

**BOARD OF VISITORS
COMMITTEE ON FINANCIAL AFFAIRS
NOVEMBER 21, 2013**

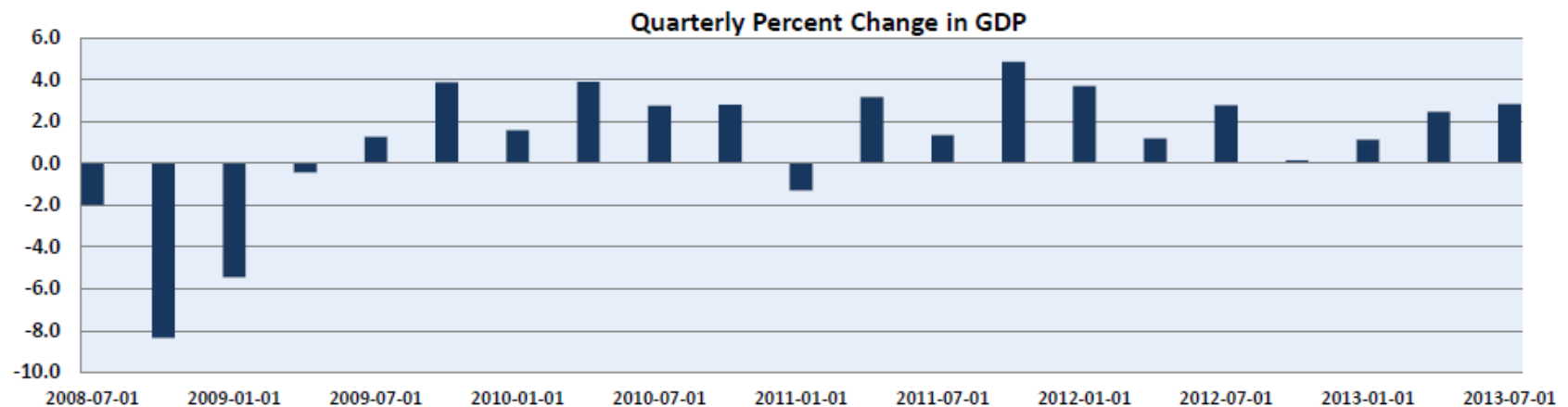
THE COLLEGE OF WILLIAM AND MARY



STATE BUDGET OUTLOOK

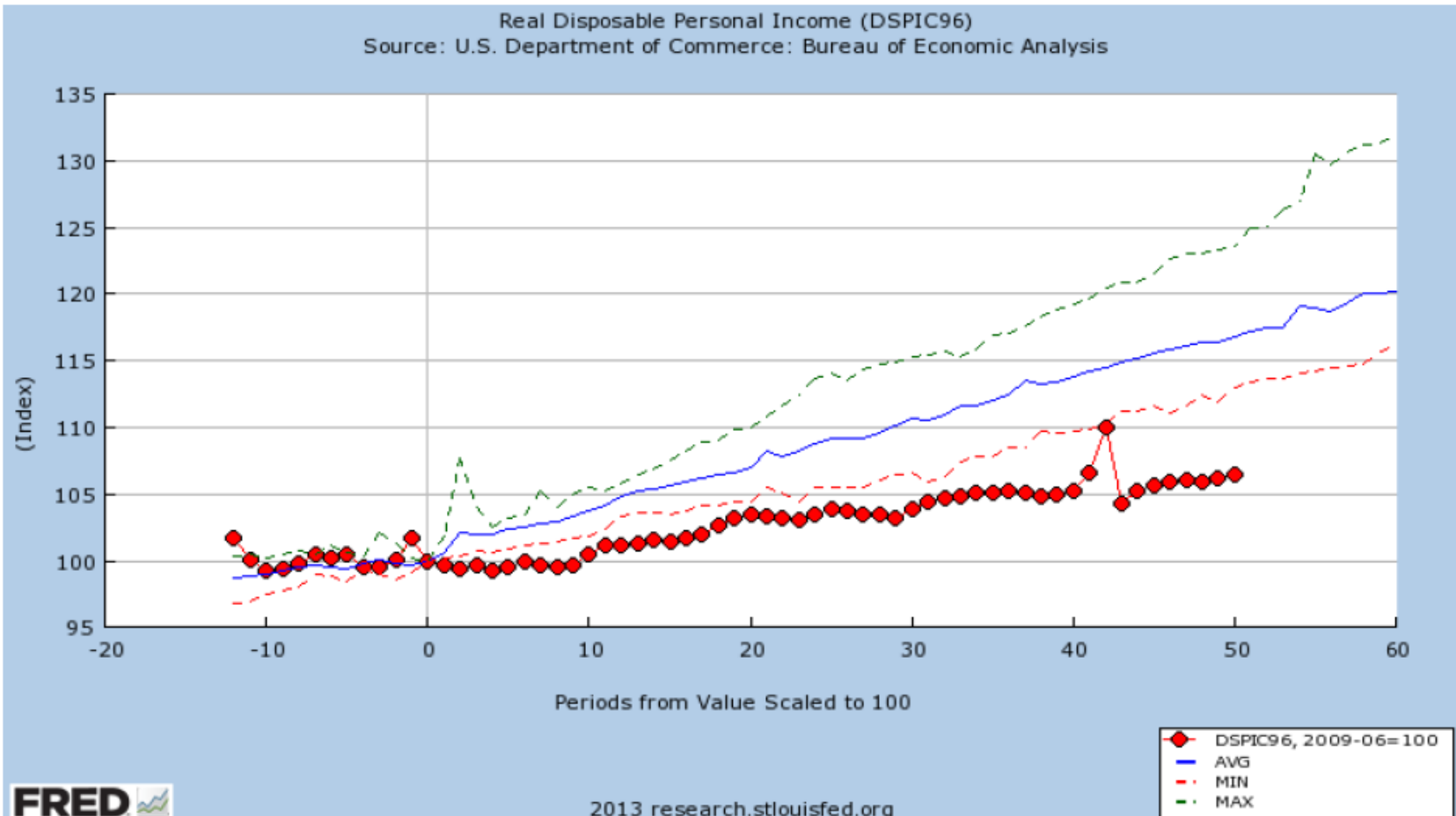
COMMITTEE ON FINANCIAL AFFAIRS

Third Quarter 2013 GDP Advanced Estimate Stronger Than Anticipated, But Does Not Reflect The Shutdown



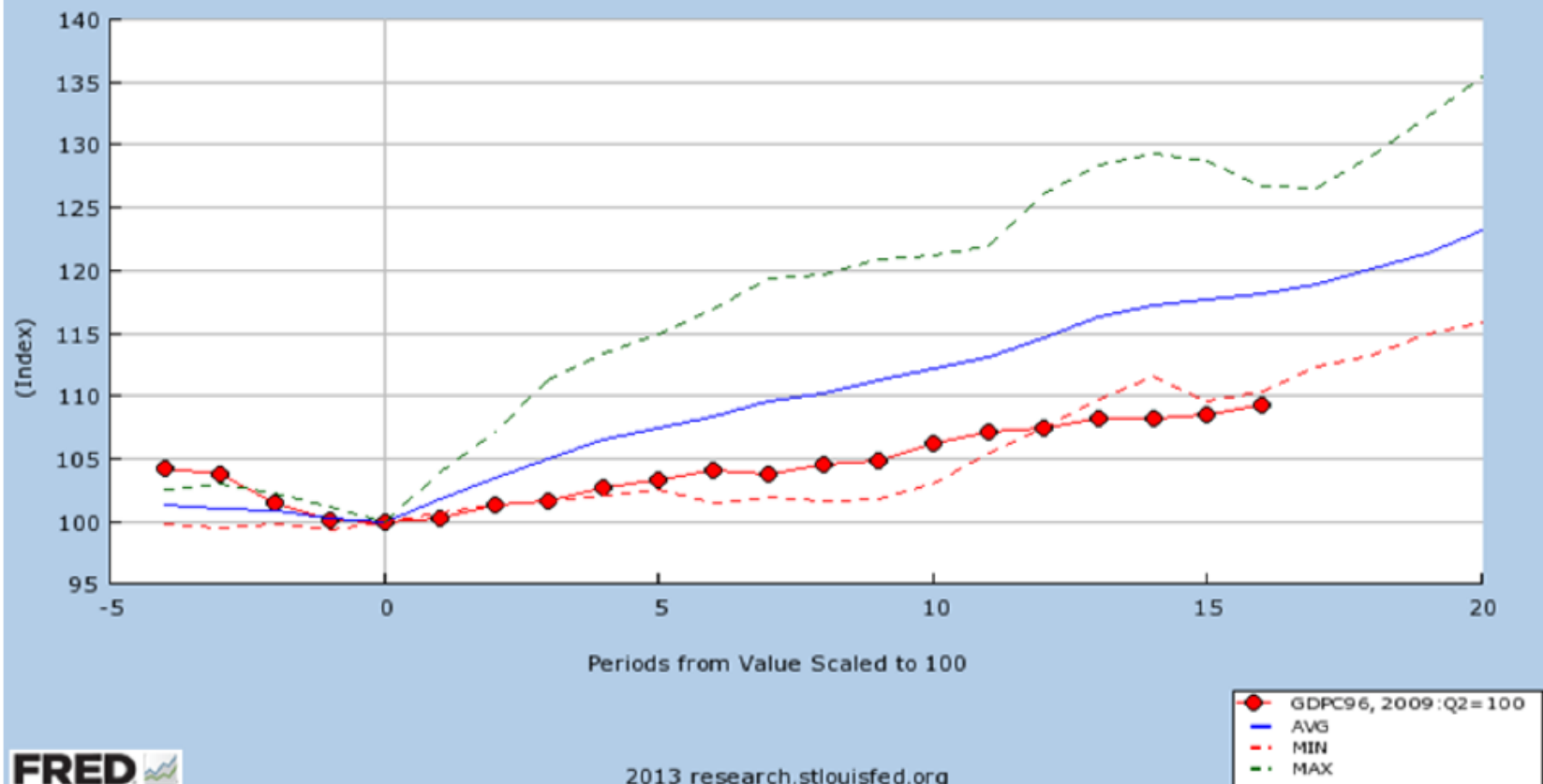
- The level of activity in Q3, though somewhat faster, still shows an economy growing at painfully slow clip compared to prior recoveries. The U.S. has been expanding around 2% in the past few years and has been unable to generate enough thrust to breakout of its low-growth orbit
- Positive contributions from personal consumption expenditures (PCE), private inventory investment, exports, residential fixed investment, nonresidential fixed investment, and state and local government were partly offset by a negative contribution from federal government spending
- Consumer spending (the largest component) rose 1.5%, but that was less than the 1.8% rate in the second quarter
- Exports slowed to 4.5% in the Q3, compared to 8% in Q2
- In the business world, companies reduced investment in things like software, buildings and equipment. The increase in fixed investment slowed to 4.1% from 6.5%

Real Personal Disposal Income Is Performing Below All Previous Recoveries



Real GDP On Par With The Worst Economic Recovery

Real Gross Domestic Product, 3 Decimal (GDPC96)
Source: U.S. Department of Commerce: Bureau of Economic Analysis



At 42 Months and Counting, Current Job “Recovery” is Slowest Since Truman Was President

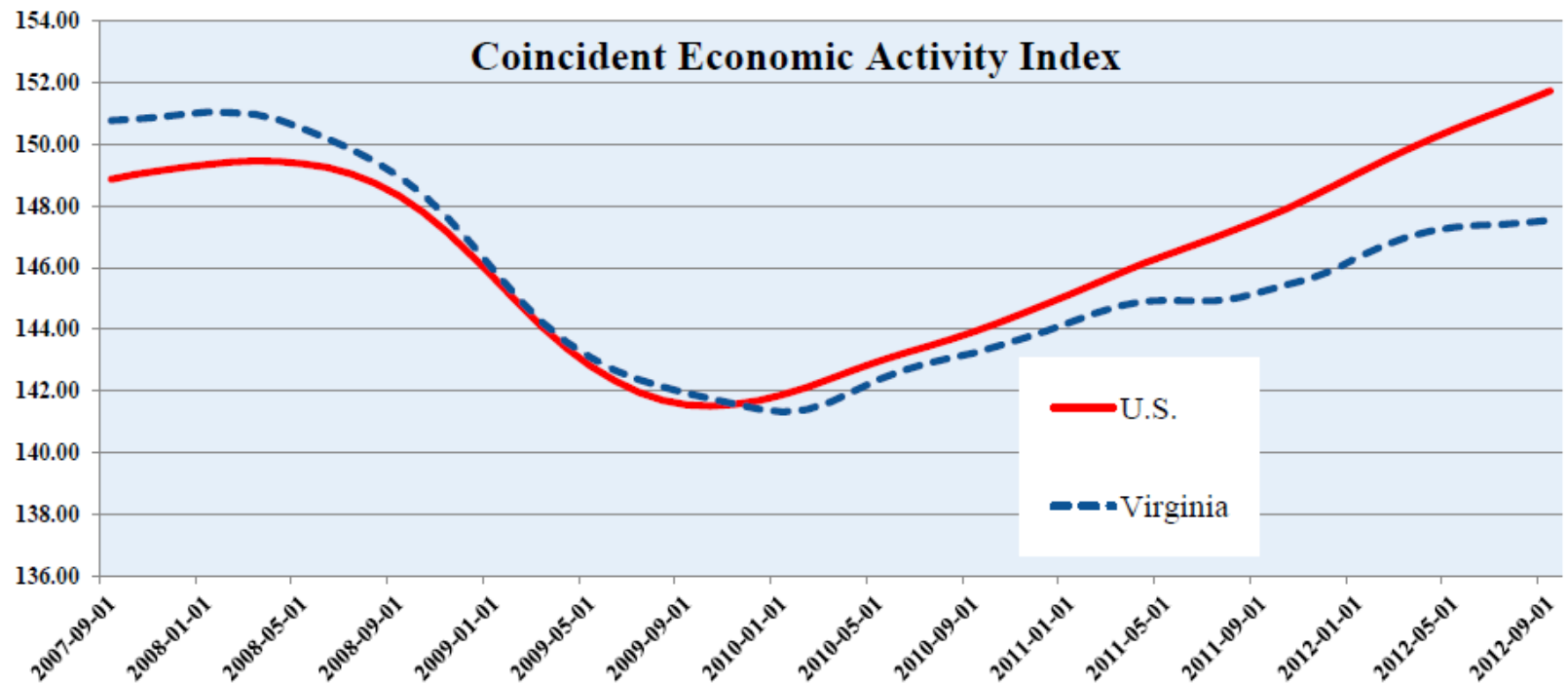
Job Decline and Recovery Throughout U.S. Recessions



Source: Pew Research Center analysis of Bureau of Labor Statistics data

PEW RESEARCH CENTER

Based on Leading Indicators, Virginia, Which Typically Out Performs the Nation, Began to Slow Down in 2010

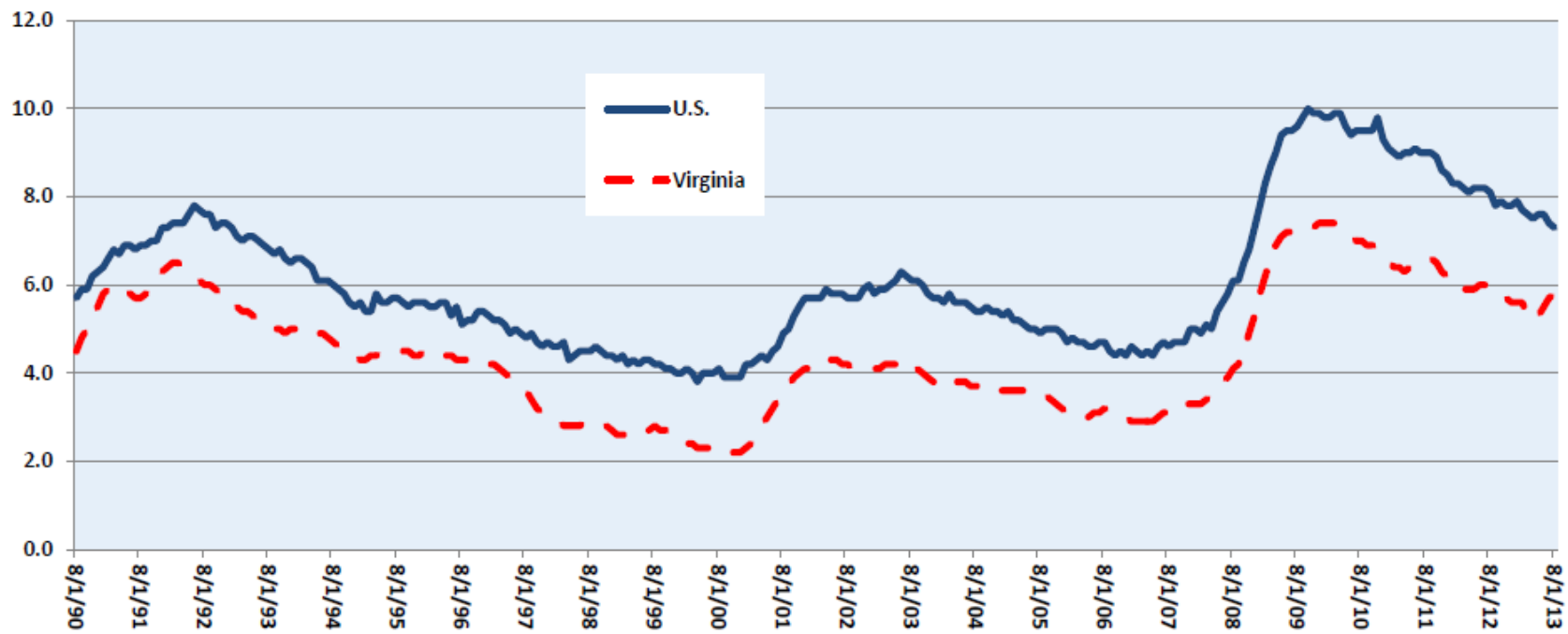


The Coincident Economic Activity Index includes four indicators: nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing, and wages and salaries.

Source: Federal Reserve Bank of Philadelphia.

Virginia's Unemployment Rate in Perspective

- At 5.8 %, Virginia's unemployment rate is 20% lower than the national unemployment rate of 7.3%
- While the nation's rate has fallen 2.7% from its peak of 10% in October 2009, Virginia's rate has fallen 1.6% from its peak of 7.3% in January 2010



Source: Bureau of Labor Statistics.

Comparison of Virginia's Employment to Other States

- Virginia's unemployment rate of 5.8% is the 13th lowest and 8th lowest among states with over 1 million in population
- However, Virginia is ranked 41st in terms of job growth for the August over August period compared to 34th a year ago
 - Virginia rate of growth was 1.0% compared to a national rate of 1.6% growth
- Washington/Northern Virginia had one of the smallest annual percentage job gains of any major MSA over 1 million population in August compared to the previous August
 - Currently ranked 20th out of 26 MSA's based on 12-month moving average

NOVA/Washington Metro Area Ranked 22 Out of 26 in Job Gains

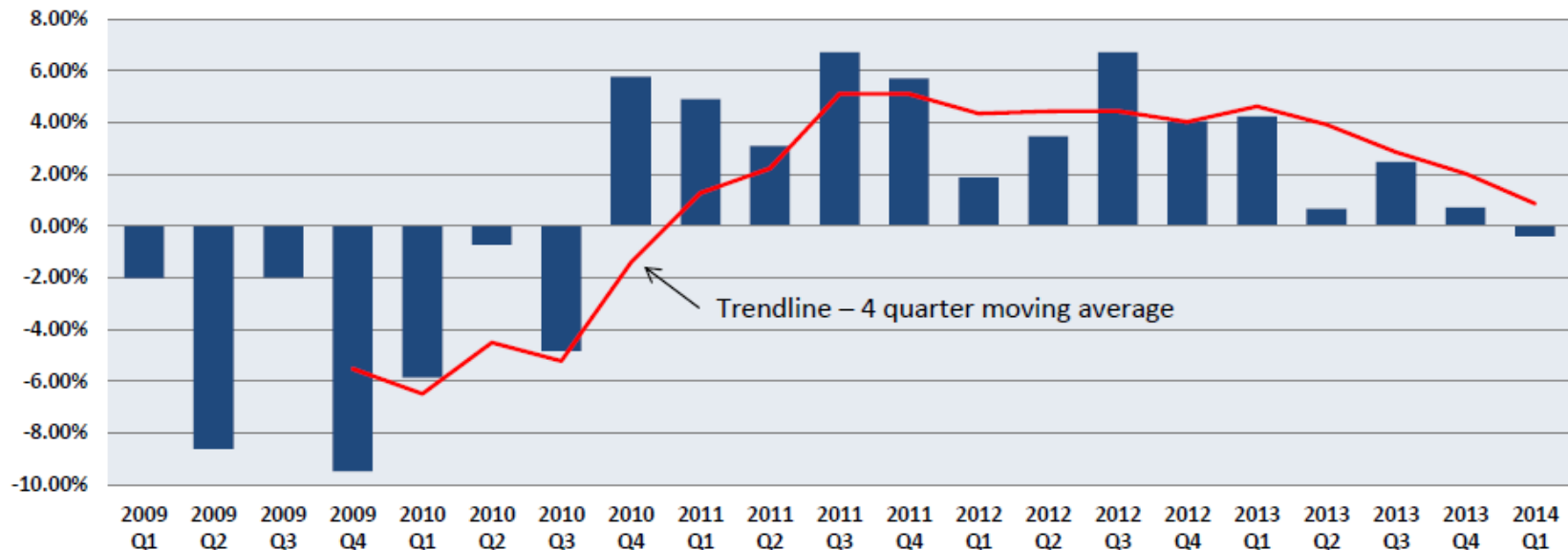


Source: BLS data, Seidman Research Institute, W.P. Carey School of Business, Arizona State University

...Especially in Virginia

- In Virginia, sales tax growth was 5.1% in FY 2011, and 4.0% in FY 2012 but fell to 2.0% (economic basis) in FY 2013, and has been below 1% in 3 of the last 4 quarters
- Virginia consumers have shown restraint in the face of sequestration and government shutdowns
 - Unresolved nature of federal stand-off limits purchases to replacement items

Year-Over-Year Quarterly Change in Sales Tax Revenue FY 2009-2014



FY 2013 Year-End Revenue Surplus and Agency Balances

- On August 19th, Governor McDonnell presented the final FY 2013 year-end revenue and agency balance figures to the Joint Money Committees of the General Assembly
- He reported that FY 2013 general fund revenues and transfers collections totaled \$16.68 billion in FY 2013, finishing \$264.3 million above the forecast
- Total general fund revenue collections (excluding transfers) rose 5.3%, compared to an annual forecast of 3.6% growth
 - Adjusting for the Accelerated Sales Tax (AST) program, revenues grew 5.1%, ahead of the economic-based forecast of 3.4%
- In addition, year-end unexpended balances totaled \$320.7 million, bringing total unexpended resources to \$585.0 million

FY 2013 Year-End Revenue Surplus and Agency Balances

- The vast majority of the \$320.7 million in agency balances are already accounted for. The table below outlines the uses, after which discretionary reappropriations are limited to \$46.1 million
 - The Governor will determine whether to reappropriate the discretionary amounts or revert them to the GF for other purposes when he submits his caboose budget in December

Uses of Balances	Amount
Mandatory reappropriations – incl. higher ed	\$134.7
NGF historically reported in GF	69.8
Restore capital outlay projects	0.5
Natural Disaster Sum Sufficient	34.5
Water Quality Improvement Fund Part B	5.1
Reappropriate FACT Fund balance	22.5
Federal Refunds	4.9
Discretionary reappropriations	\$ 46.1

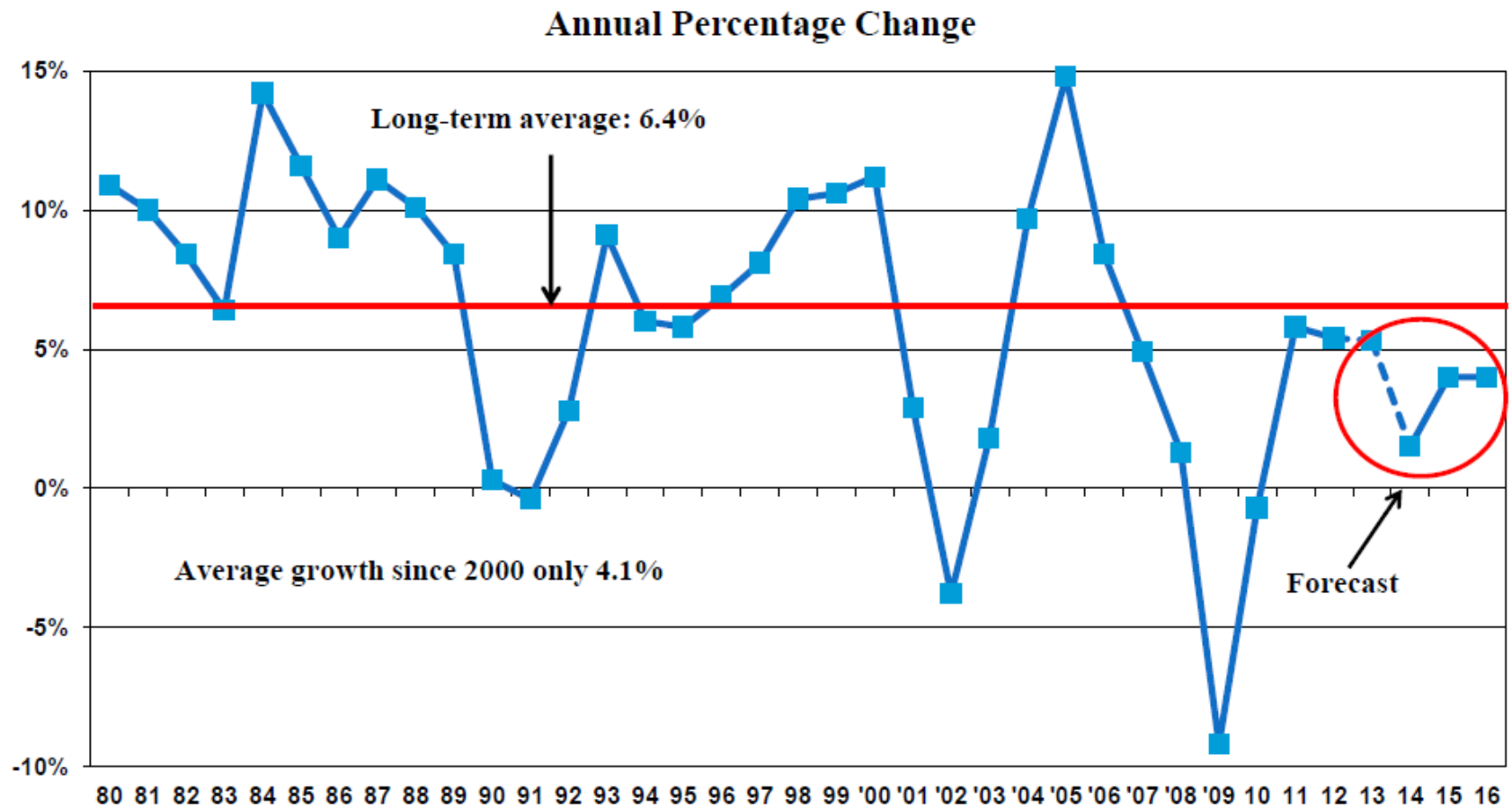
FY 2014 Forecast Revisions?

- When adjusted to reflect the FY 2013 surplus, FY 2014 will have to grow only 1.5% to meet the appropriated expenditures in Chapter 806
 - Forecast was 3.9% prior to accounting for FY 2013 actuals
- This low rate makes the forecast achievable even in light of the weakened growth outlook
- There are likely to be some major adjustments to individual sources (as outlined on previous pages) which impact the base going into the next biennium
- Expect little to no net GF revenue adjustment resulting from the larger than expected base, weaker growth in withholding and sales taxes offset by strength in nonwithholding
 - You will see a Lottery forecast adjustment of \$33.0 million in FY 2014
- Governor will have one additional month of data before finalizing his budget recommendations

Summary - FY 2014-16 Revenue Forecast

- Based on an analysis of projected revenues and economic variables, HAC staff estimates continued modest revenue growth of between 3.8% and 4.2% each year of the upcoming biennium
- Would result in revenue adjustments of about \$610 - 700 million in FY 2015 and \$1.1 - \$1.3 billion in FY 2016
 - Average annual growth has been 4.1% since FY 2000
- Continued uncertainty as to the impact of federal cut-backs means we must retain conservative bent to the forecast to retain flexibility to respond to potential revenue reductions
- Low forecast provides potential for continuing pattern of year-end surpluses
 - Provides some cushion to respond to impact of federal spending reductions, both direct and indirect

General Fund Revenue Growth FY 1980-2016



*Actual Collections FY 1980-2013, FY 2014-16 HAC Estimate. (All exclude transfers.)

Adjusted Base Budget for FY 2014-2016

(GF Dollars in Millions)

	FY 2015	FY 2016
Chapter 806 (FY 2014 Operating Base)	\$17,986.1	\$17,986.1
DPB Base Budget Adjustments (Rainy Day Fund payment, technical adjustments and one-time savings)	(\$243.6)	(\$243.8)
DPB Base Budget	\$17,742.5	\$17,742.3
HAC Identified Adjustments* (Prior commitments, on-going costs)	(\$43.7)	(\$43.7)
HAC Estimated Base Budget	\$17,698.8	\$17,698.6

*Note: HAC Adjustments include addition of base funding for DOJ settlement, Fort Monroe, annualization of higher education portion of FY 2014 salary increases and River North correctional center.

Range of Resources Available for Budget Drivers

\$'s in millions	FY 2015	FY 2016	Biennium
FY 2014 Carry-forward (based on CH. 806)	\$ 11.6	\$ 0.0	\$ 11.6
Additional FY 2014 Balances	\$ 150.1	\$ 0.0	\$ 150.1
Low Revenue Forecast - <i>FY 15 at 3.8%, FY 16 at</i> <i>3.8% (incl. transfers)</i>	\$18,134.5	\$18,823.6	\$36,958.1
Higher Revenue Forecast - <i>FY 15 at 4.2%,</i> <i>FY 16 at 4.2% (incl.</i> <i>transfers)</i>	\$18,204.4	\$18,968.9	\$37,173.3
HAC Base Budget	\$17,698.8	\$17,698.6	\$35,397.4
Net Resources Above Base Budget (includes carryforward/balances)	\$597.4 – 667.3	\$1,125.0 – 1,270.3	\$1,722.4 – 1,937.6

2014-16 Budget Drivers:

HAC Staff Selected Mandatory/Statutory Items

GF \$ in Millions	FY 2015	FY 2016	Total
Medicaid Baseline Forecast (includes hospital and nursing home rebasing)	\$255.2	\$419.2	\$674.4
Medicaid DOJ Required Waiver Slots	14.9	30.4	45.3
DOJ – Other Requirements	12.2	0.0	12.2
K-12 Rebenchmarking Estimate (includes composite index, and Lottery accounts excludes VRS, and ADM adjustments)	213.0	240.5	453.5
State Employee Retirement and OPEB Rates	88.0	88.0	176.0
Teacher Retirement Rate and OPEB Rates	85.5	85.5	171.0
State Employee Health Insurance Rate Adjustment	25.0	52.0	77.0
Debt Service	64.7	99.5	164.2
DSS – Offset decreased child support enforcement revenue	5.3	5.3	10.6
Adjustments to Economic Development Incentives	-3.8	10.5	6.7
1:1,500 Ratio	5.4	6.4	11.8
Direct Inmate Health Care	1.5	6.5	8.0
New and Expanded Jail Capacity	6.4	8.8	15.2
Total – Known Mandatory/Statutory Budget Drivers	\$773.3	\$1,052.6	\$1,825.9

2014-16 Budget Drivers: HAC Staff Selected High Priority Items

GF \$ in Millions	FY 2015	FY 2016	Total
Higher Education – O & M for New Facilities	\$8.5	\$12.2	\$20.7
New In-state Seats at CWM, JMU, UVA & VT	3.1	3.1	6.2
Asst. Commonwealth Atty Salary Adjustment	2.1	2.1	4.2
DOA – Positions for Cardinal System	0.5	1.1	1.6
Fort Monroe Authority (above base)	9.2	8.2	17.4
Phase-Out Retention of NGF Interest Earnings	3.8	7.6	11.4
DBHDS – IT Costs of e-Health Records	2.5	3.3	5.8
DMAS – Dual Eligible Demonstration Program	1.3	1.3	2.6
Lawrenceville Rate Adjustment	1.4	1.4	2.8
State Police Gasoline Costs	2.9	2.9	5.8
Increase Sex Offender Probation Positions	1.1	1.1	2.2
TOTAL – Known High Priority Budget Drivers	\$36.4	\$44.3	\$80.7

Potential Budget Gap/Available Resources Based on Identified Drivers

\$'s in millions	FY 2015	FY 2016	Biennium
Net Resources for Budget Drivers	\$597.4 – 667.3	\$1,125.0 – 1,270.3	\$1,722.4 – 1,937.6
Mandatory/Statutory Spending Drivers	\$773.3	\$1,052.6	\$1,825.9
High Priority Drivers	\$36.4	\$44.3	\$80.7
Total Drivers	\$809.7	\$1,096.9	\$1,906.6
Potential Budget Gap/Available Resources	(\$212.3 - \$142.4)	\$28.1 - \$173.4	(\$184.2) - \$31.0

DRAFT
FY 2013 FINANCIAL STATEMENTS

COMMITTEE ON FINANCIAL AFFAIRS

THE COLLEGE OF WILLIAM AND MARY FY 2013 DRAFT FINANCIAL STATEMENTS

Overview:

- Consolidated Statements of:
The College of William and Mary,
Virginia Institute of Marine Science,
Richard Bland College, and
Affiliated Foundations (“Component Units”)
- Prepared under the accrual basis of accounting;
Revenues recognized when earned rather than received,
Expenditures recognized when incurred rather than paid.
- Subject to audit by the State’s Auditor of Public Accounts

THE COLLEGE OF WILLIAM AND MARY

FY 2013 DRAFT FINANCIAL STATEMENTS

Financial Highlights:

- \$23.3 Million Overall Increase in Net Position from Operations
 - + \$4.4 Million in Restricted Assets
 - + \$21.1 Million in Capital Assets
- For Total Net Position of \$613.5 Million for the College

Foundation assets increased by \$89.4 million for total net position of \$724.6 million (\$667.0 million restricted, \$45.8 million unrestricted and \$11.8 million capital net assets)

- \$7.4 Million Overall Increase in Operating Revenues:
 - + \$1.7 Million Tuition and Fees
 - + \$3.2 Million Auxiliary Enterprise
- \$18.3 Million Overall Increase in Operating Expenditures:
 - + \$6.3 Million in Instruction
 - + \$3.1 Million in Student Aid
 - + \$3.6 Million in Plant Operations
- \$3.8 Million Net increase in State Appropriations
- \$3.9 Million Net increase in Gifts and Investment Income

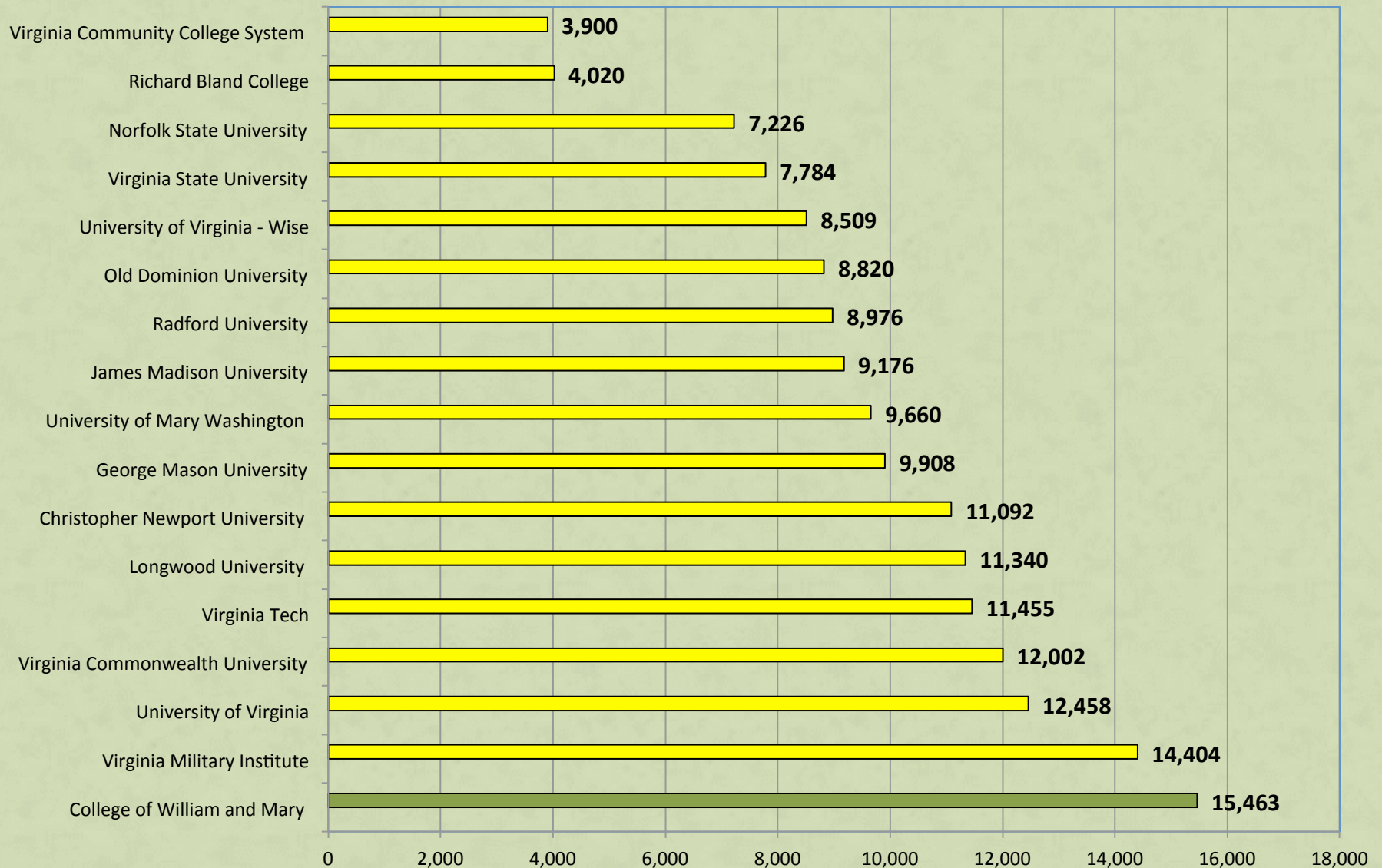
Audit Reports:

- January 2014 - Intercollegiate Athletic Report
- April 2014 - Financial Statements

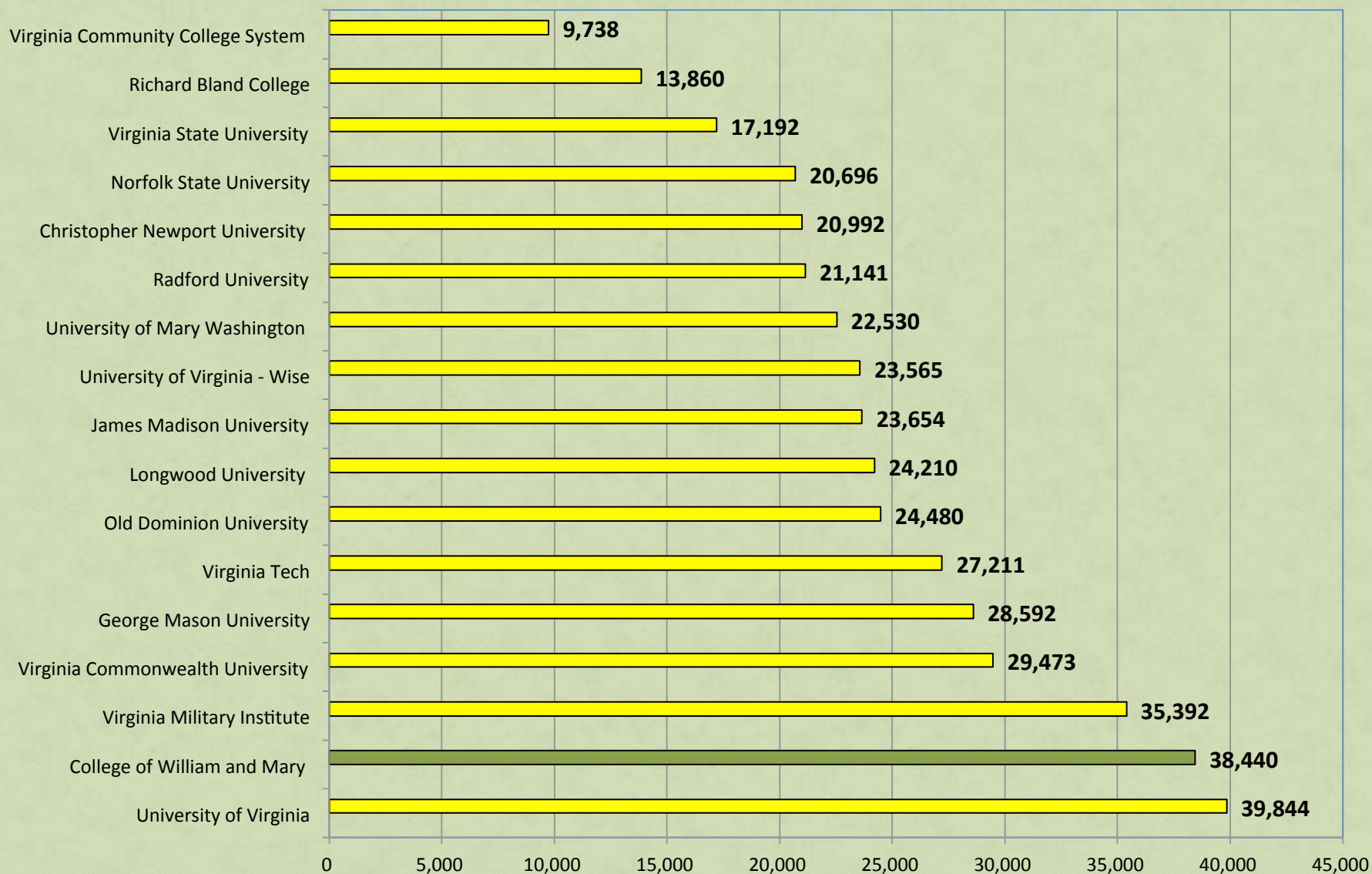
**TUITION AND FEES
2013-14
COMPARISON CHARTS**

COMMITTEE ON FINANCIAL AFFAIRS

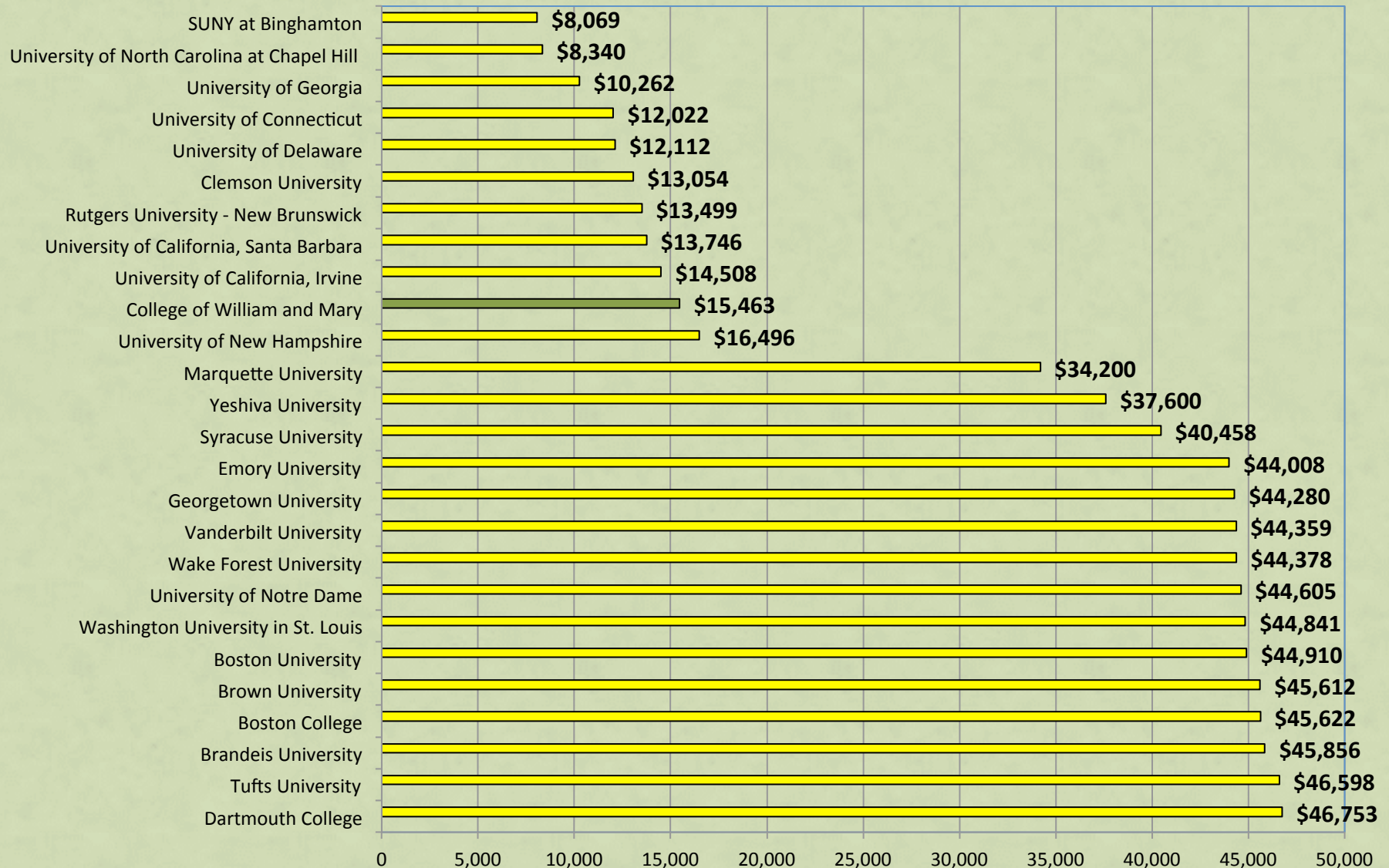
2013-2014 Annual In-State Full-Time Undergraduate Tuition and Fees at Virginia Public Institutions



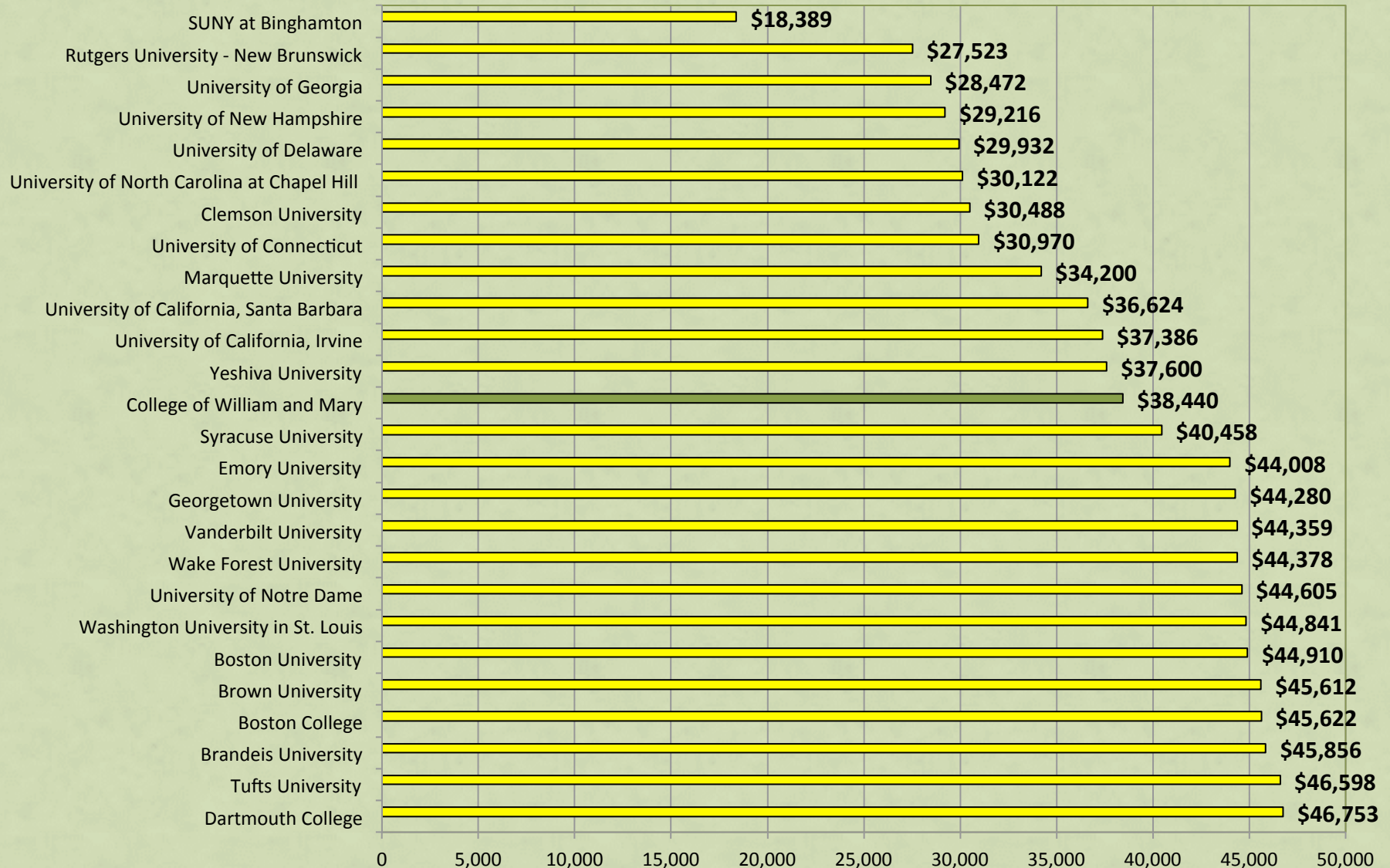
2013-2014 Annual Out-of-State Full-Time Undergraduate Tuition and Fees at Virginia Public Institutions



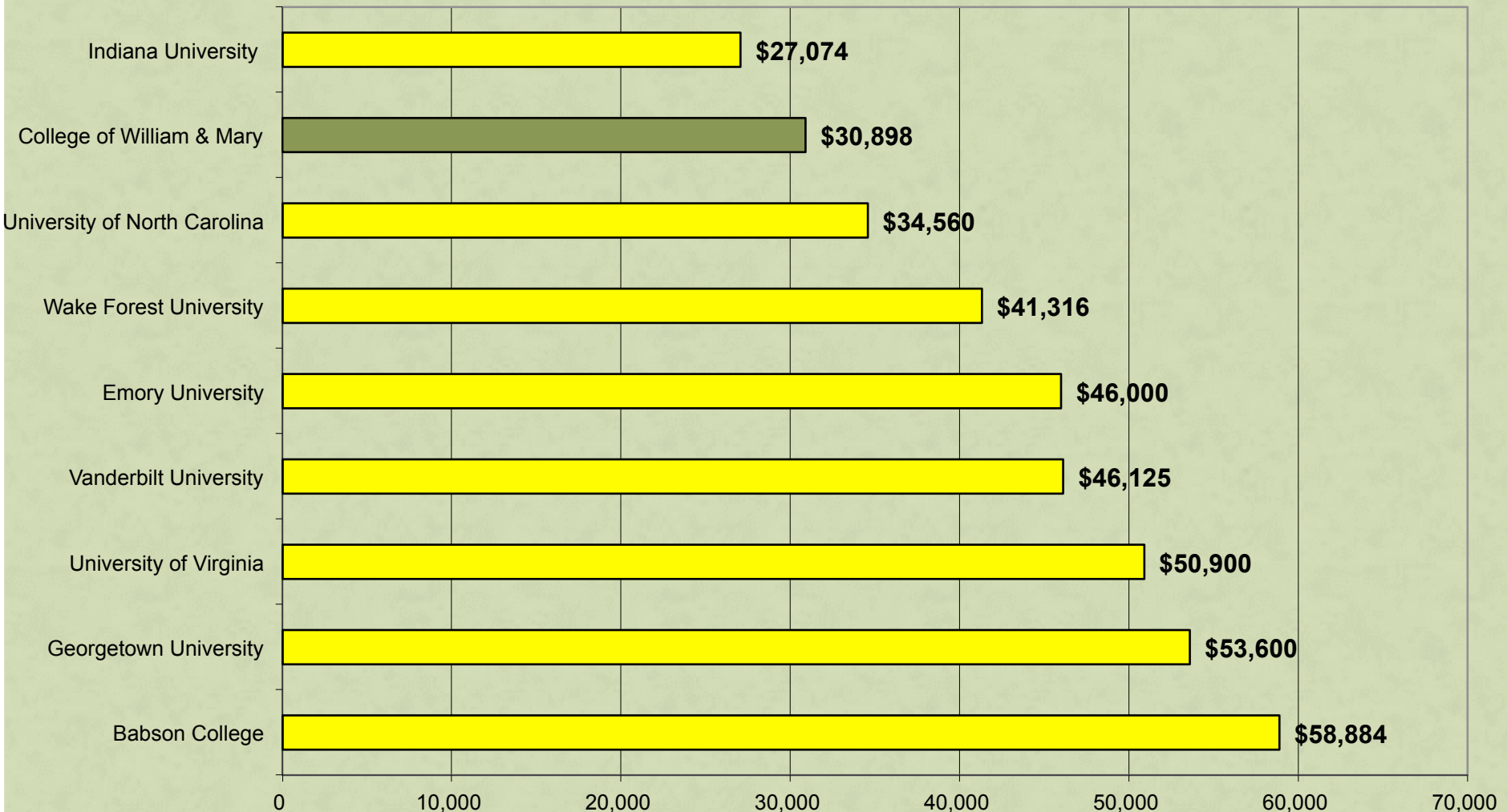
2013-2014 Annual In-State Full-Time Undergraduate Tuition and Fees in the W&M Peer Group



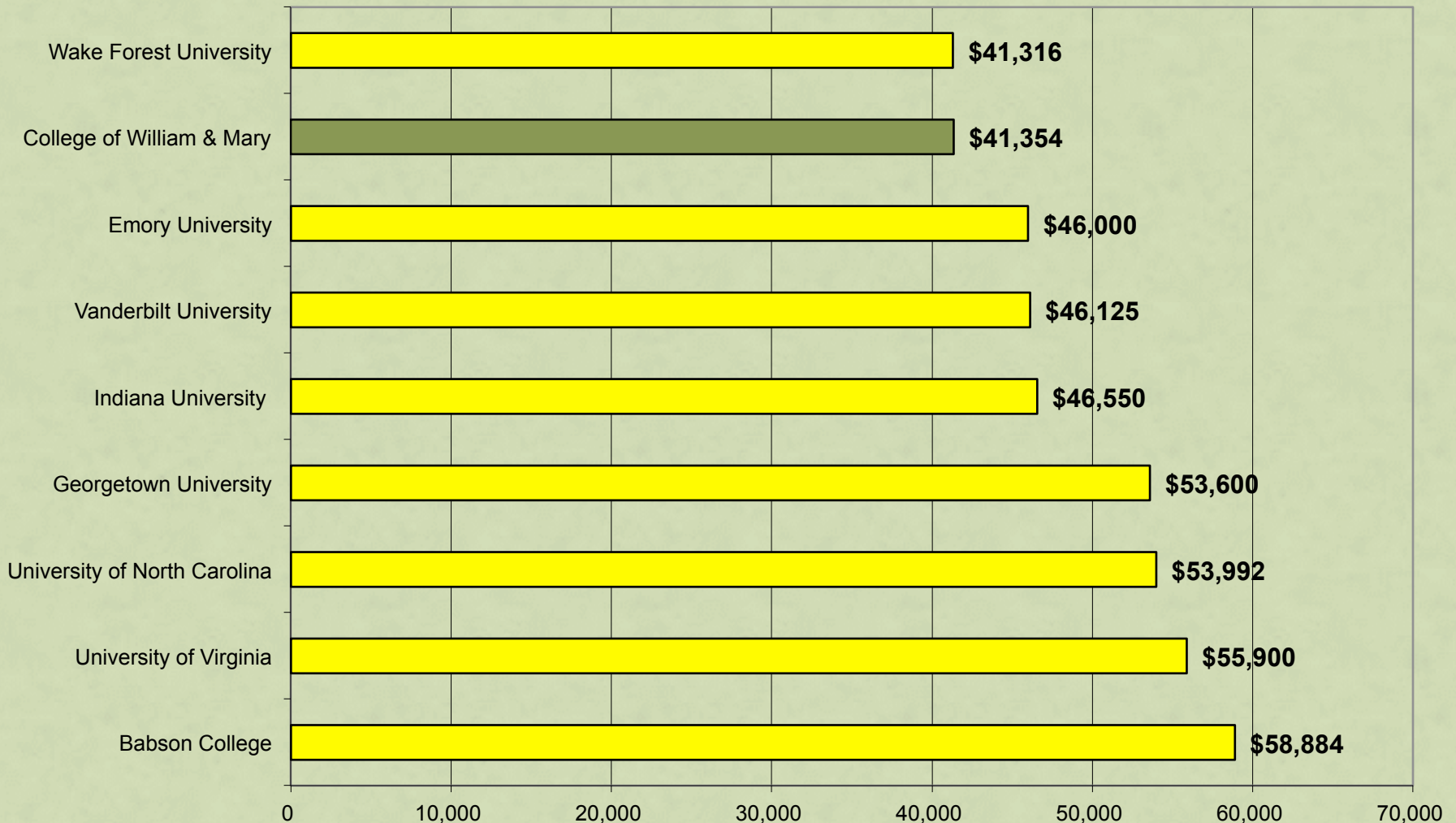
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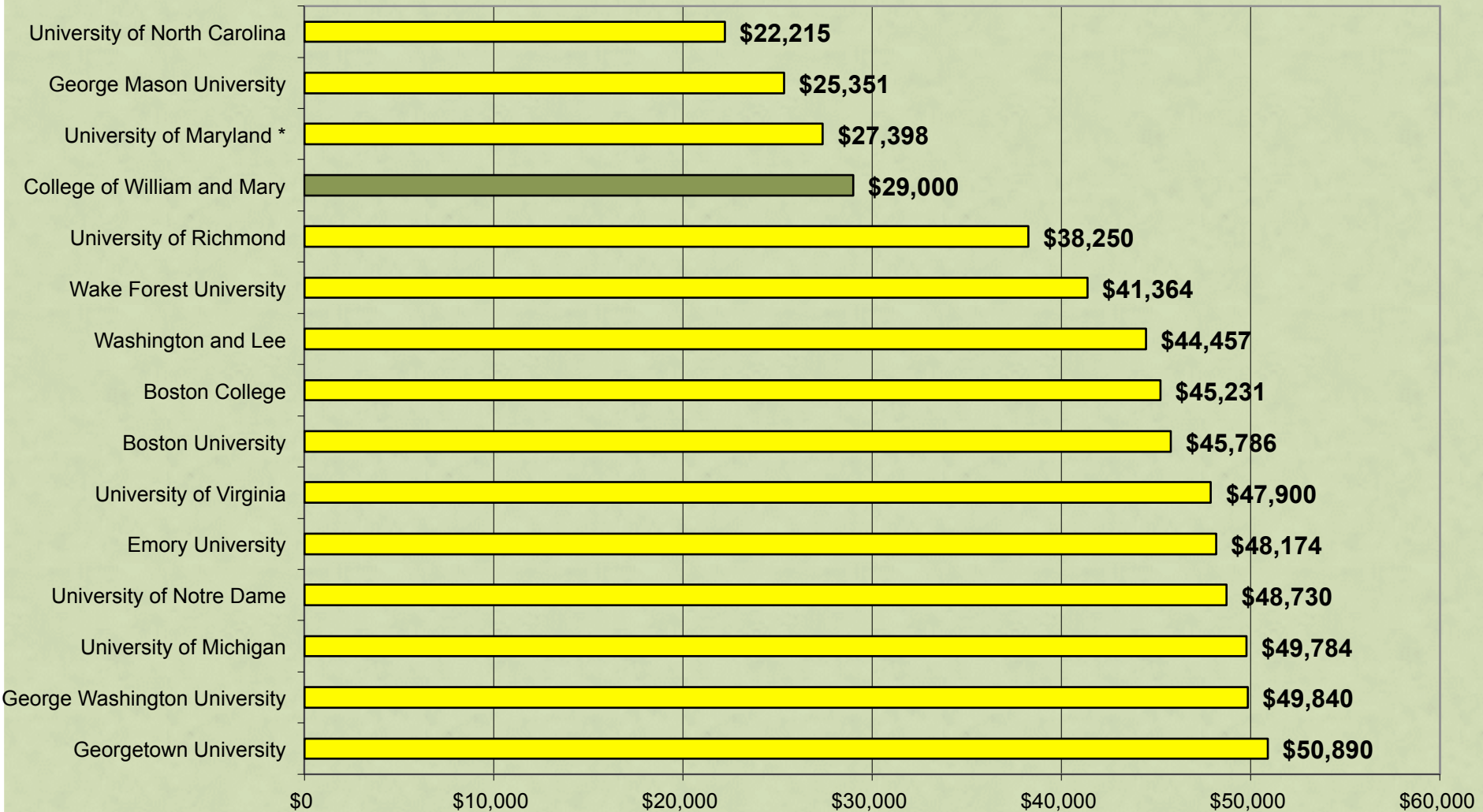
2013-2014 Annual In-State Full-Time Tuition and Fees for W&M Graduate Business School Comparison Group



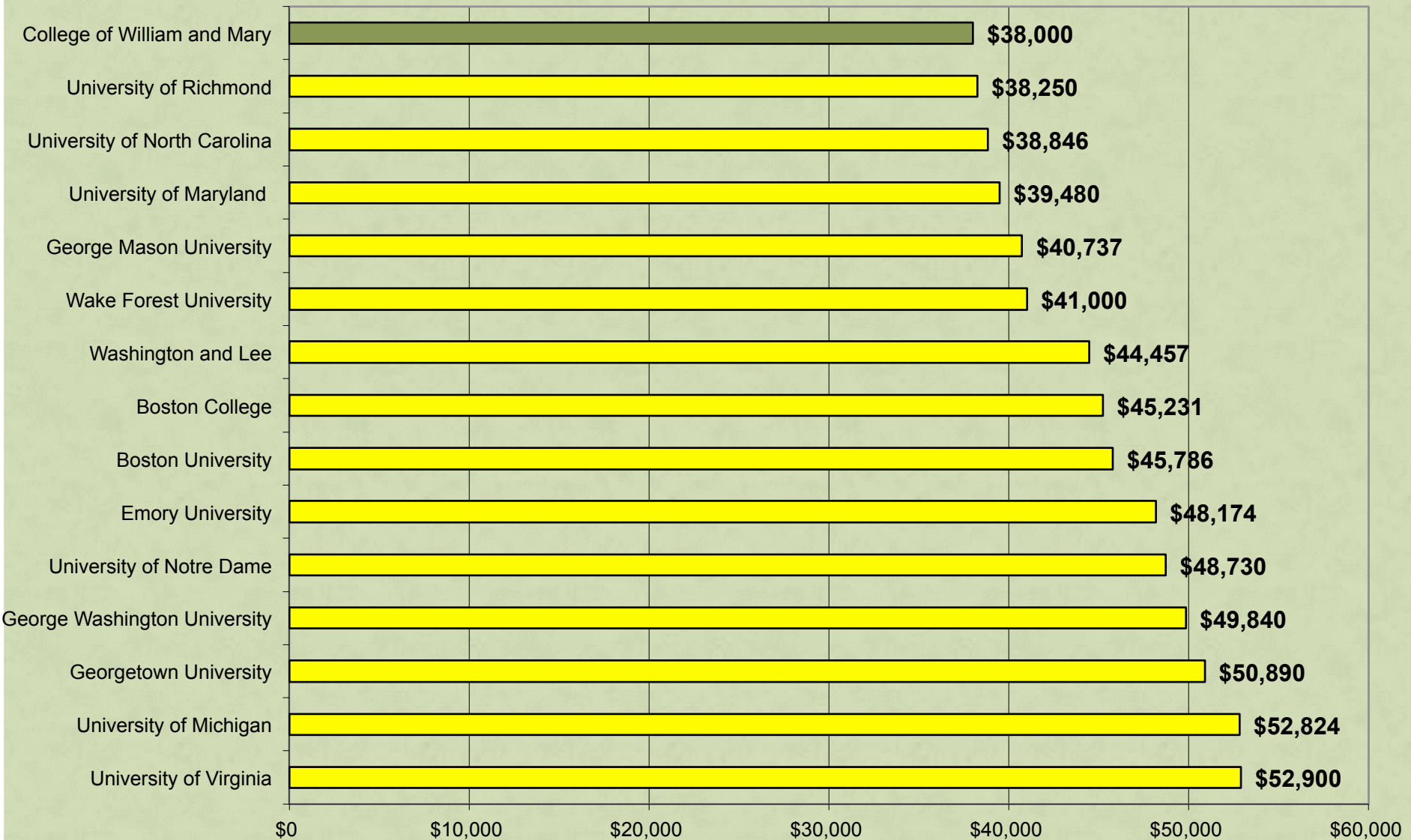
2013-2014 Annual Out-of-State Full-Time Tuition and Fees for W&M Graduate Business School Comparison Group



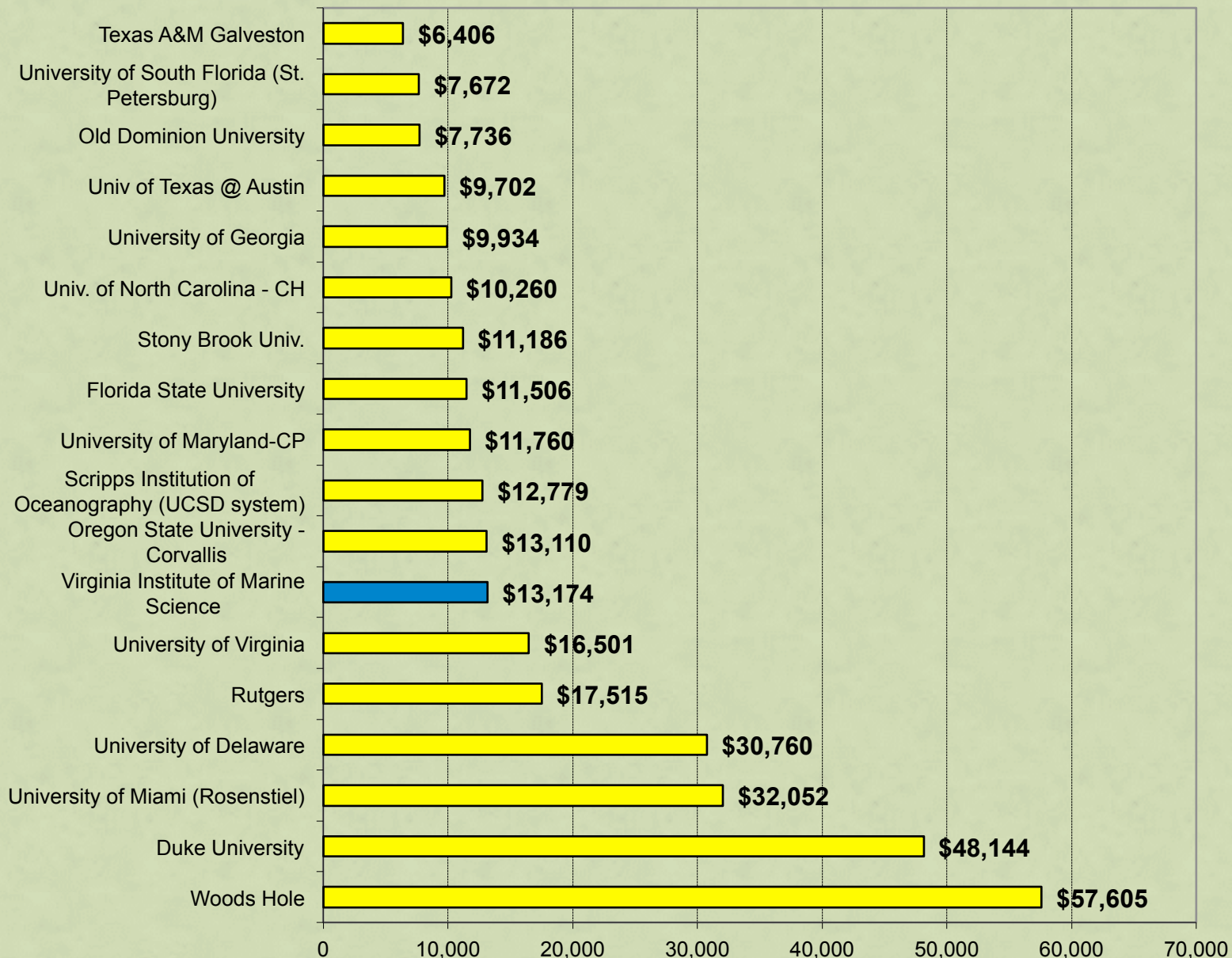
2013-14 Annual In-State Full-Time Tuition and Fees for Professional Students in W&M Law School Comparison Group



2013-14 Annual Out-of-State Full-Time Tuition and Fees for Professional Students in W&M Law School Comparison Group



2013-2014 Annual In-State Full-Time Graduate Tuition and Fees in the VIMS Peer Group



2013-2014 Annual Out-of-State Full-Time Graduate Tuition and Fees in the VIMS Peer Group

