

## **Budget Symposium Meeting Notes**

**March 2, 2020**

Sim Ewing, Vice Chancellor & COO, opened the meeting and provided updates below in regards to the current fiscal year, the legislative session, and the ZBB process for FY 21.

### **Current Fiscal Year**

We are waiting to see how the February revenues compare to expenditures. The month end close for February was last Friday. Through January revenues are running slightly ahead of expenditures on the E&G side. However, the Auxiliary and student fee expenditures exceed revenues significantly.

Last Friday's enrollment report showed full-time enrollment continues to trail last year by 1.4 percent. If we go back to Spring 2018 we are down 5.4 percent and compared to Spring 2016 we are down 17 percent. Parking decals are down a total of 5.5 percent, with student decals down by 6.3 percent from last year. Meal plans are down 7 percent from the fall semester. The are down 13.8 percent compared to Fall 2018.

Based on this, we do not expect to have a full distribution of student fee revenue to all the student fee projects this fiscal year. Our priorities for the student fee distribution are:

1. Debt Service
2. Personnel
3. Programmatic

Overall purchasing continues to remain strong on campus, we ask that you please consider if your purchase is a necessity.

### **Legislative Update**

The General Assembly is scheduled to conclude this Saturday, with the Reconvened Session on April 22<sup>nd</sup>. By then the Governor will have approved or vetoed any of the legislation from the General Assembly.

For Fiscal Year 2021, the introduced bill provided us with an additional \$201,400 in financial aid, made our current state funding permanent, and provided us with language to not distribute the G&A fee to the E&G side. Wyllie construction funding was also in the introduced bill and has remained within both the Senate and the House versions. This is the only additional funding the Governor included in his budget for us. We requested the language for the G&A fee. Each year the auxiliary side is required to pay a 18% fee back to the E&G side based on their expenditures.

However, the auxiliary side does not have the cash to do that this year. We don't expect any alterations with this language.

The College anticipates a \$315,000 increase in utilities in FY 21 due to rate increases. Old Dominion Power has asked for approval for a 40% rate increase. The Town of Wise is increasing water and sewer to meet their debt service. The House has proposed \$100,000 for utility funding, while the Senate has not provided any specified funding for utilities.

The House is wanting to keep tuition low and has proposed another tuition moderation plan like they did for this current fiscal year. They provided the amount of cash to offset the tuition increase in FY 20. We are currently at the same level of tuition as FY 19 and had proposed a 3 percent increase for FY 21. The tuition moderation is a different plan than last year. The House is providing us with \$900,000 but we have to agree to roll back the tuition increase. We also must agree not to increase tuition in FY 22 by more than 2 percent to obtain these funds. The House also said that if other institutions do not accept the tuition moderation funding, those funds will be distributed to other schools.

The Governor did not include pay increases in his introduced bill. However, both the House and Senate have proposed some type of pay increase. Currently our total budget is 83 percent people. With pay increases we have a fund split which requires us to cover 40 percent with our own funds on the E&G side. We must cover 100 percent of any pay increases on the auxiliary side. The House has proposed the following for pay increases:

- Classified Staff with 5 years up to 30 years of state service will receive \$75 for each year of state service
- University Staff & Faculty will receive a 1 percent salary increase
- All full-time employees will receive a 1 percent bonus in September

The fine print within the compensation language states that the general fund portion (60%), has already been included in the \$900,000 that we would receive for agreeing to the tuition moderation plan. In addition, for bi-weekly paid employees, the 1 percent salary increase is effective starting June 10<sup>th</sup>. For the state this is not a problem because it falls within next fiscal year. However, for us since we follow the University's payroll schedule this would be the last pay period of the current fiscal year. We would have to cover 100 percent of the increase for this pay period, which is approximately \$10,000.

The Senate did not do a tuition moderation plan. The tuition increase for FY 21 will be based off of FY 19 number since we opted not to do an increase FY 20. Our tuition is already the third lowest in the state. The Senate provided additional operational funding of \$429,300, which was based on the percentage of Pell grant recipients on campus. There was no utility funding included by the Senate. They did however include a bonus for all full-time employees and adjunct faculty of 3 percent in December. This would be for those employed between April 1<sup>st</sup> and November 24<sup>th</sup>.

Both the House and the Senate have included proposals to increase minimum wage. The House plan is much more aggressive. The Senate raises minimum wage to \$9.50 the first year, while the House raises it to \$10.00. The Senate minimum wage after three years will be \$11.50 and then in the fourth year they have a model to look at it regionally to make adjustments. The House is proposing raising each fiscal year reaching \$15 in the sixth year. The state would pick up their fund split and we would pick up ours, 60/40. However, the Senate version does not adjust for student workers. In the House version work study students would not fall under the minimum wage requirement. However, this could potentially cause a problem in that you could have two students working in the same department, doing the same job, and the work study student would be making less per hour than a special payroll student. We should know this week which minimum wage plan will be approved.

Looking at the House proposal, including the cost of utilities, the House minimum wage bill, and pay increases, the \$900,000 additional general fund money would not be sufficient to cover the increased costs. Using the Senate proposals, again including utilities, the Senate minimum wage bill, and keeping our tuition increase, the additional general fund money would not be sufficient to cover the increased costs. Neither side is positive for us going into Conference. This is very unusual and has not been seen before. We are hoping they are able to make it positive for us during Conference.

We are looking at flat enrollment at best next year and looking at state funding creates an awkward situation.

House Bill 833 has passed which will increase the cost of capital projects valued over \$250,000. Hopefully they will adjust Wyllie authorization as it is within the range, but it is anticipated this will slow our ability to have new capital projects funded due to the increased costs and impact on the Commonwealth's debt capacity.

### **ZBB (Zero-Based Budgeting)**

This year we have been looking at a modified zero-based budget for FY 21 and know this has been a lot of work for the budget office and all departments across campus. Your work on this process is greatly appreciated and it has provided a lot of information to the Chancellor and Senior Staff. We are projecting self-generated revenues to go down and may be at a flat revenue budget for next year. We know we will have some increased expenses such as utilities and potential pay increases. Fringe benefit rates are scheduled to remain flat. However, the pay increases will increase the total amount of fringe benefits costs. We also know there will be an increase to minimum wage, which we have spent a lot of time in Richmond explaining how this will also create a salary compression issue within the institution. Realistically we will have to look at addressing this as well.

The ZBB process will be able to tell us what is really needed going forward. The E&G requests were \$11.27 million over the current budget and the auxiliary requests were \$4.14M over the current budget. As we began doing this process we started to see revenue numbers and asked the Vice Chancellor's to give their bare minimum needed to operate. We have been going over those revised requests with Senior Staff, along with the faculty and staff representatives present. Our next meeting is Wednesday, March 4<sup>th</sup>.

We must have our budget submitted to the University by March 20<sup>th</sup> and it will take about a week to upload the entire budget into the system. We will have to know by at least March 13<sup>th</sup> to meet this deadline. We have a lot of work to do with a lot of pieces unavailable.

### **Questions**

- Q. Do you have a best guess for the completion of the Wyllie renovation? Jacob Somervell
- A. The final stages of the planning can sometimes have delays with the state even if approved. The earliest construction is expected to begin in January 2021. It is anticipated to be a two-year project. It is estimated that user occupancy would be the spring semester of 2023.