

University of Virginia



Understanding The Financial Picture

Budget Overview

- UVa's Current Budget Approach
- UVa's Operating Budget
- UVa's Major Capital Projects Program
- State Support of UVa
- 2011-12 Critical Issues
- New Budget Model

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Three Primary Budgeting Approaches

- Targeted Budgeting
- Sales and Services Budgeting
- Summary Budgeting

Targeted Budgeting

- State general (SG), state restricted (SR), local general (LG), F&A institutional (FI), endowment institutional (EI), and gift institutional (DI)
- University Budget Office (UBO) provides budget target and modifies it for salary increases, fringe benefit changes, addenda, and budget reductions
- Central covers costs for facilities and central administration
- Unit manages internal allocation of budget, hiring, carryforwards, and operational decisions
- Central oversight is by UBO; managed on a year-to-date basis; required to be funded and budgeted

Sales & Services Budgeting

- State sales and services (SS), state auxiliaries (SA), local sales and services (LS), local auxiliaries (LA), and local other (LO)
- Revenue-generating, self-supporting unit approach
- Unit manages revenues and direct expenses (salary and fringe changes)
- Cost for facilities and central administration responsibility varies:
 - 100% facilities and indirect costs paid by auxiliaries
 - 100% facilities and 10% revenue tax assessed to self-sufficient
 - 10%-15% revenue tax assessed to some self-supporting units
 - No facilities or indirect costs assessed to other sales and services units
- Central oversight is by UBO; managed on a year-to-date basis; required to be funded and budgeted

Summary Budgeting

- Endowments (ER, EU, EF), gifts (DR, DU), F&A (FA), grants (G*, Z*), and intellectual property (IP)
- Unit manages direct expenses (salary and fringe changes)
- Central covers cost of facilities and central administration, with the exception of grants (reimbursed by federal government)
- Allocations are managed by Comptroller's Office, Gift Accounting, Sponsored Programs, and the VP for Research
- Central oversight is by Comptroller's Office, Sponsored Programs, and VP for Research; managed on a project-to-date basis; not required to be funded and budgeted

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UVa's Operating Budget Calendar

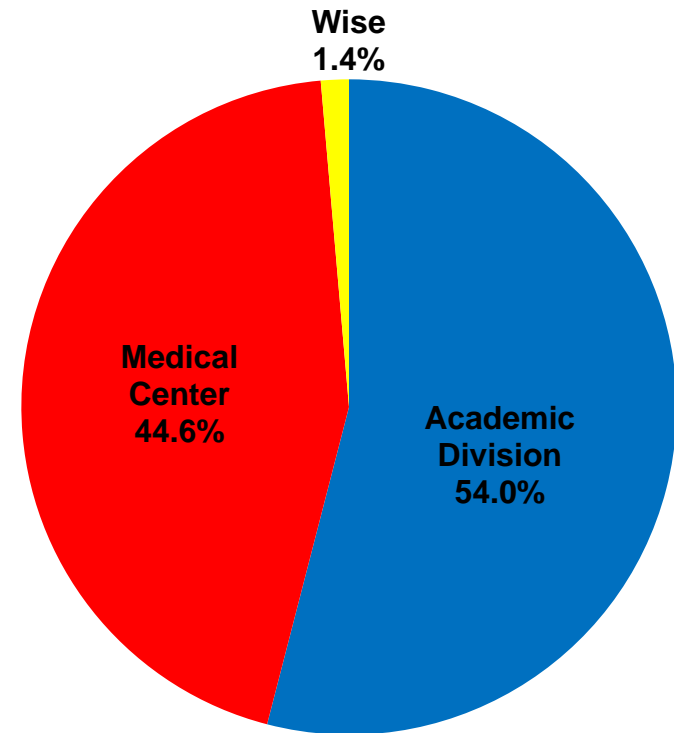
- Dec: UBO develops budget instructions, assumptions, and targets
UBO estimates unavoidable cost increases
Major Budget Units (MBUs) submit special session tuition rates
- Jan: UBO holds budget kick-off and issues targets to Vice Presidents (VPs)
VPs distribute budget targets, instructions, and due dates
UBO watches developments in state budget
UBO communicates institutional graduate aid
- Feb: MBUs enter details for targeted and sales & services budgets
MBUs submit summary budgets
MBUs submit other fee and tuition requests
MBUs develop and prioritize addenda requests
VPs hold budget meetings with MBUs
Board approves budget assumptions, special session tuition

UVa's Operating Budget Calendar

- Mar: VPs approve budgets and prioritize addenda requests
UBO finalizes tuition proposal
- Apr: All budget submission items due to UBO
Board approves tuition and fees, housing and dining rates
UBO reviews budgets
UBO identifies resources for highest priority addenda requests
- May: UBO finalizes Budget Summary
- June: Board approves Budget Summary
UBO communicates budget and addenda decisions to VPs
- Jul 1: UBO uploads targeted and sales & services budgets

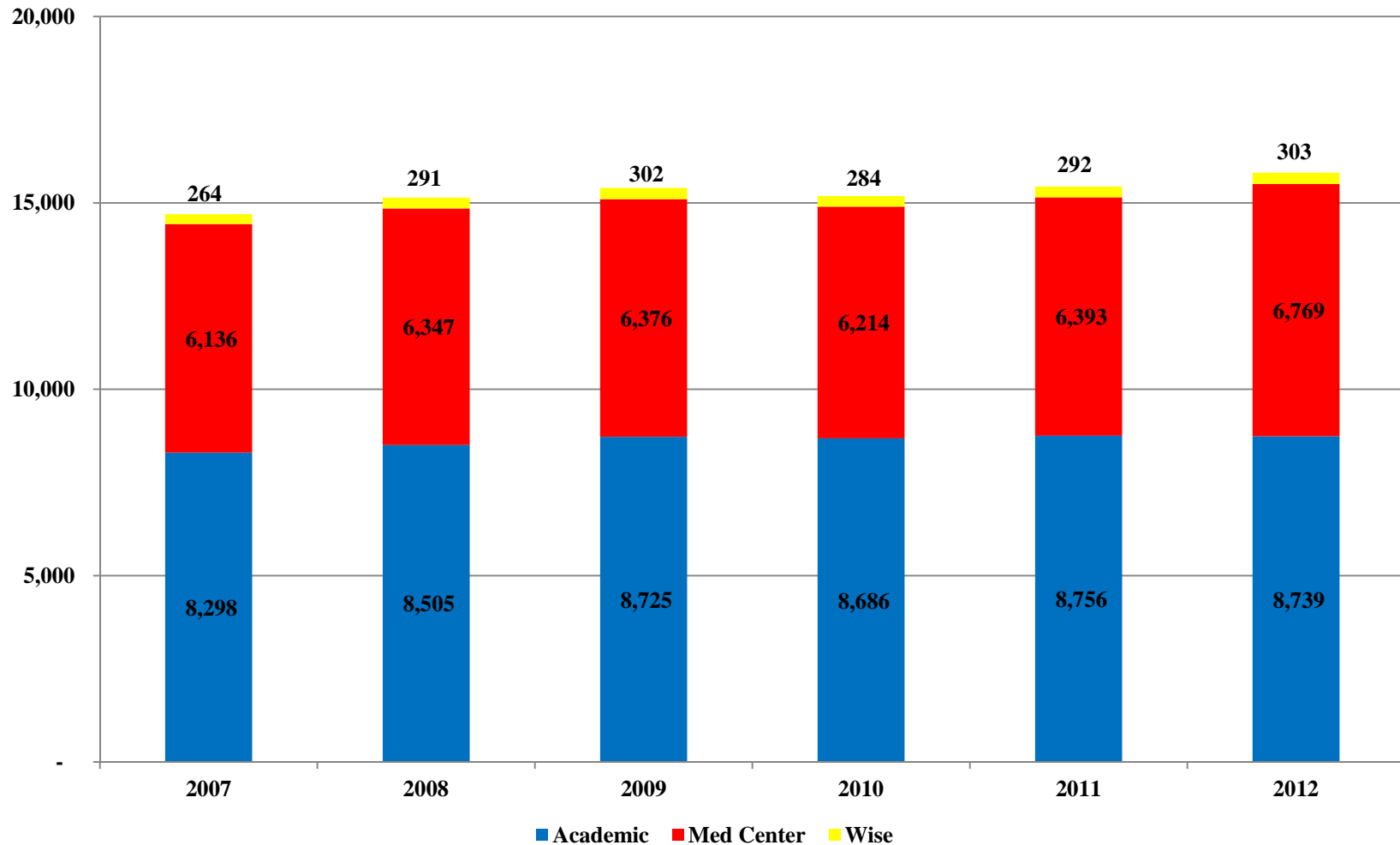
UVa's 2011-12 Operating Budget (in millions)

Academic Division	\$ 1,344.6
Medical Center	\$ 1,108.1
College at Wise	<u>\$ 34.3</u>
Total	\$ 2,487.0



History of Employment Levels

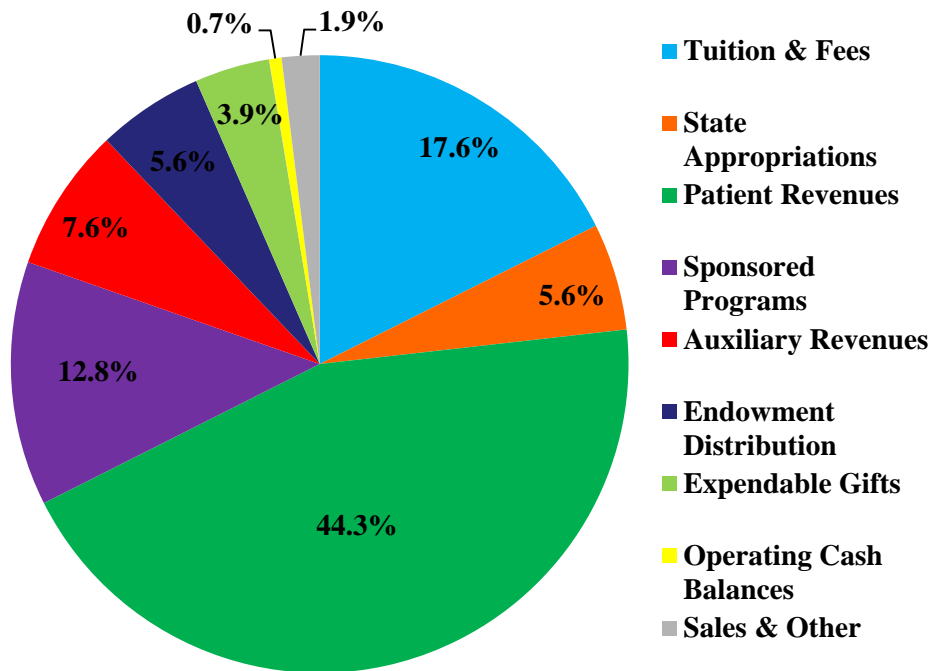
All Divisions - Budgeted FTE



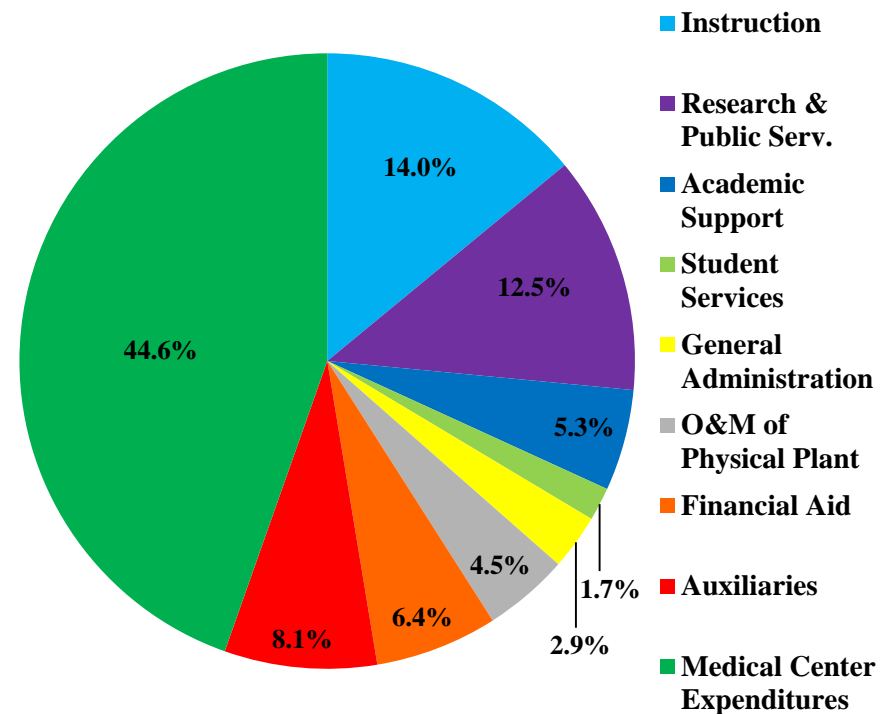
2011-12 Operating Expenditure Budget

All Divisions - \$2.49 Billion

By Source

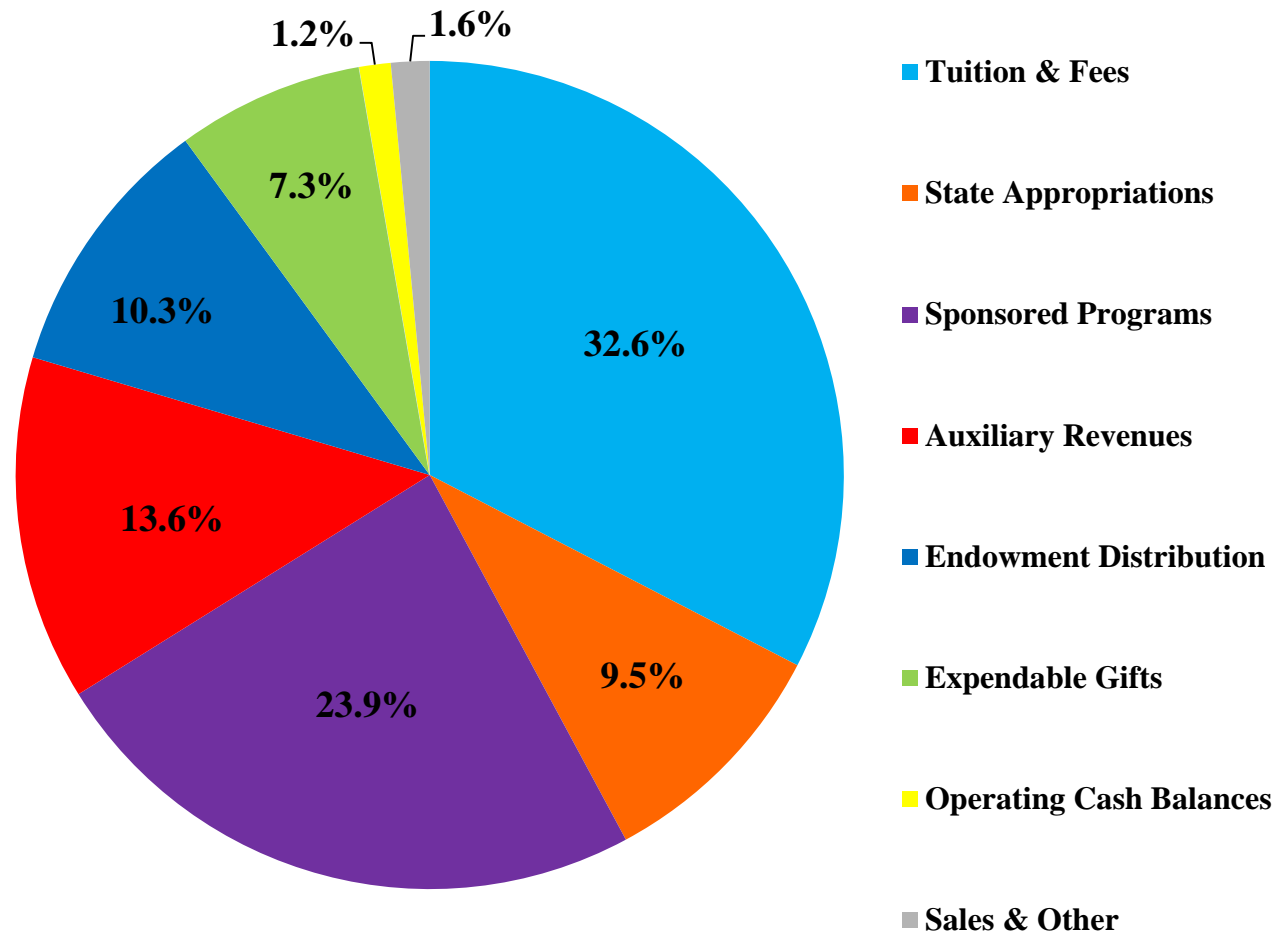


By Activity



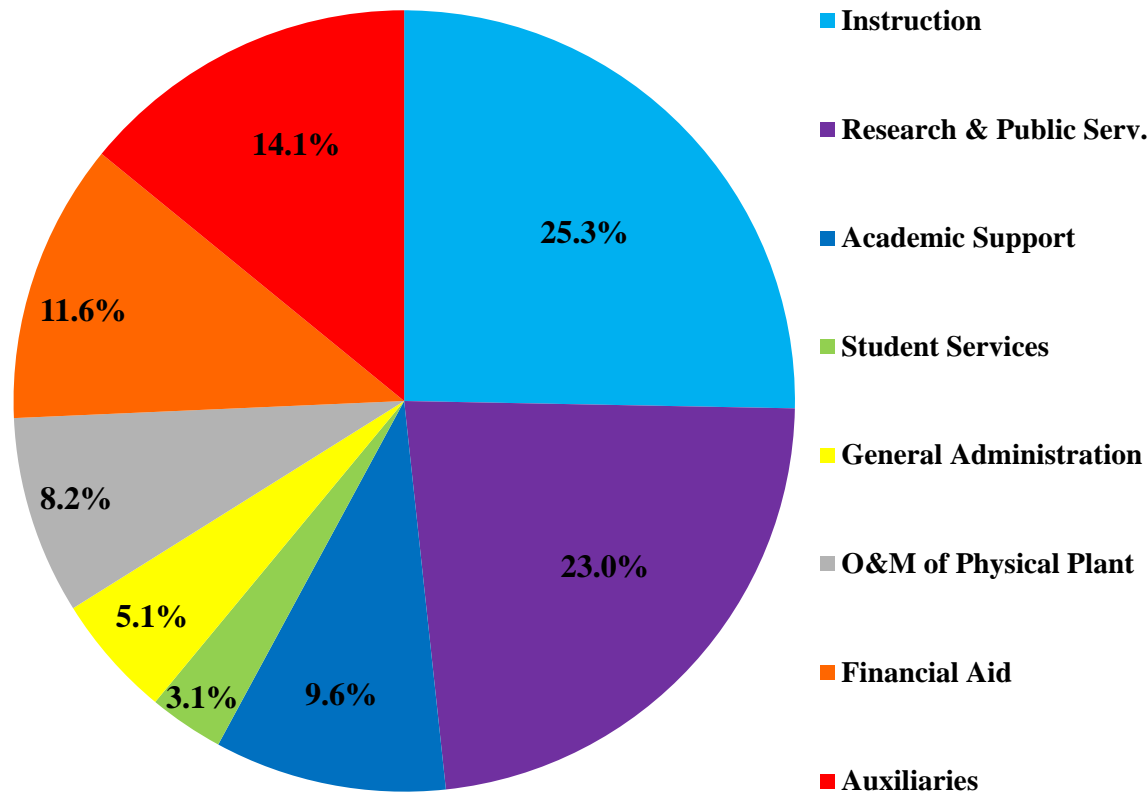
2011-12 Major Funding Sources

Academic Division - \$1.36 Billion



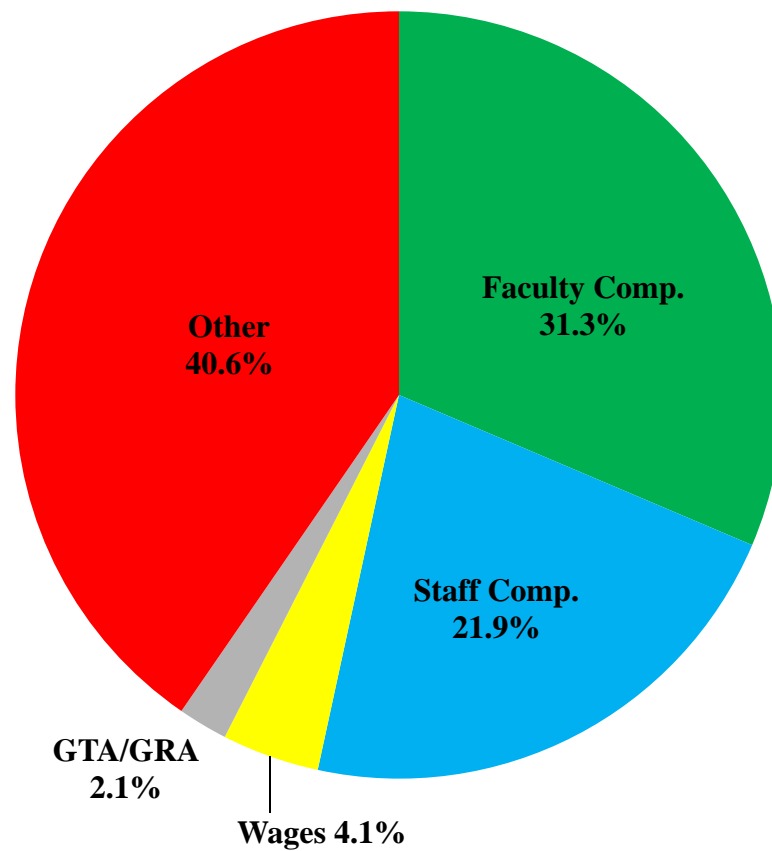
2011-12 Major Spending Areas Academic Division - \$1.34 Billion

By Activity



2011-12 Major Spending Areas Academic Division - \$1.34 Billion

By Category



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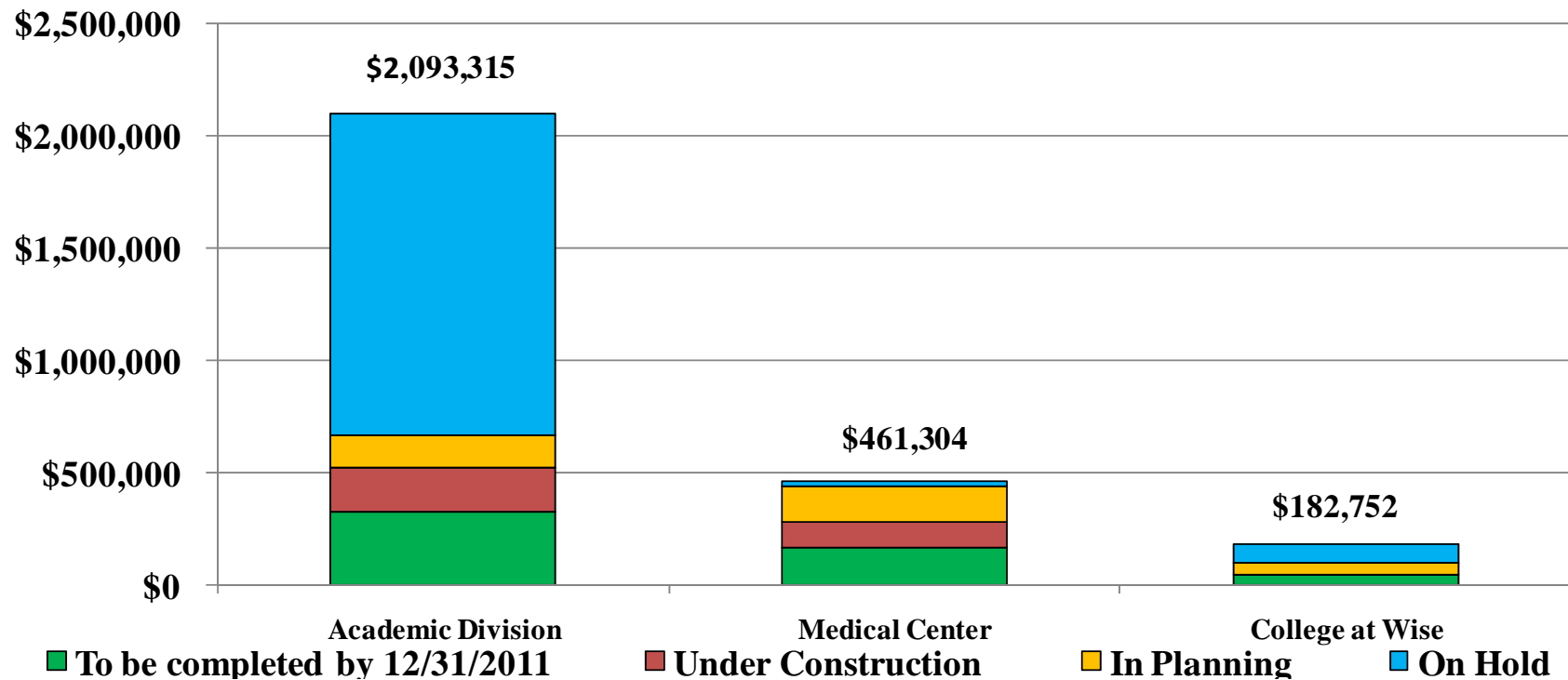
Update of Major Capital Projects Program

- Apr 10:** VP for Management & Budget requested updates to the Major Capital Projects Program (Cap Plan)
- Jun 10:** Deans and dept heads submitted Project Initiation Forms to their respective EVP
- Jul 10:** FM, Arch, Budget Office, project sponsor, others evaluated proposals
- Aug 10:** Executive Review Committee (ERC) reviewed draft Cap Plan, concentrating on programmatic need
- Fall 10:** Financial plans developed; BOV committee reviewed
- Dec 10:** ERC approved updated Cap Plan
- Feb 11:** BOV reviewed updated Cap Plan
- Apr 11:** BOV approved updated Cap Plan
- Jun 11:** General fund proposals submitted to Governor
- Dec 11:** Governor submits 2012-14 Budget Bill to General Assembly
- Jan 12:** UVa submits any necessary 2012 Legislative Budget Amendments
- Jul 12:** General Assembly-approved 2012-14 Project Authorizations are in effect

MAJOR CAPITAL PROJECTS PROGRAM

Currently Approved – by Status

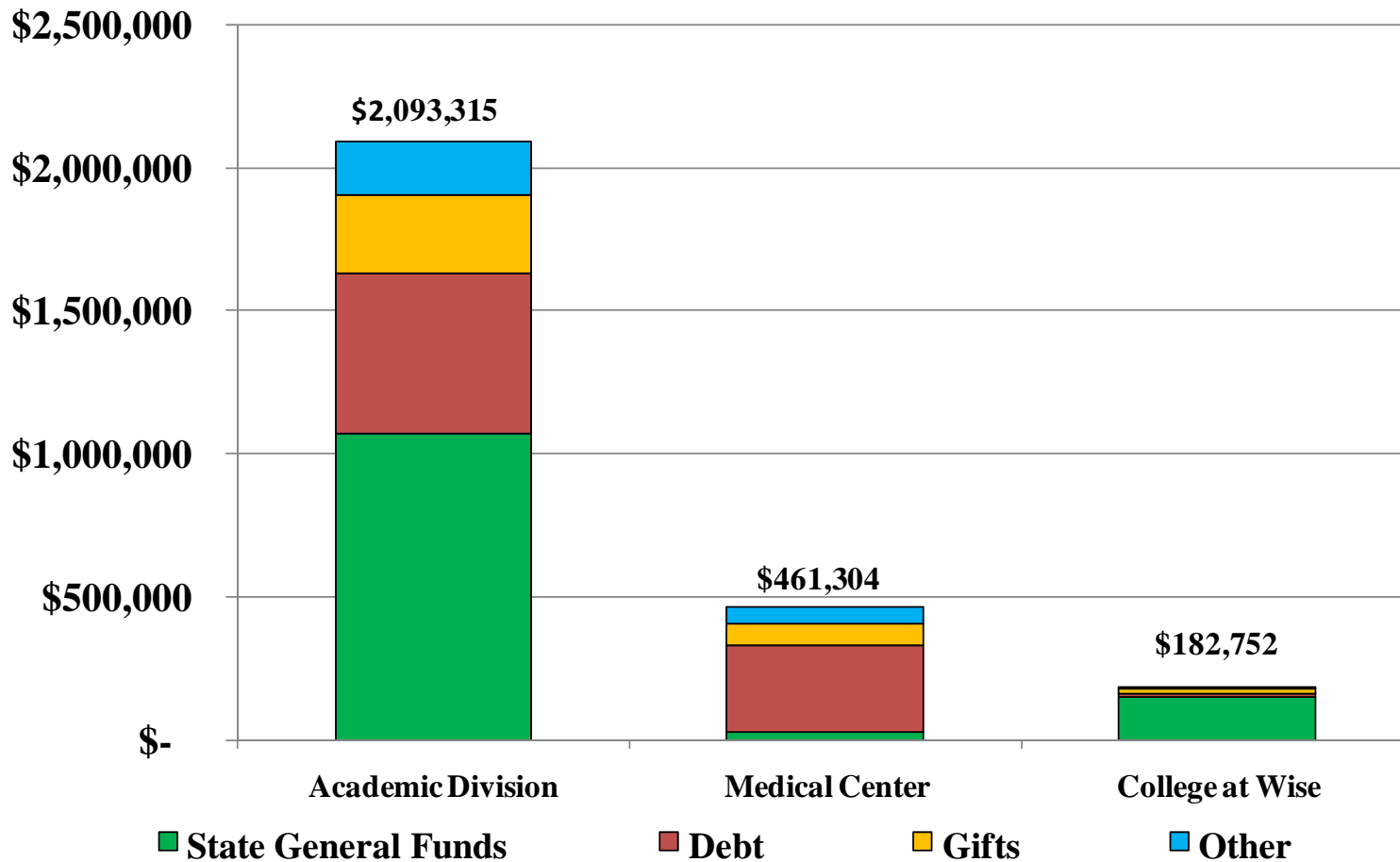
(in 000s) (updated Jun 2011)



MAJOR CAPITAL PROJECTS PROGRAM

Currently Approved – by Funding

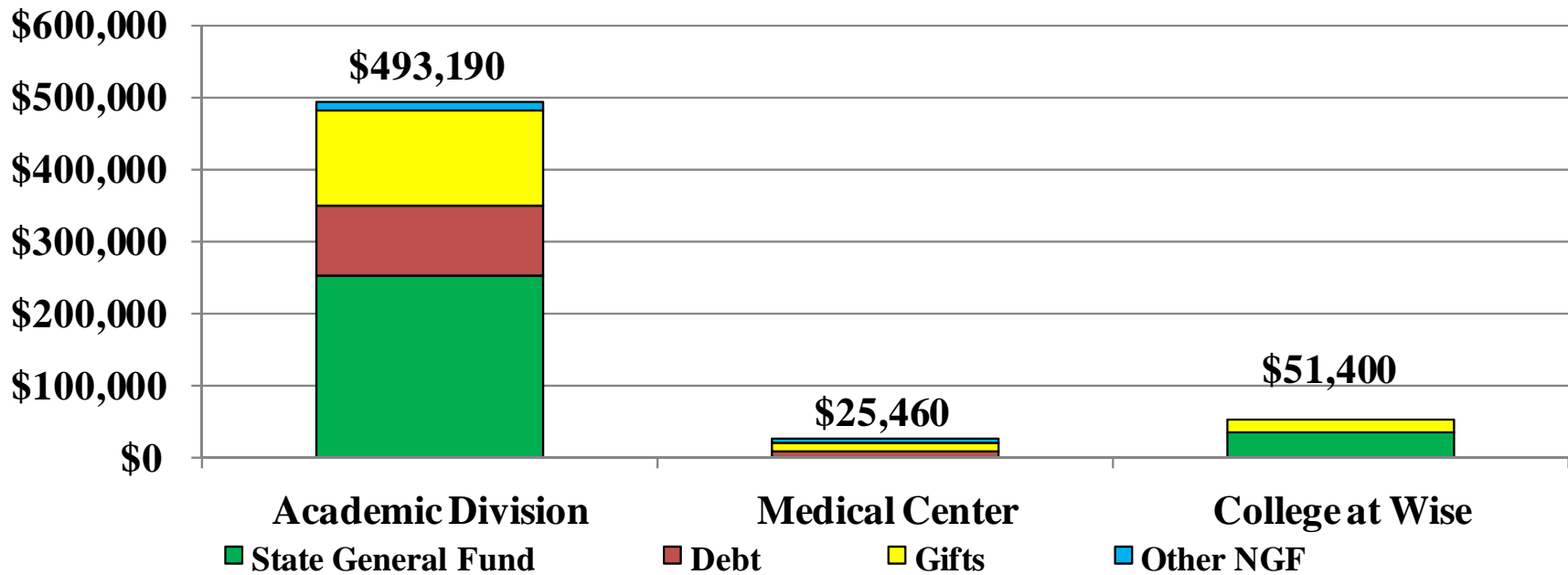
(in 000s) (updated Jun 2011)



MAJOR CAPITAL PROJECTS PROGRAM

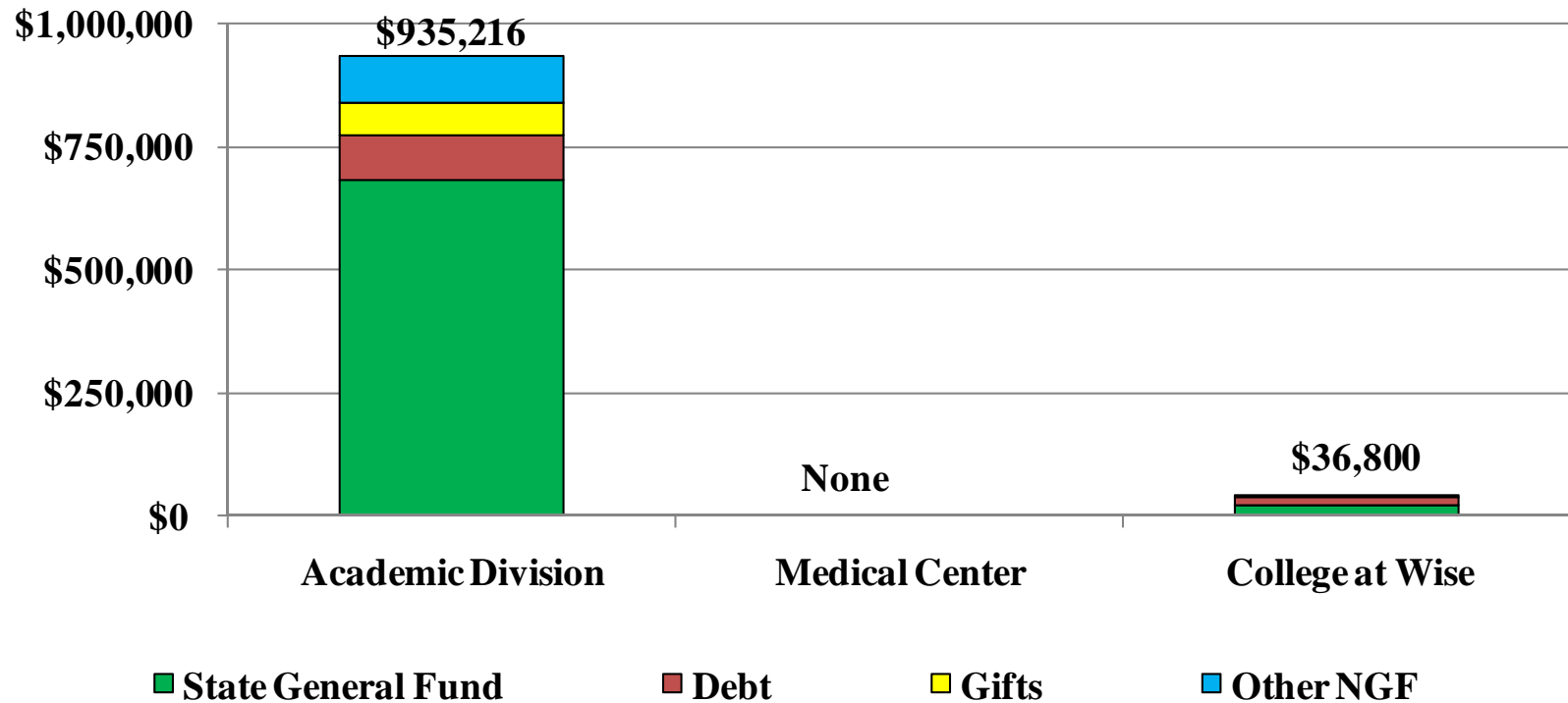
Near Term Proposed Through 2014 - By Funding

(in 000s) (updated Jun 2011)



MAJOR CAPITAL PROJECTS PROGRAM

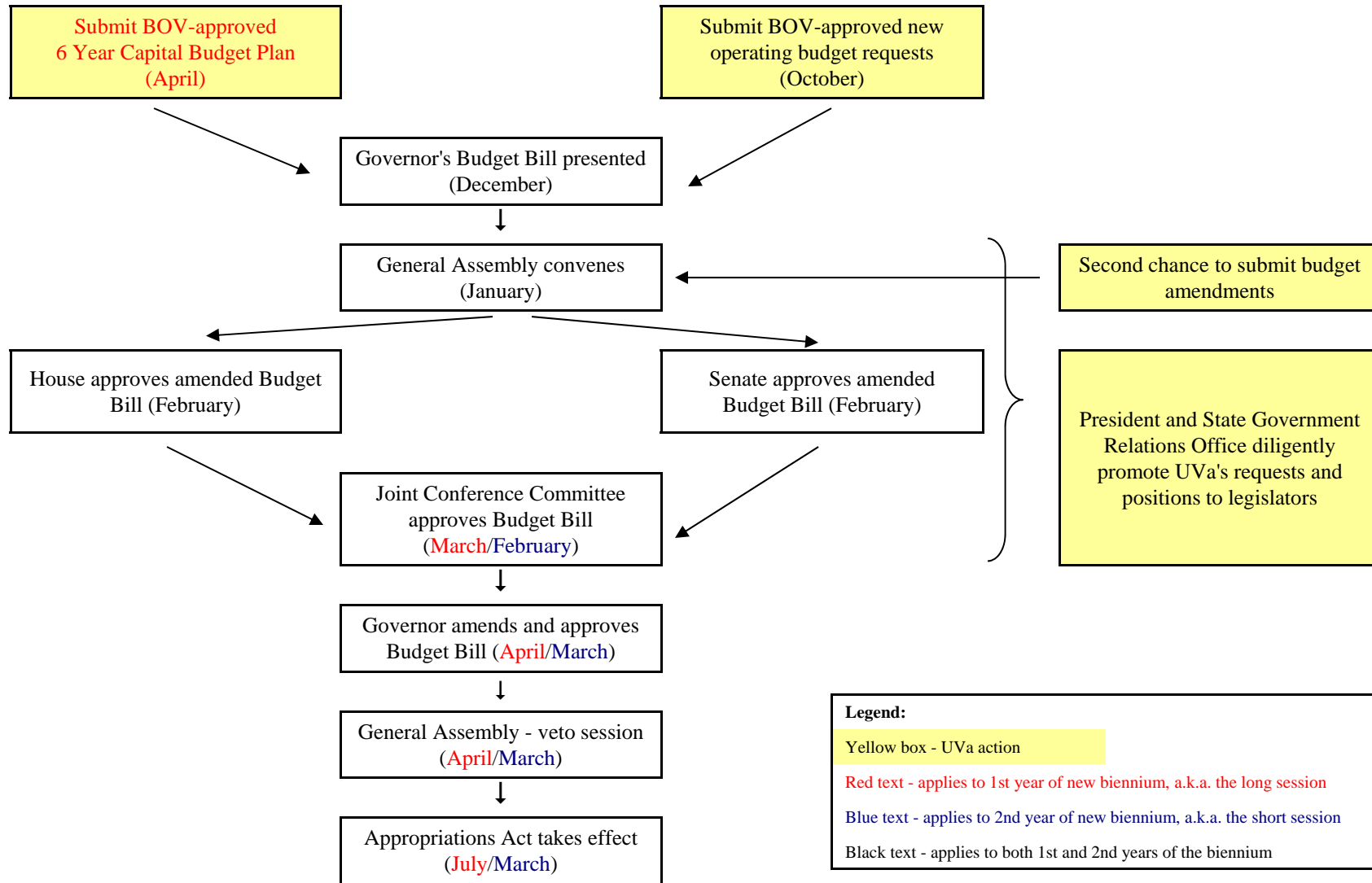
Long Term Proposed (2015 - 2022) - By Funding (in 000s) (updated Jun 2011)



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 - **Relationship of Tuition and State Support**
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Virginia's Biennial Budget Process



Significant Changes in State Relationship

- 1980s and 1990s – State Decentralization Pilots
- 1996 – UVa Medical Center granted Codified Autonomy
- 1999 – Base Budget Adequacy Implemented
- 2005 – Restructured Higher Education Financial and Administrative Operations Act
- 2006 – UVa Restructuring Management Agreement
- 2011 – Preparing for the Top Jobs of the 21st Century: The Higher Education Opportunity Act of 2011

State's 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 the out-of-state student cost.
 - Translates to 37% general funds and 63% tuition at UVa.
 - **HOWEVER**, UVa's budget is currently 25% general funds and 75% tuition.

Commonwealth of Virginia Base Budget Adequacy Model

Student Enrollment by Level and Discipline * National Student:Faculty Ratios	# of Instructional Faculty
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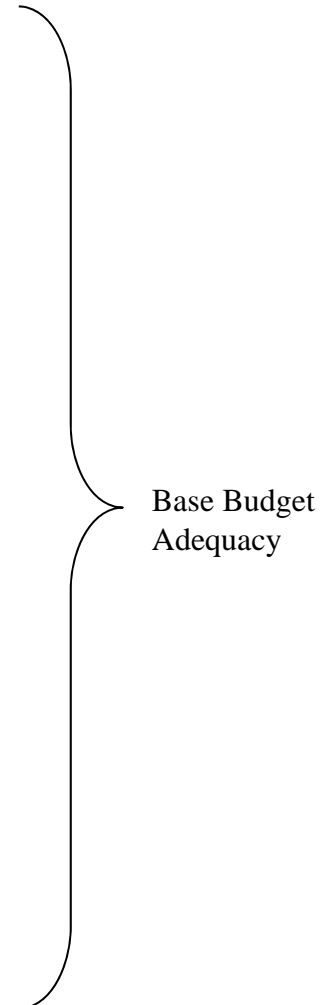
# of Instructional Faculty * Average Faculty Salary = Faculty Instruction Faculty Instruction Costs * 40% = Non-Faculty Instruction Support (Faculty Instruction Costs + Non-Faculty Instruction Support) * Fringe Rate	Instruction
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Instruction * 17.8% \$ 5,043,897	Academic Support
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FTE Students * \$349.20 \$ 5,900,898	Student Services
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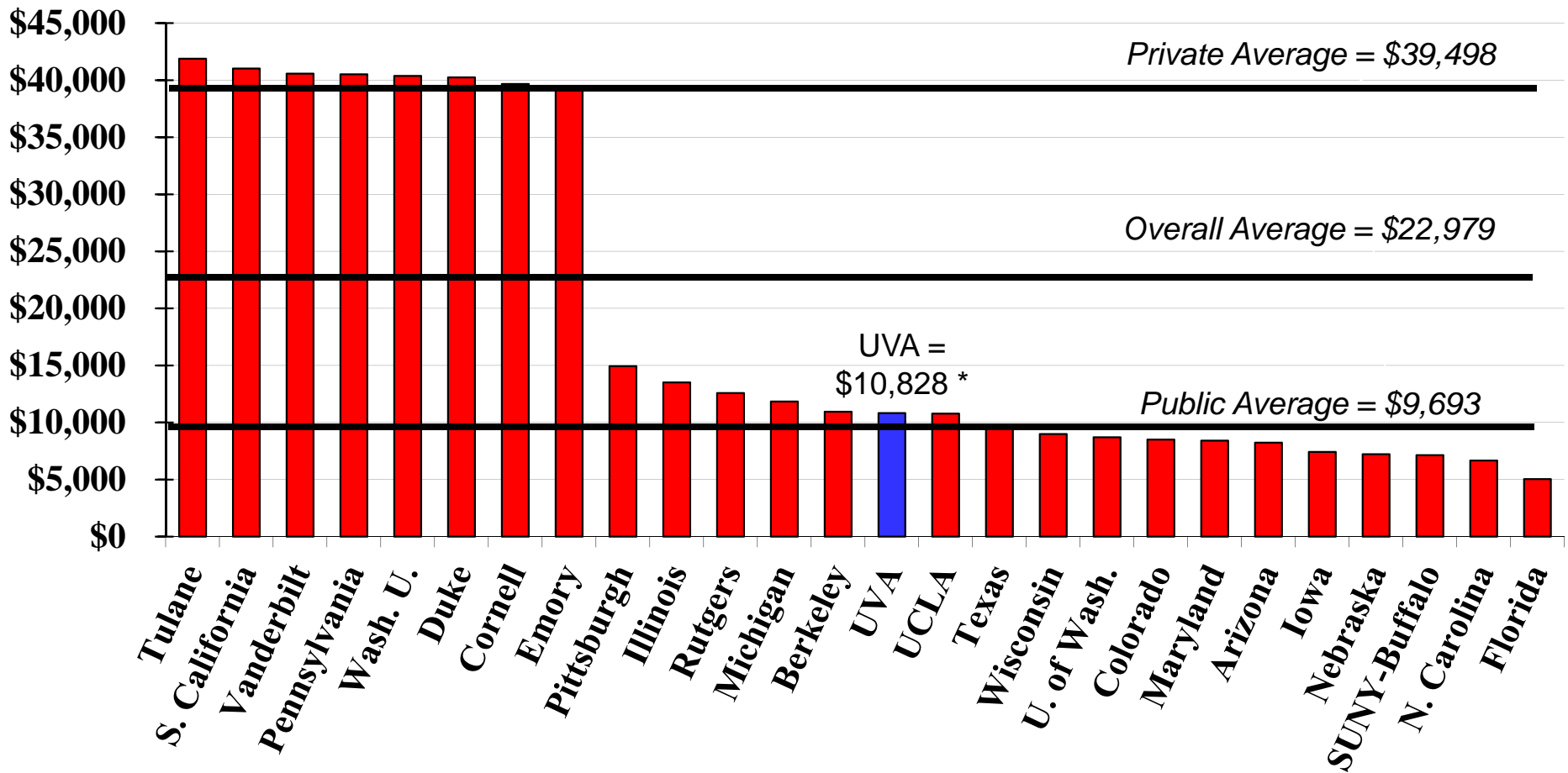
(Instruction + Academic Support + Student Services) * 10.8% \$ 3,007,515	Operations & Maintenance
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(Instruction + Academic Support + Student Services + Operations & Maintenance) * 6.1% \$ 9,492,698	Institutional Support
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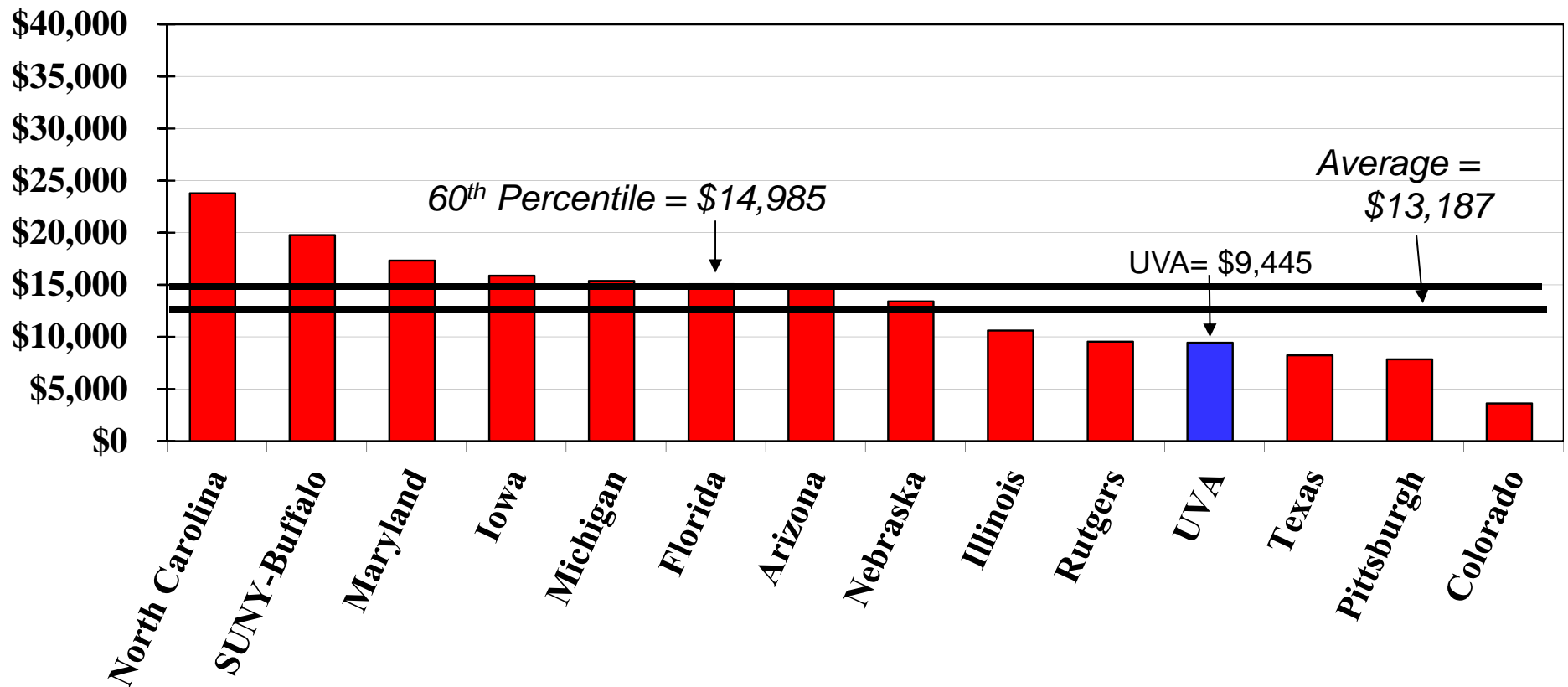
2010-11 UNDERGRADUATE IN-STATE TUITION & FEES

SCHEV Peer Group – Public & Private



* Includes orientation fee

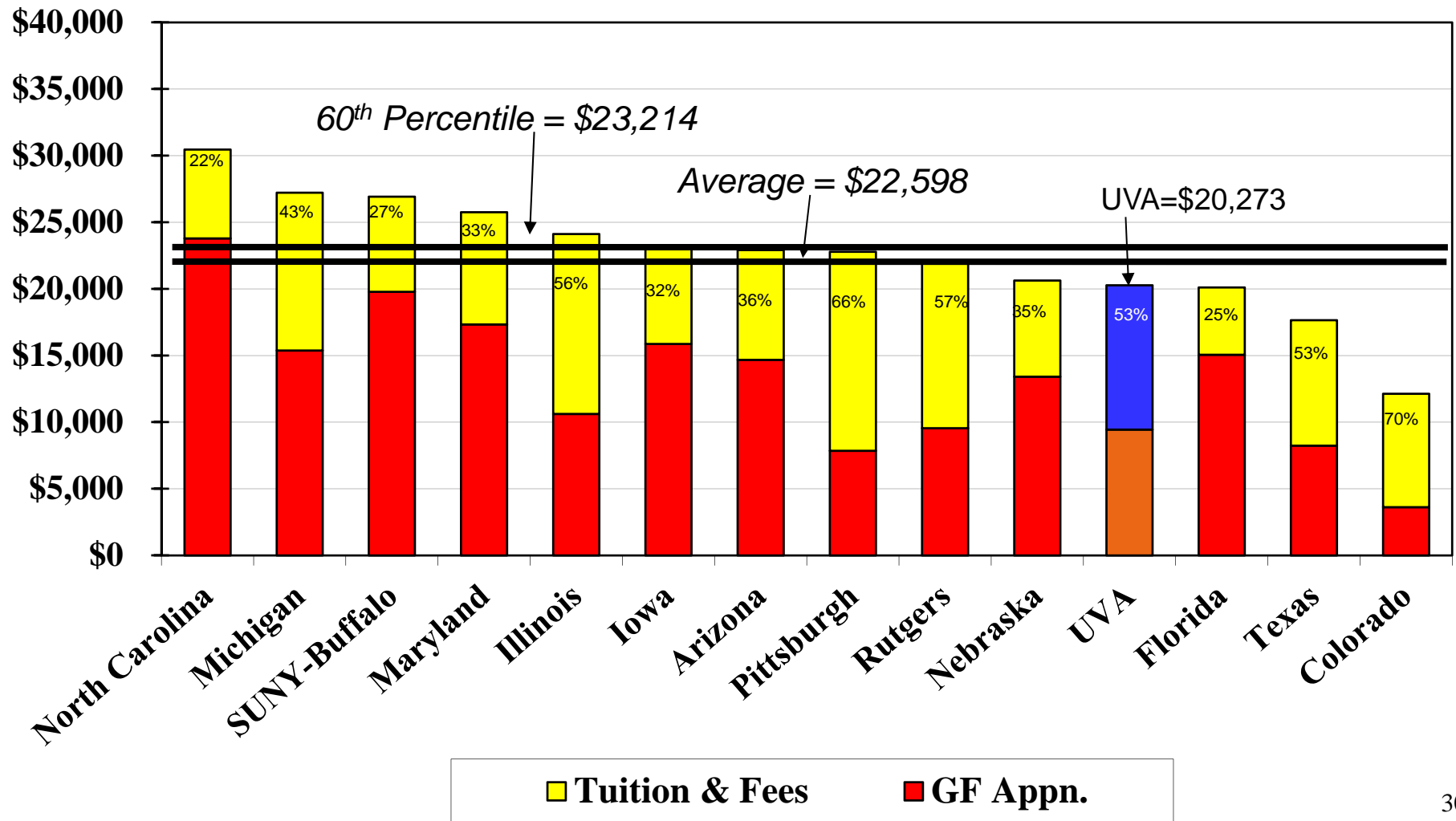
2010-11 GENERAL FUND APPROPRIATION PER IN-STATE STUDENT SCHEV Public Peers



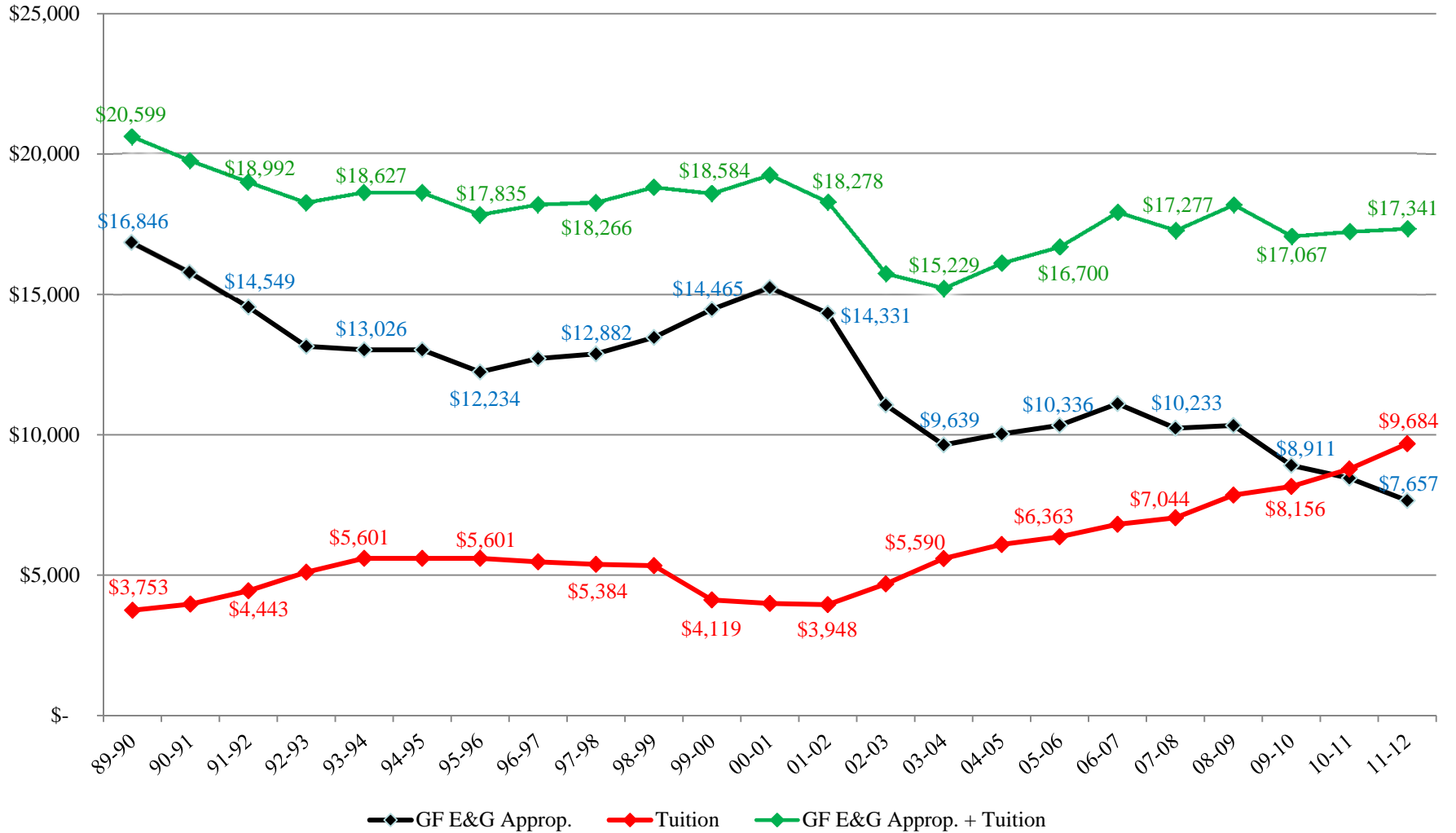
Note: GF appropriation data is no longer available for Univ. of California schools or Univ. of Wisconsin

2010-11 GENERAL FUND APPROPRIATION + TUITION & FEES PER IN-STATE STUDENT

SCHEV Public Peers



University of Virginia Historical General Funds E&G Appropriation and Tuition (in 2011 dollars), Per In-State FTE Student



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2011-12 Critical Issues

- State Budget Reductions and Other State Actions
- Funding Board Initiatives
- Unavoidable Spending Requirements
- Enrollment Growth
- Other: Compensation Issues, Higher Ed Commission

State Budget Reductions

- Oct 2007 – \$ 9.2M = 3.0% SG impact
- Oct 2008 – \$10.6M = 3.0% SG impact
- Jul 2009 – \$12.4M = 3.2% SG impact
- Jul 2010 – \$ 4.6M = 2.5% - 3.0% SG impact
- Jul 2011 – \$14.7M = 2.5% - 3.0% SG impact

Cumulative: \$51.5M = 14-15% SG impact

Funding Board Initiatives

- 2011-12 estimated increase in AccessUVa (central share) \$8.0M
- Additional deferred maintenance \$1.5M
- Engineering faculty (Rolls-Royce) \$0.3M

Unavoidable Spending Requirements

- Utilities, fire services, E-911, leases, other \$1.3M
- Prior commitments to newly-hired or reappointed Deans/Director \$2.3M
- O&M for new buildings \$4.4M
- Estimated increase of UVa Health Plan \$1.0M
- State-authorized salary increase for faculty and all staff (\$5.9M annually per each 1%) N/A

Enrollment Growth

- 1,673 new undergrads by 2018-19
- 120 new undergrads in fall 2011

- New faculty at 16:1 ratio \$1.3M
- New faculty start-ups \$1.1M
- Other student support costs \$0.9M
- AccessUVa for new students \$0.4M

Other Critical Considerations

- BOV supplemental salary pool for faculty and University staff (\$3.2M annually per each 1%) \$3M
- New initiatives from the Governor's Commission on Higher Education Reform, Innovation and Investment TBD

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Identified Concerns with Current Model

- Historically based, with minimal re-alignment for activity changes.
- Absence of incentives for innovation, creativity, and revenue generation with the current model.
- Does not consider all available funds.
- Does not link resources and uses; inconsistent allocation of revenue and expenses.
- Desire by deans for a more open decision-making process.
- Difficulty in developing multi-year budgets to align with programmatic planning.

Work to Date

- Collected and reviewed data from peer institutions; developed schematic of potential model and identified possible methods of allocating revenues and central expenses.
- Drafted a sources and uses report to represent operational cash flows by major revenue center.
- Reviewed funding across units to develop a more consistent approach to record resource-sharing.
- Developed a Statement of Purpose, set of endorsed guiding principles, and timeline.
- Identified Executive Steering Committee members, Core Workgroup participants, and Core Workgroup sub-groups.
- Conducted a needs analysis survey for financial reporting in academic and administrative units.
- Posted Project Manager and Business Model Analyst positions.
- Ongoing weekly Core Workgroup meetings and monthly Steering Committee meetings.

Contact Information

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