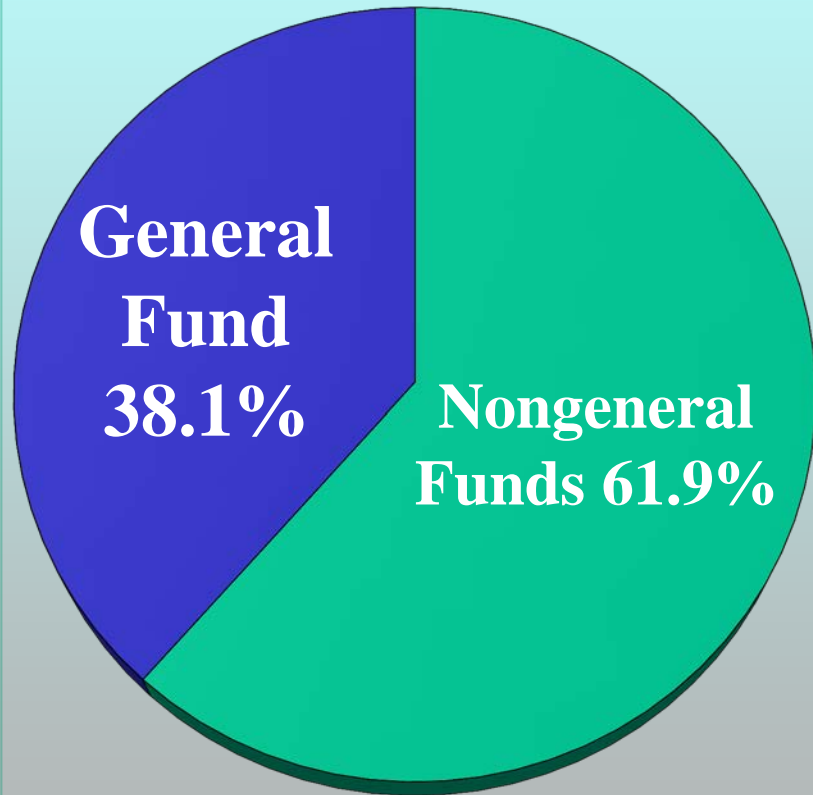


Boards' Fiduciary Obligations: Building Budgets while Balancing Priorities, Needs and Realities

SCHEV Orientation for New Board of Visitors' Members
October 25, 2017
Michael Maul, Associate Director
Virginia Department of Planning and Budget (DPB)

2016-2018 Budget: Nongeneral fund vs. General fund



The General Fund (38.1%)

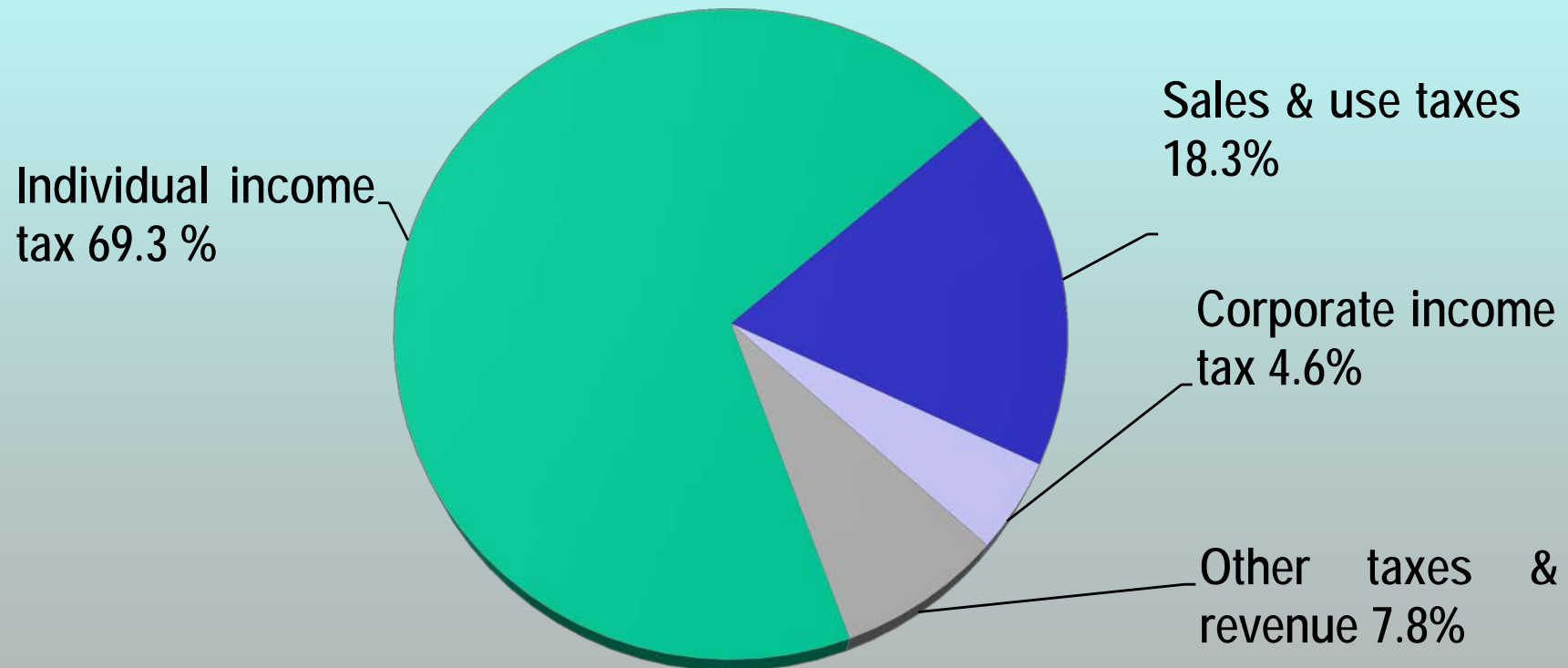
- From income and sales taxes paid by citizens and businesses
- Can be used for a variety of government programs
- Governor and General Assembly have the most discretion

Nongeneral Funds (61.9%)

- Receipts set aside for specific purposes:
 - motor vehicle and gas taxes for transportation programs
 - student tuition and fees for higher education
 - federal grants for specific activities

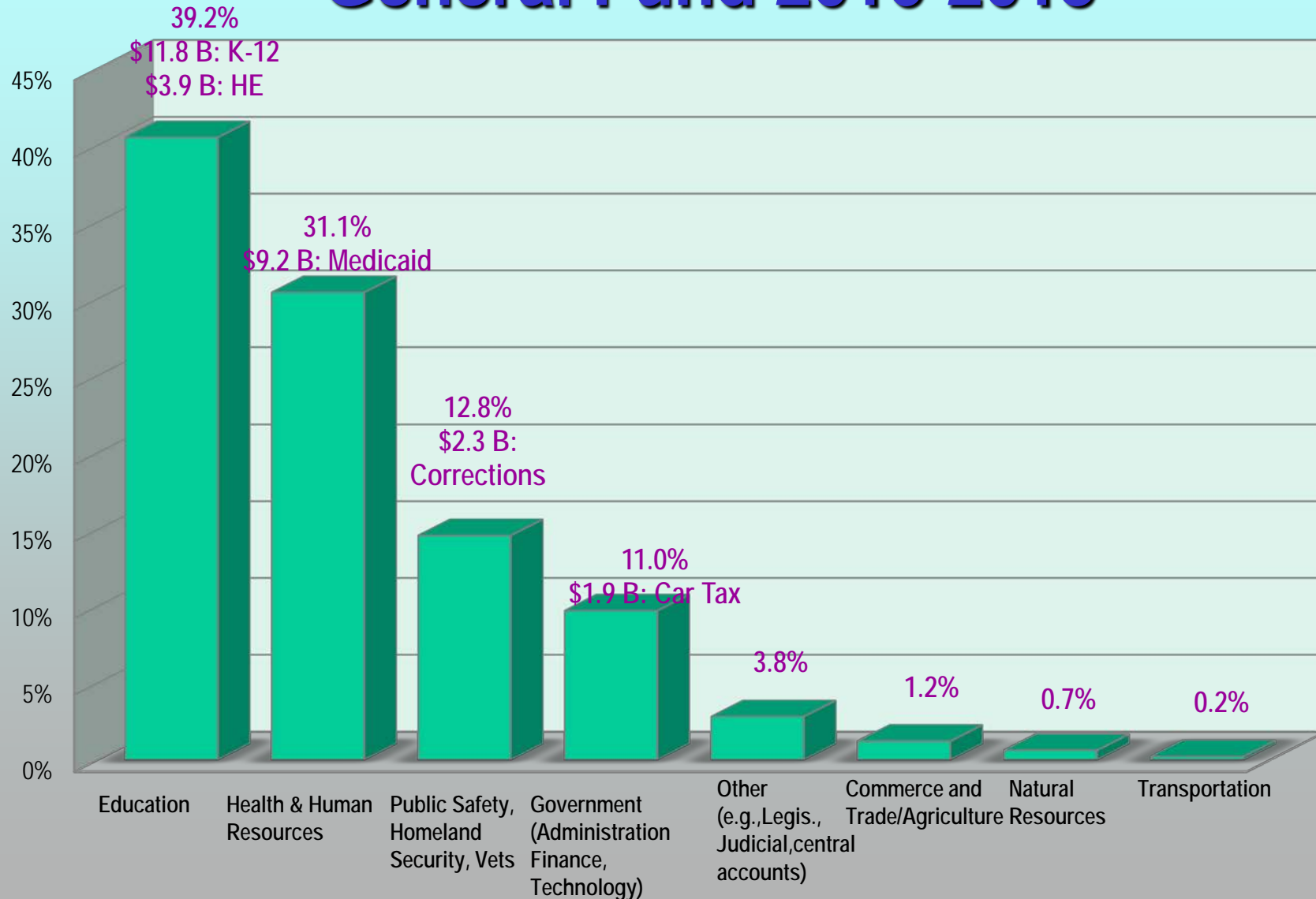
General Fund revenues for 2016-2018

Economic trends are important because employment, wage gains, and consumer spending account for 92.1 percent of all general fund revenues: 2016-2018 general fund revenues = \$37.8 billion

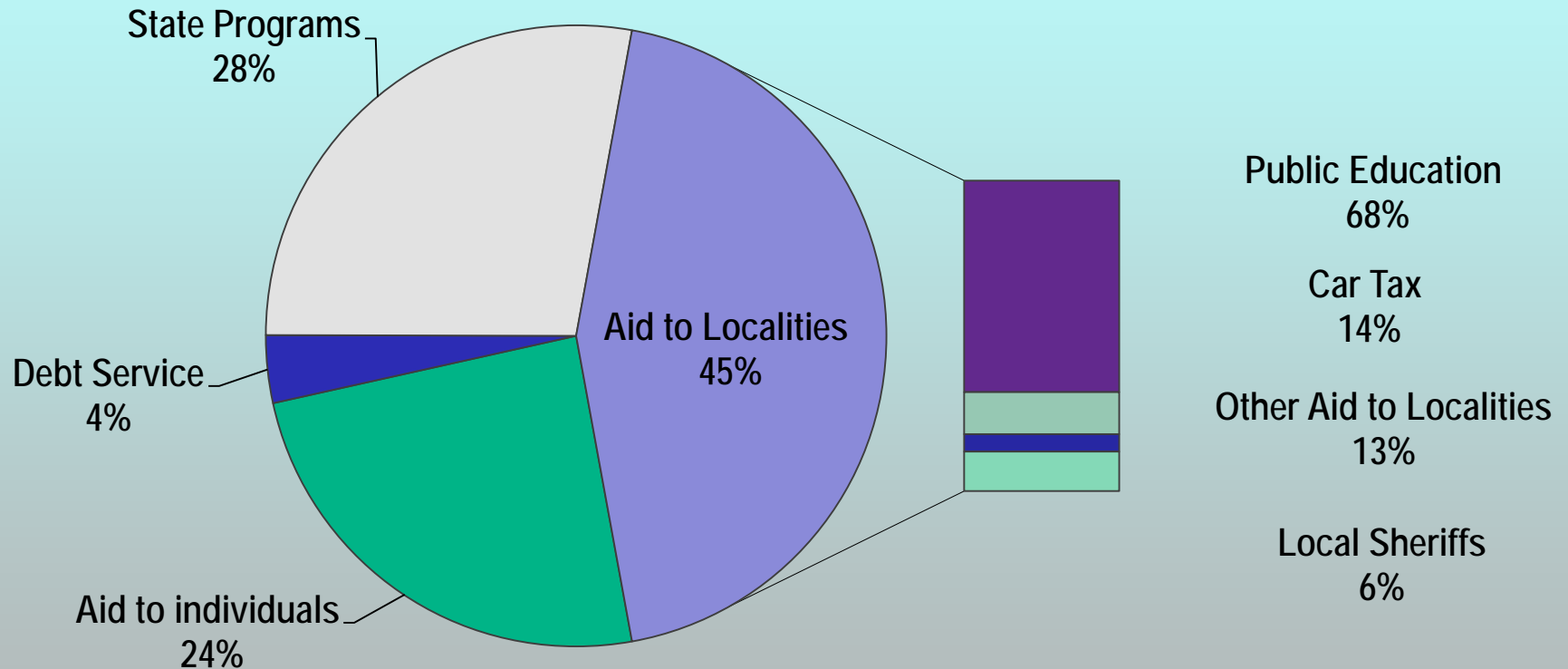


Data from Chapter 836, 2017 Appropriation Act, does not include transfers or balances.

Where the state operating money goes- General Fund 2016-2018



Over two-thirds of the General Fund goes to localities and individuals



DPB's role:

***BUDGET IS A ZERO-SUM GAME:
COMPETING DEMANDS MUST BE
BALANCED***

- ✓ Increases/decreases in available revenues
- ✓ Efficiency, effectiveness and economy
- ✓ Continuing need for programs and agencies
- ✓ Reconcile agency requests with Governor's priorities
- ✓ Performance

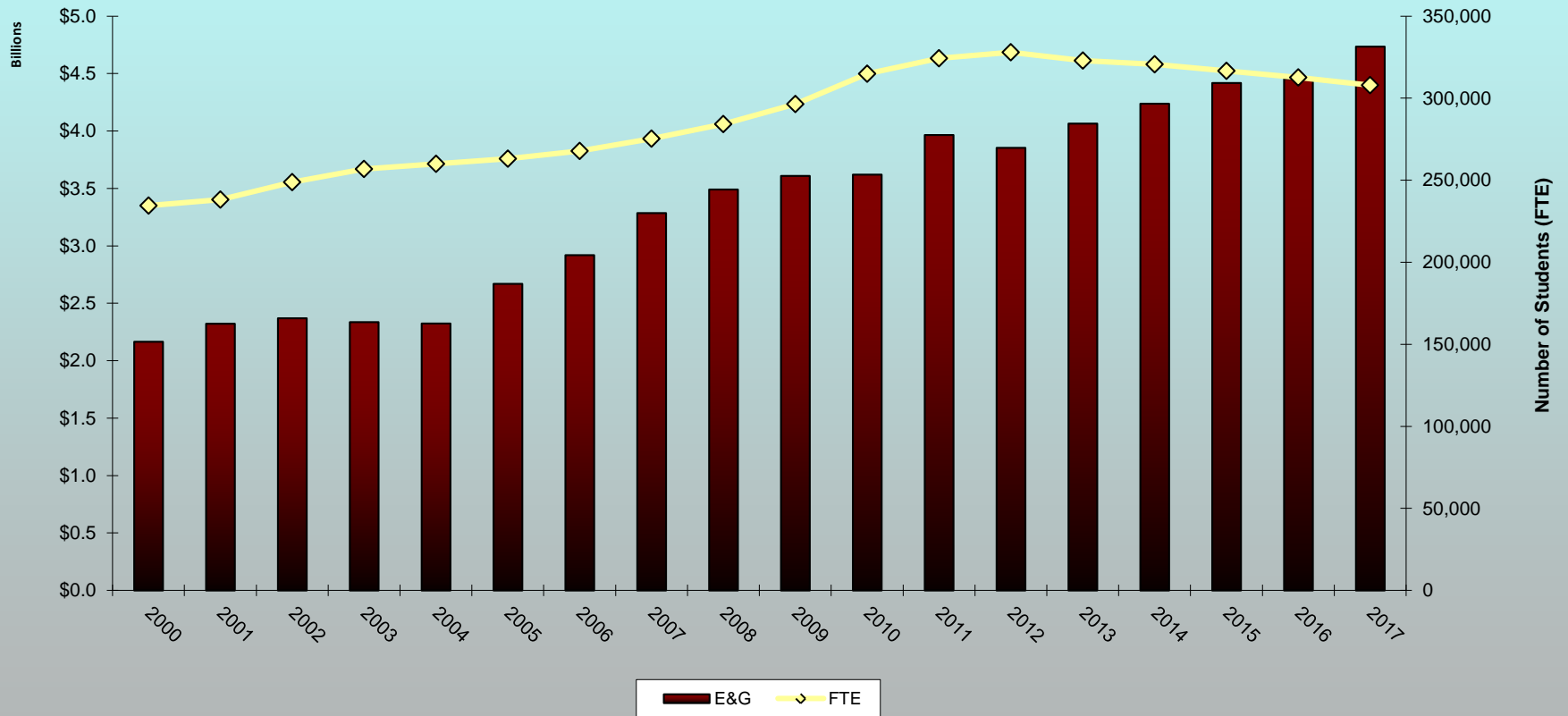
Budgetary authorization for higher education involves several major programs

- ✓ Educational and General (E&G)
 - General fund (GF) and nongeneral fund (NGF) sources (tuition and fee revenue)
- ✓ Student Financial Assistance
 - General fund and nongeneral fund (federal assistance and tuition revenue)
- ✓ Sponsored Programs (Research)
 - General fund and nongeneral fund (federal and private grants)
 - Institution specific initiatives
- ✓ Auxiliary Enterprises
 - Nongeneral fund only (self-supporting activities such as residential facilities, dining halls, and parking)

Support for educational and general is a shared cost

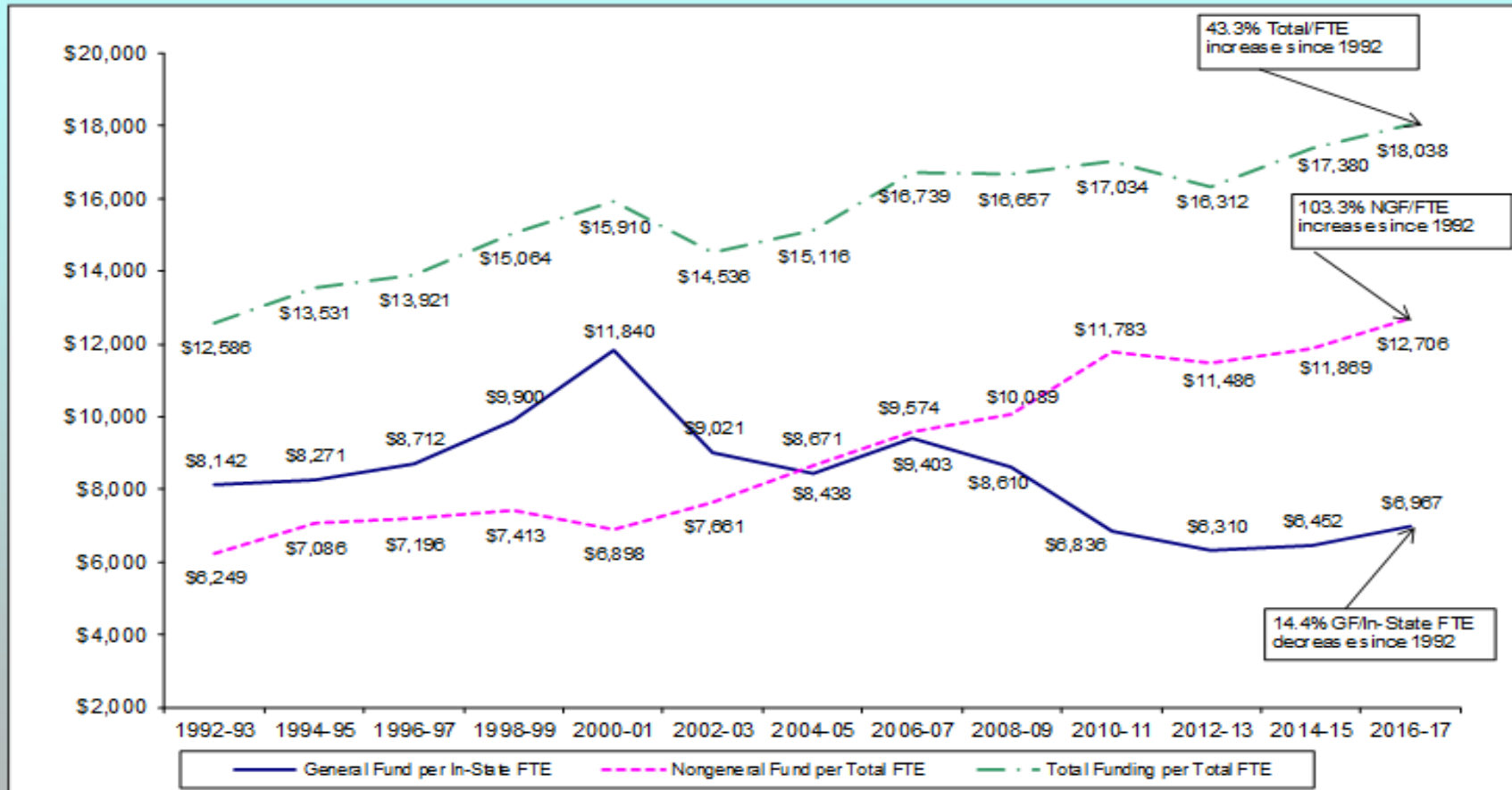
Institution	GF Share	NGF Share
Richard Bland College	65%	35%
Virginia Community College System	63%	37%
Longwood University	62%	38%
Radford University	62%	38%
Christopher Newport University	60%	40%
University of Virginia at Wise	60%	40%
University of Mary Washington	60%	40%
Old Dominion University	56%	44%
Norfolk State University	55%	45%
George Mason University	50%	50%
Virginia Commonwealth University	49%	51%
James Madison University	49%	51%
Virginia State University	48%	52%
Virginia Military Institute	40%	60%
College of William and Mary	40%	60%
Virginia Tech	39%	61%
University of Virginia	35%	65%

Both E&G support and FTE students have grown since 2000



Notes: Data includes E&G appropriation for 17 institutions, VIMS and extension services.
 FY 2010-11 includes SFSF appropriation.

Average Funding per FTE Student at Four-Year Institutions (in 2016-17 Constant Dollars)

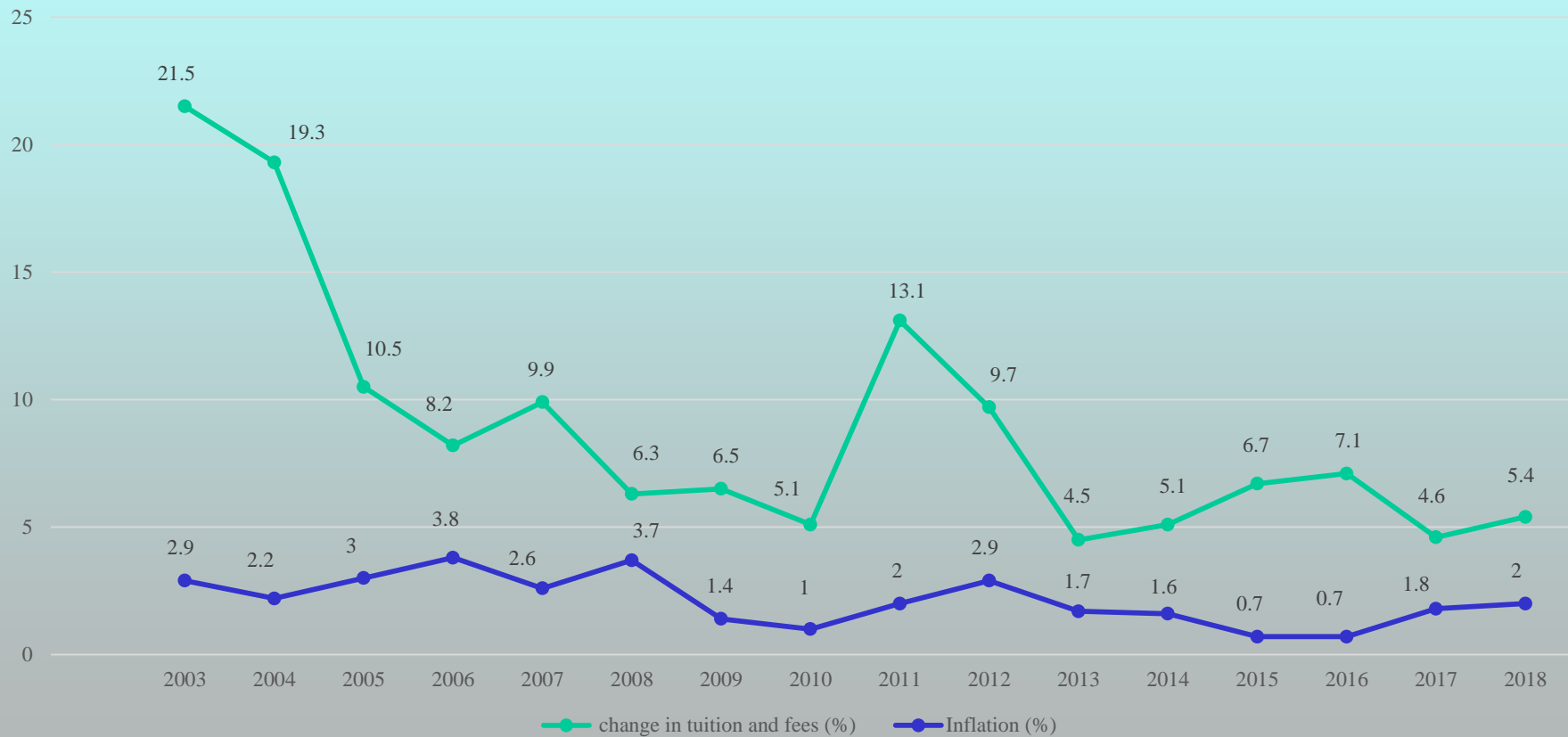


Notes:

- (1) Total Funding per Total FTE is not the sum of General Fund per In-State FTE and Nongeneral Fund per Total FTE.
- (2) FY16 and FY17 are based on projected enrollments. All other years are based on actual enrollments.
- (3) Funding by fund comes from Chapter 780, 2016.
- (4) FY10 and FY11 Nongeneral Fund per Total FTE include funding from the American Recovery and Reinvestment Act of 2009.
- (5) General fund per in-state FTE has decreased by 41.2% from the peak year of FY2001 to FY2017.

Tuition increases surpass inflation in good times and bad

Average Percent Change in Annual Tuition and E&G Fees vs Inflation



Observations

- ✓ Higher education institutions given more latitude than other state agencies in managing their operations
- ✓ Increased coordination and cooperation is happening between institutions, but even more is needed given limited resources
- ✓ Most cost savings/efficiency actions have been on the administrative side of institution operations, while the greatest costs are incurred by the academy

Possible efficiencies to slow cost growth

✓ Academy

- Minimize duplication/enhance coordination of programs and courses between institutions
- Utilize technology for introductory courses
- Encourage open source textbooks/materials for classes
- Stop centers that are not self-supporting

✓ Administrative

- Institutions sharing automated systems
- Centralize instead of decentralize administrative functions

Funding challenges include:

- ✓ Variability of state support
- ✓ Diversity between institutions
- ✓ Relying more on tuition and fees (access)
- ✓ Reductions disproportionate to state support
- ✓ Ability to raise tuition
 - How much is needed; should we limit the increases?
- ✓ Financial need of student population
 - Are we increasing access?
- ✓ Balancing in-state and out-of-state students
- ✓ Getting high productivity from our investments
 - Should we link funding to outcomes?