

Summary of the Governor's Amendments to the 2010-12 Biennial Budget December 20, 2010

State Budget

- Revised revenue forecast upward to add \$337 million in the biennium.
- Budget includes \$191.5 million in savings based on agency reduction plans.
- Three high priority spending proposals
 - Improve funding available for transportation
 - Increase investment in higher education
 - Increase investment in economic development

Higher Education

- \$50 million general fund investment to move toward the goal of producing 100,000 additional degrees over 15 years by increasing access and reducing tuition growth
 - \$33 million to support student enrollment, retention, and graduation with a focus on increasing the number of students majoring in STEM and health care.
 - \$13 million for undergraduate financial aid
 - \$3 million to enhance on-line course availability
 - \$1 million to target academic transformation through technology
 - Institutions are to provide proposals to the Secretary of Education for potential use of the funding. Proposals will be evaluated on the basis of criteria consistent with the recommendation of the Higher Education Commission. Performance and reporting expectations will be required.
 - Each proposal should include productivity, innovation, and savings strategies to streamline operations and reduce operating costs in low priority areas along with approaches to reprogram these resources to increase access, increase the number of degrees awarded, and reduce the level of tuition increases. Strategies cannot include a corresponding increase in tuition and fees or reductions in financial aid.
- \$25 million general fund to establish the Virginia Research and Technology Innovation Fund
- \$7.8 million general fund to provide for interest earned on nongeneral fund balances deposited with the state and credit card rebates earned under the terms of the Restructuring Act's financial incentives.
- \$5 million for VCU's Massey Cancer Center

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- \$5 million for ODU to increase base budget adequacy attainment from 75% to 78%
- \$3 million for workforce development programs in the community colleges
- \$2.5 million to raise the TAG from \$2,600 to \$2,700 per student
- \$1 million to UMW to support operating costs at the new Dahlgren Education and Research Center
- \$1 million to VT and VSU for extension services
- \$5 million to EVMS for core instructional requirements
- \$0.6 million for incentive grants to support college lab schools
- Higher education reversion clearing account of \$10 million remains unallocated in the budget. If spread proportionately to four-year and two-year institutions UVa would get a reduction of \$900,000 and Wise would receive a \$90,000 cut.
- Additional \$3.4 million in ARRA funds reallocated from K-12 to higher education. UVa would receive \$542,279 in FY11. Wise would receive \$144.
- Virginia Commonwealth University - Tuition Authority - Governor McDonnell said that he has withheld state money equal to half of Virginia Commonwealth University's 24 percent tuition increase as a message to colleges and universities about rising tuition rates. VCU raised tuition and fees by \$1,700 for in-state undergraduates – the largest increase in the state. VCU expected the increase to generate \$33.4 million in fiscal year 2011. "What I have done is only appropriate half of the tuition increase money (in fiscal year 2012) and have reserved the rest of the money and depending on what happens with the Board of Visitors' decision on tuition increases this year, perhaps we can release the rest of the money next year,"

Compensation

- VRS Defined Benefit Plan
 - Effective July 1, 2011 Plan 1 VRS employees (those hired before July 1, 2010) will contribute 5% to retirement.
 - Base salary of VRS Plan 1 participants will be increased by 3% on July 1, 2011 (faculty and staff).
 - Effective reduction in take home pay of 2%.
- Optional Retirement Plan (Defined Contribution)
 - State contribution rate for current Plan 1 employees (those hired before July 1, 2010) will decrease from 10.4% to 8.5% with provision for employer to supplement to 8.9%.

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- There will be no salary increase for these individuals.
- State to offer optional defined contribution plan to employees beginning July 1, 2011.
- All salaried full-time employees employed on January 1, 2011 and still employed on December 1, 2011 will receive a two percent bonus on December 1, 2011 provided the state's year end surplus is twice the cost of the bonus. Employees must have satisfactory performance (an equivalent performance rating of "Meets Expectations") in order to receive the bonus.

Capital Outlay

- Budget distributes the previously unallocated \$55.1 million for maintenance reserve in FY12. UVa allocation is \$5,026,531. Wise allocation is \$105,349.
- According to DPB, Secretary of Finance will not issue the report from the Debt Advisory Committee until shortly before the session begins. Likely to release maintenance reserve, Equipment Trust Fund, and equipment funding for new buildings coming on line (Rice Hall). This is speculation and has not been confirmed.