

Board of Visitors

Enclosure   A  

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**COLLEGE OF WILLIAM AND MARY**

**FY2010-11 EXECUTIVE BUDGET SUMMARY**

This Executive Budget Summary provides an overview of the College of William and Mary state appropriated operating budgets for fiscal year 2011 as recommended by the administration to the Board of Visitors of the College. As such, this summary provides an overall financial profile of the College including both sources and uses of funds, and identifies budget actions taken by the College for FY 2011. While not appropriated by the Commonwealth, private funds available to support the College are also summarized.

**Background**

Fiscal year 2011 operating budgets as presented reflect the final actions of the 2010 General Assembly and concurrence by the Governor on the Commonwealth's 2010-12 operating budget. The biennial budget recognizes that Virginia's economy continues to feel the impact of the current recession, resulting in a significant revenue shortfall for the Commonwealth.

In October, 2007, Governor Timothy Kaine reduced FY 2008 state support to the College by \$3 million. Of this amount, \$2.75 million continued into fiscal year 2009 as a base reduction. As state revenues continued to decline, Governor Kaine further reduced base state support to the College by \$3.4 million (7%) in October, 2008. The 2009 General Assembly State then imposed an additional \$3.9 million (8%) reduction plus a one-third reduction (\$420,000) in eminent scholars funding effective for FY 2010 as one step among many to balance the Commonwealth's overall budget. Finally, in October, 2009, Governor Kaine proposed an additional \$6 million (15%) reduction in state support to the College. This proposal was ultimately accepted by the 2010 General Assembly (along with an additional reduction in eminent scholars funding) with full implementation in FY 2012.

With these actions, base funding reductions imposed by the Commonwealth since FY 2008 total \$16.7 million, or 32%. Base budget reduction actions enacted to date total \$8.1 million with an additional \$1.8 million of the reduction offset with tuition revenue, leaving a \$6.8 million shortfall to be addressed in FY 2012 through a combination of budget reductions and revenue offsets.

To assist the College in addressing the FY 2011 shortfall, federal stimulus funds totaling \$6.9 million are provided by the Commonwealth as pass-through funds. These funds are one-time only and will not be available in FY 2012. While the availability of federal funds is significant in allowing the College to manage the short-term impact of a permanent loss in state support, these funds serve only to defer, not eliminate, the impact.

Current tuition policy provides the Board of Visitors with flexibility to raise incremental tuition to meet the College's most critical needs. At the same time, acceptance of federal stimulus funds carries with it a requirement that the funds be used to "mitigate" the need for institutions to raise tuition to offset reduced state support. The recommended FY 2011 budget and related tuition

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and fee schedules recognize the availability of federal stimulus funds as well as the need for the College to 1) generate its share of a possible 3% salary bonus for both faculty and staff, 2) address the cost of new facilities coming on-line, and 3) provide additional need-based student financial aid.

### **Funding Priorities**

Fiscal year 2011 operating budget recommendations recognize the need for the College to address the base reduction in state operating support while continuing to make targeted investment at the university. While federal stimulus funds mitigate a significant portion of the impact of the various reductions in state support, in FY 2012 the College will still need to permanently address the loss of an additional \$6.8 million in state support. To respond, the College continues to use all available fund sources to support its various programs and activities while requiring budget reductions in selected areas. As a result, priorities reflected in the proposed budgets are as follows:

- *Maintain the quality of academic programs;*
- *Target budget reductions and the allocation of federal funds to limit the impact of state funding reductions;*
- *To the extent that funding is available address Strategic Planning challenges/goals;*
- *Balance revenue need with student affordability;*
- *Recognize the one-time nature of federal stimulus funds in FY 2011 and prepare for additional state funding reductions in FY 2012*
- *Use all available fund sources to address funding requirements;*
- *Invest in the College's infrastructure; and,*
- *Continue to aggressively seek private funds and other revenue sources.*

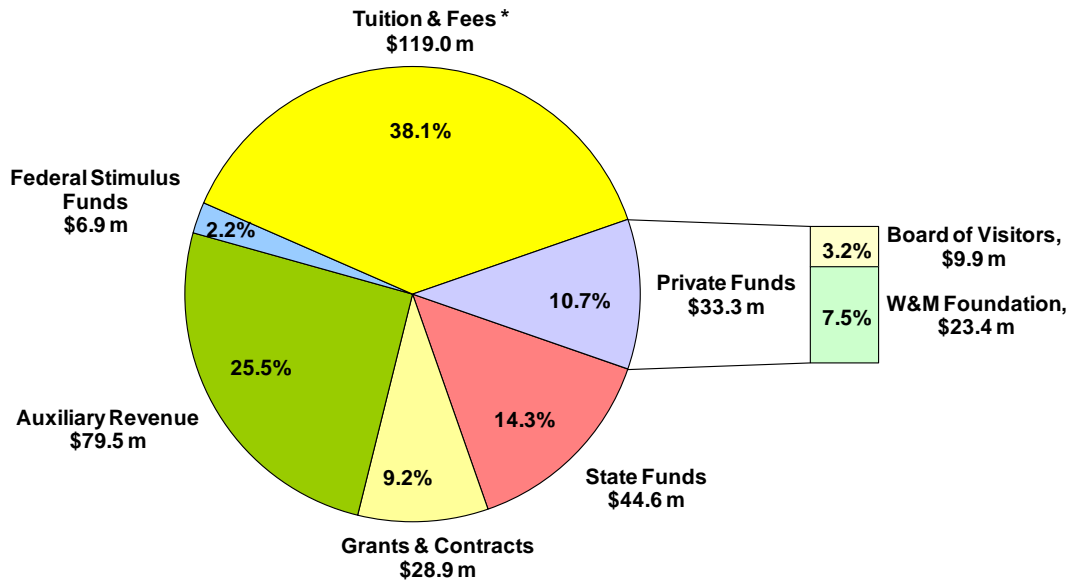
## **REVENUE AND EXPENDITURE OVERVIEW**

### **ALL FUND SOURCES**

For FY 2011, estimated revenue for the College of William and Mary, including private funds, totals \$312.2 million, comprised of \$44.6 million in state general fund support, \$119 million in tuition revenue, \$6.9 million in federal stimulus funds, \$79.5 million in auxiliary enterprise revenue, \$28.9 million in grant and contract revenue, and \$33.3 million in private funds. Relative to the prior fiscal year, the College expects to see growth in all fund sources except state general fund support.

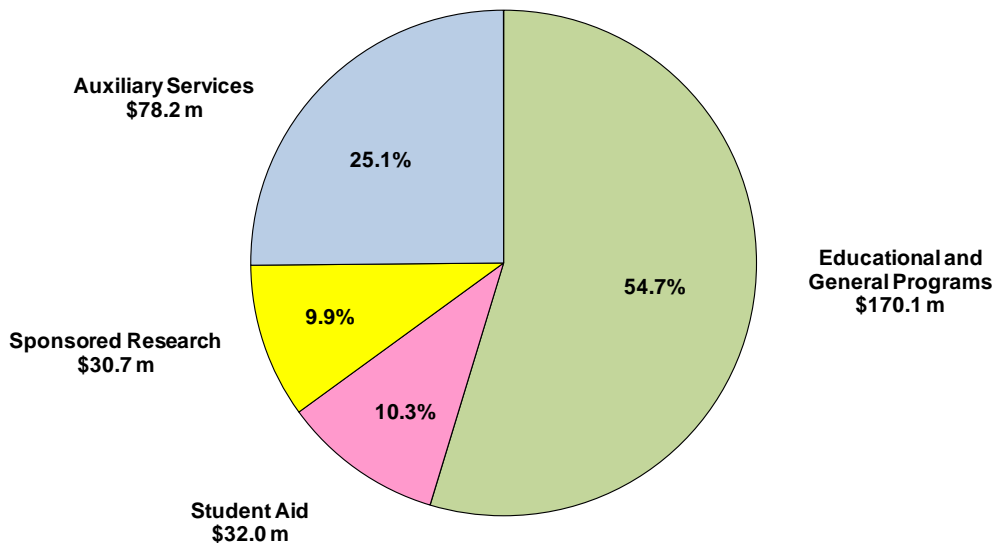
Combining state appropriated funds, private funds available from the Board of Visitors and the College of William and Mary Foundation, and recognizing the value of tuition waivers provided to both graduate and undergraduate students, results in total budgeted expenditures for FY 2010 of \$311 million. Of this amount, \$170.1 million (54.7%) supports Educational and General programs, \$32 million (10.3%) supports student financial assistance, \$78.2 million (25.1%) supports various auxiliary enterprise activities, and \$30.7 million (9.9%) supports sponsored research.

**FY 2011 Operating Budget (All Sources)**  
**\$312.2 million**



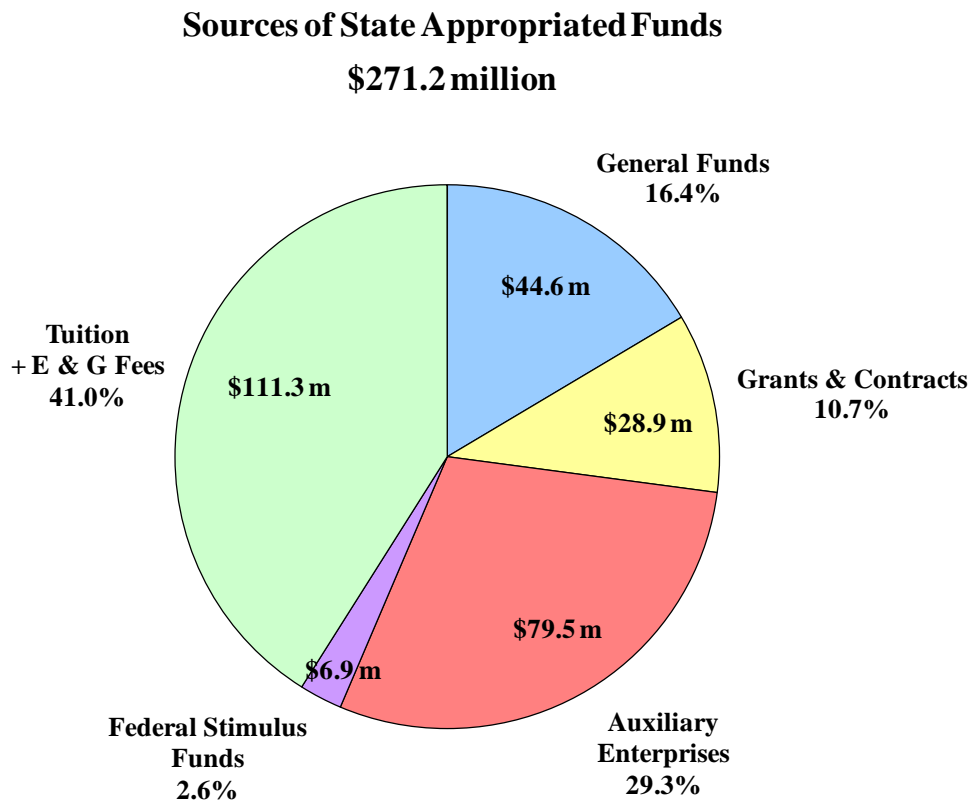
\* Includes \$7.8 million in tuition waivers.

**FY 2011 Operating Budget (By Program)**  
**\$311.0 million**



**STATE APPROPRIATED FUNDS**

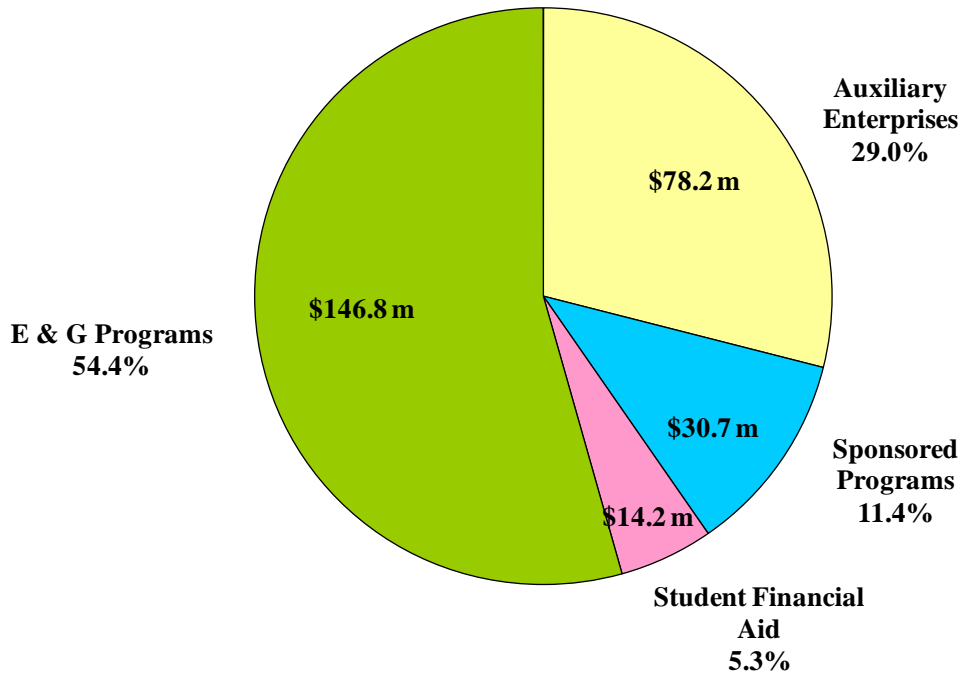
The Commonwealth of Virginia does not include private funds in the College’s state appropriation. As a result, state appropriated funds for FY 2011 total \$271.2 million with tuition and E&G fees totaling \$111.3 million (41%), state general funds \$44.6 million (16.4%), auxiliary revenue \$79.5 million (29.3%), grant and contract revenue \$28.9 million (10.7%), and federal stimulus funds \$6.9 million (2.6%).



Estimated expenditures by major program, again excluding private funds, total \$269.9 million, allocated in support of Educational and General, student financial assistance, auxiliary enterprise, and sponsored research activities.

**State Appropriated Expenditures by Major Program**

**\$269.9 million**



**EDUCATIONAL AND GENERAL PROGRAMS**

**Program Composition**

The state appropriated E&G program is the largest program at the College, representing approximately 54.4% of its total operation, and is comprised of seven subprograms. These subprograms directly support the College’s mission of teaching, research, and public service.

**Subprogram**

**Major Activity**

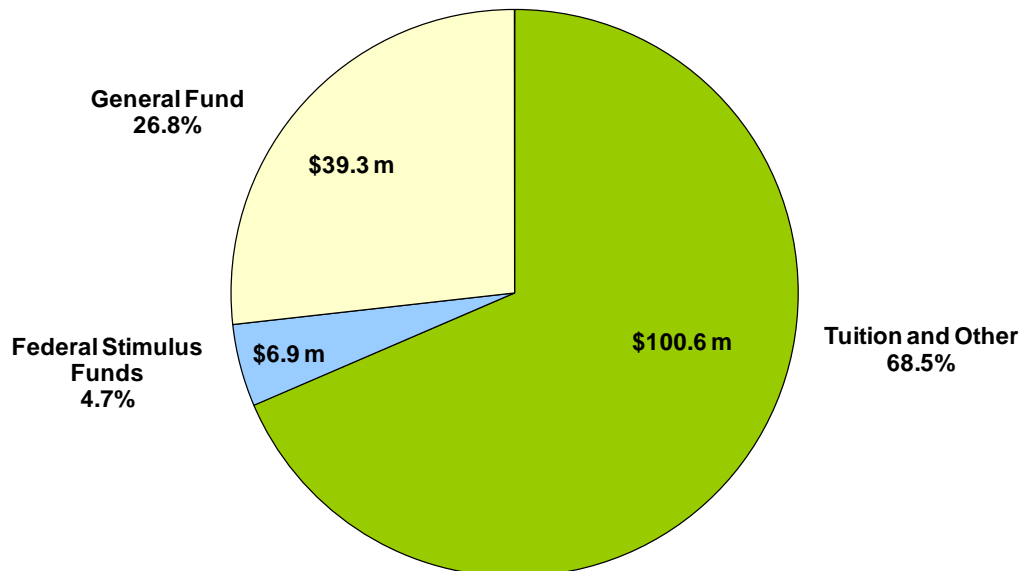
<i>Instruction</i>	<i>Instructional faculty; departmental operating costs</i>
<i>Research</i>	<i>Targeted, state supported research</i>
<i>Public Service</i>	<i>Community outreach activity</i>
<i>Academic Support</i>	<i>Library materials, access, and services; information technology; dean and directors school level costs</i>
<i>Student Services</i>	<i>Registrar; admissions; financial aid; career services; etc.</i>
<i>Institutional Support</i>	<i>Executive management; fiscal services; human resources; police; purchasing; etc.</i>
<i>Physical Plant</i>	<i>Buildings/grounds maintenance; plant personnel, utilities</i>

### **Program Revenues and Expenditures**

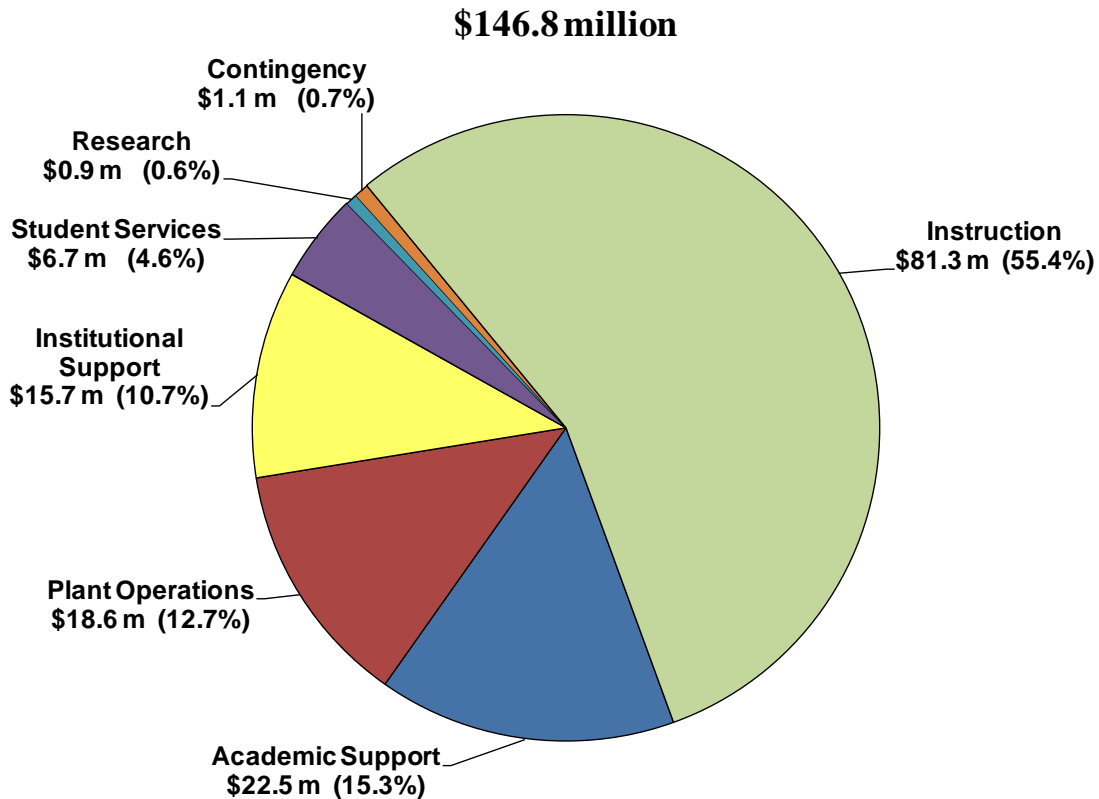
Educational and General Programs are supported primarily with state general funds and student tuition. For FY 2011, General Funds supporting the College decline by \$123,000 while tuition and other E&G revenue increases by \$5.1 million. At the same time, \$6.9 million in federal stimulus funds is provided to partially offset the impact of reduced state support. As a result, state general funds provide 26.8% and nongeneral funds, including tuition revenue and federal stimulus funds, provide 73.2% of the \$146.8 million available to the program. Expenditures across the program reflect the College's priority in allocating incremental funds to support 1) the College share of a 3% bonus for its employees, 2) opening of the School of Education, Sherman and Gloria Cohen Career Center, and Small Hall expansion, and 3) recognize the impact of utility rate increases. The College continues to defer hiring of selected faculty and staff positions until funds can be identified to support these positions.

The following charts show the estimated sources of state appropriated E&G revenue, and the proposed distribution of revenue across the E&G programs. It is important to note that the College allocates approximately 71% of its available E&G resources to instruction and academic support (libraries and information technology), the heart of its activities. Significant growth in Plant Operations reflects the impact of new facilities coming on-line and the rising cost of utilities. The budget as proposed includes a \$1.1 million contingency, providing flexibility to the College should further reductions in state support occur during FY 2011.

**Sources of E & G Revenue**  
**\$146.8 million**



### Expenditures by E & G Program



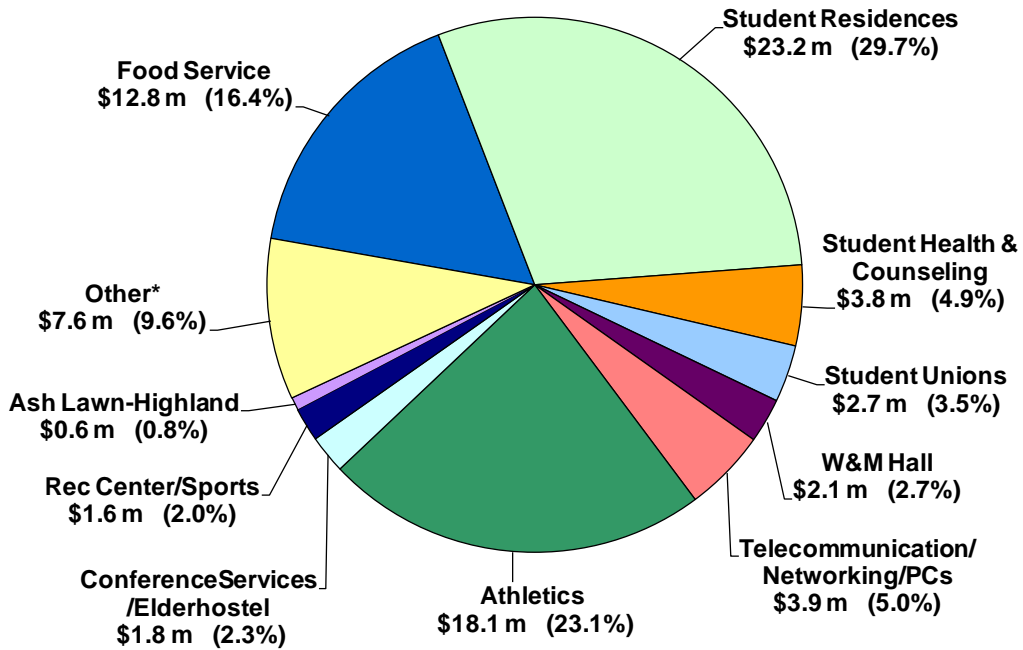
#### **AUXILIARY ENTERPRISE ACTIVITIES**

Auxiliary Enterprises is the second largest program in the College's operations, with projected revenues of \$79.5 million, and expenditures of \$78.2 million. The Auxiliary Enterprise program includes activities that are ancillary to the College's central mission of instruction, research, and service. These programs are intended to be self-supporting through a combination of revenues generated by the various operations, where applicable, and student fees.

Auxiliary enterprise revenue for FY 2011 totals \$79.5 million supported primarily by increases in student fees designated to specific activities. Expenditures are expected to increase to \$78.2 million, driven primarily by the 3% bonus for College employees, increased debt service on new or newly renovated facilities, and anticipated increases in utility costs.

A breakdown of projected auxiliary enterprise expenditures by major program follows.

**Projected Auxiliary Enterprise Expenditures By Major Program**  
**\$78.2 million**



\*Other includes parking, bus service, vending, licensing, ID office, and other smaller auxiliary services.

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Page   9   of   12  **TUITION AND FEES**

FY 2011 tuition and fee rates for resident and nonresident students are consistent with tuition policy and guidance included in the Commonwealth's 2010-12 operating budget. Recommended tuition rates reflect the administration's assessment of the College's need to raise tuition to support the College's share of a potential 3% bonus for faculty and staff, new facilities coming on-line, undergraduate and graduate student financial aid, utility rate increases, and additional staffing in selected areas. The recommended rates also recognize that federal stimulus funds are provided to mitigate the impact of reduced state support. Consistent with auxiliary enterprise expenditures, fee increases primarily address the potential 3% bonus and debt service for new or newly renovated facilities. A tuition and fee summary follows:

**FY 2010-11 TUITION AND FEE SUMMARY**

	<u>ACTUAL</u> <u>FY 2009-10</u>	<u>PROPOSED</u> <u>FY 2010-11</u>	<u>PERCENT</u> <u>CHANGE</u>	<u>DOLLAR</u> <u>CHANGE</u>
<b><i>IN-STATE UNDERGRADUATE</i></b>				
Tuition and Fees	\$11,100	\$12,188	+ 9.8%	+\$1,088
Room	\$ 5,050	\$ 5,232	+ 3.6%	+\$ 182
Board	<u>\$ 3,452</u>	<u>\$ 3,452</u>	+ 0.0%	<u>+\$ 0</u>
<b>TOTAL COST</b>	<b>\$19,602</b>	<b>\$20,872</b>	<b>+ 6.5%</b>	<b>+\$1,270</b>
<b><i>OUT-OF-STATE UNDERGRADUATE</i></b>				
Tuition and Fees	\$31,264	\$33,764	+ 8.0%	+\$2,500
Room	\$ 5,050	\$ 5,232	+ 3.6%	+\$ 182
Board	<u>\$ 3,452</u>	<u>\$ 3,452</u>	+ 0.0%	<u>+\$ 0</u>
<b>TOTAL COST</b>	<b>\$39,766</b>	<b>\$42,448</b>	<b>+ 6.7%</b>	<b>+\$2,682</b>
<b><i>GRADUATE ARTS AND SCIENCES, EDUCATION, AND MARINE SCIENCE</i></b>				
In-State Tuition/Fees	\$10,514	\$10,768	+ 2.4%	+\$ 254
Out/State Tuition/Fees	\$24,204	\$24,638	+ 1.8%	+\$ 434
<b><i>LAW</i></b>				
In-State Tuition/Fees	\$21,946	\$23,800	+ 8.4%	+\$1,854
Out/State Tuition/Fees	\$32,146	\$33,800	+ 5.1%	+\$1,654
<b><i>GRADUATE BUSINESS: MBA / MAC</i></b>				
In-State Tuition/Fees	\$22,800	\$25,000	+ 9.6%	+\$2,200
Out-of-State Tuition/Fees	\$34,800	\$36,500	+ 4.9%	+\$1,700

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Page  10  of  12 **STUDENT FINANCIAL ASSISTANCE**

State authorized student financial assistance totals \$14.2 million, consisting of \$3.5 million provided by the Commonwealth of Virginia and \$10.7 million provided by the College. This allocation represents a \$2.75 million, or 24%, increase in the amount of student aid available to our undergraduate and graduate students with all of the increase coming from College sources. This allocation continues College support for the Gateway program, meeting the financial aid need of low income Virginia undergraduates through grants rather than a combination of loans and grants, while recognizing the impact that increases in tuition and fee charges and changes in the financial situation of individual families have on students with demonstrated financial need. State and College student aid funds are supplemented by private funds allocated for this purpose by the Board of Visitors and the College's private foundations.

**SPONSORED PROGRAMS**

Sponsored programs activity reflects estimated FY 2011 expenditures of \$30.7 million primarily from federal grants and contracts. Expenditures in this area continue to grow as the College's faculty has success in securing outside funding for their research activities. Students benefit directly as they work alongside faculty on major research projects, often resulting in joint publication of the results. While there is the potential for additional growth in sponsored research as a result of College participation in the federal stimulus package, current projections do not try to anticipate these funds.

Increased sponsored research results in additional indirect cost recoveries to the College. As a result, the institution is able to reinvest these funds back into its research programs, including support for technology transfer, debt service payments associated with construction of various science facilities, and College participation in the high speed network National LambdaRail Project.

**BOARD OF VISITORS PRIVATE FUNDS**

Beyond the state appropriated funds previously discussed, the Board of Visitors Private Funds Budget allocates funds available to the Board from private sources including income from both restricted and unrestricted endowments held by the Board, restricted expendable gifts, and unrestricted funds. Restricted funds must be used consistent with donor intent. As a result, the Board has no discretion regarding their use. However, the Board does have discretion in the use of unrestricted funds.

The FY 2011 Board of Visitors Private Funds Budget projects revenue of \$10.7 million from restricted as well as unrestricted sources. Total expenditures for the period are estimated at \$9.9 million. Within these amounts, unrestricted revenue available to the Board totals \$7.46 million, with \$5.8 million, or 77.7%, generated by the Fund for William and Mary annual gift program.

The budget assumes 5.5% growth in the Fund for William and Mary for FY 2011. The balance of the unrestricted revenue includes transfers from various operations (5.4%), unrestricted estate balances left to the College (5.4%), revenue from unrestricted endowments (6.7%), overhead funds associated with the administration of restricted endowments (2.7%), and short-term interest (2.1%).

The unrestricted budget as proposed continues support for various College operations consistent with past practice. As a result, using unrestricted revenue generated during the year, the Board allocates \$2.1 million for development and fund raising activities, \$0.6 million for faculty salaries, instruction, research, and academic support programs, \$1.8 million for student financial aid, \$1.4 million for alumni activities and support, \$0.2 million for student services including athletics, and \$0.6 million for administrative and plant support.

**Board of Visitors  
Unrestricted Funds**

**Source of Funds**

**\$7,464,770**

