

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budget Amendments to Higher Education

SB 29 and SB 30, as Introduced

January 14, 2010

April Kees

Overview of Higher Education – SB 29

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- Governor's proposed amendments for FY 2010 result in a net **decrease of \$49.3 million GF** over the appropriation for Chapter 781.
- The proposed budget reflects **reductions of \$46.7 million GF** to public institutions of **higher education and directly affiliated agencies**.
 - These amounts will be partially offset by \$75.0 million of proposed stimulus funding.
- Additional **reductions of \$2.7 million GF** are recommended for **other higher education agencies and centers**.

Summary of Proposed Amendments – SB 29

Major GF Actions for the 2008-10 Biennium - (\$ in millions)	
<i>COLLEGES/UNIVERSITIES/DIRECTLY AFFILIATED AGENCIES</i>	FY 2010
Across-the-Board Reductions	(\$46.7)
<i>OTHER HIGHER EDUCATION CENTERS AND AGENCIES</i>	
Across-the-Board Reductions	<u>(2.7)</u>
REDUCTIONS TOTAL	(\$49.4)
Increase Interest Earnings and Credit Card Rebate	<u>0.1</u>
SPENDING TOTAL	\$0.1
NET REDUCTIONS	(\$49.3)
Proposed Federal Education Stimulus Allocation	\$75.0

Higher Education and Stimulus Funding in FY 2010

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- Originally, \$126.7 million was proposed for the higher education stimulus allocation in FY 2010.
 - This funding would have restored a large percentage of the reductions that were taken in this year.
- The Governor proposed larger reductions to higher education in September 2009 (equal to those of FY 2012).
 - However, these reductions were modified and reduced in the introduced budget after the withdrawal of a waiver to the federal stimulus funding maintenance of effort requirements.
 - The stimulus allocation was also reduced to the \$75 million amount.

Overview of Higher Education – SB 30

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- Governor's proposed amendments for the 2010-2012 biennium result in a net **decrease of \$301.0 million GF** or a **8.8% decrease** over the appropriation for Chapter 781.
 - This results in a **biennial general fund budget of \$3.1 billion** compared to \$3.4 billion in Chapter 781.
- The proposed budget continues **reductions of \$46.7 million GF** to public institutions of **higher education and directly affiliated agencies in FY 2011** and proposes **reductions of \$196.8 million GF in FY 2012**.
 - Federal stimulus funding of \$198.3 million is proposed for FY 2011. No stimulus funding would then be available for FY 2012.

Overview of Higher Education – SB 30 (continued)

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- The lack of stimulus funding available for FY 2012 leaves reductions of 13 to 15 percent in that year.
- This reduction is in addition to several rounds of GF reductions since FY 2008, leaving higher education with cumulative reductions of over 25 percent during this five-year period.
- The reductions to higher education brings the biennial appropriation level close to the 2004-2006 biennium (\$3.0 billion GF).

Summary of Proposed Amendments – SB 30

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Major GF Actions for the 2010-12 Biennium - (\$ in millions)	
<i>COLLEGES/UNIVERSITIES/DIRECTLY AFFILIATED AGENCIES</i>	FY 11-12
Across-the-Board Reductions	(\$243.5)
Technical Base Adjustments/Other Reductions	(43.2)
<i>OTHER HIGHER EDUCATION CENTERS AND AGENCIES</i>	
Across-the-Board Reductions	(5.5)
Technical Base Adjustments/Other Reductions	<u>(10.3)</u>
REDUCTIONS TOTAL	(\$302.4*)
Increase Interest Earnings/Credit Card Rebate/Program Enhancements	<u>1.4</u>
SPENDING TOTAL	\$1.4
NET REDUCTIONS	(\$301.0)
Proposed Federal Education Stimulus Allocation	\$198.3

* Rounding of individual areas would result in a different total.

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Other Funding in Higher Education

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- **Virginia State University:**
 - Adds \$300,000 GF per year of the biennium for the manufacturing engineering and logistics technology programs.
- **Longwood University:**
 - \$185,673 GF in FY 2011 and \$289,991 GF in FY 2012 for additional support to the Bachelor of Science in nursing program.

Other Funding in Higher Education (continued)

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- **Higher Education Research Initiative:**

- \$3.0 million GF in FY 2011 for the Jefferson Lab (this is a reduction compared to FY 2010 but is the amount needed to leverage federal support).
- \$510,000 GF in each year of the biennium for the proton cancer center at Hampton University (this is a reduction of 15 percent in each year compared to FY 2010).

- **Higher Education Equipment Trust Fund:**

- \$50 million in each year to support the purchase of additional equipment to enhance instructional and research activity.
- The program is supported through the issuance of debt which will be subject to the development of a debt plan by the Secretary of Finance prior to the 2011 Session.

Proposals Related to EVMS

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- Two proposals in the introduced budget are directly related to the Eastern Virginia Medical School (EVMS).
 - Transfer of \$568,910 GF in FY 2011 and FY 2012 from the Tuition Assistance Grant (TAG) program to EVMS for graduate financial aid. Students at EVMS will have access to these funds as student financial aid and will therefore no longer be eligible for the TAG program.
 - Language is proposed under SCHEV to treat EVMS like the other two medical schools for funding calculations.

Other Actions Impacting Higher Education

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- ***Transfer from Higher Education Auxiliary Enterprises.*** Proposes a transfer of \$18.8 million NGF to the general fund from auxiliary enterprises at higher education institutions by taking five percent of auxiliary balances in FY 2011.
- ***Higher Education Auxiliary Enterprises Interest Earnings.*** Proposes to withhold interest earnings on auxiliary enterprise balances of \$5.4 million NGF in FY 2010 and \$7.2 million NGF in each year of the 2010-2012 biennium.
- Additional transfers will also occur if they remain in the budget (i.e. furlough day, various premium holidays, etc.).
- ***State Employee Optional Retirement Plan Contributions.*** Proposes to save \$3.4 million GF the first year and \$7.0 million GF the second year by instituting an employee contribution for the optional retirement plans.
 - At present, the state contribution to these programs is statutorily set at 10.4 percent of salary. There is no mandatory employee contribution.
 - As proposed faculty and other affected employees will begin to pay the first 1 percent of this contribution on July 1, 2010, and 2.0 percent on July 1, 2011.
 - In addition, \$3.9 million NGF the first year and \$8.0 million NGF the first year saved from eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$22.3 million.