Title I, special education, child care and development block grants, and workforce investment act formulas
- It appears that state discretion with regards to funding distribution is limited to:
 - K-12 and Higher Education modernization funding
 - State Fiscal Stabilization Fund
 - Highway apportionments
 - Medicaid FMAP

State Fiscal Stabilization Fund

- One of the largest single spending items is a \$79 billion State Fiscal Stabilization Fund
 - In HR 1, half of the funds would become available on July 1, 2009 and the remainder on July 1, 2010
 - Each year's allocation is available for 15 months, taking it through the first quarter of state FY 2012
 - In S 336, all funds expire on September 30, 2010
 - \$7.5 billion each year is taken off-the-top and set aside for state “competitive grants”
 - Criteria are related to improvements in K-12 education, and 50% of any grant must be directed to local education agencies
 - The remaining \$64 billion is distributed among the states as follows:
 - 61 percent on the basis of school-age population (5-24)
 - 39 percent based on total population
- Virginia's share is estimated to total \$1.58 billion over the two year period
 - Does not reflect receipt of any of the competitive grant funding

State Fiscal Stabilization Fund

- Uses of the funding are prescribed as follows:
 - 61 percent for K-12 and/or higher education
 - These funds are to be used to restore state government cuts to the fiscal year 2008 level
 - A maintenance of effort requires state support at FY 2006 levels
 - On the higher education side, funds are to be used to mitigate in-state tuition and fee increases
 - If there are no education cuts to restore, the 61% share flows to schools based on Title 1
 - Senate version of the bill includes language allowing the funding to be used to maintain funding levels for fiscal years 2009 through 2011 using existing state distribution formulae
 - The remaining 39 percent of funding is available for other government activities (inclusive of K-12 / Higher Education)
 - Virginia's share is approximately \$600 million
 - It appears there is no language governing the use of these funds and there is broad flexibility as to its use

Higher Education Infrastructure

- Modernization, Renovation & Repair
 - House version - \$6 billion Senate version - \$3.5 billion
 - Allocation based on undergraduate enrollment
 - Virginia share about \$146 million
 - Priority allocation for Title III & Title V institutions, impacted by major disasters, LEED & energy efficiency
 - Permissible uses:
 - Repair, replacement, or installation of roofs, electrical wiring, plumbing systems, sewage systems, or lighting systems
 - Repair, replacement, or installation of heating, ventilation, or air conditioning systems (including insulation)
 - Compliance with fire and safety codes
 - Retrofitting necessary to increase the energy efficiency of the institution's facilities
 - ADA compliance
 - Asbestos abatement
 - Modernization, renovation, and repair relating to improving science and engineering laboratories, libraries, and instructional facilities
 - Upgrade / installation of technology infrastructure
 - Renewable energy
 - Not for New Construction

Higher Education Financial Aid

- Pell Grants
 - House \$15.6 billion to increase maximum grant by \$500
 - Senate \$13.9 billion to increase maximum grant by \$300 to \$400
- College Work Study
 - House \$490 million
 - Senate N/A
- Student Loan Limits
 - House increases limit on unsubsidized by \$2,000
 - Senate N/A
- All additional student aid funds will flow according to existing law/formula

Scientific Research/Higher Education

- National Institutes of Health
 - House includes \$3.5 billion for biomedical research and facilities
 - Senate includes \$3.5 billion for biomedical research
- National Science Foundation
 - House includes \$2.9 billion for grants and infrastructure
 - Senate includes \$1.4 billion for grants and infrastructure
- NASA
 - House includes \$0.6 billion for climate change research
 - Senate includes \$1.5 billion
- House includes \$300 million to construct research buildings at colleges through National Institute of Standards and technology
- House includes \$209 million for deferred maintenance on research facilities



BUDGET QUESTIONS

All you ever wanted to know about the budget!

Go to: www.wm.edu/budget