

# University of Virginia



## Budget Overview – 2009-10 Update

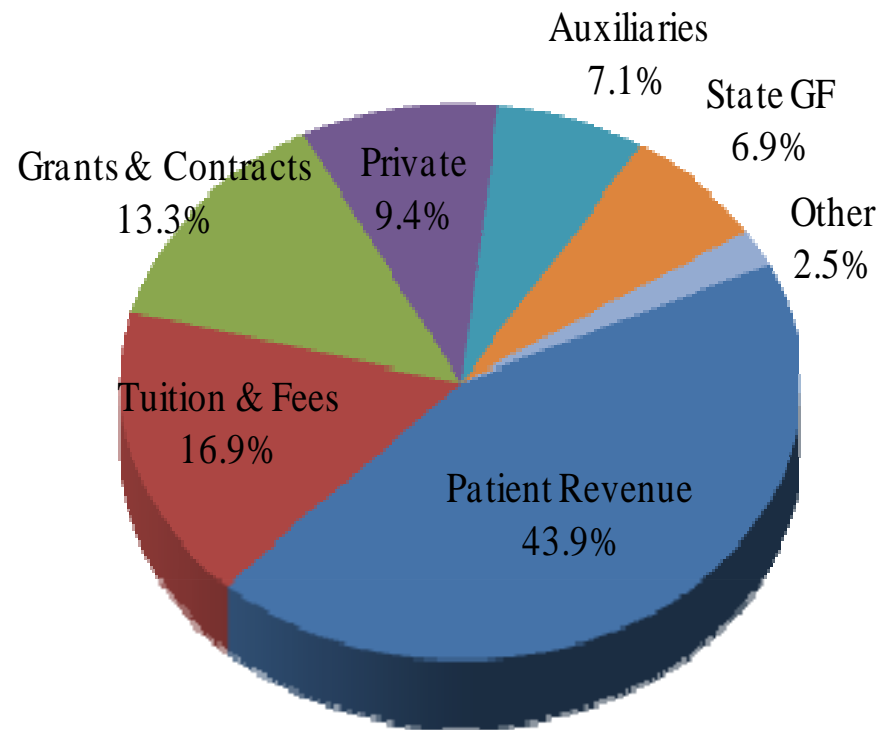
# Budget Overview

- What are the major funding sources of the University?
- How does that compare to peers and the past?
- What is Base Budget Adequacy?
- How do we spend our funds and make resource allocation decisions?
- What allocation decisions were made in 2009-10?
- Why does this matter to you?

# ALL DIVISIONS

## Major Funding Sources 2009-2010

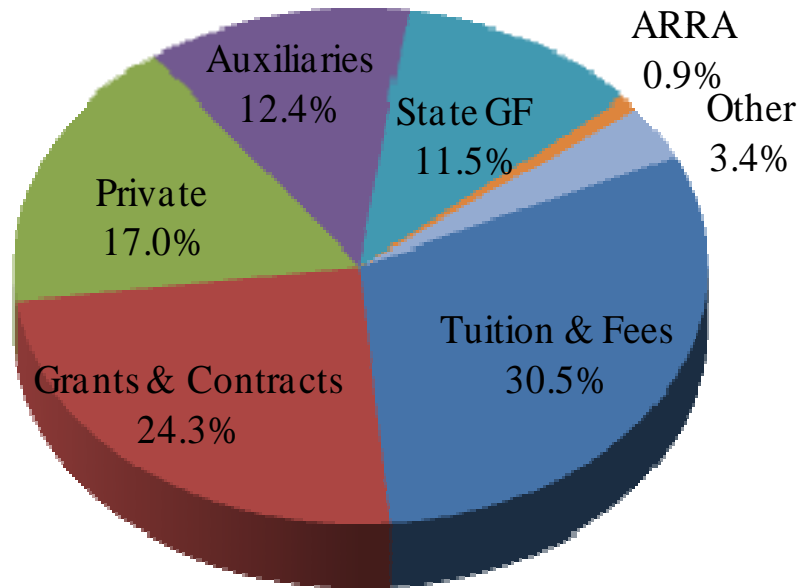
### \$2.25 Billion



# ACADEMIC DIVISION

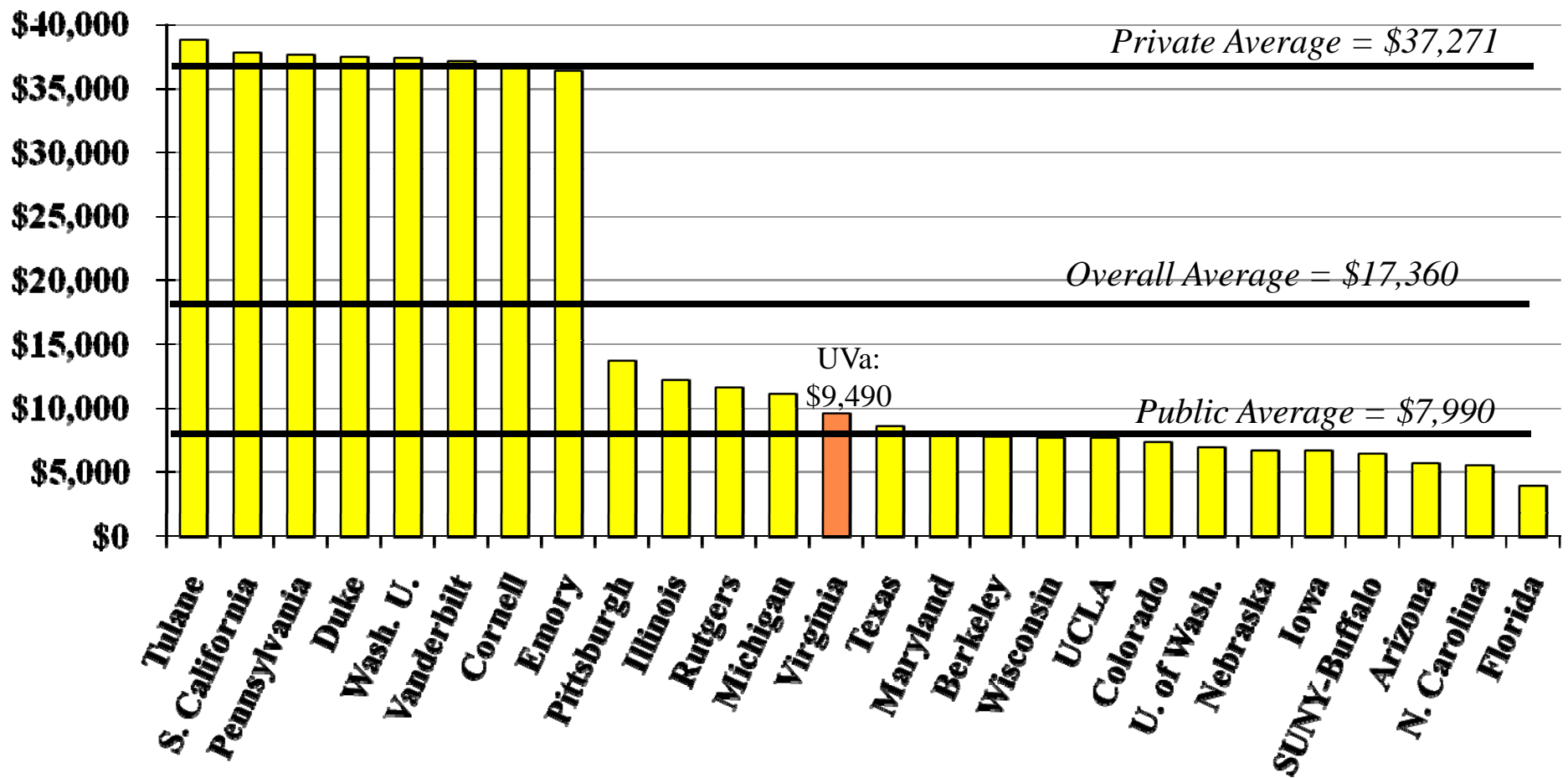
## Major Funding Sources 2009-2010

\$1.23 Billion

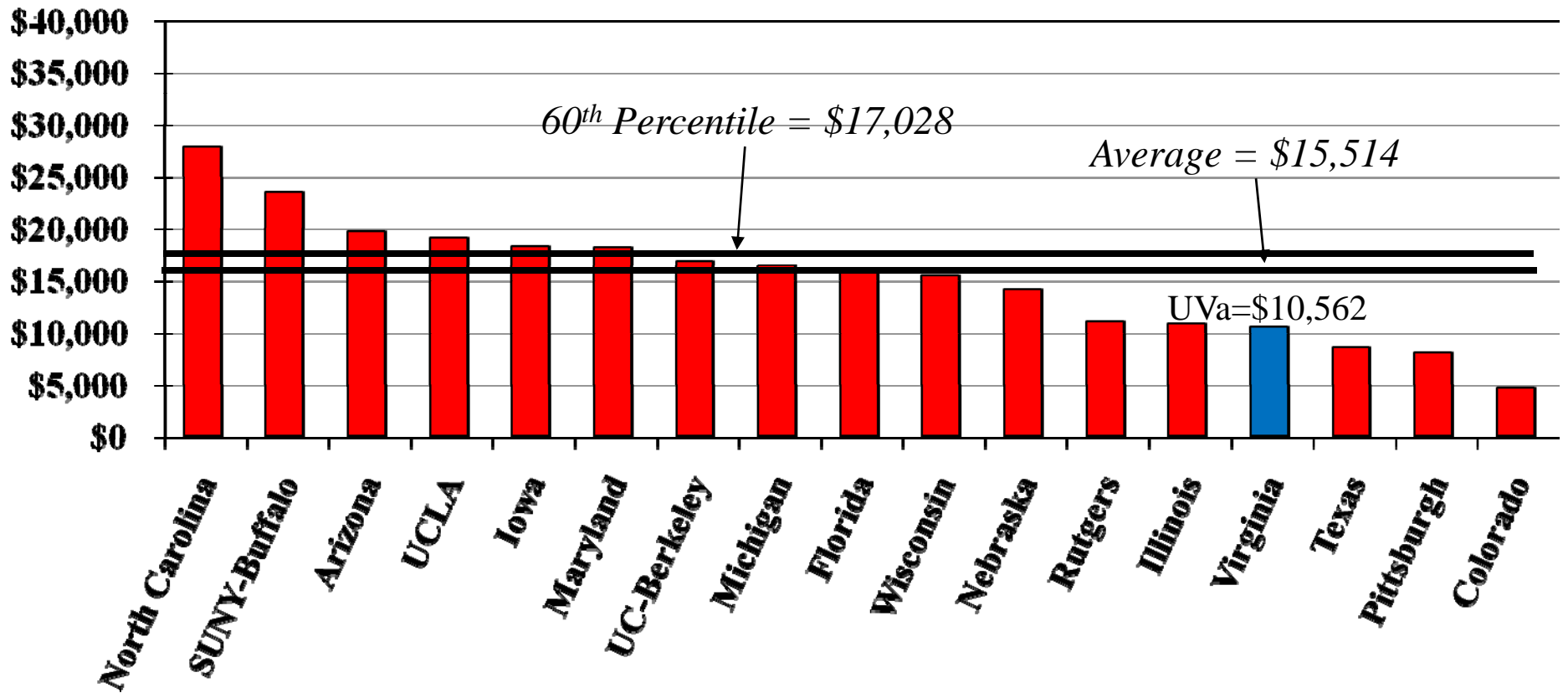


# 2008-2009 UNDERGRADUATE IN-STATE TUITION & FEES

## SCHEV Peer Group – Public & Private

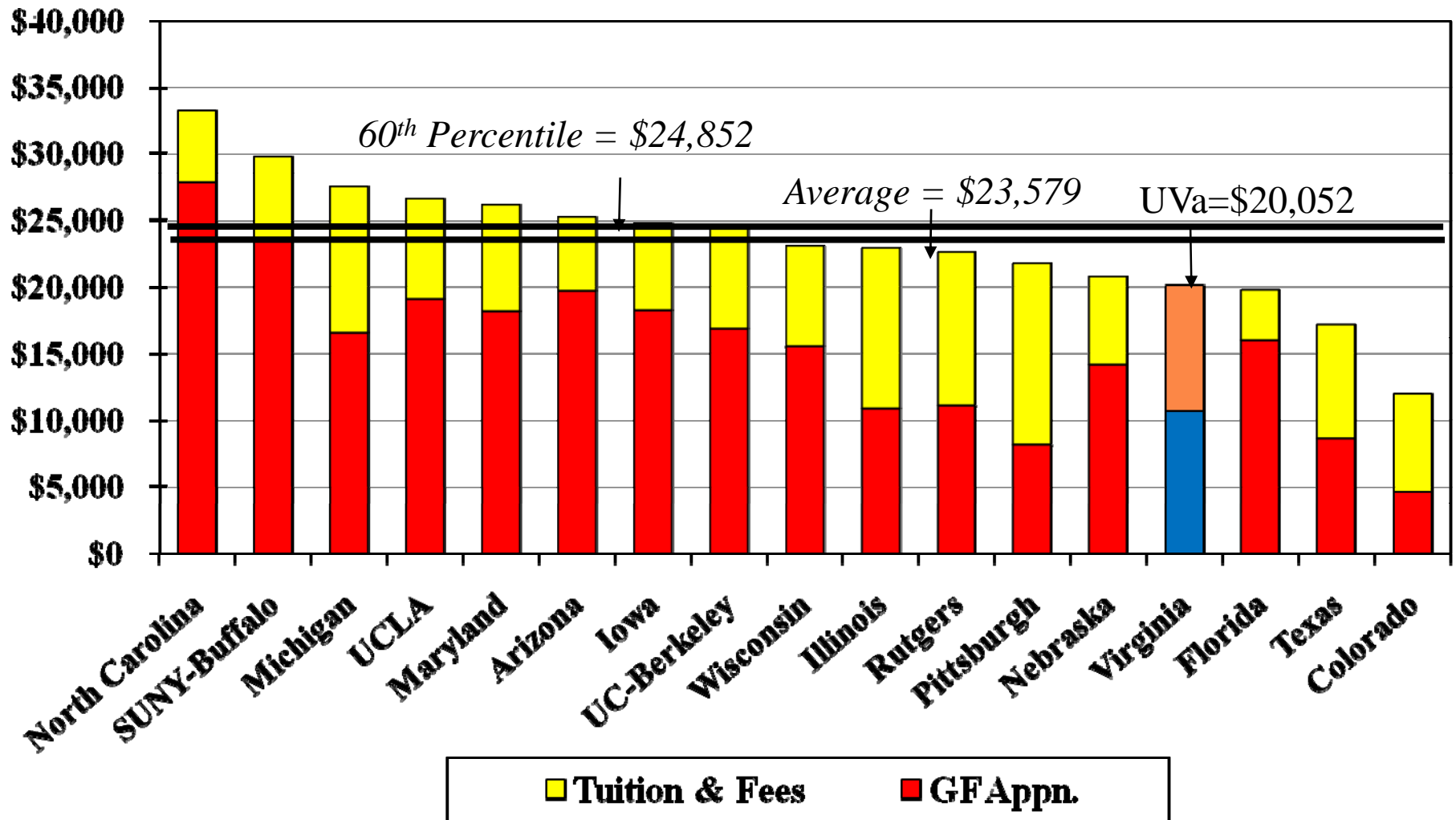


# 2008-2009 GENERAL FUND APPROPRIATION PER IN-STATE STUDENT SCHEV Public Peers

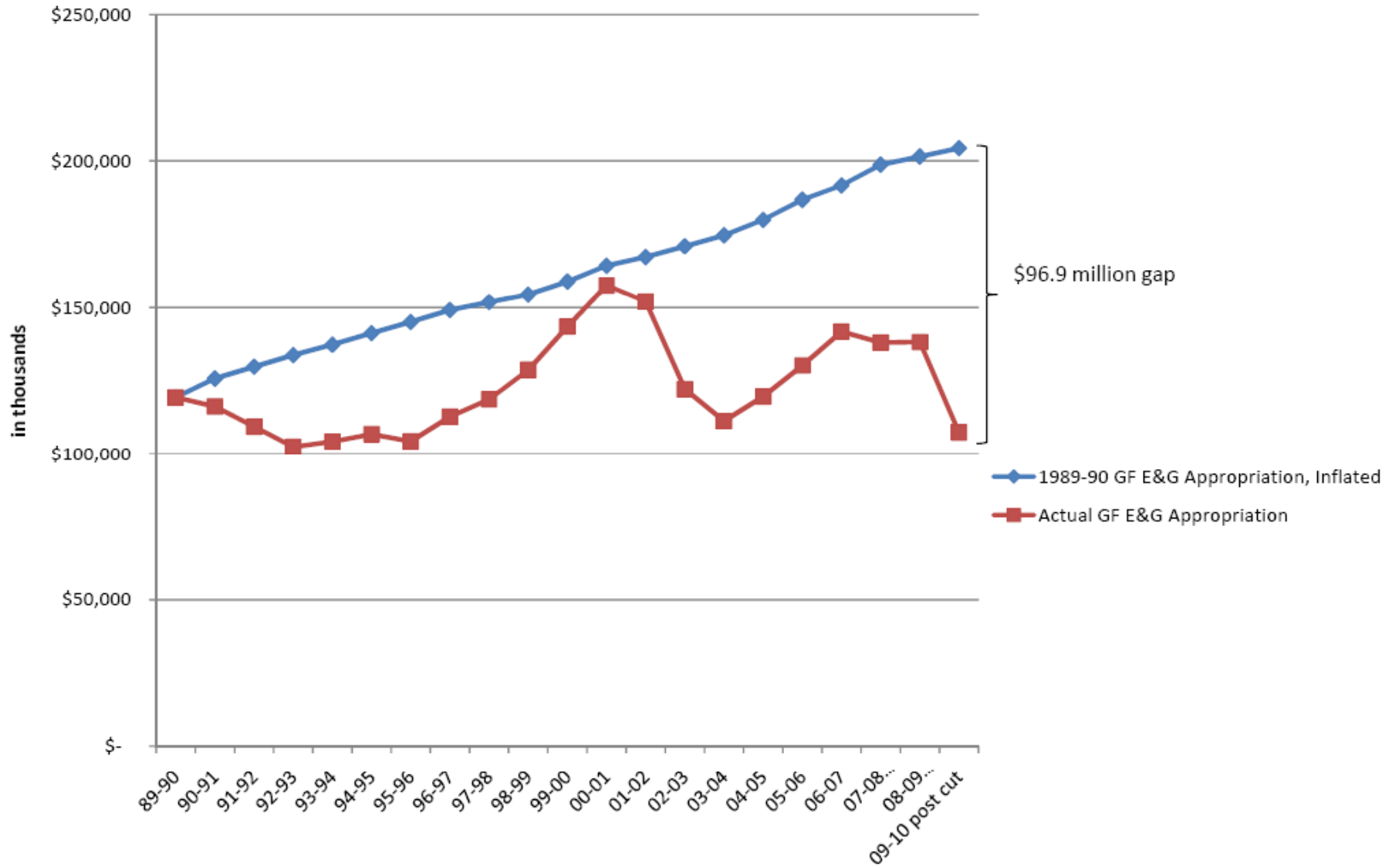


# 2008-2009 GENERAL FUND APPROPRIATION + TUITION & FEES PER IN-STATE STUDENT

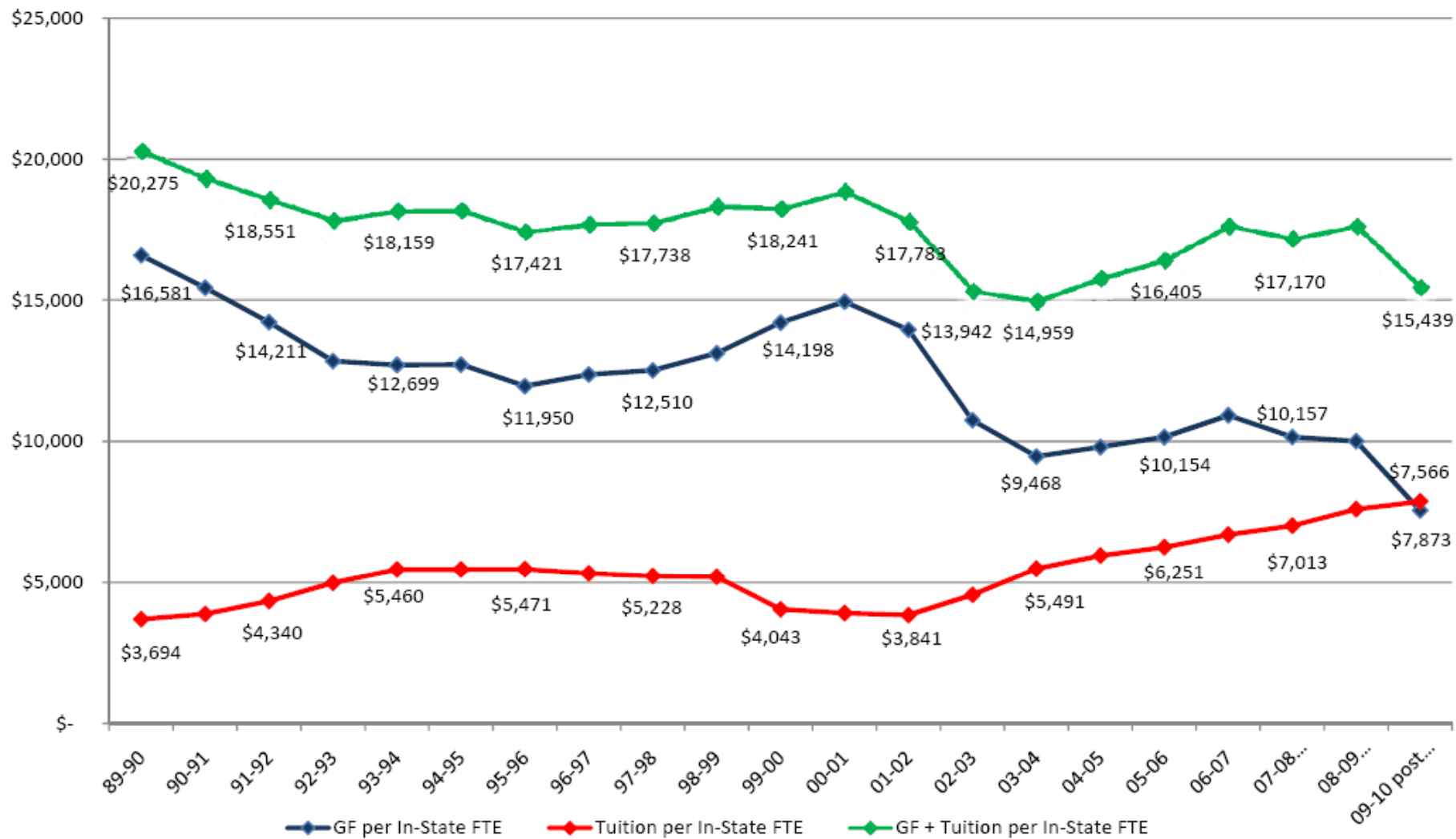
## SCHEV Public Peers



**1989-90 State General Fund E&G Appropriation, inflated  
vs.  
Actual State General Fund E&G Appropriation**



# University of Virginia Historical Educational & General Funding From General Funds and Tuition (in 2010 dollars) Per In-State FTE Student



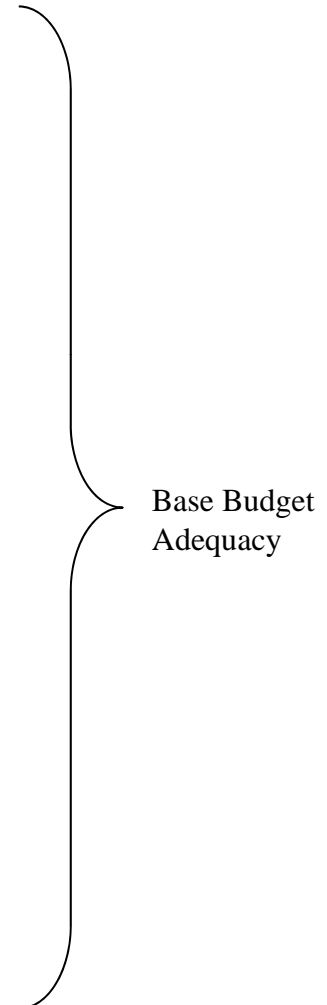
# STATE BASE BUDGET ADEQUACY MODEL

## Guidelines

- Adopted Dec 2000 by the Joint Subcommittee on Higher Education Funding
- Calculates higher ed funding guidelines for instruction and support services
  - Base instructional costs are developed using student enrollment as applied to student:faculty standards by discipline and student level.
  - Base support costs are derived by applying a standard factor to instructional costs.
  - The standards were developed using national benchmarks by type of institution.
  - Guidelines intended to quantify overall funding level, but not internal allocations.
- What is the appropriate fund split?
  - Provide 67% of the in-state student cost and 0% of out-of-state student cost.
  - Translates to 41% general funds and 59% tuition at UVa.
  - UVa's budget is currently 33% general funds and 67% tuition.

# Commonwealth of Virginia Base Budget Adequacy Model

Student Enrollment by Level and Discipline * <b>National Student:Faculty Ratios</b>	# of Instructional Faculty
# of Instructional Faculty * Average Faculty Salary = Faculty Instruction Faculty Instruction Costs * <b>40%</b> = Non-Faculty Instruction Support (Faculty Instruction Costs + Non-Faculty Instruction Support) * Fringe Rate	Instruction
Instruction * <b>17.8%</b> <b>\$ 5,043,897</b>	Academic Support
FTE Students * <b>\$349.20</b> <b>\$ 5,900,898</b>	Student Services
(Instruction + Academic Support + Student Services) * <b>10.8%</b> <b>\$ 3,007,515</b>	Operations & Maintenance
(Instruction + Academic Support + Student Services + Operations & Maintenance) * <b>6.1%</b> <b>\$ 9,492,698</b>	Institutional Support



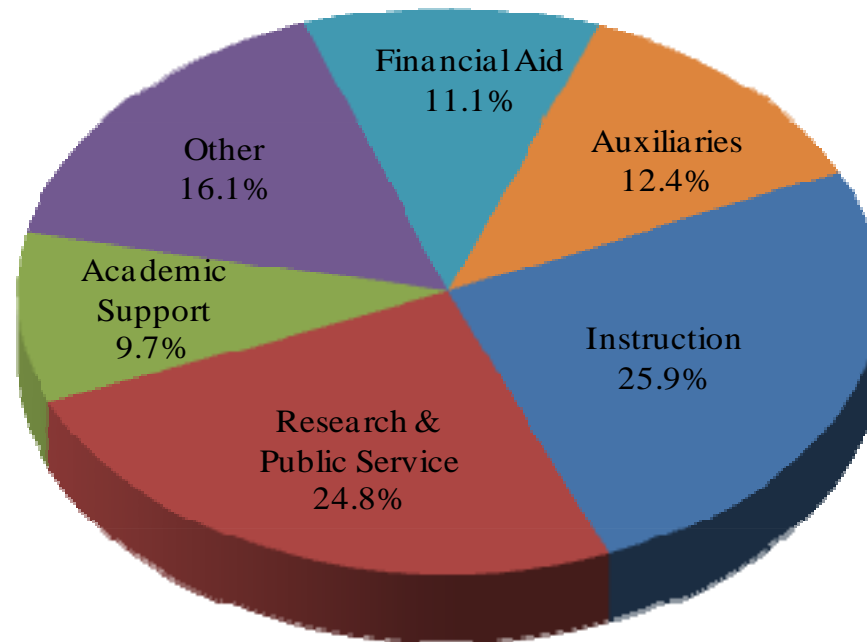
# How Do We Allocate Our Resources?

- For centralized fund sources, we use budget targets as a starting point
- Decisions on how to use target budgets are decentralized to dean/unit head
- Many fund sources are managed by the schools/units
- We allocate new revenues based on highest priorities of the Board and institution

# ACADEMIC DIVISION

## 2009-2010 Expenditure Budget

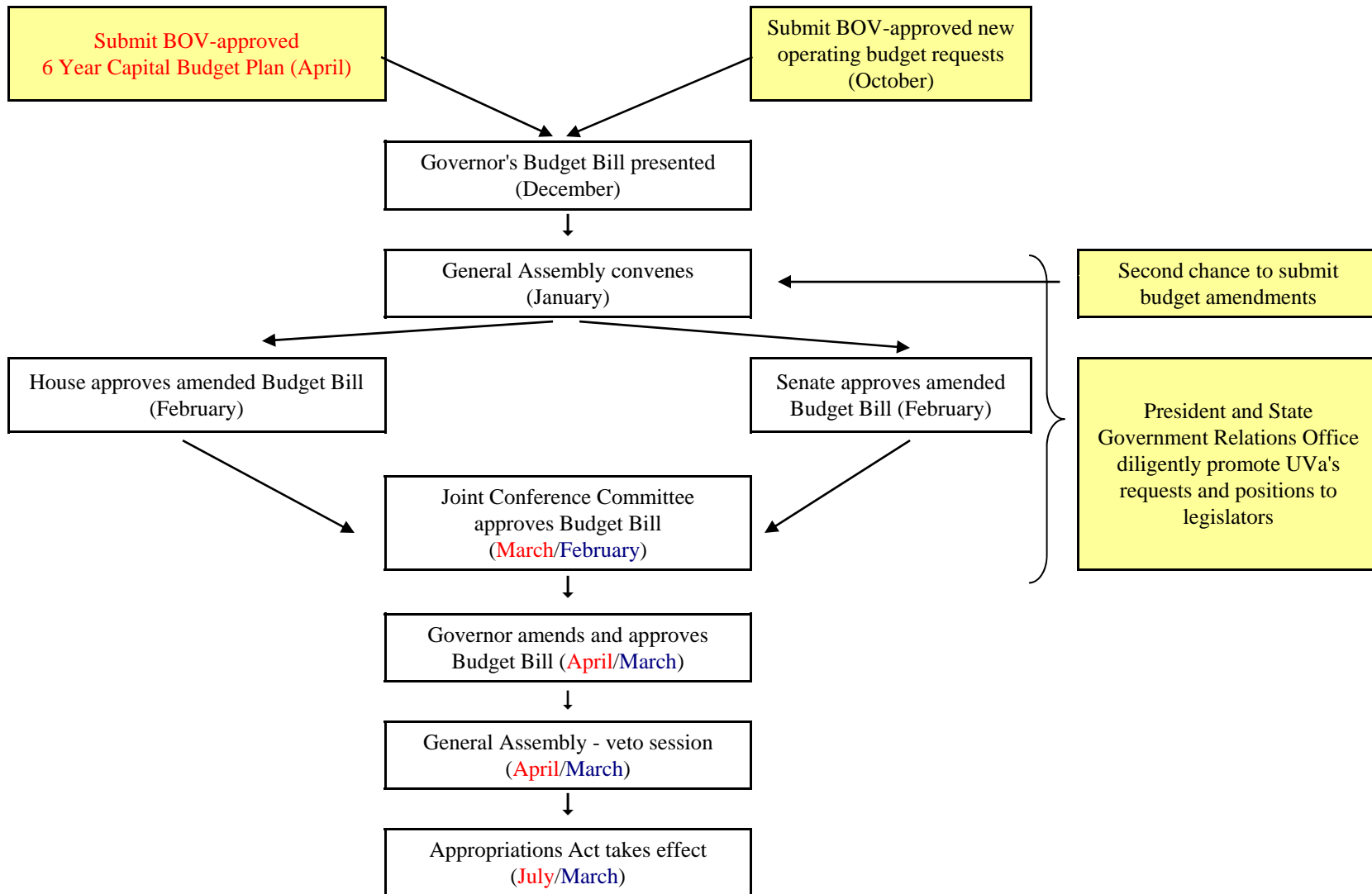
### \$1.23 Billion



# State Biennial Budget Process

**Legend:**

- Yellow box - UVa action
- Red text - applies to 1st year of new biennium, a.k.a. the long session
- Blue text - applies to 2nd year of new biennium, a.k.a. the short session
- Black text - applies to both 1st and 2nd years of the biennium



# Budget Development Cycle

- Nov: Budget Office develops budget instructions and budget assumptions
- Dec: **Budget Office develops budget targets**  
Auxiliary budgets and fee requests due to Budget Office  
**Budget Office estimates unavoidable cost increases (salaries, benefits, utilities, AccessUVa, etc.)**
- Jan: Budget Office holds training for schools/departments  
Budget Office issues budget targets to VPs  
VPs distribute budget targets, instructions, and due dates  
Board approves budget assumptions, housing rates  
**Budget Office watches developments in state budget**

# Budget Development Cycle

- Feb: Schools/departments develop budget details  
Schools estimate grant, F&A, gift, and endow budgets  
Schools develop and prioritize addenda requests  
**Budget Office finalizes tuition proposal**  
Budget Office allocates financial aid based on final tuition
- Mar: **VPs hold budget meetings with schools/departments**  
**VPs approve budgets and prioritize addenda requests**
- Apr 1: All budget submission items due to UBO, including prioritized addenda requests

# Budget Development Cycle

- Apr: Board approves tuition and fees; dining rates  
Budget Office reviews budgets and prioritized addenda requests  
Budget Office identifies available resources for addenda requests  
Budget Office recommends preliminary addenda allocations  
Senior administration finalizes addenda decisions
- May: Budget Office finalizes Budget Summary
- June: Board of Visitors approves Budget Summary  
Budget Office communicates budget and addenda decisions
- Jul 1: Budget Office loads budgets into Integrated System

# Update of 10 Year Capital Plan

- May 08:** VP for Management & Budget requested (VPMB) Project Initiation Forms for projects proposed for 2010-2020 Yr Plan
- Jun 08:** Deans and dept heads submitted Project Initiation Forms to their respective EVP
- Jul 08:** FM, Arch, Budget Office, project sponsor, others evaluate proposals
- Aug 08:** Executive Review Committee (ERC) reviews draft 10 Year Capital Plan, concentrating on programmatic need.
- Fall 08:** Financial plans developed; BOV committee reviews
- Dec 08:** ERC approves updated 10 Year Capital Plan
- Apr 09:** BOV approves updated 10 Year Capital Plan
- May 09:** EVPs prioritize projects, particularly general fund and debt requirements
- Jun 09:** General fund proposals submitted to Governor

# ACADEMIC DIVISION

## New Commitments - Key Initiatives

(in Thousands)

<u>Initiative</u>	<u>Incremental in 2009-2010</u>
Student System Implementation	\$ 5,106
Student System Maintenance and Support	3,945
Access UVa	6,295
Deferred Maintenance (5 <sup>th</sup> year of ten-year plan)	1,500
Other	<u>170</u>
Total	\$ 17,016

# ACADEMIC DIVISION

## New Commitments - Base Operating Support (in Thousands)

<u>Initiative</u>	<u>Incremental in 2009-2010</u>
College of Arts & Sciences – Base Budget Allocation	\$ 4,005
College of Arts & Sciences – Faculty Start-ups	1,900
College of Arts & Sciences – New Dean Commitment	1,250
Graduate Support	970
Exec/Admin Support	644
Registrar/Admissions/Classroom Technology	477
Batten School Base Operating	225
School of Architecture – New Dean Commitment	221
Museum Support	<u>88</u>
Total	\$ 9,780

# ACADEMIC DIVISION

## New Commitments - Unavoidable Increases (in Thousands)

<u>Initiative</u>	<u>Incremental in 2009-2010</u>
FLSA Compliance (one-time)	\$ 5,179
Utility Costs	3,559
New Facilities and Security	1,720
Fringe Benefit Cost Increases	1,244
Learning Needs/Accommodations (Section 504)	121
Residence Life	<u>26</u>
Total	\$ 11,849

# ACADEMIC DIVISION

## Faculty and Staff Salaries

- *Critical Issue: What is an appropriate ongoing goal for faculty compensation as compared to other priorities?*
- In 2002-2003, you identified faculty compensation as a critical issue. UVa's average salary was \$7,000 below our goal of 19<sup>th</sup> position among AAU peers.
- For four years, we supplemented state's increase and reduced gap to \$600 in 2006-2007.
- With 1 year without an increase, we have fallen to \$6,400 below the goal.
- Similar concerns exist for staff employees.

# ACADEMIC DIVISION

## Replacement of ARRA

- *Critical Issue: American Reinvestment and Recovery funds are supporting base operating budget in 2009-2010. How do we transition to full support from on-going sources by 2011-2012?*
- Limited in-state undergraduate tuition increase to 5%, giving up \$3.4 million in new revenue.
- Using \$6.9 million in base budget in 2009-2010.
- Must replace at least half with tuition (requiring a 3% undergraduate tuition surcharge) in 2010-2011.
- Replace remaining half with tuition (requiring a 3% undergraduate tuition surcharge) in 2011-2012.

# ACADEMIC DIVISION

## Research

- *Critical Issue: How do we address higher research infrastructure costs funded from a relatively flat revenue stream?*
- Sponsored research reimburses indirect facilities and administrative (F&A) costs.
- 100% of recoveries are not returned to units that incur the cost.
- Re-invest recovery of F&A in research facilities and activities.
- Cost of facilities and compliance are increasing, while flat research funding has resulted in flat recoveries.
- Increased F&A recoveries must be preserved to cover infrastructure costs.

# Why Does This Matter to You?

- Managing resources is a fiduciary responsibility of a manager
- Understanding the fund sources and process makes decision-making more transparent
- Budgeting is the tool to allocate resources towards highest priorities.
  - And to re-allocate away from lower priorities
- Provides a basis for measuring progress towards goals

# Contact Information

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# University of Virginia



## Terms and Acronyms

## Award Types

**Tuition and State Funds (SG, SR, SS, SE)** -This source of funds is derived from tuition, educational and general fees, appropriations and other miscellaneous revenue sources as authorized by the State for collection. For State General (SG), State Restricted (SR – primarily financial aid), and State ETF (SE) awards, the Budget Office is responsible for monitoring both rates and revenue collection and also administers the allocation of these funds for spending through established budget procedures. These are “*targeted*” awards.

For State Sales and Services (SS) awards funded from tuition revenues, the Budget Office is responsible for monitoring rates. Other SS awards may be funded from revenue generating activities as approved through established University Procedures (overseen by the Controller’s Office). The responsible unit is responsible for monitoring revenue collection and administering the allocation of these funds for spending. These are “self-supporting” awards.

**Sales & Services, Other (IP, LS, SA, LA, LO)** - This source of funds is derived through the sale of products and/or services to the University community, and sometimes the public at large. It includes State Auxiliary (SA) and Local Auxiliary (LA) enterprises (examples include Student Housing, Athletics, Parking) which are self-supporting and that primarily serve faculty, staff, and students. It also includes other (non-auxiliary) services established to support the Instruction or Research efforts, usually at the school or department level. Examples include Local Sales and Services (LS), such as copy centers; Intellectual Property (IP) such as lab testing services; and Local Other (LO) student activity fees managed by the students. These other services are usually required to set rates that recover only costs (i.e. break even), rather than generate extra revenue or “profit.”

**Agency and Custodial Funds (YY, YA)** - This source of funds is derived from funds on deposit with the University by outside agencies/organizations that are not a part of the University, but that have a close relationship to the University. The funds are available for spending BY the depositing entity THROUGH the University’s financial systems. Agency and custodial funds (YY awards) may fund UVA projects.

## Award Types

**Grants and Contracts (G)** - This source of funds is derived from external sponsors who provide funds to the University in response to a proposal for specific instruction, research, or public service activities. Grants and contracts are the legal documents that define the scope of work, set of objectives, and terms and conditions which provide a basis for accountability and sponsor expectations. Grants and contracts are awarded to the University rather than the individual (principal investigator) who is responsible for the conduct of the project. The Office of Sponsored Programs (OSP) has institutional signatory authority for all contracts and proposals and are responsible for negotiation of all terms and conditions. OSP has the authority to legally bind the institution and is responsible for the financial control of awards received. The second letter of the two letter prefix (G\*) indicates the external agency funding the grant. For example a “GA” award is from the National Science Foundation.

**Facilities & Administrative (FA, FI)** -This source of funds is derived from the application of a negotiated indirect cost recovery percentage to grant and contract expenditures. They represent the recovery of the fair share of Facilities and Administrative (F&A) costs of the University in support of sponsored programs activities. The “F” parts of F&A include the costs of the buildings and equipment, utilities, the maintenance of the buildings, and the cost of the University’s libraries. The “A” parts include central administration, school & departmental administration, and the Office of Sponsored Programs. F&A recoveries are distributed to departments and schools based on a formula approved by the academic vice presidents, and administered by Financial Analysis. F&A Institutional (FI) awards are central “*targeted*” F&A funds, managed by the Budget Office.

**Gifts (DI, DR, DU)** - This source of funds is derived from donor gifts for either current use or endowments. The use of these funds is subject to any restrictions placed by the donor. The University Development Office is responsible for recording and depositing gifts to the University. Investment and Tax Services (ITS) updates gift award installments monthly. Donor Restricted (DR) indicates restricted gifts; Donor Unrestricted (DU) indicates unrestricted gifts; Donor Institutional (DI) indicates central “*targeted*” gift funds, managed by the Budget Office.

**Investment Income (EU, ER, EI, LC, LG)** -This source of funds is derived through investment income earnings, both unrestricted (EU, EI, LC, LG) and restricted (ER, EI). The Investment and Tax Services Office (ITS) is responsible for monitoring, collecting, and distributing earnings to University departments. Upon receipt of the earnings distribution notification from ITS, the specific unit can allocate its funds for spending from the specific award (Endowment Unrestricted (EU) and Endowment Restricted (ER)). The Budget Office is responsible for administering the allocation of central “*targeted*” investment earnings for spending through the Endowment Institutional (EI), Local General (LG), and Local Chair (LC) awards.

## DEFINITIONS OF TERMS AND ACRONYMS

**Addenda** – Annual process for evaluating proposals and allocating new revenues in excess of increased cost requirements to highest priority initiatives.

**Appropriation** – The amount of spending authorized by the General Assembly which enables state agencies to spend money for specific purposes. This includes authorization to spend both state tax monies (general fund appropriation) and university generated revenues (tuition, grants and contracts, F&A recoveries, auxiliary enterprise revenues). Private sources – gifts and endowments – are NOT appropriated.

**Auxiliary Enterprise** – An entity which exists to furnish goods or services to students, faculty or staff and which charges a fee that is directly related, although not necessarily equal, to the cost of the service. Auxiliary Enterprises are expected to be self-supporting, with revenues fully supporting direct and indirect operating and capital expenditures of the enterprise. Auxiliary Enterprises are assessed a general and administrative fee annually to reimburse the Educational & General programs for support. In 2006-07, the auxiliaries are charged 7.0 percent of their operating expenditures for a total recovery of \$4.8 million. Auxiliary Enterprises include dining service, housing, parking and transportation, student health, and athletics, among others.

**Biennium** – A two-year period used by the state for financial and budget purposes.

**BOV** – Board of Visitors of the University of Virginia.

**DPB** – the state's Department of Planning and Budget.

**Educational and General (E&G)** – A term used to describe operations which are related directly to the University's educational objectives. The term educational and general includes primary and support programs of instruction, research, public service, academic support, student services, institutional support, and maintenance and operation of physical plant. Excluded are the programs of student financial assistance (SFA), auxiliary enterprises, and hospitals.

**EVP** – Executive Vice President and Chief Operating Officer.

## DEFINITIONS OF TERMS AND ACRONYMS

**F&A** – Financial and Administrative cost recoveries from grants and contracts. Also referred to indirect cost recoveries.

**Full-Time Equivalent (FTE)** – A term used to quantify full-time and part-time on the basis of a full-time equivalency. Can be applied to employees or students.

**General Fund (GF) Appropriation** – General tax revenues which are appropriated by the General Assembly for the use of the institution. We have general fund appropriations for E&G and SFA.

**GTA** – Graduate Teaching Assistant

**GRA** – Graduate Research Assistant

**IS** – In-state student is a student who has Virginia residency status for the purposes of tuition charging.

**Local General (LG) Awards** – LG awards are funded from a combination of distributions from the unrestricted endowment, current fund revenues, and other (licensing, affinity card, etc.) revenues.

**Major Budget Unit (MBU)** – A group of departments and cost centers having a common organizational relationship, typically that functional unit immediately below a vice president. It may include a large unit such as an entire school (for example, the College of Arts & Sciences) or a single administrative department (for example, the University Budget Office).

**NGF (Non-General Fund) Appropriation** – Resources which are earned or generated by the University such as tuition, indirect cost recoveries, grants and contracts, auxiliaries, or from private resources. All non-general funds, except for gifts and endowments, are appropriated by the General Assembly.

## DEFINITIONS OF TERMS AND ACRONYMS

**O&M (Operations and Maintenance) of Plant** – expenditures related to the operating and maintaining the physical plant, including operations established to provide services and maintenance related to campus grounds and facilities, security, utilities, property insurance and other.

**OoS** – Out-of-state student is a student who does not have Virginia residency status for the purposes of tuition charging.

**OTPS (Other than Personal Services)** – The high level classification of any expenditures not expended for employee salaries, bonuses, or fringe benefits. It will include supplies, materials, office equipment and computer expenditures, travel, etc.

**State General (SG) Awards** – Awards are funded from tuition, fee, general fund appropriations, and other state revenues.

**SFA (Student Financial Assistance)** – A term describing student scholarships, fellowships and other forms of student assistance exclusive of student loans, student employment, and service scholarships where service is required of the students receiving the scholarships.

**UBO** – University Budget Office

**VP** – Vice President, typically in regards to an executive-level budget unit.

**VPMB** – Vice President for Management and Budget.