



WILLIAM & MARY

CHARTERED 1693

COMMITTEE ON FINANCIAL AFFAIRS

Board of Visitors

November 18, 2016

WILLIAM & MARY
STATE BUDGET OVERVIEW

Estimated Revenue Shortfall

FY 2016	\$ 279.3 million
FY 2017	582.1million
FY 2018	<u>654.3 million</u>
	\$1,515.7 million

WILLIAM & MARY
FY17 STATE BUDGET ACTIONS

<u>FY17 Actions to Date</u>	<u>\$ in millions</u>
Eliminate state support for 3% raise (all agencies & institutions)	(\$125.10)
Rainy Day Fund	(392.30)
Unexpended FY16 Balances	(43.30)
Requested 5% reduction strategies from state agencies (excl. higher ed)	(73.00)
Prior year carryforward commitments from state agencies	(23.30)
NGF share of VRS rate change in higher education	(24.80)
Reduce carryover balance between FY17 and FY18	(70.00)
Other technical adjustments, including SPCC rebate and tuition interest earnings	(123.20)
Total Anticipated Savings for FY17	(\$875.00)

INCREMENTAL FUNDING FROM THE COMMONWEALTH FOR OPERATIONS IS UNCERTAIN

State Funding: Incremental Operating Support

FY 2016	\$495,720
FY 2017	\$1,194,758
FY 2018	\$547,950
	<hr/>
	\$2,238,428

State Funding Reductions

(\$2,068,667)	
(\$1,020,000)	one-time
(\$3,275,828)	
<u>(\$680,000)</u>	one-time
(\$5,344,495)	
(\$1,700,000)	one-time

- ☐ Operating support includes funding for general operations, enrollment, cost of new facilities coming on-line and university determined initiatives (engineering and design, etc).
- ☐ Operating support excludes direct State funding for program initiatives (Puller Clinic @ \$245,000)
- ☐ Excludes student financial aid.

WILLIAM & MARY RESPONSE TO FY 2017 REDUCTION IN STATE SUPPORT

- Cash transfer to State
- Reduce pace of spending
- Provide 3% merit-based salary increase for faculty/staff
- Shift salary increase start date to December 10, 2016

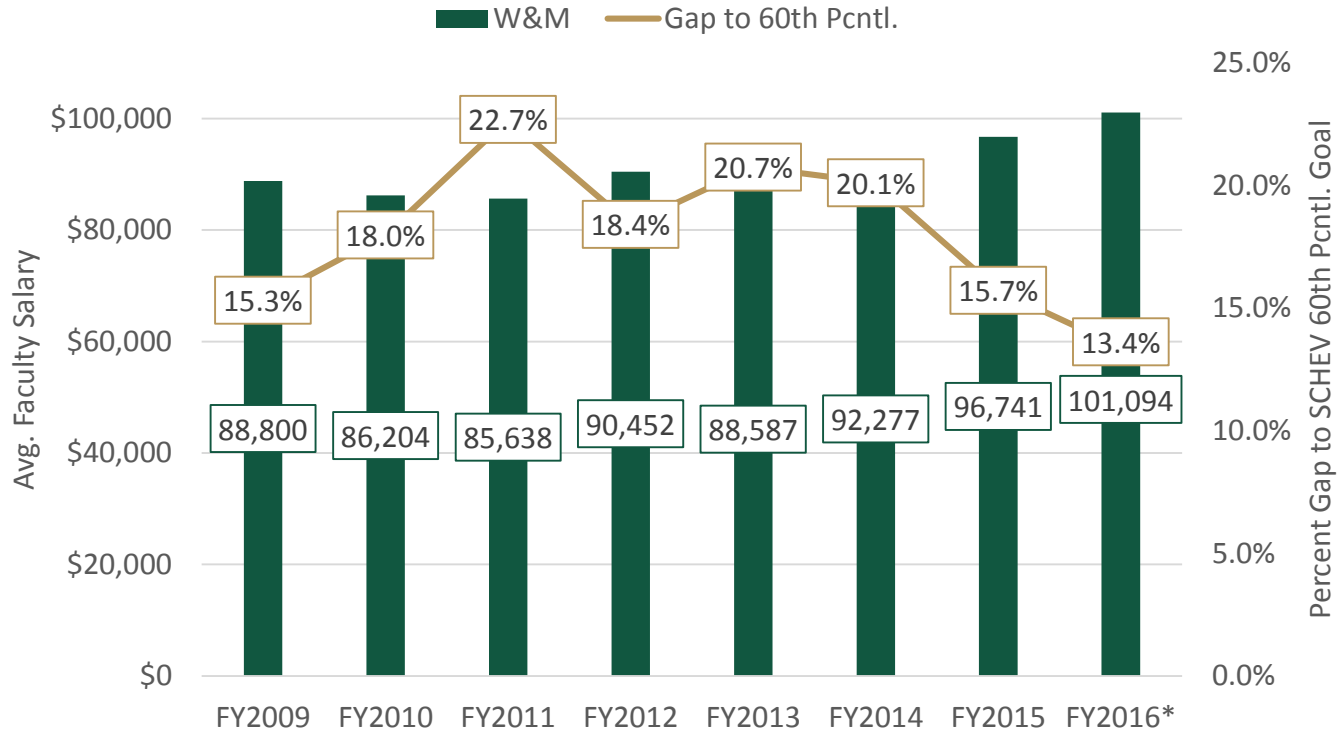


STATE SUPPORT FOR BASE SALARIES IS INCONSISTENT

	<u>STATE</u>		<u>BOARD OF VISITORS</u>	
	<u>Faculty</u>	<u>Staff</u>	<u>Faculty</u>	<u>Staff</u>
FY 2012	0.00	0.00	1.5% - 3.0%	1.5% -3.0%
FY 2013*	0.00	0.00	2.0%	1.0%
FY 2014	3%	2% + years of service	6.0%	4.0%
FY 2015	0.00	0.00	5.5%	3.0%
FY 2016	2.0%	2% + years of service	4.5%	2.0%
FY 2017	0.00	0.00	3.0%	3.0%

*State authorized 3.0% bonus

W&M Avg. Faculty Salaries and Gap to the SCHEV 60th Percentile Goal, FY09-FY16* (est.)



FY 2018 BUDGET CHALLENGES / OPPORTUNITIES



GOVERNOR'S GUIDANCE ON USE OF TUITION TO OFFSET FY 2018 STATE FUNDING REDUCTION

“Tuition and fee increases beyond what were already being proposed in an institution’s six-year plan should not be considered as a mechanism to offset these reductions.”

Paul Reagan
Governor’s Chief of Staff

WILLIAM & MARY

PROPOSED TUITION INCREASE FOR INCOMING IN-STATE UNDERGRADUATE STUDENTS

- Maintain tuition guarantee
- 7.5% increase proposed in *draft* Six-Year Plan (July, 2016)
- 4.4% increase included in *final* Six-Year Plan (September, 2016)
- 4.4% increase recommended to the Board of Visitors (November, 2016)

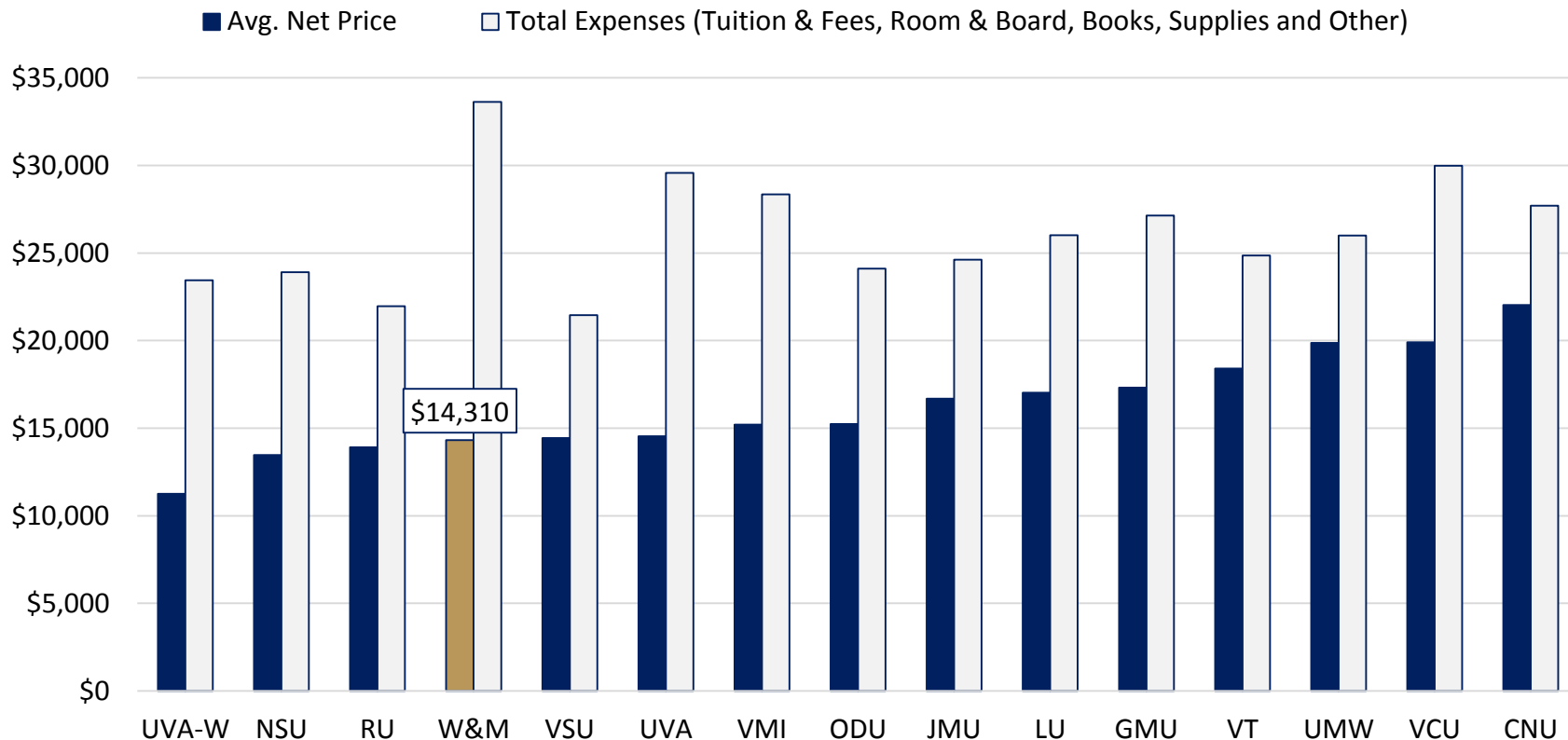
The William & Mary Promise

In-State Undergraduate Tuition (Year-to-Year)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>% Change</u>
Rising Seniors	\$12,428	\$12,428	0.0%
Rising Juniors	\$13,978	\$13,978	0.0%
Rising Sophomores	\$15,674	\$15,674	0.0%
Incoming Students		\$16,370	N/A

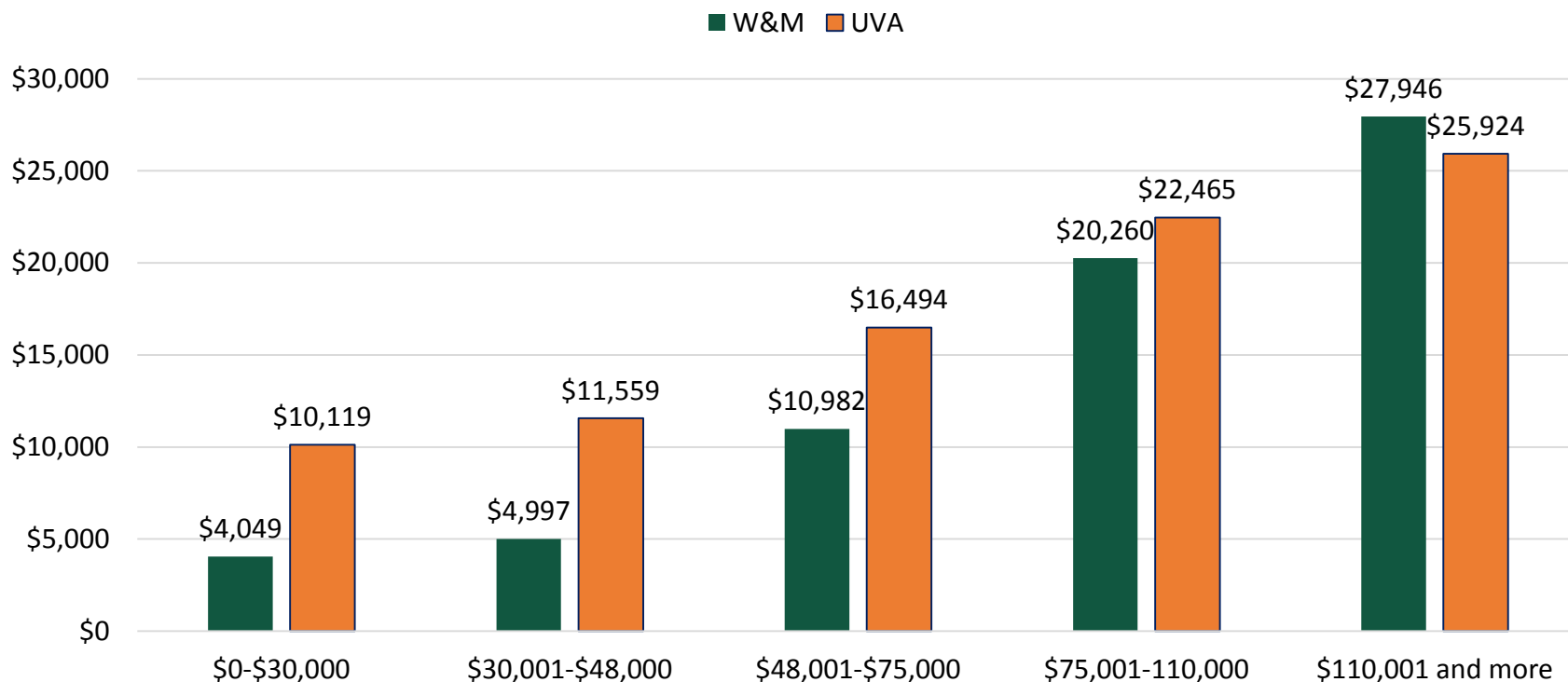


Average Net Price for Those Receiving Financial Aid, 2014-15



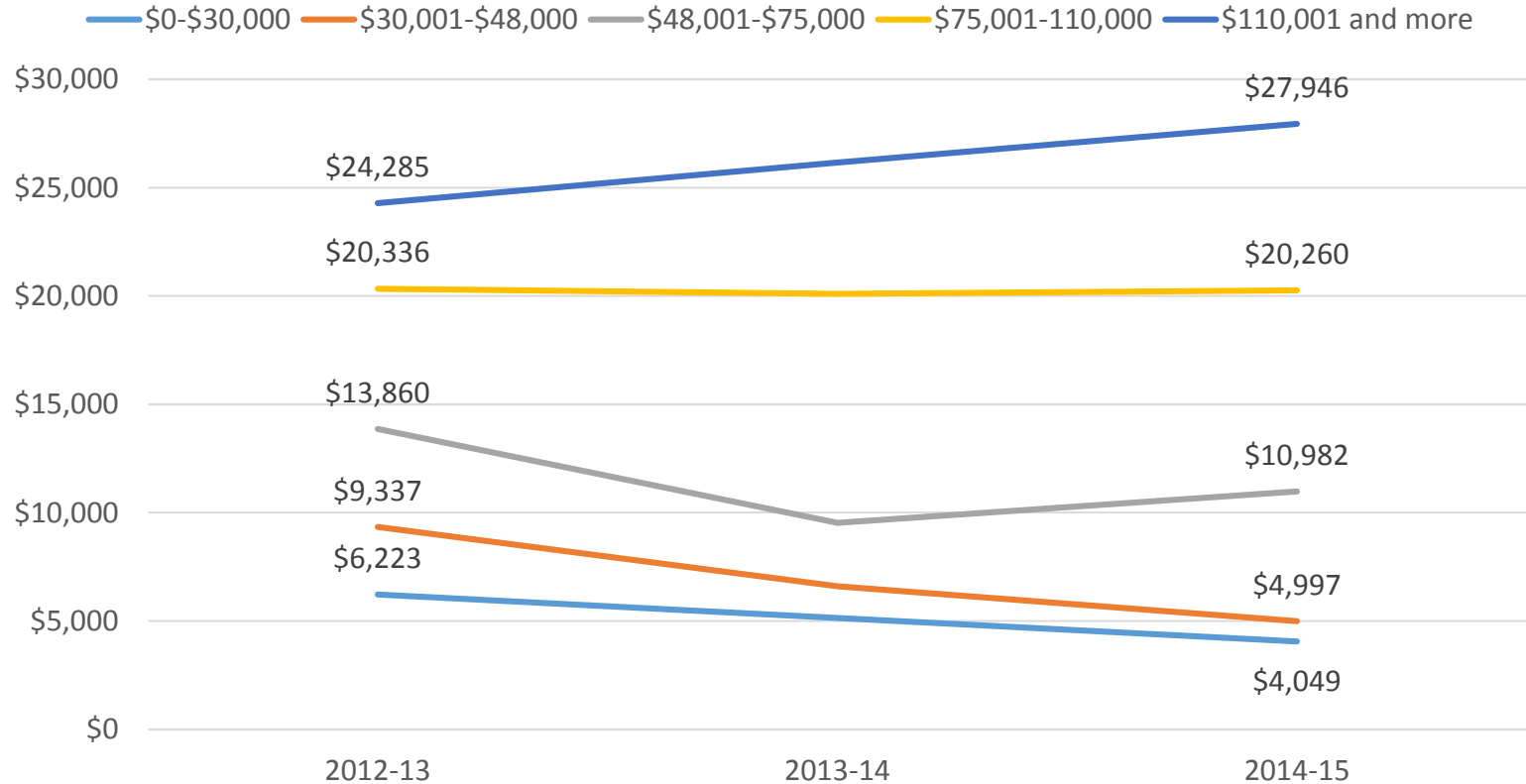
Source: [U.S. Dept. of Education, National Center for Educational Statistics, College Navigator](#)

Average Net Price for Financial Aid Recipients by Income Range, 2014-15

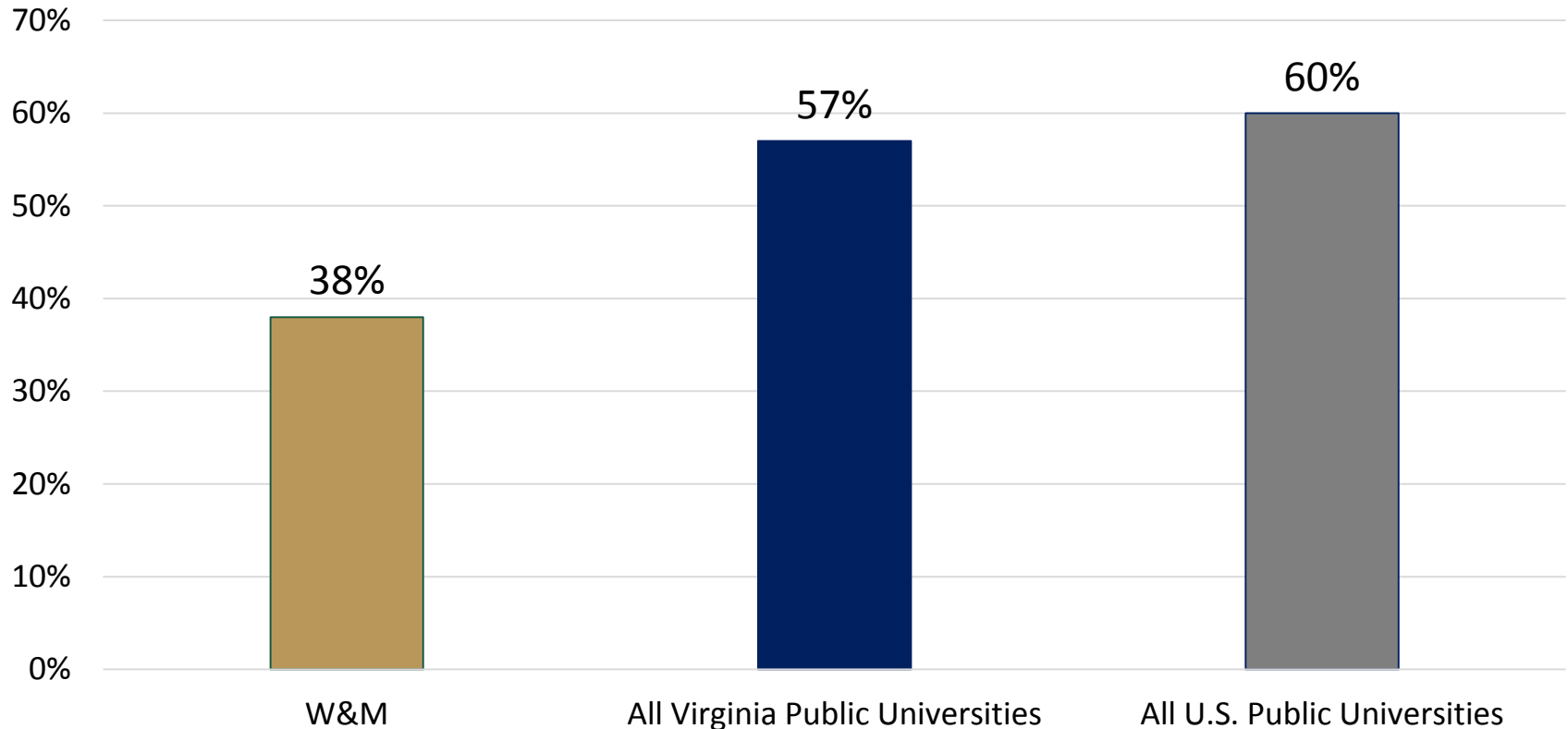


Source: [U.S. Dept. of Education, National Center for Educational Statistics, College Navigator](#)

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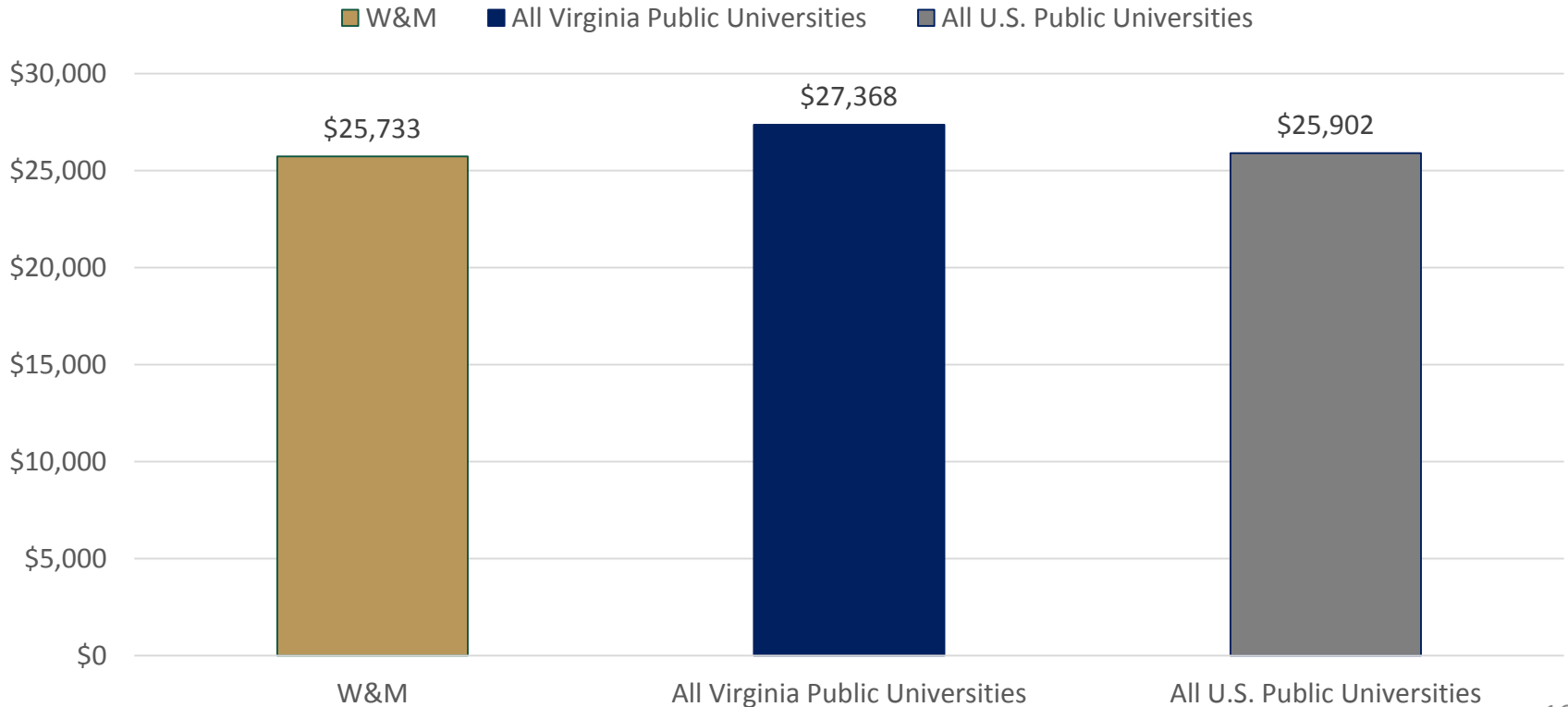


Percent of Graduates with Student Debt, 2013-14

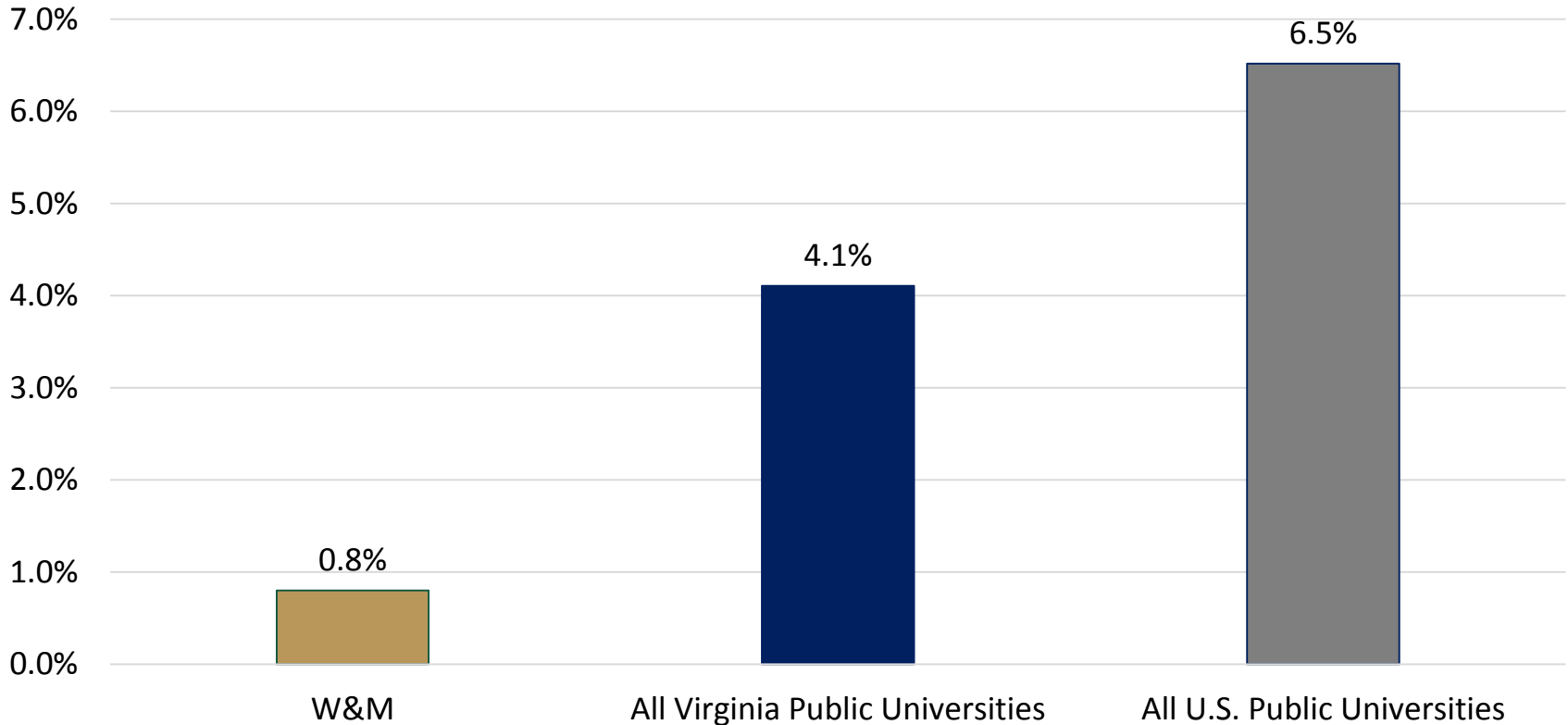


Source: [Institute for College Access & Success, College Insight](#)

Average Debt of Graduates with Student Loans, 2013-14



Student Loan Default Rates, 2013 Cohort



Sources: [U.S. DOE, NCES, College Navigator](#); [U.S. DOE, Office of Federal Student Aid](#)

DRAFT FY 2016 FINANCIAL STATEMENTS



WILLIAM & MARY FY 2016 UNAUDITED 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

TOTAL NET POSITION INCREASED 8.8% OVER PRIOR YEAR

STATEMENT OF NET POSITION (\$ in millions)

	FY 2016	FY 2015	% Change from Prior Year
Total Assets	\$1,050.6	\$1,005.4	4.50%
Deferred Outflows	22.7	16.9	34.35%
Liabilities	451.5	440.4	2.53%
Deferred Inflows	9,184.5	18,827.3	(51.22%)
Total Net Position	\$612.7	\$563.1	8.80%

- Total assets increased by \$45.2 million primarily as a result of construction in progress for capital projects.
- The increase in deferred outflows, liabilities, and deferred inflows were due primarily to pension obligations.
- The combined impact resulted in a increase in total net position of \$49.9 million or 8.8% over the prior year.

REVENUE GROWTH CONTINUES TO BE STRONG

SUMMARY OF REVENUES (\$ in millions)

	FY 2016	FY 2015	% Change from Prior Year
Operating Revenues	\$317.1	\$307.3	3.21%
Non-Operating Revenues (incl. state appropriations, investment income, etc.)	103.5	97.0	6.75%
Other Revenues (incl. income for capital projects)	68.5	51.0	34.32%
Total Revenues	\$489.2	\$455.3	7.45%

- Growth in operating revenues was driven largely by increased tuition and fee revenue of \$8.2 million and increased revenue from auxiliary enterprises of \$2.0 million. The increases were offset by a slight decline (\$0.3 million) in grant and contract revenue.
- Growth in non-operating revenues reflected a \$2.8 million increase in state appropriations and \$3.8 million increase in gifts and investment income.
- Other revenues increased by \$17.5 million due to increased capital appropriations and other capital funding.

GROWTH IN EXPENDITURES REFLECTS STRATEGIC PRIORITIES

SUMMARY OF EXPENSES (\$ in millions)

	FY 2016	FY2015	% Change from Prior Year
Instruction	\$121.6	\$112.5	8.12%
Research	\$55.1	\$53.9	2.32%
Public Service	\$0.03	\$0.08	(59.33%)
Academic Support	\$36.2	\$32.6	10.78%
Student Services	\$14.3	\$14.1	1.48%
Institutional Support	\$42.4	\$37.0	14.66%
O&M of Plant	\$25.4	\$23.8	6.69%
Student Aid	\$34.2	\$33.3	2.58%
Auxiliary Enterprises	\$79.9	\$78.3	2.03%
Depreciation	\$30.0	\$29.4	2.24%
Other	\$0.5	\$1.03	(54.45%)
Total Oper. Expenses	\$439.6	\$416.0	5.69%

CASH POSITION HAS IMPROVED

STATEMENT OF CASH FLOWS (\$ in millions)

Cash Flows from:	FY 2016	FY 2015	% Change from Prior Year
Operating Activities	(\$91.0)	\$ (76.0)	(19.82%)
Non-capital Financing	\$112.5	\$104.4	7.76%
Capital Financing	(\$22.0)	(\$32.2)	31.64%
Investing Activities	\$5.8	(\$3.4)	(267.94%)
Net Increase in Cash	\$5.2	(\$7.3)	171.61%

NEXT STEPS

- Auditor of Public Accounts expected to begin audit in early 2017.
- Anticipate bringing audited financial statements to Board in April 2017.