

**BOARD OF VISITORS
COMMITTEE ON FINANCIAL AFFAIRS
SEPTEMBER 26, 2014**

THE COLLEGE OF WILLIAM AND MARY



Revised Economic Outlook for 2014-16

- Based on the FY 2014 shortfall, the Governor called for an official reforecast of revenues for the upcoming biennium
- The general fund revenue reforecast for FY 2014-16 is driven by two items:
 - The impact of the FY 2014 shortfall on the FY 2015 revenue base
 - The expectation that Virginia will continue to underperform the Nation
- Continued sluggish job and wage and salary growth
 - Particularly in Northern Virginia, which typically accounts for half of the state's job growth and pays amongst the highest salaries
- Revised employment outlook for Virginia in 2015 is 0.7%, half the expected growth rate assumed in the November 2013 forecast
 - The revised job outlook for Northern Virginia is 0.6%, a drop of 1%
 - The revised job outlook for Hampton Roads is 0.9%, versus 2.1% last November
 - The revised job outlook for Richmond is anticipated to be 1.4%, a drop of 0.5%

Revised FY 2014-16 Official Forecast

- Governor McAuliffe presented the revised revenue forecast to the Joint Money Committees on August 15th, based on the recommendations of JABE and GACRE
- The forecast is significantly lower than was anticipated in Chapter 2, and assumes the following:
 - Total general fund revenue growth of 2.7% in FY 2015 (reduced from 5.2% in Chapter 2)
 - Total general fund revenue growth of 2.7% in FY 2016 (reduced from 4.1% in Chapter 2)
- When the FY 2014 additional shortfall is factored in, the anticipated biennial deficit is expected to be \$881.5 million more than predicated in Chapter 2

Net Effect of Revenue Shortfall and Interim Reforecast for FY 2014-16 Biennial Budget

	FY 2015	FY 2016	Total
Chapter 2 Revenue Estimates	\$17,721.9	\$18,448.6	\$36,170.5
Interim Revenue Reforecast	16,862.4	17,313.3	34,175.7
Difference	(859.5)	(1,135.3)	(1,994.8)
FY 2014 Revenue Shortfall	(437.8)		(437.8)
Total Shortfall	(\$1,297.3)	(\$1,135.3)	(\$2,432.6)
Ch. 2 Appropriated Reserves	481.8	364.3	846.1
Anticipated Rainy Day Fund Withdrawal	470.0	235.0	705.0
Remaining Shortfall Addressed in HB 5010	(\$345.5)	(\$536.0)	(\$881.5)

How Does the Bill Close The Shortfall?

(GF \$ in millions)	FY 2015	FY 2016
Front Page Resource Adjustments (balances, reversions, transfers, etc. – language reflected in the Miscellaneous Reversion Clearing Account)	\$149.1	\$65.1
State Agency Reversion Account	92.4	100.0
Higher Education Reversion Account	45.0	45.0
Aid to Local Government Reversion Account	30.0	30.0
Miscellaneous Reversion Clearing Account	40.6	284.9
TOTAL	\$357.1	\$525.0

Note: Yearly savings amounts differ from shortfall amounts detailed on previous page. FY 2015 balances will be used to offset FY 2016 shortfall.

Components of HB 5010

- Amends the “front page” of Chapter 2 to reflect the revised revenue forecast, use of Rainy Day Fund, and transfer and balance adjustments
- Adds 4 new items to Central Appropriations for the new reversion accounts
- Item 471.10 contains state agency reductions of \$92.4 million in FY 2015 and \$100.0 million in FY 2016 – approximately 4% each year
 - This total is not agency-specific and the Governor is given latitude to achieve the necessary savings within the confines of the agency plans, subject to the provisions of Chapter 2
 - This language provides limitations on how much the Governor can reduce spending in any one agency or program to 15% or less and prohibits any reduction to retirement system contributions
 - Governor requested each agency to plan for a 5% reduction in FY 2015 and 7% reductions in FY 2016
 - Plans are due to the Governor on September 19

Components of HB 5010

- Item 471.20 contains higher education reductions of \$45.0 million each year
 - Reductions taken against the E & G programs only
 - Exempts research, financial aid, Cooperative Extension and VIMS
 - Not an across-the-board reduction against the GF
 - Target reflects each institution's in-state/out-of-state mix and revenue capacity
 - Consistent with the Governor's guidance, it is the intent of the General Assembly that institutions achieve savings through productivity and operating efficiencies and not through any mid-year revenue adjustments
- HB 5010 also repeals Paragraph K. of Item 468, which set aside \$20.0 million for higher education
 - These amounts were not allocated to any particular institution in Chapter 2 but were designed to be an additional reserve in the event revenues declined further

COLLEGE OF WILLIAM AND MARY

POTENTIAL STATE FUNDING REDUCTIONS

College Reduction Targets:

- FY 2015 (5%) \$2,043,206
 - ❖ Potential actions
 - Turnover/Vacancy Savings
 - Non-tuition revenue/Carryforwards
 - Business innovation savings
 - Defer equipment

- FY 2016 (7%) \$2,846,770
 - ❖ Potential actions
 - Reduce planned salary expenditures
 - Business innovation savings
 - Reduce non-personal services

COLLEGE OF WILLIAM AND MARY

POTENTIAL STATE FUNDING REDUCTIONS

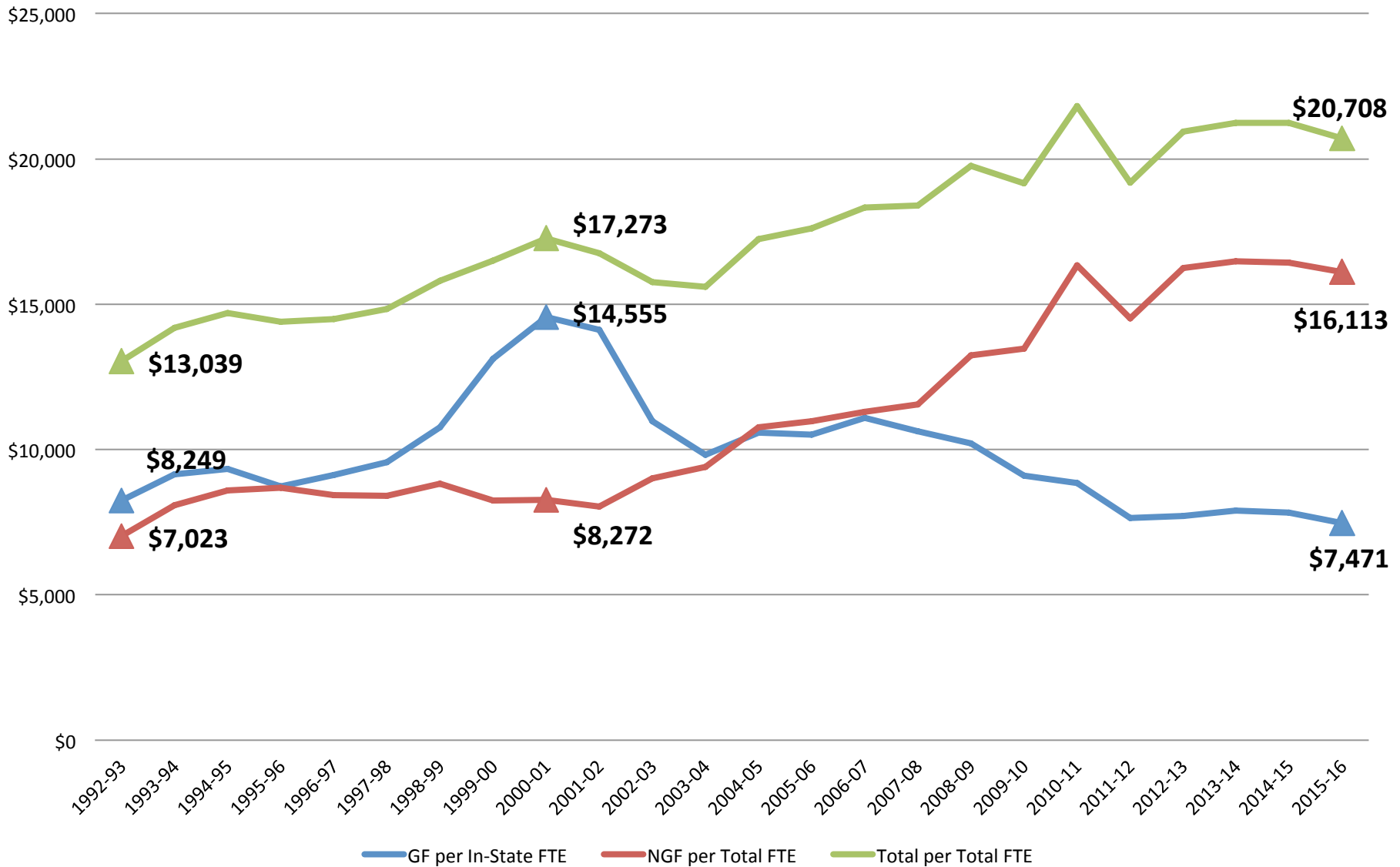
House Bill 5010 (passed General Assembly 9/18/2014)

- W&M FY 2015 and FY 2016 (5.7%) \$2,338,873
- Higher Education reductions range from 0.9% to 6.6%. Research and financial aid exempted. VIMS exempted (research).
- “It is the intent of the General Assembly that these savings are to be achieved through productivity and operating efficiencies and not through new rate increases on tuition, fees...imposed by the Boards of Visitors after September 1, 2014”.
- HB 5010 leaves unaddressed \$272 million in FY 2016. This amount can be offset by greater than estimated revenue or additional budget reductions. Governor will have to address this in his December, 2014 amendments.

FY 2015 BUDGET CHANGES IN RESPONSE TO STATE ACTIONS

	FY 2015 Approved Budget	FY 2015 June 30, 2015 Estimated Budget	FY 2015 September 25, 2015 Estimated Budget
<u>Revenue</u>			
State Funds			
Program Support	800,000	440,000	440,000
Bonus/Fringe Benefits	1,350,000	970,000	970,000
Funding Reduction (HB 5010)	-0-	-0-	(2,338,873)
Undergraduate Tuition			
In-State	4,464,000	4,464,000	4,464,000
Out-of-State	3,366,900	3,366,900	3,366,900
Graduate/Professional	1,613,000	1,613,000	1,613,000
Carry-forward Balances	-0-	-0-	590,000
	\$ 11,593,900	\$ 10,853,900	\$ 9,105,027
<u>Expenditure/Reallocation</u>			
Faulty/Staff Salaries	5,570,000	5,245,000	5,245,000
Fringe Benefits	2,870,000	2,870,000	2,870,000
Financial Aid	2,250,000	2,250,000	2,250,000
Graduate Aid	250,000	250,000	250,000
Enrollment	800,000	800,000	800,000
Base Operations	440,500	440,500	440,500
Strategic Plan	813,400	813,400	813,400
Reallocation	(1,400,000)	(1,815,000)	(2,215,000)
Turnover/Vacancy Savings			(800,000)
Reduce/Defer Non-Personnel Expenditures			(548,873)
	\$ 11,593,900	\$ 10,853,900	\$ 9,105,027

Per FTE Funding at College of William and Mary (in 2015-16 Constant Dollars)



College of William and Mary

INPUT TO THE SIX YEAR PLAN



**STATE REVIEW COMMITTEE
COMMENTS ON SIX-YEAR PLAN UPDATE**

General (all institutions)

- Detail how State revenue shortfall/budget cuts may impact the Six-Year Plan
- Does your institution plan on providing salary increases in FY 2015 and/or FY 2016

Specific to the College

- Status of William and Mary/EVMS collaboration
- Impact of current economic conditions on the William & Mary Promise funding model

THE UPDATED SIX-YEAR PLAN

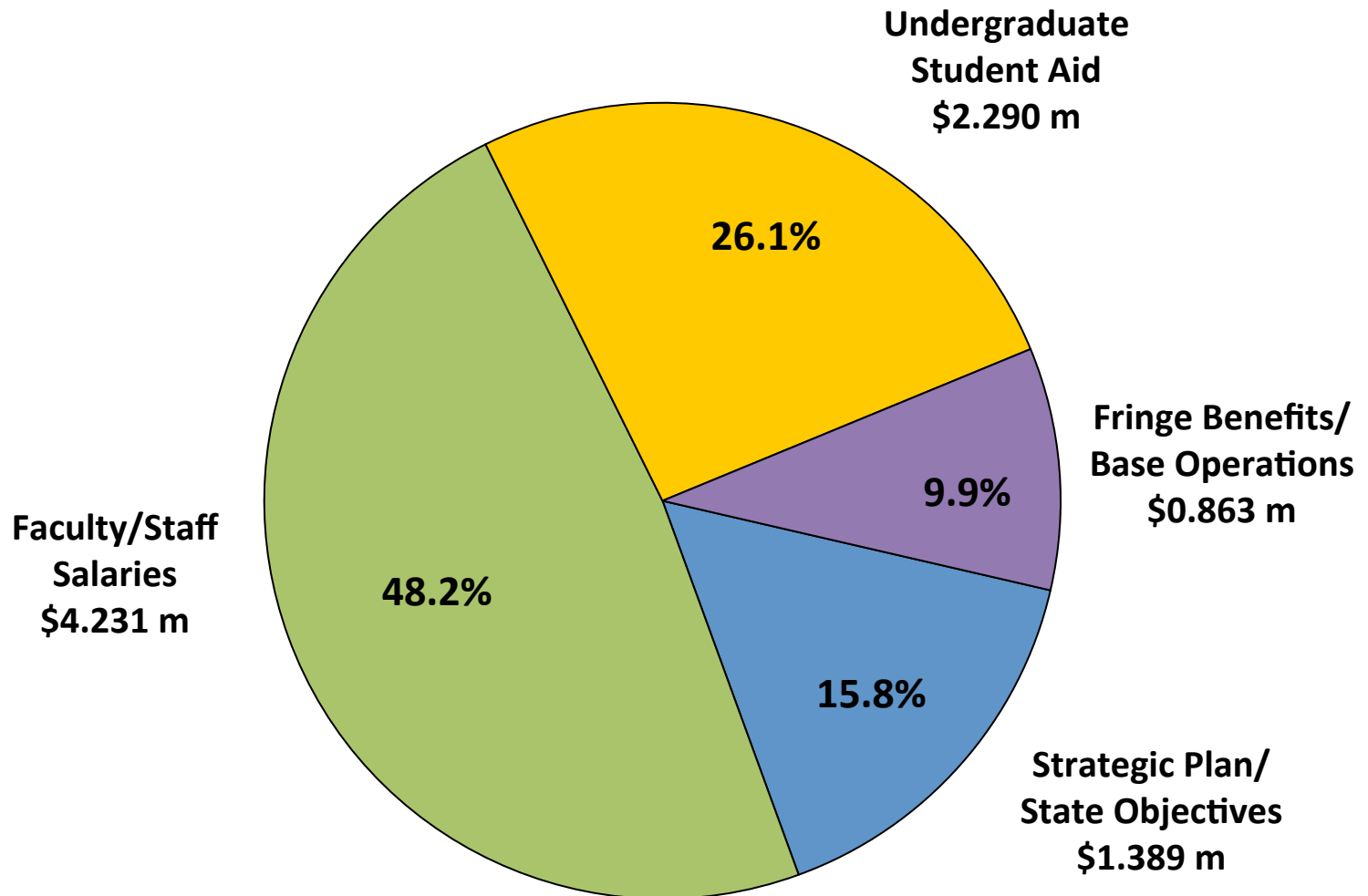
- Maintains priorities established in original plan
- Updates FY 2015 for budget/tuition and fee actions approved by the Board of Visitors and subsequent State funding actions
- Updates FY 2016 for:
 - FY 2015 budget actions that carryover into FY 2016
 - Maintains a pool of funds supporting competitive faculty and staff salaries

College of William and Mary

Uses of Incremental Revenue

FY 2015-16

\$8,772,900



College of William and Mary
SIX YEAR PLAN UPDATE
Incremental Expense by Priority

<u>PRIORITY</u>		<u>FY 2016</u>
1	Faculty and Staff Salaries	\$ 4,230,900
2	Fringe Benefits (rate increase)	\$ 778,000
3	Undergraduate Financial Aid	\$ 2,290,000
4	Enrollment	\$ 425,000
5	Graduate Financial Aid	\$ 500,000
6	eLearning Platform	\$ 208,000
7	International Programs	\$ 256,000
8	Base Operating Funds	\$ 85,000
9	Reallocation from Business Innovation	\$ (660,100)
		<u>\$ 8,112,800</u>

Virginia Institute of Marine Science
SIX YEAR PLAN UPDATE
Incremental Expense by Priority

PRIORITY		FY 2016
1	Support Graduate Financial Aid	\$ 496,987
2	Increase Faculty Salaries	\$ 208,697
3	Increase Staff Salaries	\$ 134,483
4	Improve Longevity of Highly-Sophisticated Research Instrumentation	\$ 350,000
5	Support Chesapeake Bay Fish and Shellfish Surveys	\$ 544,465
6	Enhance Chesapeake Bay Water Quality Modeling and Monitoring	\$ 964,965
7	Develop and Support New Management and Policy Approaches at State and Local Government Levels	\$ 380,000
8	Implement a Post-Graduate Fellowship Program	\$ 78,904
9	O & M for New Facilities	\$ 415,000
10	Enhance HPC Technology	\$ 432,880
11	Expand Institutional Collaborations	No dollar impact
12	Continue to Operate as a Year Round Facility	No dollar impact
		<u>\$ 4,006,381</u>