



Virginia's Budget....Now and Looking Forward

Faculty Senate

December 3, 2009

Charlie King

Sr. Vice President for Administration & Finance



State General Fund Revenues – August FY 2010

- ❑ Budget shortfall in August was \$1.35 billion

- ❑ Governor's September plan to balance the budget included:
 - ❑ Prior year balances
 - ❑ Revenue sharing adjustments
 - ❑ Agency reduction plans
 - ❑ Targeted transfers and strategies
 - ❑ Revenue stabilization fund transfer

Interim General Fund Revenue Forecast for Fiscal Years 2009 and 2010 Provided in August 2009

General Fund Revenue Source	FY 2009		FY 2010	
	Actual Amount (\$ Millions)	Percent Change	Projected Amount (\$ Millions)	Percent Change
Individual income tax	9,481.1	-6.3	9,310.8	-1.8
Sales taxes	2,903.4	-5.6	2,892.0	-0.4
Corporate income tax	648.0	-19.8	662.2	2.2
All other	1,282.6	-27.5	1,214.4	-5.3
Total general fund revenues	14,315.1	-9.2	14,079.4	-1.6

University Impact – FY 2010

- FY 2010 general fund reduction – 15% or \$9.8 mil
- Net impact reduction with ARRA funds – 8.0% or \$5.3 mil
- Reduction Strategies:

Divisional budget reductions \$ 3,296,245

- Academic Affairs - \$1.4 million
- Administration & Finance - \$1.3 million
- Student Affairs - \$200,082
- Advancement - \$182,282
- President - \$175,360

Reduction one-time equipment \$ 1,477,747

Application of unallocated interest yield \$ 500,000

- Furlough

Furlough Key Points

- ❑ The one day furlough impacts all state employees
- ❑ Impacts every state agency including institutions of higher education and auxiliary and grant operations
- ❑ The furlough is mandated and applies to all JMU full-time employees to include classified, AP faculty and Instructional faculty
- ❑ This strategy recovers salaries only. Employee benefits will be paid on employees' **unreduced** salaries so no benefits will be adversely impacted.
- ❑ For most state employees, the furlough is designated for the Friday before Memorial Day or May 28th. Institutions of higher education will be given the flexibility regarding the date of implementation.

Furlough Key Points

Pay Reduction Basic Example

Annual Salary	\$30,000.00
Hours Per Year (52 weeks X 40 hours/wk)	\$ 2,080.00
Hourly Rate (Annual Salary/2080)	<u>\$ 14.42</u>
Annulized Hourly Rate X 8 hours	\$ 115.38
FICA @ 7.65%	<u>\$ 8.83</u>
Total Salary and Fica Savings	\$ 124.21



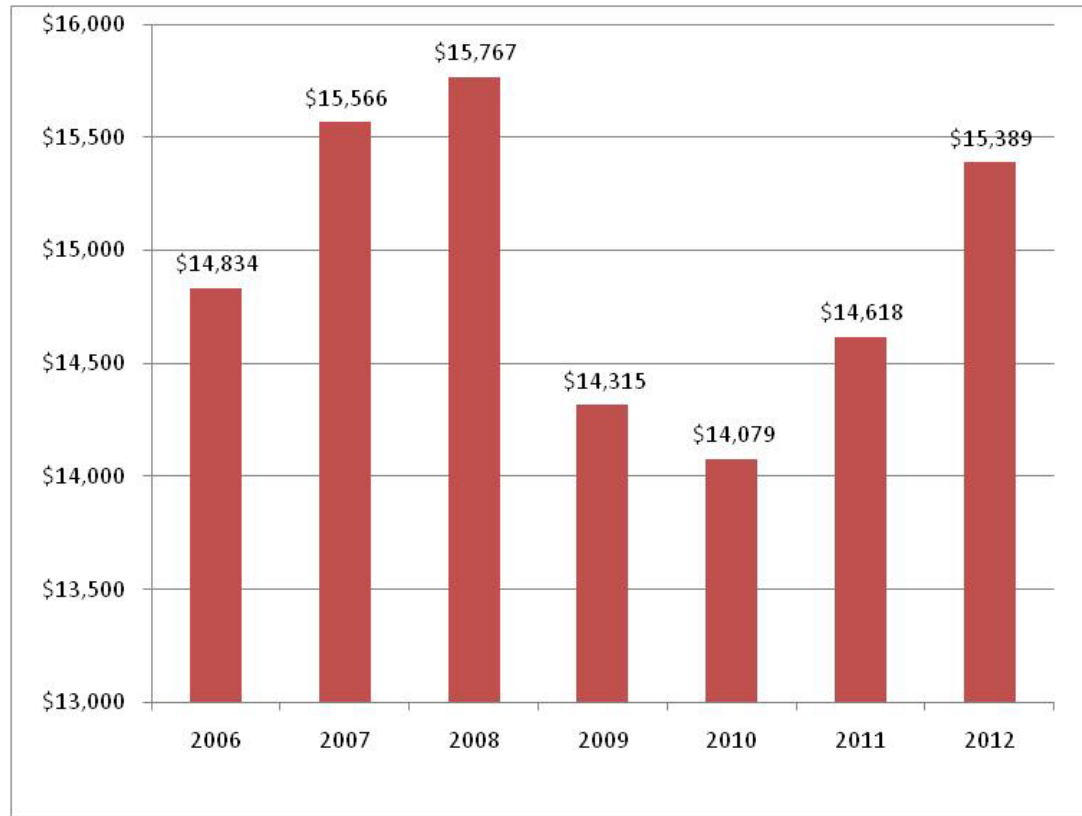
State General Fund Revenues – FY 2010 Year To Date

- ❑ The August revised forecast assumes a revenue contraction of (1.6)% in FY 2010
- ❑ Through October, revenue collections are 7.6% below 2009
- ❑ Additional reductions are likely to be \$250-\$300 million
- ❑ Probable December forecast adjustment – caboose bill



2010-2012 Biennium

Actual and Forecasted General Fund Revenues Fiscal Years 2006 to 2012 (\$ millions)



Growth in Total General Fund Revenues – Fiscal Years 1961-2012

<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>	<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>
61	230,998,887		87	4,590,434,000	11.10%
62	242,144,567	4.82%	88	5,054,382,000	10.11%
63	286,304,265	18.24%	89	5,478,912,000	8.40%
64	298,033,919	4.10%	90	5,494,884,000	0.29%
65	323,214,412	8.45%	91	5,471,879,000	-0.42%
66	365,129,776	12.97%	92	5,623,213,000	2.77%
67	414,755,644	13.59%	93	6,133,637,000	9.08%
68	533,597,744	28.65%	94	6,503,368,000	6.03%
69	706,254,374	32.36%	95	6,881,145,000	5.81%
70	743,721,322	5.31%	96	7,356,110,000	6.90%
71	807,954,651	8.64%	97	7,949,327,000	8.06%
72	922,653,686	14.20%	98	8,773,520,000	10.37%
73	1,054,469,443	14.29%	99	9,702,747,000	10.59%
74	1,168,562,871	10.82%	00	10,788,482,000	11.19%
75	1,303,178,893	11.52%	01	11,105,275,000	2.94%
76	1,428,421,157	9.61%	02	10,678,954,000	-3.84%
77	1,636,301,819	14.55%	03	10,867,149,000	1.76%
78	1,923,085,084	17.53%	04	11,917,867,000	9.67%
79	2,115,211,522	9.99%	05	13,687,252,000	14.85%
80	2,344,928,934	10.86%	06	14,834,298,000	8.38%
81	2,579,663,941	10.01%	07	15,565,827,000	4.93%
82	2,796,458,741	8.40%	08	15,766,951,000	1.29%
83	2,975,687,935	6.41%	09	14,315,060,000	-9.21%
84	3,397,710,261	14.18%	10*	14,079,400,000	-1.65%
85	3,790,816,000	11.57%	11*	14,618,000,000	3.83%
86	4,131,778,000	8.99%	12*	15,389,200,000	5.28%

* June 2009 GABE Forecast , Source: Virginia Secretary of Finance, *Review of General Fund Revenues and the Virginia Economy for Fiscal Year 2009 and the Interim Economic Outlook and Revenue Forecast for Fiscal Years 2010 and 2012, August 19, 2009*

FY 2010-2012 Biennium Budget Outlook

❑ Base Budget

- ❑ One-time spending items are deducted from base
- ❑ Adjustments for phase-out of ARRA funds
- ❑ \$2.0 - \$3.5 billion shortfall

❑ Required Driver Adjustments

- ❑ Mandatory and statutory spending
 - ❑ K-12 Re-benchmarking
 - ❑ Medicaid – backfill ARRA and Inflation
 - ❑ Mental Health
 - ❑ VRS Rates & Health Benefits

University Budget Issues – FY 2010-12

❑ Base Budget Revenues

- ❑ Continuation/Increase of general fund reductions
- ❑ Loss of ARRA funds

❑ Required Expense Driver Adjustments

- ❑ State fringe benefits – retirement and health
- ❑ Financial aid
- ❑ New programming - engineering
- ❑ New facilities – maintenance and programmatic costs
 - ❑ Performing Arts Center/ Music Recital Hall
 - ❑ North Campus Buildings (RMH)
- ❑ Utilities & contractual obligations



In Conclusion

- ❑ Based on the current economy it will be FY 2012-14 biennium before Virginia's budget is structurally balanced
- ❑ ARRA funding provides some relief in FY 2011 but will be phased out
- ❑ Sustainable reductions to ongoing costs will need to be made
- ❑ Difficult decisions will have to be made in the next biennium