Statewide Budget Outlook

• Caution surrounding the risk of the fiscal cliff given Virginia’s dependence on the federal government.

• December revenue forecast has been revised upward from the official forecast:
  - 3.6% in FY13 compared to the official forecast of 2.9%.
  - 3.8% in FY14 compared to the official forecast of 4.5%.
  - Results in $117.6 million in additional revenue for the 2012-14 biennium.

• Combination of savings from agency reduction plans (e.g. capped disproportionate share payments for Medicaid at FY13 levels), reductions in some spending, and increases in other spending produces a net increase in operating spending of $211.4 million for the biennium.

• Governor placed priority on six major themes for improving Virginia’s financial health:
  - transportation by dedicating another 0.05% of general fund sales tax revenue or $48.1 million;
  - K-12 education by providing a 2% salary increase for instructional personnel at a cost of $59 million;
  - adequate funding for core services by providing $65 million to support the employer contribution to the state employee health insurance fund;
  - increased liquidity by providing an early deposit of $50 million to the revenue stabilization fund;
  - aid to localities by restoring the scheduled $45 million reduction in FY14; and
  - higher education by investing $30 million in new money.

Higher Education Budget Outlook

• $20 million to support the goals of the Virginia Higher Education Opportunity Act of 2011/Top Jobs for the 21st Century (TJ21) distributed in five “buckets”: 
Governor’s Amendments to Chapter 3, 2012-14 Appropriation Act – December 2012
Preliminary Summary

<table>
<thead>
<tr>
<th>Funding Buckets</th>
<th>Amount</th>
<th>%</th>
<th>UVa</th>
<th>%</th>
<th>UVa-Wise</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree Incentive</td>
<td>$7,783,066</td>
<td>40%</td>
<td>$516,045</td>
<td>2.5%</td>
<td>$47,677</td>
<td>0.23%</td>
</tr>
<tr>
<td>Enrollment Growth</td>
<td>$4,864,416</td>
<td>25%</td>
<td>$116,432</td>
<td>0.57%</td>
<td>$33,084</td>
<td>0.16%</td>
</tr>
<tr>
<td>Base Adequacy</td>
<td>$3,891,533</td>
<td>20%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>$1,945,766</td>
<td>10%</td>
<td>$71,101</td>
<td>0.35%</td>
<td>$25,849</td>
<td>0.13%</td>
</tr>
<tr>
<td>Initiatives</td>
<td>$1,822,883</td>
<td>5%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$20,307,664</td>
<td>100%</td>
<td>$703,578</td>
<td>3.5%</td>
<td>$106,610</td>
<td>0.52%</td>
</tr>
</tbody>
</table>

- Enrollment growth funded at 34% of total recommended by SCHEV based on TAG grant funding of $3,100 per student.

- In 2013-14, UVa is required to re-allocate $5,607,118 (or 5%, rather than $2,242,847 or 2% included in the current budget) in existing educational and general funding towards initiatives in TJ21. UVa-Wise is required to re-allocate $569,783 (rather than $227,913).

- The Secretaries of Education and Finance, Higher Education Advisory Committee, SCHEV, and House Appropriation/Senate Finance staff are directed to develop a long-term funding policy for higher education consistent with TJ21.

- Plan to delay 2013 bond issuance for equipment purchases, but allow institutions to purchase equipment from their own funds with reimbursement to come in first quarter of FY14.

- Budget retains in FY14 the unexpected turnover and vacancy savings assessed this year which totaled $13 million.

- New Capital Funding – Establishes a $263 million pool for higher education capital outlay projects (which total more than $1 billion) including the Renovation of the Rotunda.

- Compensation – The Governor left in place a 2% July 2013 salary increase (across-the board for classified employees who meet expectations; merit-based
for University staff, Administrative and Professional (A&P) faculty, and Teaching and Research (T&R) faculty).

- In accordance with federal Affordable Health Care Act, the Governor adds language that employees working 30 or more hours per week on average be considered, for health benefits purposes only, full-time employees eligible to participate in the health benefits plan with the standard contribution. Wage employees may not work more than 29 hours per week on average per month.

- Medical Center – Corrects error in indigent care funding from the Department of Medical Assistance Services, reducing FY13 by $215,600 and increasing FY14 by $5,046,580.

- The Governor adds language to expand state student financial aid language to allow it to be used for work study programs.

- The Governor adds funding for several education-related initiatives:
  
  o $600,000 in second year to develop and implement College Preparatory Lab Schools.
  o $220,000 in second year to develop Virginia Center for Excellence in Teaching to offer a series of residential summer professional development academies for exemplary teachers.
  o $100,000 in second year (for a total of $200,812) to support the Innovative Education Technical Advisory Group to assist the establishment of charter, college laboratory, or virtual schools or other instructional delivery or school governance models in Virginia.