

October 4, 2008

MEMORANDUM

TO: The Finance Committee:

John O. Wynne, Chair  
A. Macdonald Caputo  
The Honorable Alan A. Diamonstein  
Thomas F. Farrell, II  
Glynn D. Key  
Austin Ligon  
Vincent J. Mastracco, Jr.  
Warren M. Thompson  
W. Heywood Fralin, Ex Officio  
Daniel M. Meyers, Consulting Member

and

The Remaining Members of the Board:

Daniel R. Abramson	The Hon. Lewis F. Payne
Susan Y. Dorsey	Don R. Pippin
Helen E. Dragas	E. Darracott Vaughan, Jr., M.D.
Robert D. Hardie	Adom Getachew

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Finance Committee Meeting on  
October 4, 2008

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 1:45pm, Friday, October 3, 2008 and again - also in Open Session - at 8:00am, Saturday, October 4, 2008; John O. Wynne, Chair and Vice Rector, presided over both sessions. The two sessions will be covered separately in these Minutes.

Present on October 3<sup>rd</sup>, were A. Macdonald Caputo, The Hon. Alan A. Diamonstein, Thomas F. Farrell, II, Ms. Glynn D. Key, Austin Ligon, Vincent J. Mastracco, Jr., and W. Heywood Fralin, Rector.

Present as well were Daniel R. Abramson, Ms. Susan Y. Dorsey, Ms. Helen E. Dragas, Robert D. Hardie, The Hon. Lewis F. Payne, and Ms. Adom Getachew.

Edmund L. Kitch, Chair of the Faculty Senate, was present.

Also present were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Arthur Garson, Jr., M.D., Ms. Susan A. Carkeek, William B. Harvey, James L. Hilton, Ms. Patricia M. Lampkin, Ms. Yoke San L. Reynolds, Ms. Colette Sheehy, Robert D. Sweeney, David J. Prior, and Ms. Jeanne Flipppo Bailes.

All Board Members present on October 3<sup>rd</sup>, were present on October 4<sup>th</sup>, with the addition of Don R. Pippin and E. Darracott Vaughan, Jr., M.D.

Christopher Brightman was present on October 4<sup>th</sup>.

BECAUSE OF MALFUNCTIONS IN THE RECORDING EQUIPMENT, PORTIONS OF THESE MINUTES ARE A RECONSTRUCTION

The Chair opened the meeting and asked for a motion to consider an addendum to the published Agenda. The motion was made, seconded, and approved.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda.

The first portion of the Agenda was a Consent item.

CONSENT AGENDA: Approval to Create a Quasi-Endowment Titled the "Greenslade Fund for International Studies in Arts and Sciences"

Mr. Sandridge reminded the Committee that although he is authorized to approve individual quasi-endowment transactions, including establishments and divestments, individual quasi-endowment transactions of \$2million or more require the approval of the Board.

The College and Graduate School of Arts & Sciences wishes to create a quasi-endowment of approximately \$8.6million to be called the Greenslade Fund for International Studies in Arts and Sciences. Money for the quasi-endowment comes from the recent bequest of Gertrude S. Greenslade, a former professor of Economics at the University.

On motion, the Committee approved the following resolution and recommended it to the full Board of Visitors for approval:

APPROVAL TO CREATE A QUASI-ENDOWMENT TITLED THE  
"GREENSLADE FUND FOR INTERNATIONAL STUDIES IN ARTS AND  
SCIENCES"

WHEREAS, the College and Graduate School of Arts & Sciences has received a bequest for approximately \$8.6 million and wishes to create a quasi-endowment account with the funds; and

WHEREAS, consistent with the donor's preference as stated in the trust from which the bequest was conveyed, the funds are to be "used to support international studies in the departments in the social sciences and the humanities in the College of Arts and Sciences and the Graduate School of Arts and Sciences at the University of Virginia";

RESOLVED, the Board authorizes the creation of a quasi-endowment account by the College and Graduate School of Arts & Sciences to be called - after Gertrude S. Greenslade, the donor - the Greenslade Fund for International Studies in Arts and Sciences; and

RESOLVED FURTHER, annual budgets for the proposed use of these funds shall be provided to the Executive Vice President and Provost for review and approval prior to the beginning of each fiscal year and on the schedule proscribed by the University's budget development. Similarly, annual reports demonstrating actual expenditure of these funds shall be provided to the Executive Vice President and Provost at the conclusion of each fiscal year.

ACTION AGENDA: Approval of State Operating Budget Amendments for the 2008-2010 Biennium for the Academic Division, the Medical Center, and The University of Virginia's College at Wise

Mr. Sandridge asked Ms. Sheehy, Vice President for Management and Budget, to present the proposed amendments to the 2008-2010 state budget. These must be approved by the Board before submittal to Richmond.

Ms. Sheehy told the Committee that the proposed operating amendments for the Academic Division amount to \$3.1million in general funds for year one of the biennium, and \$14.8million in year two. Capital amendments for the Academic Division total \$103.4million. Operating amendments for Wise come to \$1.3million in year two; the capital amendment is \$3.5million. She said the Medical Center expects to submit a request to cover the full cost of providing care to Medicaid and indigent patients.

The list of proposed amendments, by title, is as follows:

Academic Division -

- Produced in Virginia
- Operations and Maintenance Costs for New Facilities
- E&G Utility Cost Increases
- UVa Health Plan Cost Increases
- Graduate Financial Support
- Graduate Financial Aid Restriction for In-State Students
- New Cabell Hall Renovation
- Ruffner Hall Renovation
- Ivy Stacks Shelving Retrofit

Medical Center -

- Increase Medicaid Prospective Inpatient Payment Rates

The University of Virginia's College at Wise -

- Expanded Student Access through the AIMS Scholars Program
- Development of Internal Telecommunications Operations
- New Library

The Committee, after discussion, adopted the following resolution approving the proposed amendments, and recommended it to the full Board for approval:

APPROVAL OF STATE OPERATING BUDGET AMENDMENTS FOR THE 2008-2010 BIENNIUM FOR THE ACADEMIC DIVISION, THE MEDICAL CENTER, AND THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

WHEREAS, the instructions for submitting the 2008-2010 budget requests to the Governor have not yet been received; and

WHEREAS, the proposed biennial budget requests represent the highest priority initiatives and are aligned with the mission of the institution;

RESOLVED, the Board of Visitors of the University of Virginia approves the 2008-2010 biennial budget requests accompanying this resolution and outlined in Attachment A; and

RESOLVED FURTHER, the Board of Visitors understands that to the extent these initiatives are not included in the Governor's 2008-2010 biennial budget, the Academic Division, the Medical Center, and The University of Virginia's College at Wise may want to pursue similar requests to the Legislature; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized to transmit to the General Assembly any request not funded by the Governor as long as there are no material differences from the items already endorsed by the Board of Visitors.

ACTION AGENDA: Approval of Financial Plans for Projects to be Added to the University of Virginia's Major Capital Projects Program

Ms. Sheehy told the Committee that the University proposes four capital projects outside the biennial Major Capital Project cycle. Such projects require approval by the Finance Committee and the Buildings and Grounds Committee, and the Finance Committee is responsible for the review of the financial plans for the projects.

There are four projects proposed: Bayly Building Renovation; Ivy Stacks Shelving Retrofit; Acquisition of a Modular Vivarium Unit; and Northridge Development Project, Medical Center.

She then described, briefly, the financial plans for each project.

On motion, the Committee adopted the following resolution and recommended it to the full Board for approval:

APPROVAL OF FINANCIAL PLANS FOR PROJECTS TO BE ADDED TO THE UNIVERSITY OF VIRGINIA'S MAJOR CAPITAL PROJECTS PROGRAM

RESOLVED, the Board of Visitors endorses the financial plans for four new projects at the University of Virginia:

Renovation of the Bayly Building for the University of Virginia Art Museum, with an expected budget of \$2 million to \$2.5 million to be funded from gifts;

Retrofit of the Ivy Stacks, with an expected budget of \$6.7 million to \$7.5 million to be funded from state general funds;

Acquisition of a Modular Vivarium Unit, with an expected budget of \$2.7 million to be funded from Facilities and Administrative recoveries;

Development of the Northridge site to be financed with University debt of \$3.1 million to \$3.2 million, to be serviced with Medical Center operating funds; and

RESOLVED FURTHER, that these projects will be added to the University's Major Capital Projects Program.

ACTION AGENDA: Approval of Intent to Issue Tax Exempt Debt

Mr. Sandridge proposed a resolution approving the University's intent to issue tax exempt debt - the project to be funded if such a mechanism were to be used is the Northridge Development Project. He emphasized that the resolution does not authorize debt, merely the intent to issue.

On motion, the Committee adopted the following resolution and recommended it to the full Board for approval:

APPROVAL OF INTENT TO ISSUE TAX EXEMPT DEBT

WHEREAS, the University of Virginia intends to undertake the following capital project(s) utilizing tax-exempt debt as a funding source:

## Northridge Development Project

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations governing when the allocation of bond proceeds to reimburse expenditures previously made by a borrower shall be treated as an expenditure of the bond proceeds; and

WHEREAS, the Regulations require a declaration of official intent by a borrower to provide evidence that the borrower intended to reimburse such expenditures with proceeds of its debt; and

WHEREAS, the Board of Visitors of the University of Virginia desires to make such a declaration of official intent as required by the Regulations; and

WHEREAS, the University of Virginia may be required to provide short-term financing to each project prior to issuing long-term debt in order to implement an efficient and timely construction schedule; and

WHEREAS, the University of Virginia has funding mechanisms to accommodate short-term financing needs, defined as a period of less than sixty months; and

WHEREAS, the authority for the University of Virginia to enter into financing arrangements exceeding sixty months in maturity for each project listed is not included in this resolution; and

WHEREAS, if the University of Virginia arranges short-term financing for a particular project, and if the project is not ultimately completed, or if the project utilizes funding sources other than debt, then the appropriate school or unit remains responsible for refunding the short-term obligation;

RESOLVED that, pursuant to the terms of the Treasury Regulations, the Board of Visitors of the University of Virginia declares its intent to reimburse expenditures in accordance with the following:

1. The University of Virginia reasonably expects to reimburse expenditures from the issuance of tax-exempt debt to be issued by the University of Virginia incurred for the project;

2. This resolution is a declaration of official intent under Section 1.150-2 of the Regulations;

3. The maximum principal amount of debt expected to be issued for the purpose of reimbursing expenditures relating to the project is as follows:

Northridge Development Project = \$3,230,000  
(total of this and all prior requests = \$3,230,000)

RESOLVED FURTHER, the project is a separate enterprise independent of other projects, and that the authorization for funding relates to the individual project; and

RESOLVED FURTHER, funds may be borrowed for the project on a short-term basis, but only if the following conditions are met:

1. The Board of Visitors approves the current resolution;

2. A comprehensive and detailed financial plan for the school/unit project is submitted;

3. Short-term financing shall not exceed sixty months in maturity; and

4. The school or unit remains responsible for any debt obligation incurred regardless of the status of the capital project or whether or not a debt issuance actually occurs.

ACTION AGENDA: Critical Incident Management Team Designated Violence Prevention Committee

Mr. Sandridge presented the addendum to the published Agenda.

The University for some time has had in place a "Critical Incident Management Team." As an aftermath to the incident at Virginia Tech, state law now requires that public and private institutions of higher education establish a committee charged with education and prevention of violence on their campuses. The University proposes that the Critical Incident Management Team be designated the Violence Prevention Committee, in accordance with the provisions of the *Code of Virginia*.

The Committee adopted the following resolution and recommended it to the full Board for approval:

CRITICAL INCIDENT MANAGEMENT TEAM DESIGNATED VIOLENCE PREVENTION COMMITTEE

WHEREAS, The Board of Visitors and the University administration share a concern for the health, safety, and well-being of members of the University of Virginia community, and desire to prevent violence on the Grounds by means of education, early recognition, and response to behavior that poses a threat to the safety of the community; and

WHEREAS, the Code of Virginia, Chapter 1 § 23-9.2:10, requires public and private institutions of higher education to determine a committee structure of persons charged with education and prevention of violence on campus and with the development of threat assessment teams;

RESOLVED, the Board of Visitors establishes the Critical Incident Management Team (CIMT), as set forth in the University's Critical Incident Management Plan, as the University committee with oversight responsibility for education and prevention of violence on the Grounds. The Critical Incident Management Team, convened by the Executive Vice President and Chief Operating Officer and coordinated by the Director of Emergency Preparedness, will include representatives from student affairs, law enforcement, human resources, University counsel, and other constituencies. The CIMT shall (i) provide guidance to students, faculty, and staff regarding recognition of threatening or aberrant behavior that may represent a threat to the community; (ii) identify members of the University community to whom threatening behavior should be reported; and, shall (iii) oversee the implementation of policies and procedures for the assessment of persons whose behavior may present a threat. It will establish appropriate means of intervention with

such persons as well as means of action, including interim suspension, as needed to resolve potential threats. The CIMT shall designate additional members and create specific threat assessment teams as necessary to accomplish its purposes of education, early recognition, and response to threats; and

RESOLVED FURTHER, the threat assessment teams established by the CIMT shall establish relationships, or utilize existing relationships, with local and state law enforcement agencies, as well as mental health agencies, to expedite assessment and intervention with persons whose behavior may present a threat to safety.

REPORTS BY THE EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

Safety

Mr. Sandridge said he wanted to begin his reports on a variety of subjects with comments on safety, specifically student safety off the Grounds of the University. He prefaced his remarks by saying a successful test of the University's siren warning system had been conducted in the previous week.

Referring Members to a "Matrix of Issues" in the matter of Off-Grounds Student Safety, he - and Ms. Getachew - commented on several issues such as lighting, a pedestrian bridge over the railroad tracks between Chancellor St. and 17<sup>th</sup> St./Virginia Ave., and removal of low-rent and halfway houses on Chancellor Street and the lower end of Madison Lane. The Student Council shares some of these concerns, and Council's comments were included in the matrix.

Mr. Diamonstein asked about the new, specially lighted pedestrian crosswalks. Mr. Sandridge replied that seven of these have been installed and that they have been successful. More are planned.

Budget Reductions

Mr. Sandridge said he would defer comments on budget reductions until the discussion planned for the next day on the University's investments. He did comment that the Commonwealth has experienced a significant slowing in general fund revenue collections and that on September 26<sup>th</sup>, the University submitted to the Governor three different possible institutional budget reductions, ranging from \$7.6million to \$22.8million.

Enterprise Risk Management

The firm KPMG has been engaged to conduct an assessment of the University's current capability for assessing and managing its strategic and high-level operational risks.

A final report on this will be presented to the Finance Committee by Ms. Reynolds, Vice President and Chief Financial Officer, early in 2009.

Commonwealth Center for Advanced Manufacturing (CCAM)

The Commonwealth Center for Advanced Manufacturing (CCAM), part of the arrangement made with Rolls-Royce, is to be located on a ten-acre parcel in Prince George County, just to the east of Petersburg. The UVA Foundation is to build and maintain the Center and lease it to CCAM.

Faculty and Staff Compensation

Mr. Sandridge said faculty compensation has been identified as a critical issue, as is compensation for staff under the new University staff program.

But given the state budget situation, it probably is best to defer action for the time being.

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The Chair recessed the meeting at 2:30 p.m., to resume the next morning.

SESSION ON SATURDAY MORNING, OCTOBER 4, 2008

The meeting was resumed, in Open Session, at 8:00 a.m., Saturday, October 4, 2008, in the Dome Room of the Rotunda.

REPORT ON ACCESS UVA

Mr. Sandridge asked Ms. Reynolds, Vice President and Chief Financial Officer, to give an update on Access UVA.

Ms. Reynolds reminded the Committee that the initial goals of AccessUVA were to offer 100% of financial need to high-need students; to offer 100% of financial need to all undergraduate students; to eliminate need-based loans to low-income students; to cap need-based loans for all undergraduate students; and to provide financial and debt management education for Access students. All of these goals have been met.

Using the academic years 2004-2005 and 2008-2009 for comparison, Ms. Reynolds said applications from low-income students have increased by 39.8%. Some 22.4% more low-income applicants were offered admission for the current academic year than were offered four years ago and 38% more accepted offers. The percentage of first-year low-income students in the student body has increased by 32.5% in the same period.

There was considerable discussion among Members, with the President offering comments, about increasing the number of applications from low-income students. Comparative test scores and the extreme variance in the quality of preparation offered by secondary schools were factors in questions raised by Members. There was discussion, too, of how similar programs are administered in the Ivy League schools and how successful they have been.

Ms. Reynolds commented that future discussions of these aspects of AccessUVa should also involve staff from the Office of Undergraduate Admission.

In response to a question that has been raised in several previous discussions of AccessUVa, Ms. Reynolds said there is no evidence of any kind of stigma attached to AccessUVa students.

Turning to the loan cap program, Ms. Reynolds said it was implemented for first-year and Virginia Community College System transfer students who matriculated in 2005-2006; the first full graduating cohort thus will take their degrees next May and student "exit" surveys will be taken to assess the success of the program.

As for encouraging financial literacy among AccessUVa students, Ms. Reynolds said educational programs are now offered to all students - as well as parents -, not just those students participating in AccessUVa.

The Chair commented that the discussion had been informative and valuable, and that he was putting a stop to it only in the interest of adhering to the Committee's schedule.

#### ANNUAL REPORT ON THE UVA HEALTH CARE PLAN AND REVIEW OF UNIVERSITY BENEFITS

Ms. Carkeek, Vice President and Chief Human Resource Officer gave the customary annual report on the University's self-insured health care plan.

She reminded the Committee of the goals of the UVa Health Plan, which are to provide an attractive health insurance benefit, to ensure the financial stability of the Plan, to maintain appropriate reserves, and to keep Plan cost increases as low as possible while maintaining financial integrity.

Some 12,971 employees participate in the Plan which means 27,278 total lives are insured; the cost of the Plan is \$95.3million. The Plan is fully funded and there are adequate reserves. This year, there have been some modest benefit enhancements, including acupuncture, pain management and dental implants, and an improvement in two wellness benefits - the addition of Weight Watchers and smoking cessation. There have been efforts at controlling pharmacy costs and subscribers have been encouraged to participate in the Low Premium Plan.

Ms. Carkeek provided tables which showed that premiums in the Low Premium Program have not increased, while there have been relatively modest increases in premiums for the High Premium Program. Comparing employee contributions in the UVa Plan with employee contributions in the State Basic Plan, UVa employees pay less. But under the High Premium Program, UVa employees pay more in the "Family" category than subscribers are charged in the State's plan.

Effective January 1, 2009, subscribers to the High Premium program will pay more: the High Premium is being increased to cover projected claims costs and to keep reserves at an appropriate level.

#### ENDOWMENT REPORT

Mr. Sandridge asked Mr. Brightman, Chief Executive Officer of UVIMCO, to report on the Endowment.

First, however, he described the ways in which the University is coping with the current market conditions, saying that the market turndowns of the early 70s, the early 80s, the "dotcom meltdown" of 2000, and the disruptions following 9/11, taught lessons that are being heeded now. The UVIMCO staff, he said, are professionals and he has every confidence in them and in Mr. Brightman's leadership in weathering the current fiscal crisis.

The University's AAA bond rating and proven ability at handling its finances, the Chair noted, are great assets in these times.

Mr. Brightman began his review with a summary of investment activity over three Fiscal Years: 2006, 2007, and 2008. He continued with a performance review and said that when the figures for the first quarter of the current Fiscal Year become available in the next week, the performance of the Endowment will be "terrible," and that the quarter will be in the category of one of the worst quarters ever. He then gave a thorough position analysis.

There was considerable discussion between Members and Mr. Brightman. At the end of it, the Chair remarked that Mr. Brightman had conducted a thorough and helpful review.

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On motion, the meeting was adjourned at 9:45 a.m.

AGG:jb

These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/financeminutes.html>

**ATTACHMENT A**

**2008-2010 BIENNIAL BUDGET  
REQUESTS**

AGENCY 207 - Academic Division:

*Produced in Virginia (\$1.7 million (need to develop updated proposal) GF in year two)* - The University has partnered with the Virginia Community College System to increase the number of undergraduate engineering degrees awarded in the Commonwealth. Students complete the first two years of coursework at a community college, then enroll in the University of Virginia and complete an engineering bachelor's degree program through both on-site and asynchronous technology. At full implementation in six years, the University projects to award an additional 400 degrees annually. These students, all of whom are expected to be Virginians, will be incremental to the number of students previously approved by the Board of Visitors in the University's official enrollment projections. The request represents start-up costs (recruiting, course design, equipment) of \$1.3 million, plus the ongoing general fund's share of base budget adequacy funding per undergraduate engineering student for the incremental in-state students (32 FTE) who will join the University in the summer of 2009.

*Operations and Maintenance Costs for New Facilities (\$1.5 million GF in year one and \$3.7 million GF in year two)* - The University requests ongoing support for operations and maintenance costs of new facilities scheduled to open in the 2008-2010 biennium.

*E&G Utility Cost Increases (\$1.6 million GF in both years)* - The cost of electricity, natural gas, coal, and oil has increased far in excess of inflation over the past three years, particularly with the lifting of the rate cap on electricity. As a result, the University has been compelled to direct a sizable share of discretionary base budget adequacy funding to pay the cost of utilities rather than invest in core educational programs and support enrollment growth. This request will allow the University to appropriately fund utility costs and appropriately invest in educational programs on an ongoing basis.

*UVa Health Plan Cost Increases (\$1.1 million GF in year two)* - We request ongoing support to maintain the state's funding of the University-sponsored health care plan at a comparable level to the state funding provided for other state-sponsored health plans.

*Graduate Financial Support (\$2.0 million GF in year two)* - This additional ongoing support will enhance our ability to compete for the most promising graduate students by improving the competitive position of our most prestigious graduate fellowships, creating first-year fellowships, increasing the number of dissertation year fellowships to reward innovative research, and providing competitive enhancements to recipients of prominent national fellowships, such as those from the National Science Foundation and the National Institutes of Health.

*Graduate Financial Aid Restriction for In-State Students (Language Only)* - We request removal of the existing requirement that 50 percent of general funds allocated to graduate student financial assistance be made to Virginia residents. High quality graduate students play a vital role in recruiting world class faculty, attracting external grant support, and improving the stature of the University's research enterprise. One no-cost measure of support for graduate students would be the elimination of this requirement. Increasingly our highest quality applicants are from out-of-state and require a higher level of commitment from the University. Many graduate students remain in the Commonwealth after graduation, even becoming the faculty of our public and private colleges and universities. Out-of-state graduate students frequently bring spouses and families to the region to have a settled life here. Allowing the University to award state support to the highest quality graduate students, regardless of their residency, will provide the University additional flexibility in building a world-renown research enterprise.

*New Cabell Hall Renovation (\$76.12 million in year two)* - \$3.9 million in planning funds was provided in 2008-2009. Construction funds are needed in 2009-2010 in order to be prepared to proceed with this project upon the completion of the South Lawn project. The project will include abatement of asbestos and other hazardous materials, needed repairs, code and accessibility compliance modifications, updates to building systems to provide modern functionality, and upgrades to finishes and furniture. The major building system updates will include adding sprinklers, adding HVAC and removing the old heating system, modernizing the elevators, and renovating electrical, alarm, and telephone/data distribution systems.

*Ruffner Hall Renovation (\$19.8 million in year two)* - \$250,000 was provided in 2008-2009 for pre-planning. Construction funds are needed in 2009-2010 in order to be prepared to proceed upon

the completion of Bavaro Hall. This project repairs and/or replaces major infrastructure systems in Ruffner Hall, constructed in 1973. The project includes a structural evaluation and replaces building systems including HVAC, flooring, electrical, fire alarm system, sprinklers, masonry, roofing, skylights, doors, windows, hardware, interiors, signage, furnishings, site work, and plumbing. It also removes asbestos and lead based paint.

*Ivy Stacks Shelving Retrofit (\$7.5 million in year two)* - The University's Ivy Stacks remote shelving facility provides cost-effective storage space for the University's library collections, but is nearing capacity. Replacing the current shelving system (high-rise, human retrieval) with a state-of-the-art robotic retrieval system will increase the capacity of the current facility from 800,000 volumes to 1.5 million volumes and defer the need for a second facility for ten years. These funds will cover the procurement and installation of the system, as well as retrofitting the facility to accommodate the new system.

AGENCY 209 - Medical Center:

*Increase Medicaid Prospective Inpatient Payment Rates (\$1.3 million GF and \$1.3 million NGF in year two)* - The 2008-2010 Appropriation Act reduced the level of reimbursement to the Commonwealth's academic medical centers, also leaving federal cost matching dollars on the table.

AGENCY 246 - University's College at Wise:

*Expanded Student Access through the AIMS Scholars Program (\$682,400 GF and 5 FTE in the second year)* - The College at Wise continues to have a student body which demonstrates the highest financial need in the Commonwealth. The College at Wise has been successfully piloting its AIMS Scholars Program in a targeted area which has seen these students transition from the community college to the College at Wise. This amendment will expand this scholarship program by 50 students (at \$6,477 each = \$324,000). It will also add two staff to advise students on financial aid (two at \$35,000 + fringes = \$91,000) and three faculty (three at \$54,500 + fringes = \$213,000). The faculty will focus on successfully integrating the scholars and others into Wise, increasing the likelihood of retention and on-time graduation. The request also includes \$55,000 in OTPS to support the aid and transition/retention programs.

*Development of Internal Telecommunications Operations* (\$609,600 GF and 2 FTE in the second year) - The continuing growth of the College at Wise is making evident the need for an internal telecommunications operation to handle telephone, wiring, voicemail, programming, and support services. An aging campus telephone system and cable plant is causing many on and off-campus communication problems and a replacement of analog telephone technology with voice over internet protocol (VoIP) telephone technology is imperative for the near future. This amendment for ongoing funding will enable the College at Wise to replace its current system with newer technology, continue and enhance telephone service for internal and external constituents throughout the state, and give the College at Wise better reporting and call tracking services to control telephone costs across the institution. The ongoing cost will be \$169,900 and two FTEs. The one-time cost for the system replacement is \$440,000.

*New Library* (\$3.5 million GF planning in year two) - During the College at Wise's last SACS accreditation, student study space in the existing library barely met the minimum standard, and with the growth experienced since that time, it will not be in compliance during the next accreditation process. This planning funding will allow us to determine how to construct a new facility to meet the current and future academic needs of the institution, to include space to house and increase the College at Wise's collection - which is critical as new and larger academic programs have been introduced in the interim - as well as provide important study and instructional spaces for the student body. To meet accreditation needs, planning must begin immediately, with construction expected to begin in 2010-2011.