

Board of Visitors

April 24-26, 2019

Page 1 of 6

**WILLIAM & MARY
FY20 OPERATING BUDGET DETAIL
FOR EDUCATIONAL AND GENERAL PROGRAMS**

The Educational and General (E&G) Program constitutes those activities that support the delivery of academic services to William & Mary's students and the Commonwealth. The E&G Program is the largest program at the university, representing 53.8% of its annual expenditures, and is comprised of seven subprograms, based on national higher education reporting standards.

These subprograms directly support the university's mission of teaching, research, and public service, with major activities of each outlined below:

<u>Subprogram</u>	<u>Major Activity</u>
<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 director's 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; fund raising, etc.</i>
<i>Plant Operations</i>	<i>Buildings/grounds maintenance; plant personnel, utilities</i>

Revenue Assumptions for FY19

E&G programs are supported primarily from the state's general fund (tax dollars) and student tuition revenues, which are appropriated as nongeneral funds of the Commonwealth. Together, these two sources of funding comprise over 95% of E&G revenue or \$217.1 million. With the addition of university private funds, the proposed E&G budget for FY20 will reach \$230.5 million, an increase of \$10.6 million or 4.8% over FY19 estimated E&G actuals.

The \$10.6 million increase comes from the following sources:

- **\$4.6 million in incremental state General Fund Support.** For FY20, general fund support for the university is expected to increase by just over \$4.6 million or 10.5% over the prior year. Incremental state support is provided for the following purposes:
 - \$1.45 million to maintain in-state undergraduate tuition for incoming students at the current rate;
 - \$1.22 million to produce more degrees in high demand fields of data science and technology, science and engineering, and education;
 - \$570,000 to establish a Data Sciences major;

- \$287,900 for the Veterans' Counseling Program;
- \$250,000 to put the first-year curriculum of the Masters of Public Policy Program online; and
- \$75,000 to cover the state-share of incremental operation and maintenance costs of new facilities coming online.

In addition, the proposed FY20 budget includes estimated general fund allocations for the state share of mandated across-the-board increases in faculty salaries (3.00%) and staff salaries (2.75%) and an additional performance-based salary increase averaging 2.25% for classified staff only offset by a reduction in general fund support for a one-time health insurance holiday anticipated for FY20.

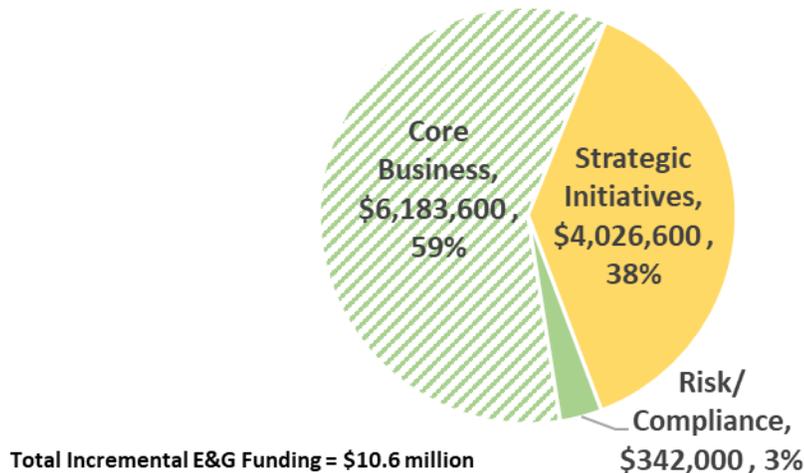
- **\$5.4 million in incremental tuition and E&G fee revenue.** Total tuition and E&G fee revenue allocated to the E&G program is expected to reach \$168.3 million in FY20, an increase of 3.3% over the prior year.
 - An additional \$2.7 million of incremental tuition revenue is allocated for need-based, student financial aid to maintain accessibility for low- and middle-income Virginians under the *William & Mary Promise*. Additional detail **was provided in the Board of Visitor's pre-read materials sent on April 16, 2019 titled** FY20 Operating Budget Detail for Student Financial Aid.
- **Almost \$550,000 in incremental philanthropic support through university private funds.** Through a combination of income generated from restricted endowments, restricted expendable gifts, and unrestricted expendable gifts, university private funds are expected to provide \$13.3 million in total funding for E&G programs in FY20.

Overall, state fund support will account for an estimated 21% of the university's E&G budget (excluding VIMS), with 73% of funding coming from tuition revenue and the remaining 6% coming from private funds.

Spending Priorities for FY20

With \$10.6 million in incremental new revenue from all sources, the proposed FY20 budget allocates almost 60% of the funds or \$6.2 million to support core business functions, just under 40% or \$4.0 million for strategic initiatives, and the remaining \$342,000 to areas of compliance or risk mitigation.

FY20 Incremental E&G Spend



Planned expenditures for core business functions include continued investments in one of William & Mary's most valued assets -- its faculty and staff. Approximately \$5.9 million of the \$6.2 million in incremental core business expenses are provided for the following compensation-related actions:

- **A 3% across-the-board salary increase for faculty and operational staff.** It is important to note that the 2019 General Assembly, with approval by the Governor, mandated a 3% salary increase for faculty and 2.75% salary increases for operational staff. With that mandate, the state will cover approximately 25% of the cost of those increases through incremental general fund support. The proposal to bring operational staff, including those at VIMS, to the same 3% increase as faculty as well as the recommendation to provide a bonus pool for faculty and operational staff is optional and will be paid entirely through non-general fund revenues.
- **A 2.75% across-the-board salary increases for classified employees with an additional pool averaging 2.25% of salaries for additional merit-based increases for classified employees.** These increases are mandated by the Commonwealth, which will again provide general fund support to offset the roughly 25% state share of this cost.
- **A 3% across-the-board increase in hourly wage rates.** The proposed increases for wage employees are at the discretion of the institution and will be paid for entirely through nongeneral funds.
- **An increase in the minimum hourly wage from \$10.61 per hour to \$12 per hour.** This proposed 13% wage rate increase is an initiative of the university and represents an initial step towards moving wage employees to a living wage for the Williamsburg area. If approved, the increase will be paid entirely through nongeneral funds.

It is important to note that the state-mandated salary actions for VIMS faculty and staff are funded directly through its separate state appropriation. However, the cost of discretionary items, including the 0.25% differential for across-the-board increases for operational staff, the 3% increase in hourly wages, and the increase in the minimum wage to \$12 per hour will be covered by W&M.

In addition, because state-mandated salary actions do not apply to graduate student stipends, the proposed budget provides \$200,000 to increase graduate student stipends in the Arts & Sciences and School of Education. Given the competitive landscape of graduate education, it is critical that W&M is able to provide stipends that are on par with peer institutions.

Beyond compensation, other Core Business Expenses include approximately \$290,000 to cover the operation and maintenance costs of new facilities coming online in FY20 and to provide base funding for the University Teaching Project, which has been funded over the last decade on a year-to-year basis with discretionary funds.

Approximately 38% or just over \$4 million of the incremental funding in the FY20 proposed E&G budget will be directed to **strategic initiatives**, including:

- The hiring of additional faculty to increase degree production in high demand fields, consistent with the targets established by the Commonwealth;
- Creation of a data science major;
- Expansion of admissions office outreach outside of Virginia;
- A performance pool to provide one-time bonuses for high-performing W&M and VIMS faculty and operational staff.
 - The performance pool will be funded through a combination of one-time incremental revenue, re-allocation of existing funds, and/or year-end carryforward balances identified by the institution's academic and administrative units;
- One-time funds to conduct a market study of employee compensation;
- Pre-planning funds for the design of the proposed Studio for Teaching and Learning Innovation to be located in Swem Library;
- Support for continuing academic transitions as the university re-positions itself through the strategic planning process; and
- Funding to support the second-year cohort of the *Promise Scholars* program with Richard Bland College.

The remaining \$342,000 or approximately 3% of the incremental spending will support an upgrade to the university's emergency 911-radio system, address web accessibility issues related to ADA compliance, and support compliance efforts in finance, IT, and employee relations.

In total, these actions result in a proposed FY20 E&G operating budget of \$230.5 million as shown below.

	FY19 Estimated Actuals	FY20 Proposed Budget	\$ Change from Prior Year	% Change from Prior Year
REVENUE, by Source				
General Fund	44,206,000	48,832,000	4,626,000	10.5%
Nongeneral Fund				
Tuition and E&G Fees	162,867,400	168,294,700	5,427,300	3.3%
University Private Funds*	12,786,400	13,335,200	548,800	4.3%
Total Revenue	219,859,800	230,461,900	10,602,100	4.8%
EXPENDITURES, by Program				
Instruction	119,555,500	126,182,500	6,627,000	5.5%
Research	2,227,800	2,217,800	(10,000)	-0.4%
Public Service	46,500	46,600	100	0.2%
Academic Support	32,907,700	33,914,300	1,006,600	3.1%
Student Services	10,266,000	10,521,400	255,400	2.5%
Institutional Support	33,985,000	35,073,900	1,088,900	3.2%
Plant Operations	20,766,700	22,497,100	1,730,400	8.3%
Total Expenditures	219,755,200	230,453,600	\$10,698,382	4.9%

* FY20 Private Funds Revenue include \$10.2 million expected to be generated during the fiscal year and \$3.1 million from fund balances.

In looking at the proposed expenditures by functional area, the FY20 budget allocates a combined \$160.1 million or almost 70% of its available E&G resources to instruction and academic support -- the heart of its activities. A complete breakdown by subprogram is provided in the following chart.

E&G Expenditures by Functional Area
\$230.5 million

