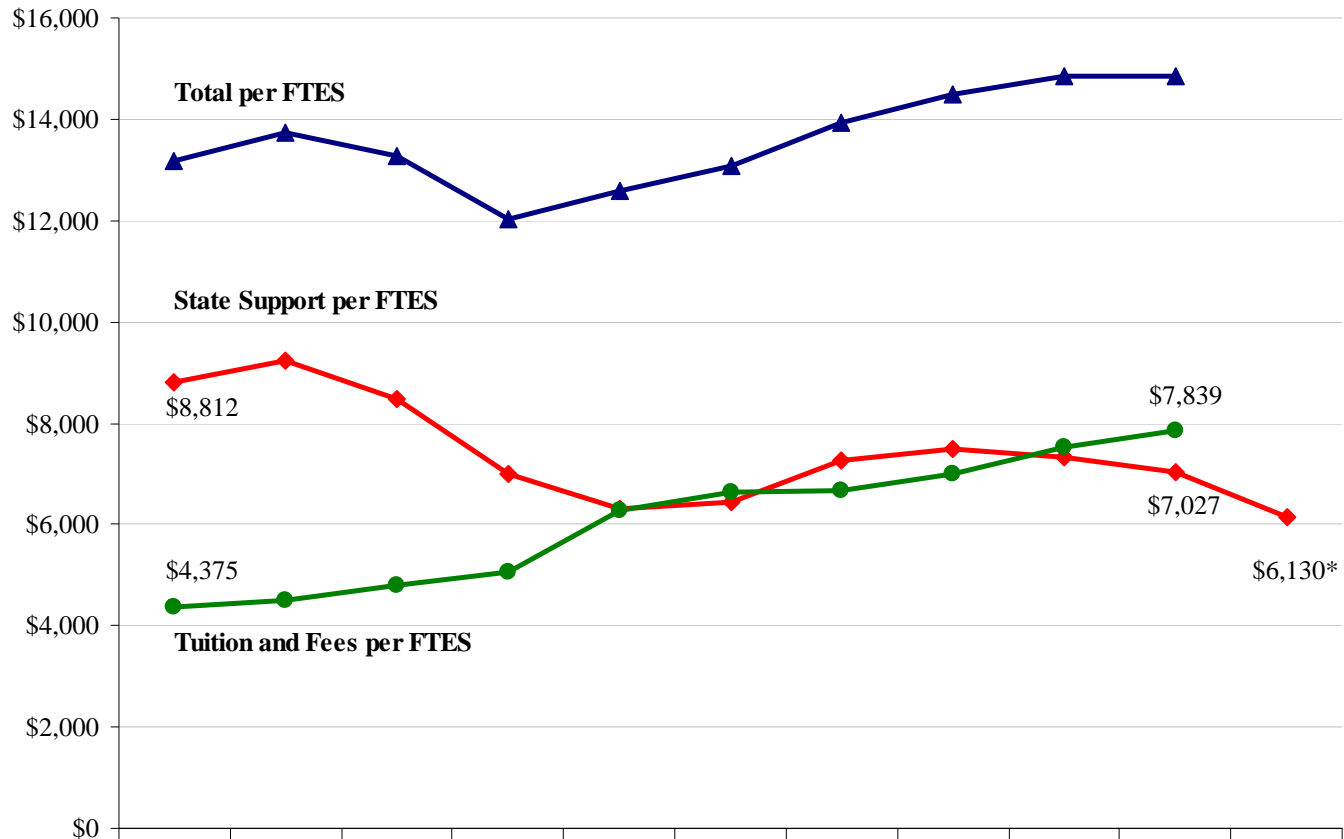




VCU's Budget: Addressing Reductions in State Support

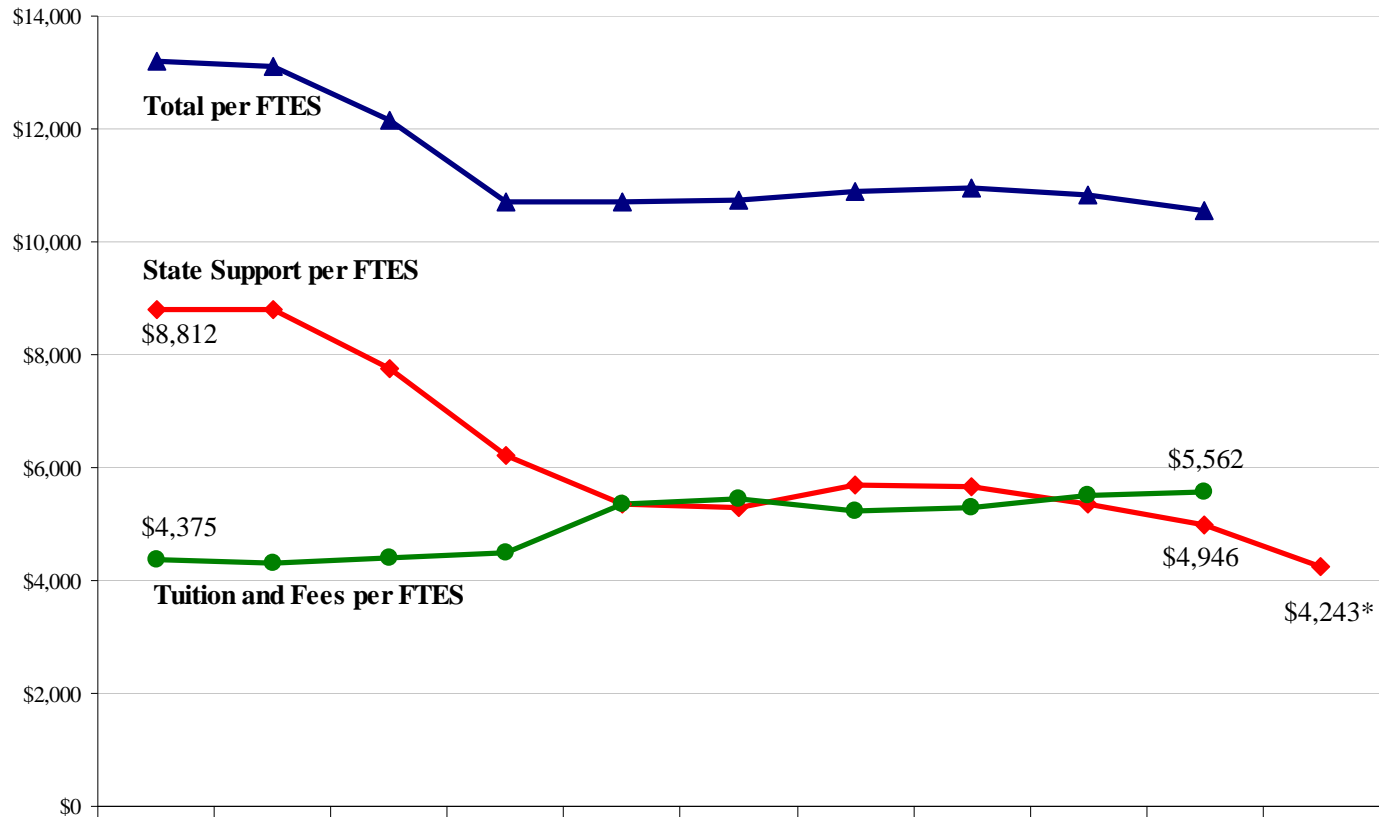
Board of Visitors
February 12, 2009

Despite good intentions, state support for VCU has declined significantly over time . . .



*Assumes Governor's recommended cut for FY 2010.

In constant dollars, the decline in state support is more severe . . .



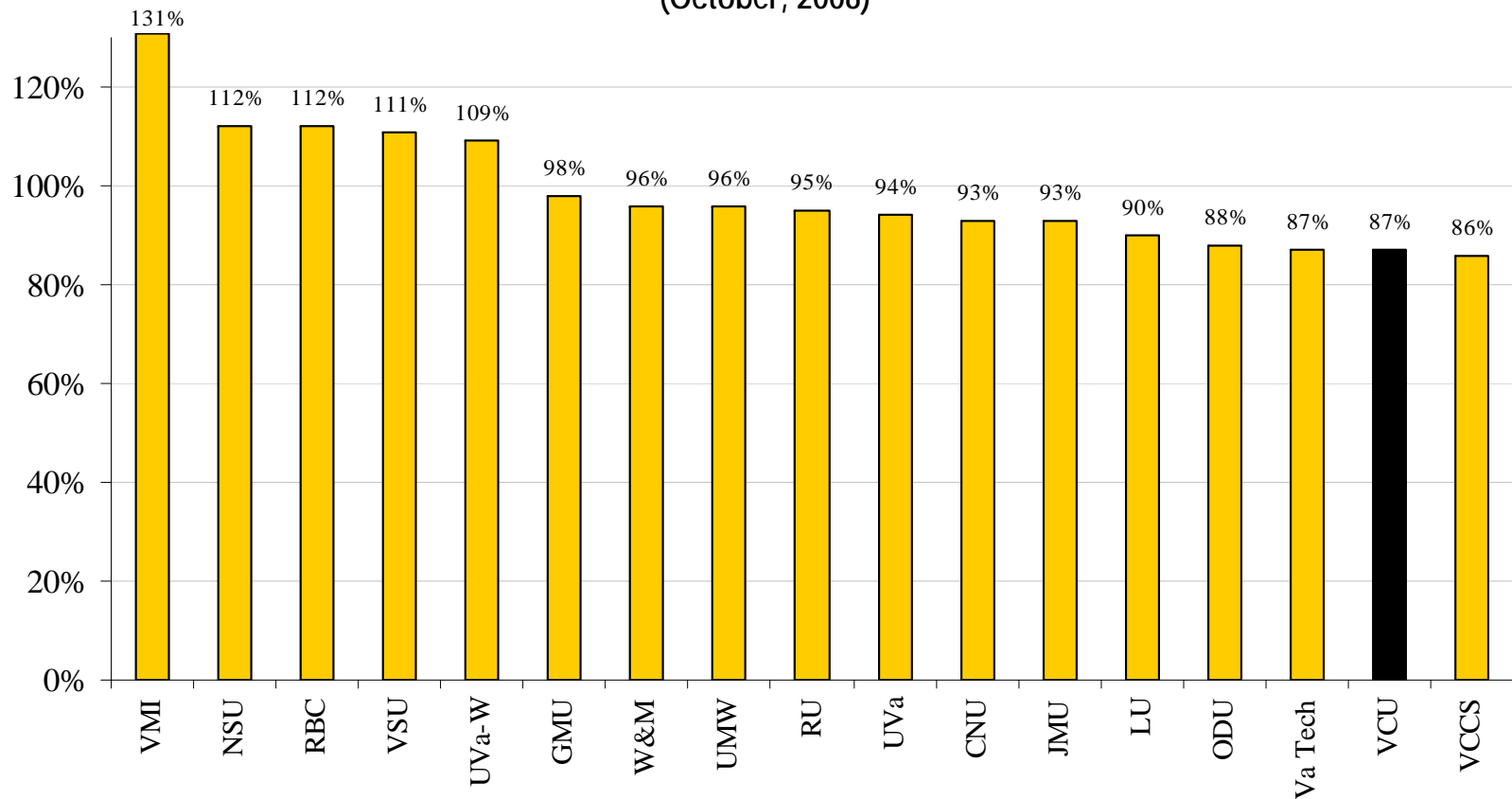
*Assumes Governor's recommended cut for FY 2010.

Note: Higher Education Price Index used as deflator.

VCU remains among the most leanly funded state institutions . . .

Percent of State Funding Guidelines

(October, 2008)

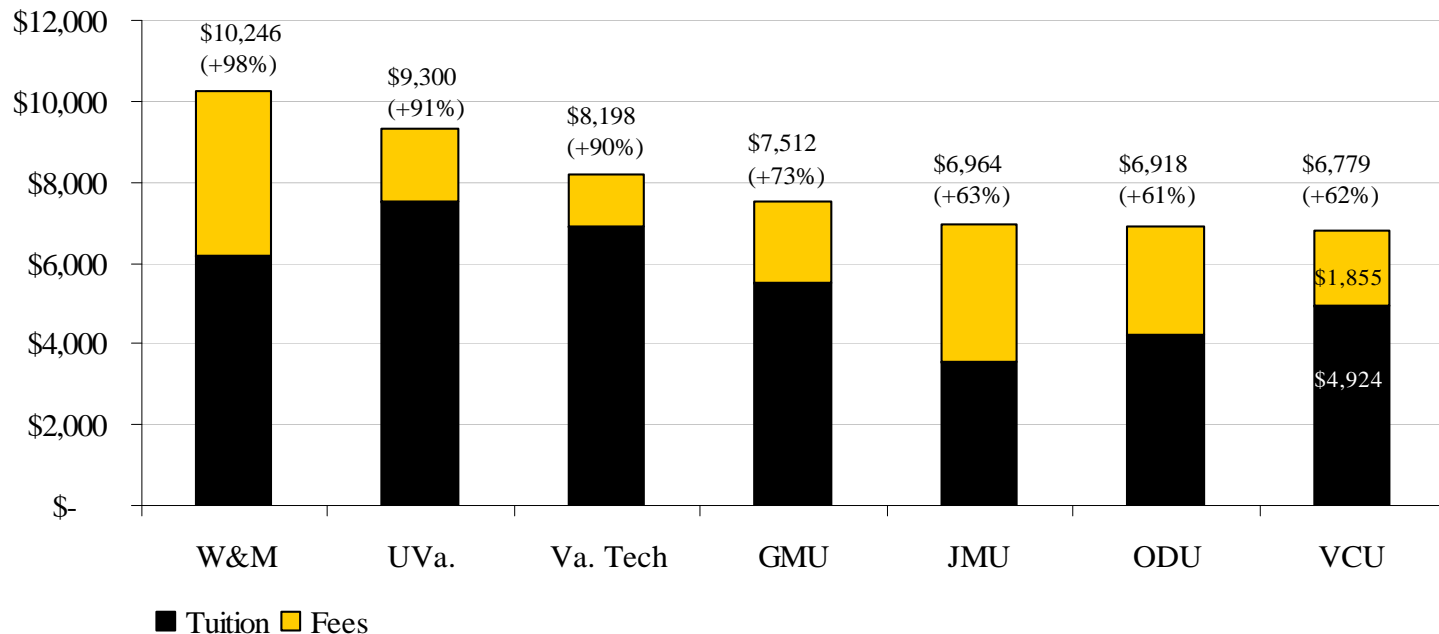


Source: SCHEV. Based on institutions of similar type, size, and discipline mix. Compares 09 resources to 08 enrollment.

At the same time, VCU has restrained increases in tuition and required fees . . .

- VCU's charges are and have been the lowest among the Virginia doctoral institutions plus JMU.

FY 2009 Tuition and Required Fees



Note: (+xx%) is the percent increase in tuition and required fees from FY 1999 to FY 2009.

The result has been significant and continuing resource constraints. Constraints show up in a number of ways . . .

- Faculty Salaries
- Percentage of tenure-track faculty
- Student-Faculty Ratios
- The number of graduate assistantships
- Stipends for doctoral students

Faculty salaries at VCU are low, compared to its peers . . .

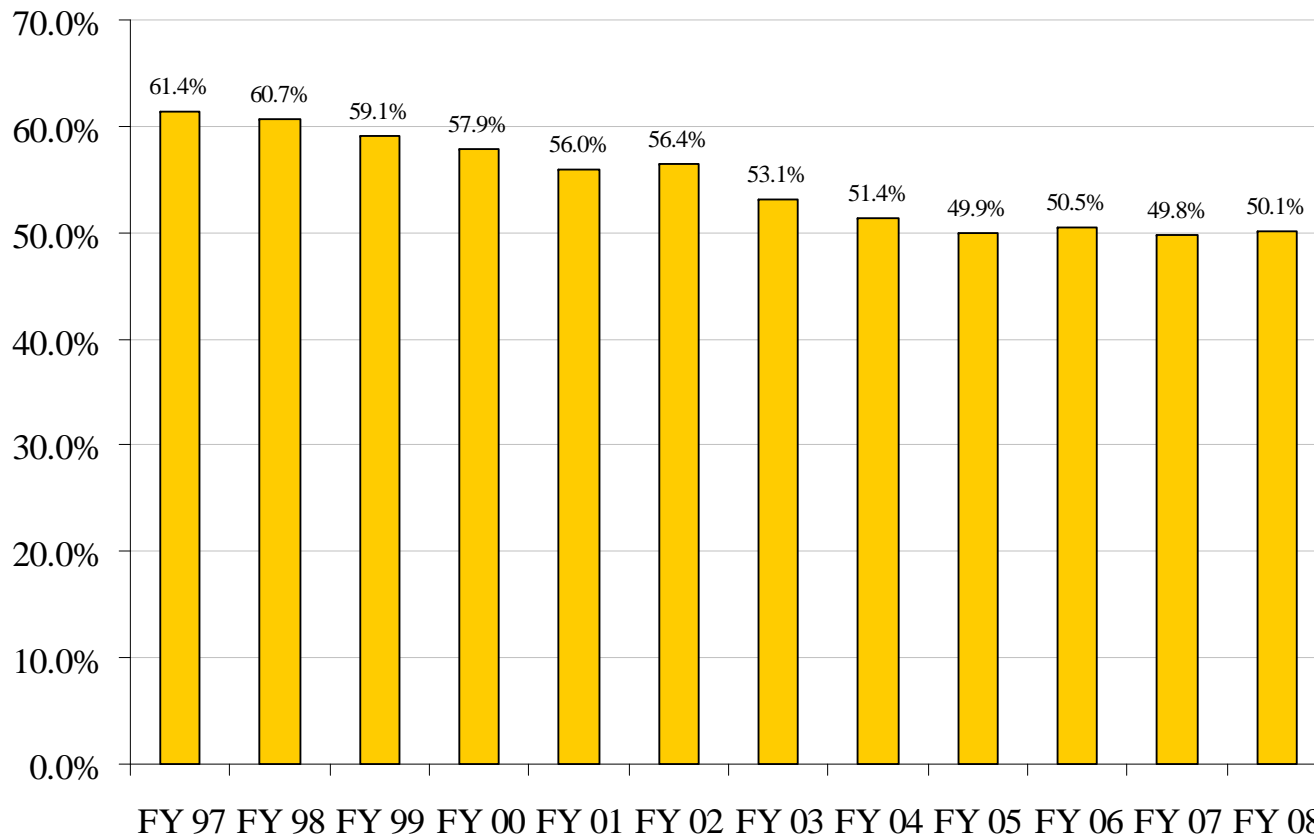
Virginia peers (Fall 2007):

<u>Doctoral Institutions</u>	<u>Professor</u>	<u>Associate</u>	<u>Assistant</u>	<u>Instructor</u>	<u>All Ranks</u>
University of Virginia	\$ 132.7	\$ 91.0	\$ 74.5	\$ 52.9	\$ 103.0
William and Mary	116.7	83.2	67.5	41.7	89.1
George Mason	126.7	82.9	68.9	55.7	88.7
Virginia Tech	116.2	83.0	68.1	43.7	87.3
VCU	110.5	80.6	65.3	46.4	78.0
Old Dominion	99.0	71.0	61.2	42.9	71.4
Va. Peer Group Mean	\$ 118.3	\$ 82.2	\$ 68.0	\$ 47.4	\$ 87.9
Difference from mean	\$ (7.8)	\$ (1.6)	\$ (2.7)	\$ (1.0)	\$ (9.9)

- National Peers: VCU's salary average is also \$6,000 below the average of its national peers (23 of 25 reporting).

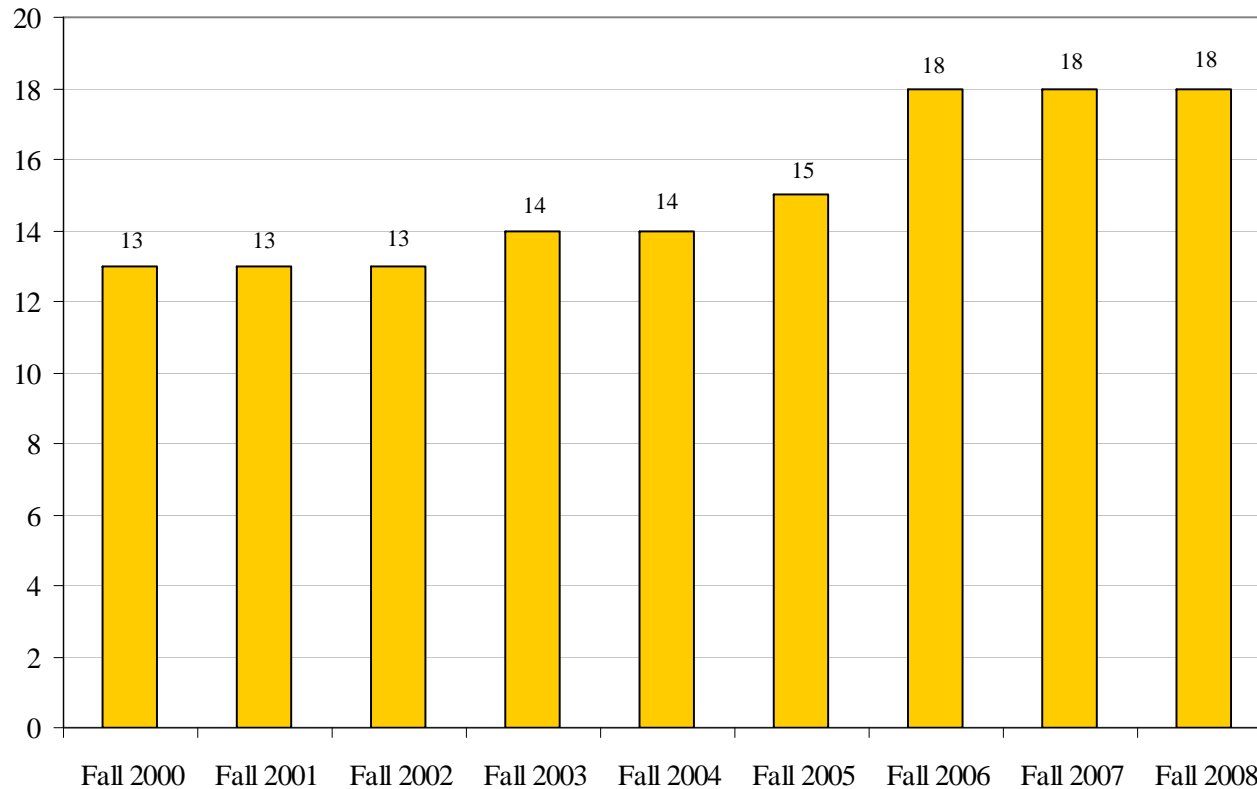
The proportion of tenure and tenure-track faculty has declined over the past decade . . .

Tenure and Tenure-track Faculty as a Percent of All Full-time Faculty



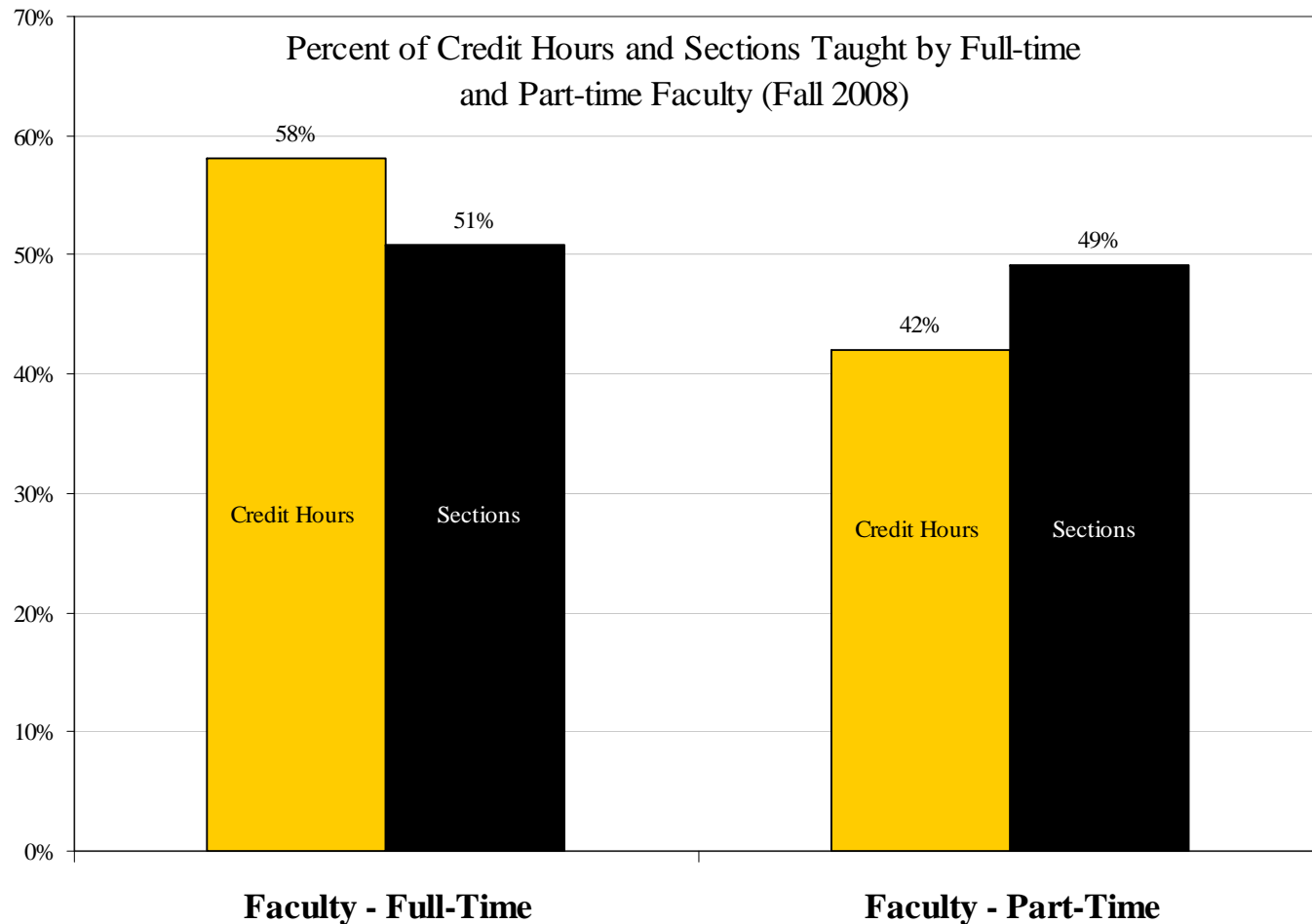
Student-Faculty ratios have risen . . .

Student-Faculty Ratios, Fall 2000-2008



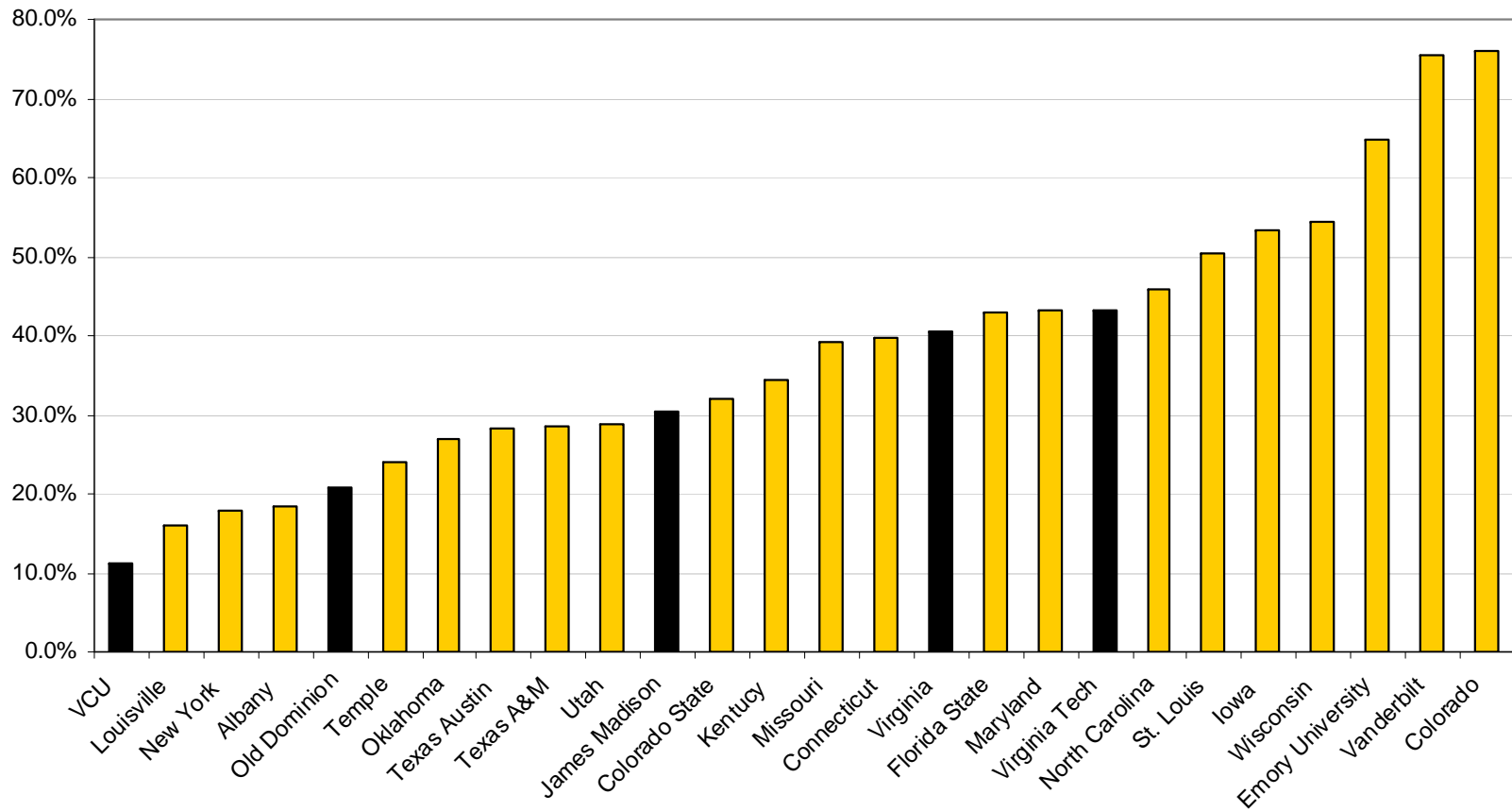
- The average ratio for the other Virginia doctorals is 14.8:1. (W&M: 11-1; GMU: 15-1; UVa: 15.2-1; Va. Tech: 16-1; ODU: 17-1)

Full-time faculty teach 51% of sections offered, and account for 58% of credit hours earned . . .



Support for graduate students is relatively low . . .

**Graduate Assistants as a % of Graduate Enrollment
(VCU Graduate Studies Office 2004 Survey)**

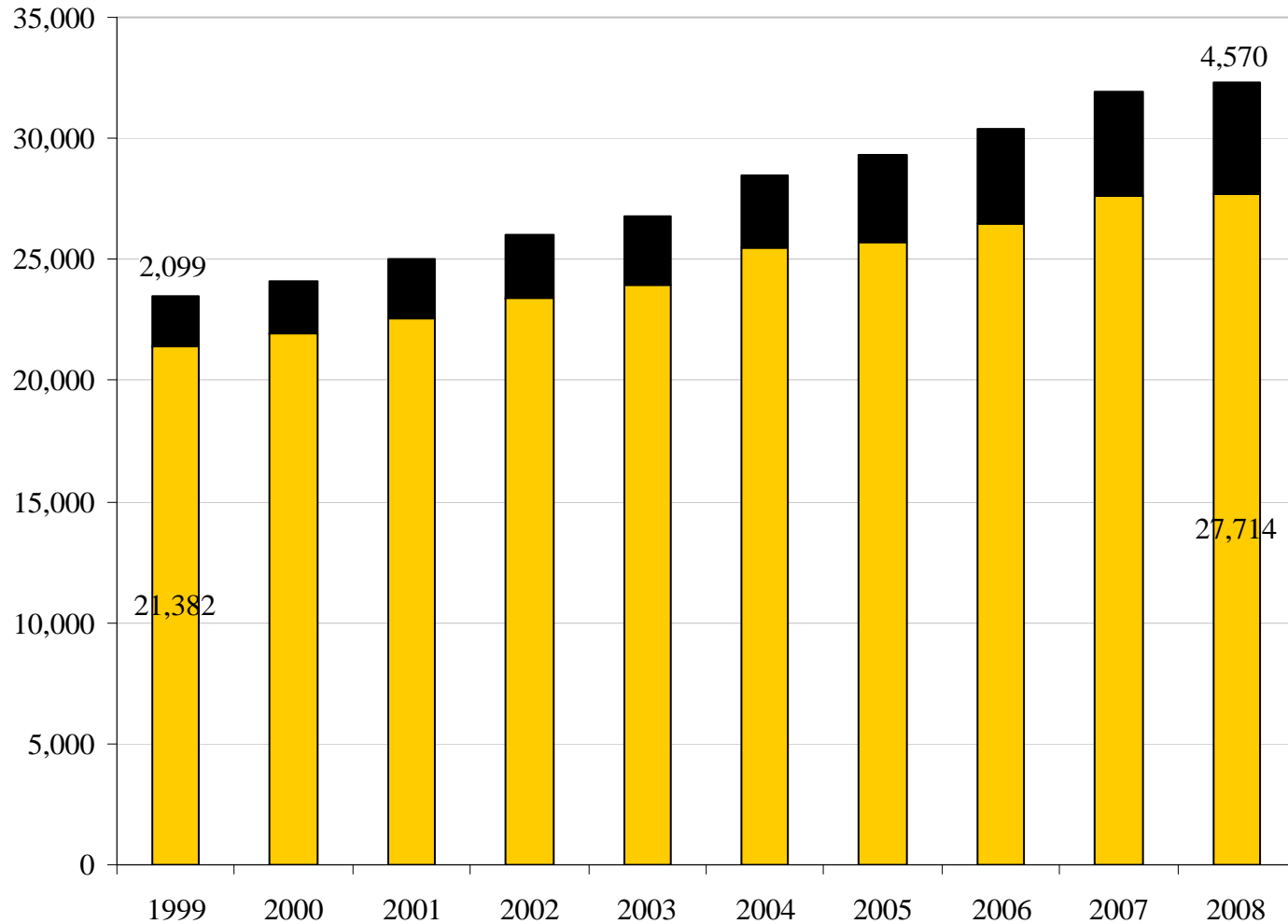


- VCU's stipend for doctoral students in medical colleges ranked 60th among 84 survey responders in 2008.

Despite resource constraints, there have been a number of notable accomplishments . . .

- VCU has provided access to a significant number of additional students.
- Retention rates have steadily improved.
- Graduation rates have improved.
- Demand for enrollment at VCU has grown.
- Sponsored program awards (and research expenditures) have increased substantially.

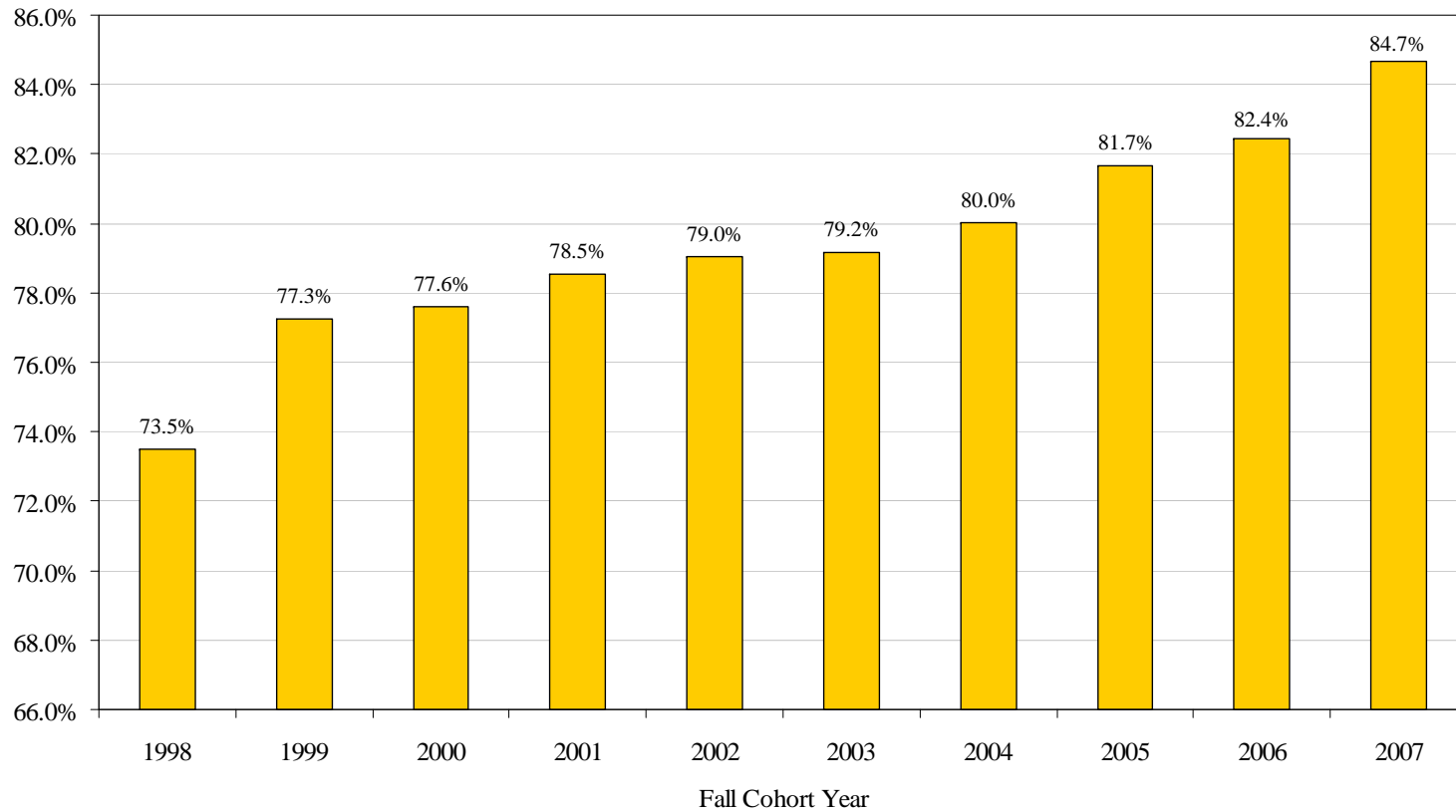
Over 6,300 additional Virginia students have enrolled . . .



Note: Fall headcount

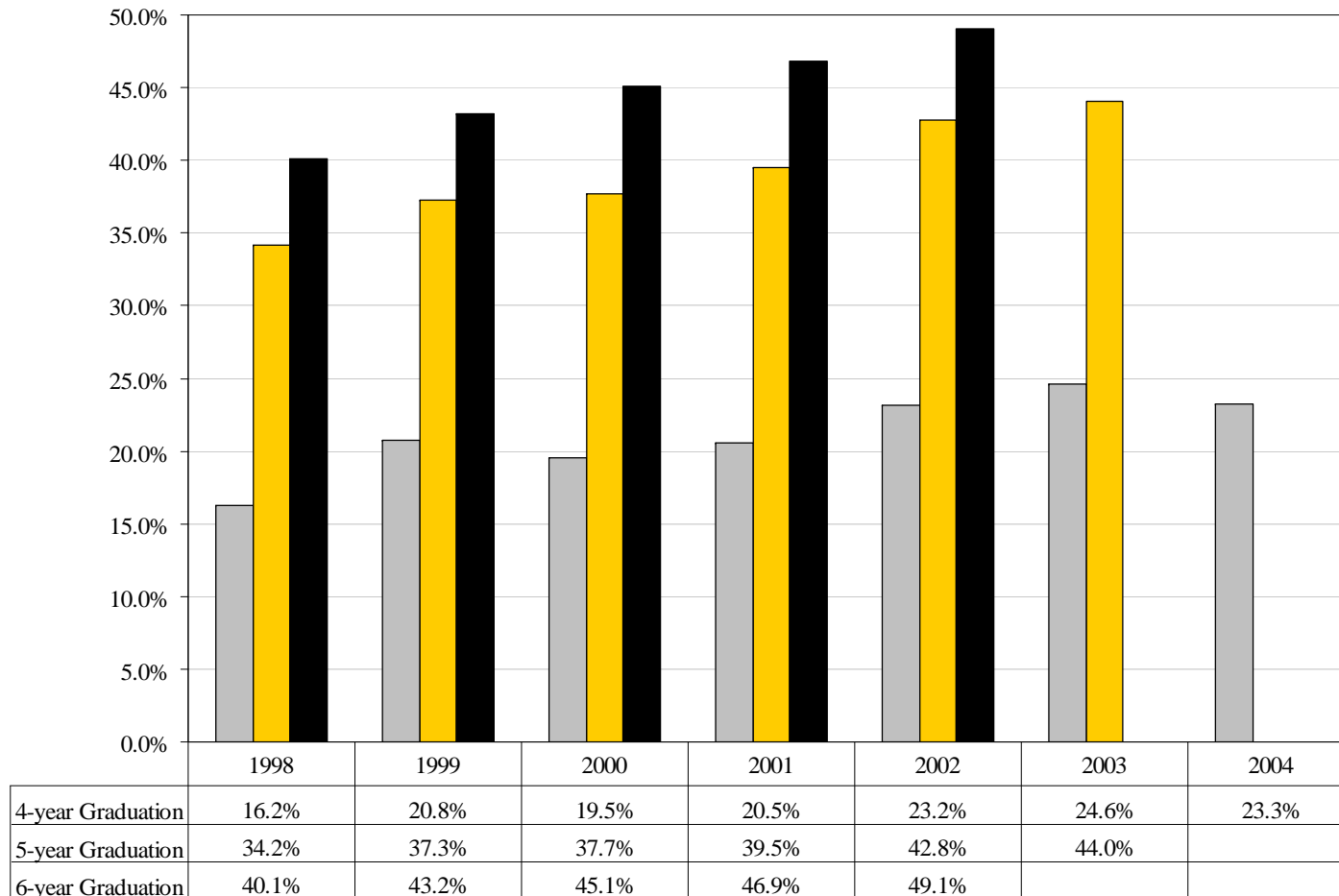
Freshmen retention rates have risen steadily . . .

One-year Retention -- First Time, Full-time Freshmen



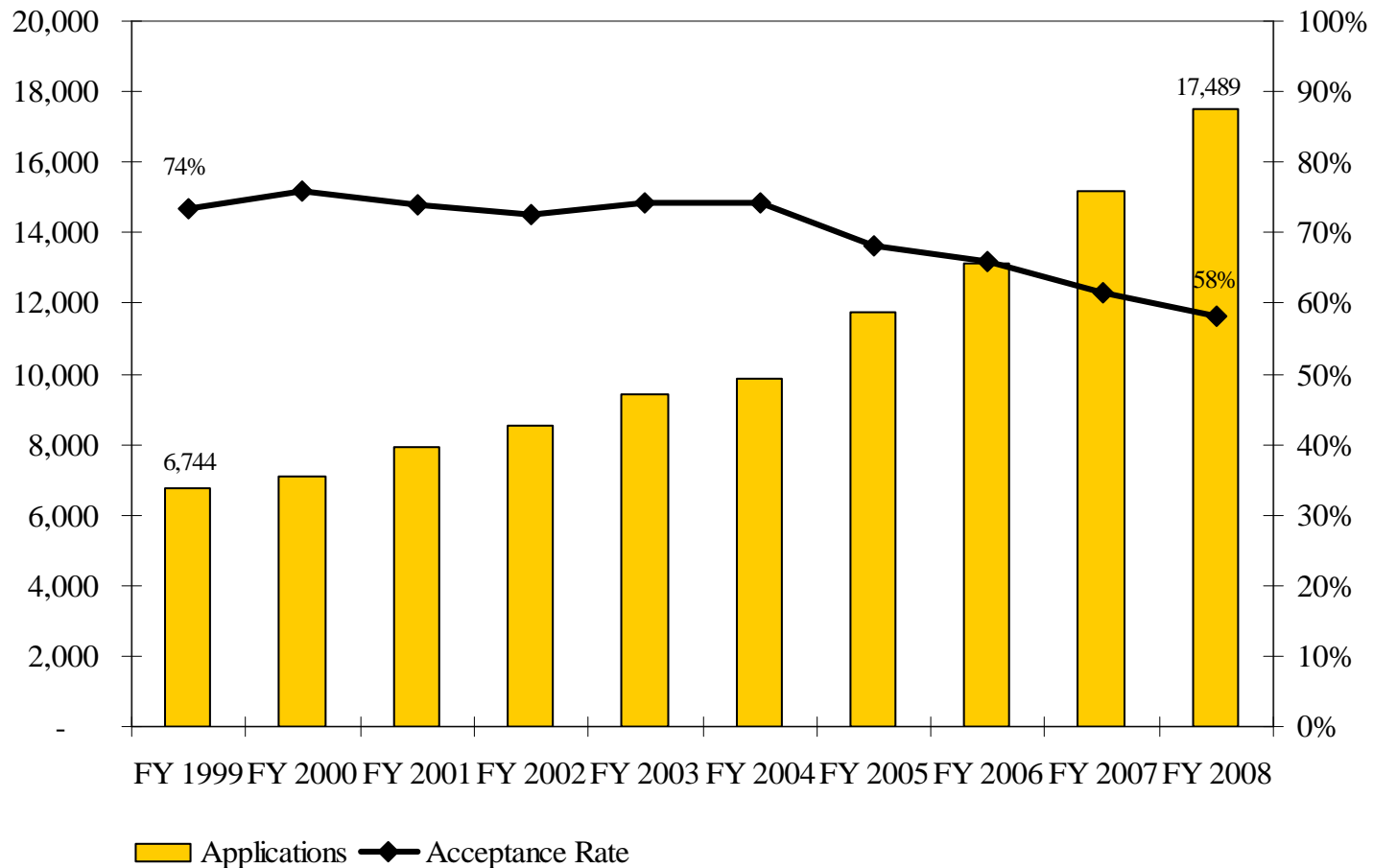
Source: Center for Institutional Effectiveness.

Four-year, Five-year, and Six-year graduation rates are up . . .



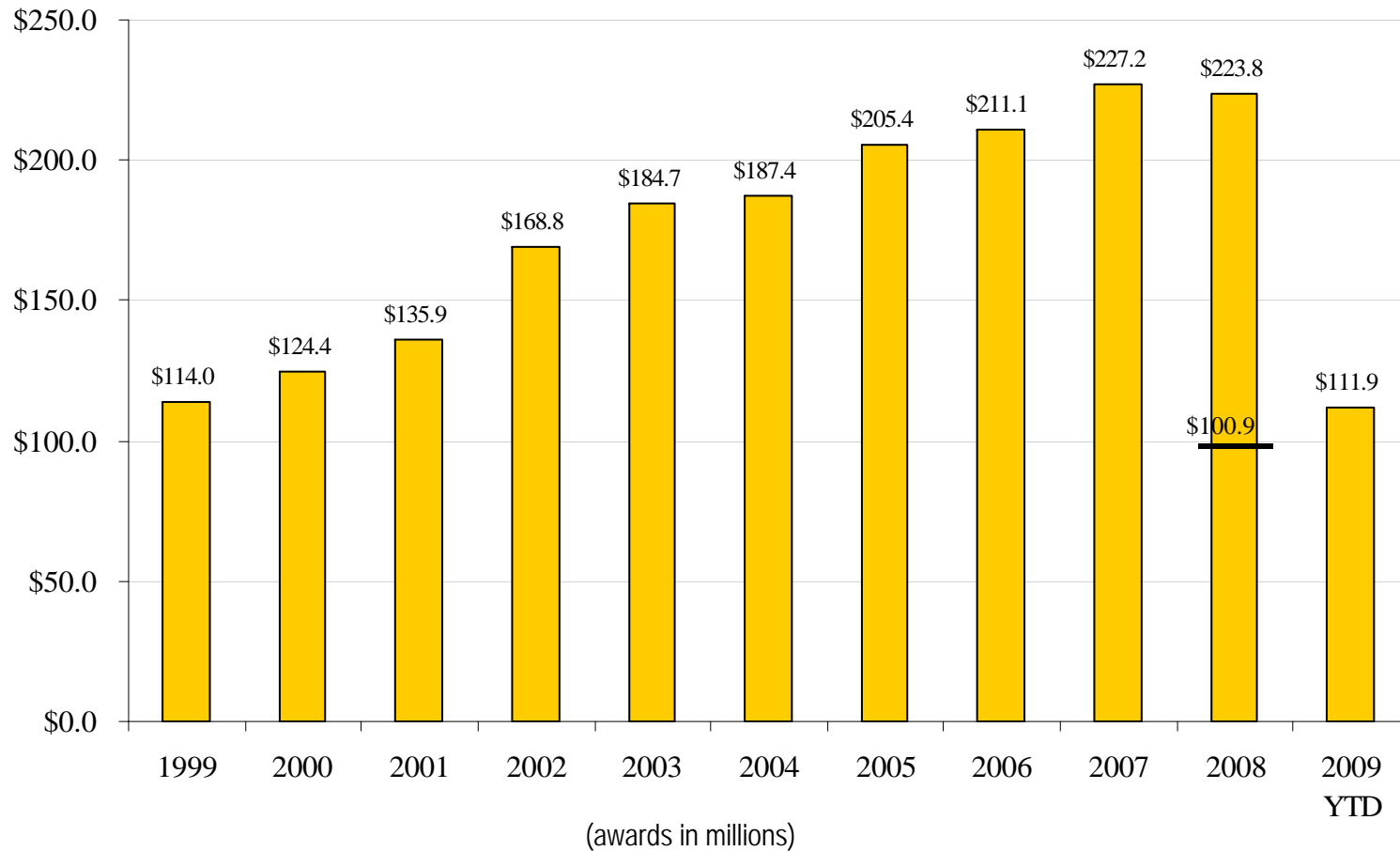
Source: Center for Institutional Effectiveness

Demand for enrollment is high. VCU applications have grown steadily over time. Acceptance rates have declined . . .



Note : Applications for first-time, full-time freshmen.

Sponsored program awards (and research expenditures) have risen consistently . . .



— YTD Awards for FY 2008, as of February 1.

Improvements have been possible because enrollment grew, moderate tuition increases were enacted, operations were continuously re-examined, and core priorities were adhered to . . .

- **Enrollment Growth:** Over the past three years, enrollment growth added \$15.5 million of additional tuition revenue for E&G programs.
 - FY 2006: \$ 4.5 million
 - FY 2007: \$ 5.0 million
 - FY 2008: \$ 2.1 million
 - FY 2009: \$ 4.0 million
- **Tuition:** Moderate increases in tuition and E&G fees added \$43.2 million.
 - FY 2006: 4.8% \$ 8.3 million
 - FY 2007: 8.1% \$10.8 million
 - FY 2008: 6.5% \$13.1 million
 - FY 2009: 9.4% \$11.0 million

Operations have been regularly re-evaluated and efficiencies implemented . . . examples:

- **Instruction**
 - Used faculty early retirement incentives to shift resources to high need programs
 - Used faculty workload and productivity data to balance workload, and allocate reductions
 - Fully utilizing Blackboard to house homework, timed quizzes, and tests; and, post course materials;
 - Increased the number of courses taught on-line
- **Student Advising**
 - Consolidated services for first year students into one unit, improving service to the students
 - Centralized review of transcripts and other services for transfer students
- **Academic Support**
 - Put schools on block schedule for undergraduate, three-credit hour courses maximizing class slots
 - Centralized scheduling of classrooms, to maximize utilization of space
 - Recaptured several rooms used as lounges or labs and turned them into large classrooms -- consolidating smaller class sections
 - Expanded the number of Friday night and Saturday classes and changed course mix to include required lower-level courses.
- **Libraries**
 - Partnered with sister institutions to purchase and share scientific and scholarly journals
 - Installed self-service circulation checkout stations
 - Implemented online renewal systems for books
 - Made additional room for students by installing compact shelving, purchasing digital editions of books and journals, replacing old furniture with newer furniture designed to seat more students in the same amount of space
 - Shut down separate library server room, transferring servers to university computer center

Operations have been regularly re-evaluated and efficiencies implemented (cont'd) . . . examples:

- **Research**
 - Redirected state equipment funding to shared core laboratories
 - Implemented on-line system for faculty award submissions
 - Continuously teach faculty how to effectively use the new system's resources
 - Developed on-line training on grant compliance for faculty Principal Investigators
- **Undergraduate Admissions**
 - Combined Similar Mailings
 - On-Line Admissions Application
- **Records & Registration**
 - Discontinued Print Material-Schedule of Classes; Class Rosters
 - On-Line Graduation Application
 - Early Alert Grade Notification
 - Banner Online Grading
- **Enrollment Services**
 - Document Imaging
 - Web-Based Access to Student Information
- **Financial Aid**
 - Electronic Delivery of Alternative Funds
- **Student Accounting**
 - Redesigned Refund Process
- **University Student Health Services**
 - Electronic Health Records

Operations have been regularly re-evaluated and efficiencies implemented (cont'd) . . . examples:

- **Residential Life & Housing**
 - On-Line Payment System
 - On-Line Student Housing Selection and Registration System
- **University Student Commons & Activities**
 - Web-Based Reservation System
 - Web-Based Time Keeping System
- **Business Services**
 - Invoice Imaging: invoices are imaged and electronically linked to the University's financial system
 - Integration of Procurement and Financial Systems
 - Cooperative Procurement Contracting (VCU and 8 other institutions)
 - Systematic Review of University's Vendor Purchases
 - Contract Templates for common contracts
 - Employee Training through web-based systems
- **Facilities Management**
 - Design Assist (Mechanical/Electrical contractors on board at start)
 - Building Information Modeling (Building System Modeling during design)
 - Laser Mapping of Building Utilities
 - Facilities Design Standards
 - LEED Silver Standard for Building Construction
 - Construction Manager at Risk Program
 - Commissioning of Mechanical Systems
 - Pre-qualified Contractors and Material Testing Firms

Operations have been regularly re-evaluated and efficiencies implemented (cont'd) . . . examples:

- Purchase of Natural Gas Supplies in the Futures Market
- Benchmarking Facilities Management against Peer Institutions
- Benchmarking Sustainability Program
- Integrated Central Mechanical Electrical (CME) Group
- Zone-Based Organization of Physical Plant Crews
- Work Order Tracking and Management System
- Just In Time (JIT) Purchasing of Supplies
- Computerized Bar Code System for Fire Protection Systems
- Consolidation of Hazardous Material Storage
- **Human Resources**
 - Single Semi-Monthly Pay Cycle
 - Automated ePAF Processes
 - PeopleAdmin (Paperless Position Description and Recruitment/Application Processing)
 - HireRight (Online Background Checks Initiated by Department Personnel Administrators For New Hires)
 - Document Imaging (Paperless Files and Processing Using Imaged Documents)
 - eW2 (Paperless Tax Forms)
 - Pay Cards for those who will not use Direct Deposit
 - Online HR Training and Orientations
- **Technology Services**
 - Call Queue Monitors at Help Desk
 - Virtual Server for Specialized Desktop Scientific and Mathematical Software
 - Remote Monitoring of Classroom Technology

Operations have been regularly re-evaluated and efficiencies implemented (cont'd) . . . examples:

- Videoconferencing
- Centralized Desktop and Server System for Security, Operating Systems And Applications Management
- Central Management of Web-based Content
- Server Virtualization
- Storage Area Network (SAN): Central Management of Data and Storage
- Centralized Network Management of 2,000 Network Devices from a Central Console
- Test Scanning
- Automated Leave Processes
- "Tech Squad" Of Students To Improve Classroom Technology Support
- Laptop Checkout Program
- Virginia Virtual Computing Lab (with GMU, JMU and W&M)

Programs have been and can be closed, but it takes time. Unless faculty are eliminated, savings are small . . .

Example: Closure of Recreation, Parks and Sports Management Department

- As part of a broader review, the Fall 2005 Ad Hoc Committee in the School of Education recommended closure of the program.
 - At the time, the department employed 4 full-time faculty (2 tenured, 2 collateral) serving 172 students in its three academic areas.
- Admissions to these academic programs were closed to new students for Fall 2005
- Courses were closed as the remaining students progressed
 - Spring 2006 – junior level courses completed
 - Spring 2007 – senior level courses completed
 - Fall 2007 – courses closed, few students remaining were finishing general education and internship requirements

Closure of Recreation, Parks and Sports Management Department (continued) . . .

- Fall 2007 – 2 tenured faculty moved to the College of Humanities and Sciences with full teaching loads in other academic areas.
 - While this did not reduce costs to the university, the College avoided hiring collateral or adjunct faculty to teach those courses.
- May 2007 – 2 non-tenured collateral faculty no longer continued
 - Savings to the university totaled \$103,178.
- Savings in academic year 2007-08 were offset by \$25,000 for part-time advisor for remaining students.
- Permanent savings total \$103,178 annually. However, tuition revenue from the entering freshmen students would have been \$210,525. If students were lost to VCU (unknown), program closure resulted in a net loss.

Another possible example . . .

Demographics:						
	Resident	Non-Resident	Total			
Fall 2008 Enrollment	195	23	218			
	Tenured	Tenure Track	Non-Tenure Eligible	Adjunct	Total	
Faculty	6	2	5	2	15	
	Classified	Hourly	Grad Asst.	Students	Work Study	Total
Staff and Students	4	3	3	1	2	13

Financials		Current	Close Program		Net Result
E&G Revenue					
Tuition	\$2,055,243				
Fees	\$346,102				
Service Centers/CE/Sales and Service	\$45,345				
Total Revenue	\$2,446,690		\$0		(\$2,446,690)
Current University-funded Budget	\$1,768,034		\$783,920	6 Tenured faculty	(\$984,114)
Net Revenue to University (*)	\$678,656				
Net Impact (*)					(\$1,462,576)

(*) Net impact does not reflect other costs (space, O&M, HR, other overhead) incurred by University or impact on base adequacy funding.

Priorities set in *VCU 2020* were adhered to . . .

E&G Budget Allocations, FY 2006-2009

Funding Initiatives	Amount	% of Total	Cum. Pct.
Salary improvements and fringe benefits	\$ 29.9	24.2%	24.2%
Instructional Program Support/Enrollment Growth	24.8	20.1%	44.3%
Dedicated Revenues for Schools (EPTs)	14.2	11.5%	55.7%
Enhanced Support for Research/SOM Plan	9.3	7.5%	63.2%
Doctoral Enrollment Initiative	7.3	5.9%	69.1%
VCU Libraries	4.2	3.4%	72.5%
School of Public Health	2.9	2.3%	74.8%
University College	2.8	2.3%	77.1%
Need-based Undergraduate Financial Aid	2.3	1.9%	79.0%
Doctoral Faculty Instrumentation/Equipment Pool	0.5	0.4%	79.4%
O&M of New Facilities/Utilities	9.9	8.0%	87.4%
Increased Cost of Maintenance Contracts, Leases	2.9	2.3%	89.7%
Technology-Network Operations, Security	3.8	3.1%	
Student Support Services	3.4	2.8%	
Police/Academic Security	2.0	1.6%	
Other	3.4	2.8%	
Total	123.7*	100.0%	

* Before FY 2008 and FY 2009 state budget reductions of \$19.8 million.

Looking ahead . . .

VCU's E&G budget is driven by compensation, equipment, and plant costs . . .

	<u>Expenditures (in mil.)</u>	<u>Pct. of Expenditures</u>
Personal Services		
Salaries	\$ 208.4	47.1%
Wages	38.5	8.7%
Fringes	71.9	16.3%
Total Personal Services	<u>\$ 318.8</u>	<u>72.1%</u>
Contractual Services		
Health Professional Services (Residency & Mgt. Fees)	4.7	1.1%
Custodial	3.7	0.8%
Telephone and Network Costs	3.6	0.8%
Printing & Mailing	2.4	0.5%
Other Contractual Services	5.3	1.2%
Total Contractual (excl. Repair & Maintenance)	<u>\$ 19.7</u>	<u>4.5%</u>
Repair, Maintenance, and Facility Upgrades		
Building	10.3	2.3%
Computer hardware and software maintenance	4.1	0.9%
Equipment	1.9	0.4%
Plant/ Mechanical/ Electrical	1.8	0.4%
AE Fees for Repairs	1.3	0.3%
Total Repair, Maintenance, and Upgrade	<u>\$ 19.4</u>	<u>4.4%</u>
Equipment	20.5	4.6%
Supplies	18.3	4.1%
Travel and Education	10.4	2.4%
Energy and Utilities	9.1	2.1%
Scholarships and Fellowships	8.5	1.9%
Property Leases	8.0	1.8%
Other	3.8	0.9%
Insurance	2.9	0.7%
Debt payments and capital project funding	2.9	0.7%
Total Expenditures - FY 2008	<u>\$ 442.3</u>	<u>100.0%</u>

The six-year financial plan adopted by the Board of Visitors envisioned similar actions moving forward . . .

- Under the two planning scenarios defined by the State, moderate tuition increases were envisioned over the next six years (FY 2009-14).

	In-state Undergraduates	OOS Undergraduates	In-state Graduates	OOS Graduates
New State Support	6.0%	5.9%	3.0%	3.0%
No New State Support	8.0%	7.9%	6.0%	5.9%

- The current state budget situation falls outside the Plan's parameters.
 - No scenarios were included which assumed substantial decreases in state funding.

In October, Governor Kaine reduced state support for VCU by 5 percent (\$10.1 million) . . .

- Reductions were allocated proportionately across areas. (Police, utilities, Assurance Services, library materials, financial aid, and dental clinic revenues were exempted.)

– President’s Office	\$.074 million
– Provost/Academic Affairs	4.542
– Health Sciences	3.639
– Finance and Administration	1.420
– Research	.137
– All other	.324

- Because the cuts came in mid-year, most units looked for one-time savings and revenues to offset them.

– Position vacancies; other personnel actions	\$ 4.8 million
– Reduce printing, travel, equipment, training	2.4
– Alternative fund sources	1.4
– Program changes – eliminate sections	1.0
– Pass-through cuts to other entities	0.5

Despite the federal stimulus, internal planning thus far assumes the \$30.6 million reduction in state support for FY 2010 . . .

	FY 2009 <u>(\$ in mil.)</u>	FY 2010 <u>(\$ in mil.)</u>
5% Reduction from FY 2009	\$ 10.1	\$ 10.1
10% Additional Reduction in FY 2010	-	20.5 **
Unavoidable Cost Increases (preliminary)	-	9.1
	<u>\$ -</u>	<u>\$ 39.7</u>

** Includes \$346,800 reduction in funding for Eminent Scholars.

- Plans are to increase savings as much as possible in FY 2009 in order to buffer cuts in FY 2010. This would allow the University to manage cuts over two years.
- The federal stimulus bill leaves the state funding outlook up in the air.

Even with a two-year horizon for addressing budget cuts, the choices for VCU are fundamental . . .

- Options being considered:
 - Provost's areas
 - Health Science areas
 - Finance and Administration areas
- A survey of deans and division heads shows the potential significance of the cuts.
The number planning:

- Reductions in classified staff	14
- Faculty	10
- Compensation limits	5
- Post-tenure review/FERIP	5
- Program consolidation	4
- Program termination	4
- Increased class sizes	4
- None are planning across-the-board cuts. Factors cited for determining cuts:

- Established school/unit priorities	13
- Productivity/workload	12
- Have consulted faculty	11