

UNIVERSITY OF VIRGINIA 2000-2001 BUDGET SUMMARY

OVERVIEW

GENERAL COMMENTS

The operating budgets for the period July 1, 2000 - June 30, 2001, for all divisions of the University of Virginia total \$1.26 billion. This amount represents an increase of \$56.4 million or 4.7 percent compared with the revised budgets for 1999-2000. Of the total budget, \$752.0 million relates to the Academic Division, \$487.5 million to the Medical Center (teaching hospital), and \$18.6 million to the University of Virginia's College at Wise.

During the 2000 legislative session, the Governor and the legislature added \$118.6 million (excluding amounts for classified salary increases, which are held in a central account) in general funds and \$130.3 million in non-general funds to institutions of higher education for the 2000-02 biennium. The University of Virginia's Academic Division's educational and general appropriation for the 2000-02 biennium increased \$27.2 million, or 4.4 percent. This is the result of a \$12.5 million, or 3.9 percent, increase in general funds and a \$14.7 million, or 4.8 percent, increase in non-general funds. The 2000-02 educational and general appropriation for the College at Wise increased by \$1.4 million, or 5.2 percent. This is the result of a \$1.3 million, or 6.7 percent, increase in general funds and a \$0.1 million, or 1.3 percent, increase in non-general funds. The Medical Center's operating budget appropriation was increased by \$57.6 million for the 2000-02 biennium to reflect anticipated activity from patient revenue.

The University's 2000-01 budget has been developed to support the priorities identified in its strategic plan. The appropriations authorized by the 2000 Virginia General Assembly for the 2000-01 fiscal period are reflected in the budget. Within the financial and staffing limitations established by the budget, vice presidents, deans, and directors of major units of the University have the flexibility to allocate available resources to their highest priority program requirements.

Compensation

For the Academic Division, the 2000 General Assembly approved a 4.6 percent salary increase for full-time instructional faculty and a 3.0 percent salary increase for administrative faculty, part-time faculty, and graduate teaching assistants effective November 25, 2000. For the College at Wise, the 2000 General Assembly approved a 3.9 percent increase for full-time instructional faculty and a 3.0 percent salary increase for administrative faculty, part-time faculty,

and graduate teaching assistants effective November 25, 2000. The increases for full-time instructional faculty are projected to maintain the University and the College's average faculty salary at the 60th percentile of their respective benchmark salary groups. Actual achievement of the 60th percentile depends on salary increases at the other institutions in the peer group and cannot be precisely determined until the following year.

For classified staff, the General Assembly approved a 3.25 percent salary increase provided one receives a performance evaluation of "meets expectations" or better, effective November 25, 2000. The General Assembly also approved the September 2000 implementation of a new classified compensation plan based on the recommendations contained in the report of the Commission on Reform of the Classified Pay Plan.

The Medical Center has included in its budget a performance-based salary adjustment of 4.0 percent, with additional adjustments of up to 2.0 percent for critical personnel, in their budget. The salary increases were approved by the Board at its April meeting.

Employment Levels

The 2000-01 budgeted employment levels reflect an increase of 3.0 percent or 350.5 FTE from the 1999-2000 revised budget levels. In 2000-01, the Medical Center expects an increase of 110 FTE over the current employment levels. This increase is related to vacant positions, primarily additional nurses and support positions, that were expected to be filled in 1999-2000, but have not yet been filled. The Academic Division is experiencing a growth of 234.5 FTE. The increase is made up of 105 in sponsored program staffing, 64 in local E&G programs, 47 in state E&G programs, and 18.5 in auxiliary enterprises. The increased positions in sponsored programs and local E&G programs are an estimate of positions that will be added based upon expected expenditures in 2000-01, given the historical relationship between expenditures and staffing. If the increases in funding for sponsored programs and local E&G programs are not realized, the positions will not be created. The 6 new positions provided by the 2000 General Assembly at the College at Wise will include 3 faculty positions for the Technology and Engineering Program and increased staffing for admissions, financial aid, community relations, and development.

Tuition Policy

The 2000-02 Appropriation Act, as approved by the General Assembly and the Governor, continues the freeze on tuition and E&G fees for Virginia resident undergraduate students. Tuition and fee rates for graduate, out-of-state, and professional school students are set at the discretion of the Board of Visitors. The 2000-01 budget reflects the revenue expected to be generated by the tuition and fee rates approved by the Board in April and is consistent with the state's tuition policy.

Areas of Emphasis

In addition to faculty and staff salary increases in the Academic Division, the state targeted incremental general funds to support the Integrated Systems Project to replace current administrative processing programs, physician indigent care, operations and maintenance of new facilities, and pass-through appropriations to the Virginia Foundation for the Humanities, Blandy Farm and the Center for Governmental Studies. The University is required to use its non-general fund authority to address a share of faculty and classified salary increases and graduate student financial aid. At the College at Wise, incremental general funds will support faculty and staff salary increases, the Technology and Engineering program, increased support of admissions, financial aid, community relations and development, and operations and maintenance of new facilities.

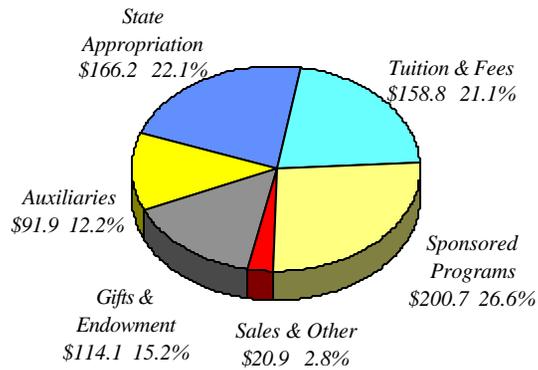
The University has also addressed some of the preliminary recommendations of the Virginia 2020 Commissions. For the Commission on Science and Technology, a three year commitment of \$1 million has been allocated to establish a Science and Technology Fund that will be described in additional detail later in this narrative. In addition to the \$9 million General Assembly appropriation for the Studio Art Building and funding from several private sources for planning the arts precinct, \$50,000 has been allocated to develop an Arts brochure as recommended by the Commission on Fine and Performing Arts. The Commission for Public Service has recommended and received \$100,000 to fund two public service positions. The Commission for International Activities has requested and a reserve has been created for the potential establishment of a Vice Provost for International activities and a \$100,000 incentive fund.

A glossary of frequently used terms is provided on page 51.

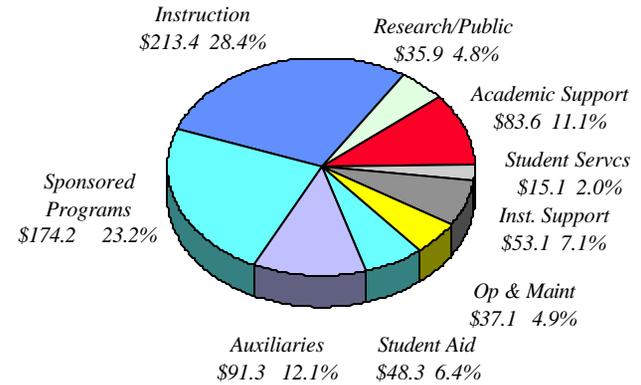
ACADEMIC DIVISION

GENERAL COMMENTS

The Academic Division expenditure budget totals \$752.0 million in 2000-01, an increase of 4.2 percent over the revised 1999-2000 budget of \$721.5 million. On the following page are two charts that delineate the primary revenue sources that support the 2000-01 Academic Division budget and the programs where the resulting funds are expended. Additional information about each segment is included later in this narrative.



Revenues by Source 2000-01 (in millions)



Expenditures by Program 2000-2001 (in millions)

Enrollment

The University's approved enrollment growth plan shows that on-grounds regular session and summer session enrollment will total 19,356 full-time equivalent (FTE) students in 2000-01. Of the expected 12,959 FTE undergraduate students, 67 percent will be Virginians. The off-grounds enrollment projection for 2000-01 is 1,830 FTE students, of which 90 percent will be Virginians. It is projected that the first year class will include 2,930 students (by head count), an increase of 6 students over actual enrollment in the fall of 1999, while 540 students will transfer to the University.

Equipment Trust

The 1986 General Assembly authorized the establishment of a statewide Higher Education Equipment Trust (HEET) designed to meet the high priority equipment needs of institutions of higher education. Through June 30, 2000, the University has received \$63.3 million. The next allocation is scheduled for July 2000, at which time the University

Total Revenues \$752.6 Million

Total Expenditures \$752.0 Million

expects to receive \$7.5 million. This funding comes to the University as reimbursement of purchases, so neither the allocation nor the related purchases are included in the University's budget for 2000-01. However, it will be noted throughout the narrative where special allocations have been made from the HEET program. The University's 1999-2000 revised budget does include provision for equipment lease payments in the amount of \$4.7 million. Beginning in 2000-01, payment of the leases will be processed by the Commonwealth's Department of Treasury and are no longer included in the University's budget.

Employment Level

A total of 7,307 FTE positions are budgeted in the Academic Division for 2000-01. Of this number, 2,587 positions are involved directly in the primary programs of instruction, research, and public service. Another 1,476 positions are involved in sponsored programs. A summary of all budgeted positions (both state and local) in the Academic Division is presented below:

	2000-01 Budgeted <u>Positions</u>
Educational & General	5,054
Sponsored Programs	1,476
Auxiliary Enterprises	<u>777</u>
	7,307

The 2000-01 budget reflects an increase of 234.5 budgeted FTE positions compared to the 1999-2000 revised budget. Of this increase, 105 positions can be attributed to increased staffing for sponsored programs awarded to faculty. Of the 111 FTE increase in E&G, 64 are related to positions funded from an increase in private support. As mentioned earlier, the increased positions in sponsored programs and local E&G programs are an estimate of positions that will be added based upon expected expenditures in 2000-01, given the historical relationship between expenditures and staffing. Of the 47 in state E&G, 14 are for self-supporting, revenue-generating enterprises, 12 are converted from wage to classified staff, 7 are allocated to the Center for Governmental Studies, 4 are for the Office of Sponsored Programs related to recommendations of the Research Administration Process Simplification Team, 3 are related to appropriations from the General Assembly to support operations and maintenance for new buildings, 3 are for the new Office of the Vice President for Finance, 2 are transferring from private funding for the new Strategic Planning Office, and 1 is for a new auditor related to the Medical Center.

EDUCATIONAL AND GENERAL

The educational and general activities include the three programs directly related to the higher education mission: (1) instruction, (2) research, and (3) public service. The educational and general activities also encompass the support programs of academic support, student services, institutional support, and maintenance and operation of physical plant. Sponsored programs associated with the instruction, research, and public service missions are also included in this category.

Revenues

Educational and general revenues are projected to total \$612.4 million in 2000-01, an increase of 4.1 percent over the revised budget for the current fiscal year.

The revenue projections for 2000-01 include the tuition and fees approved by the Board of Visitors in April. Tuition and fee revenues available for educational and general programs are projected to increase approximately 5.4 percent in the next fiscal year, from \$142.7 million to \$150.4 million. The 5.3 percent increase in overall tuition is the result of the continued tuition freeze for in-state undergraduates, a 2.0 percent increase for in-state graduates, and a 5.0 percent increase for out-of-state undergraduate and graduate students. Tuition increases for Law, Darden and Medicine vary as approved at the April Board meeting. Incremental tuition revenue will be used primarily to address faculty and classified salary increases and other institutional priorities as outlined below in the expenditure summary.

During 1999-2000, the University experienced a greater decline in graduate enrollment than expected, resulting in a tuition shortfall of over \$1 million. This shortfall is only 0.6% of the original tuition and fee budget of \$143.8 million; however, the 2000-01 tuition revenue budget conservatively estimates revenue collections to minimize the impact of another shortfall. At the same time, the 2000-01 budget includes a revenue reserve of \$2 million from which some of the University's highest priority needs, which currently remain unfunded, can be addressed if enrollment targets are met.

The Darden School began the implementation of a plan to maintain out-of-state tuition rates 2-3 percent below its peers and to maintain in-state tuition rates at \$5,000 below the out-of-state tuition. To achieve this goal, Darden increased out-of-state tuition by 6.8 percent. Second year in-state students will see an increase of 6.3 percent. First year in-state students will see an increase to a rate \$5,000 less than that approved for out-of-state students. In accordance with the March 1999 resolution by the Board, in-state Law students will see an increase equivalent to the increase in the Consumer Price Index for the year ended February 29, 2000 or 3.2 percent. The Board approved a 9.1 percent increase for out-of-state Law students. The revenue generated from these increases will be used to maintain the competitive positions of Law and Darden. As discussed with the Board at its April meeting, the School of

Medicine entered its third year of a multi-year plan to increase its tuition rates to levels comparable to its peers. The School of Medicine raised base tuition rates by 5.0 percent for all students and continued implementation of a \$2,000 surcharge on entering first-year in-state students. In 2000-01, first and second year in-state students will pay the \$2,000 surcharge, while third year in-state students will pay a \$1,000 surcharge. These increased tuition rates were encouraged by the state as part of the overall funding model for medical education and will be used to maintain and improve the competitive position of the school.

State general fund appropriations for educational and general programs are projected to decrease by 1.9 percent or \$3.1 million in 2000-01 as authorized by the 2000 General Assembly. This decrease is the effect of approximately \$4.7 million of HEET lease payments which are included in the 1999-2000 revised budget but have been transferred to the Commonwealth's Department of Treasury for 2000-01. Additionally, the revised 1999-2000 budget includes nearly \$10 million from a cash balance remaining at June 30, 1999 that was re-appropriated during 1999-2000. Adjusting out these two items results in an increase in state general fund appropriations of 7.7 percent or \$11.6 million. Of this, faculty and classified salary increases contribute \$7.2 million. Additional appropriations of \$1.75 million for the Integrated Systems Project, \$350,000 for the Virginia Foundation for the Humanities and \$250,000 for the Center for Governmental Studies contribute to the increase. The remaining increases are related to various adjustments for fringe benefit rates. The total appropriation of \$160.7 million includes the basic operating appropriation and the \$3.7 million special general fund appropriation for the eminent scholars program.

Revenues from endowment income are projected to total \$35.8 million in 2000-01 or 10.8 percent more than is expected to be applied to educational and general activities in the current year. This is related to the substantial increase in the market value of the endowment, which has resulted in a projected 30% increase in the spending rate for 2000-01. The first increased distribution will occur in January, so it is anticipated that about half of the increase will be available for expenditure in 2000-01. Revenues from gifts are expected to increase 6.7 percent in the next fiscal year from \$55.6 million to \$59.4 million. This is a reflection of expected increased expenditures from these fund sources as well as the success of the current capital campaign.

Sponsored program revenues and indirect cost recoveries (primarily federal funds) applied to research and other academic projects are anticipated to increase approximately 7.0 percent in 2000-01. This projection is based on the value of new sponsored program awards received during the period July 1999 - March 2000.

Revenues from other sources including current funds investments and sales and services of educational departments will increase \$162,000 or 0.8 percent in 2000-01.

Expenditures

The 2000-01 budget process involved issuing budget "targets" to each vice president for use in developing budget submissions. The targets were based on preliminary budget assumptions approved by the President and reported to the Board of Visitors in October. The process is designed to give maximum flexibility to vice presidents in the allocation of resources among their activities.

The targets were developed based on the following assumptions:

- ◆ An average full-time instructional faculty salary increase of 4.6 percent effective November 25, 2000.
- ◆ An average administrative faculty, part-time faculty, and graduate teaching assistant salary increase of 3.0 percent effective November 25, 2000.
- ◆ Classified staff who receive a performance evaluation of "meets expectations" or better will receive an increase of 3.25 percent. These increases are effective November 25, 2000.
- ◆ No incremental funding for increases in "other than personal services" budget categories except as specifically identified in subsequent sections of this summary.

Vice presidents were given an opportunity to present prioritized lists of resource needs that cannot be addressed within the target budgets provided. All available funds, including those specifically earmarked by the General Assembly, are then allocated in an addenda process. Incremental tuition and fee revenue, state general funds, HEET funds, and private funds provided in excess of \$14 million for the addenda process. As mentioned above, meeting enrollment expectations will provide an additional \$2 million to be allocated according to University priorities.

Comments on the proposed expenditure plan for the major program categories are presented below:

Instruction

The program of instruction includes the teaching faculty, support staff, instructional equipment, and routine operating costs directly related to instruction and departmental research. The increase in the 2000-01 instructional

budget is \$5.9 million or 2.9 percent. The 2000-01 instruction budget does not include \$4.7 million of lease payments under the HEET program as this has been transferred to the Commonwealth's Department of Treasury. Additionally, the revised 1999-2000 budget includes carryforward balances from 1998-99 for several schools of \$3.6 million. Adjusting for these decreases from 1999-2000 results in a real increase of \$14.2 million. \$6.4 million of the increase is related to faculty and staff salary and fringe benefit increases paid from state accounts. An additional \$4.1 million in tuition will be generated and retained by Law, Darden, Medicine, Commerce and the School of Continuing and Professional studies through excess tuition and revenue sharing agreements. The remaining increase is related to a \$2.8 million increase in private funding.

Through the addenda process and using private funding, the University has been able to meet several instructional needs. First, the University will distribute to the School of Medicine an additional \$2.5 million from the Pratt Fund to meet critical equipment needs in the expansion and renovation of the vivaria. Second, the University has made a three year commitment to provide \$1 million annually to establish the Science and Technology Venture Fund at the recommendation of the Virginia 2020 Commission on Science and Technology. This fund will be used to invest in new initiatives in science and technology, creating opportunities for interdisciplinary ventures and allowing the University to respond to increased opportunities. This funding will be made up of \$500,000 from the Pratt Fund, \$250,000 from new HEET funds, and \$250,000 from other private sources. Third, the University is also planning to allocate \$1 million to help meet a funding need in faculty start-up packages. Annually, half of this funding will come from the Pratt Fund and half will come from new HEET funds. There will be a one-time allocation of HEET funds to the Provost of nearly \$900,000 to meet critical faculty start-up needs. This allocation will allow the College of Arts & Sciences to aggressively recruit faculty to fill current vacancies. As mentioned before, the new HEET funds are not reflected in the 2000-01 budget because they are treated as reimbursements of purchases, but the new allocations are mentioned to show what is being accomplished with the additional funds from the General Assembly.

Research

The 2000-01 educational and general research program includes portions of the Center for Public Service, the State Climatologist, the Center for Liberal Arts, the Madison/Washington Papers editing projects, the Institute of Nuclear and Particle Physics, and the Diabetes Research and Training Center. In addition to these specific activities, the program includes support for research faculty but does **not** include sponsored research or departmental research. In 2000-01 funding from state and private sources for educational and general research activities is projected to increase by \$1.6 million to \$16.7 million. From state sources, \$250,000 was allocated from the General Assembly to the Center for Governmental Studies and \$215,000 is for faculty and classified salary and fringe benefit increases. The

remaining increase is generated from greater private financial support.

Public Service

The 2000-01 public service budget reflects a 0.6 percent increase over the revised budget for 1999-2000. The major activities in the public service category include the Miller Center of Public Affairs, portions of the Center for Public Service, the Teacher Resource Service, the Virginia Foundation for the Humanities, non-credit course offerings, and patient care provided by the medical school's clinical physicians. For 2000-01, the 2000 General Assembly provided an additional \$350,000 in general fund support for the Virginia Foundation for the Humanities, \$38,000 for salary and fringes, and an additional \$25,000 in general fund support for the State Arboretum at Blandy Farm.

Academic Support

The academic support program encompasses the libraries, the portion of Information Technology and Communications that supports academic computing, and the activities of the deans of the schools. The budget for 2000-01 is projected to decrease by 0.2 percent to \$83.6 million. The revised 1999-2000 budget includes \$2.1 million of one-time funding for the School of Continuing and Professional Studies (funding distance learning equipment purchases, the 1998-99 carryforward balance and the 1999-2000 revenue sharing agreement), \$900,000 for the Law School, (carryforward of 1998-99 balances), and \$350,000 for the College of Arts & Sciences (investment in the Media Center). This is offset in 2000-01 by salary and fringe benefit distributions of \$2.2 million.

Student Services

The student services program includes those activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural, and social development outside of the classroom. The student services budget for 2000-01 is projected to increase by 5.7 percent to \$15.1 million. This increase is attributable to higher salary and fringe benefit costs (\$300,000), increased support for the Honor Committee (\$174,000), physical and academic accommodations for the disabled (\$100,000), and the allocation of the uncommitted technology fee revenues to a financial aid imaging system (\$35,000). Other increases are related to the re-allocation of resources towards student services at the School of Medicine (\$250,000).

Institutional Support

Included in the institutional support program are the financial, administrative, logistical, and development activities of the University. The institutional support budget is projected to increase by \$2.5 million or 4.9 percent in 2000-01. There was additional funding in the form of \$1.6 million for faculty and classified salary increases, as well as new initiatives funded through the addenda process. These initiatives include the establishment of the Office of the Vice President for Finance (\$357,000), the establishment of the Strategic Planning Office (\$190,000), increased Human Resources support for the Medical Center (\$150,000), and an additional position in the Office of State

Governmental Relations (\$100,000). There is a net decrease of \$750,000 for the Integrated Systems Project included in the budget as outlined in the following paragraph. There is a \$500,000 increase in local support for institutional support.

In 1999-2000, the Integrated Systems Project's \$9.7 million budget was funded through a one-time cash windfall related to the timing of the reimbursement of the Equipment Trust Fund purchases and \$6 million in carryforward balances. Since the windfall related to the ETF reimbursement is not reflected in the revised budget, the 1999-2000 net budget for the Integrated Systems Project as included was \$6 million. Of the \$12.7 million 2000-01 budget for the Integrated Systems Project, \$1.75 million is funded from the state, \$700,000 will be funded from the HEET program, and \$3.5 million will be funded from private resources. The remaining \$6.75 million will be financed. The \$1.75 million from the state and the \$3.5 million from private resources are reflected in this budget as coming from available resources for 2000-01. This is a decrease of \$750,000 over the revised 1999-2000 budget.

Physical Plant

The physical plant program category includes all expenditures for the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center. The physical plant budget is projected to increase \$2 million or 5.5 percent in 2000-01 compared to the 1999-2000 revised budget. The increases are for salary and fringe benefit costs (\$607,000), several small renovation projects (\$675,000 for Central Grounds, Washington Hall, and Madison Hall), and one-time expenditures for environmental compliance (\$127,000). Additionally, Phase I of the Grounds Walk will continue as planned using the initial \$1 million from the federal grant. To complete the first phase, the University has also committed \$2.2 million from the Residential Improvement Fund.

Sponsored Programs

The proposed expenditure plan for 2000-01 anticipates a 7.0 percent increase in expenditures from sponsored programs and indirect cost recoveries. As stated in the revenue comments, the number of new sponsored program awards as well as the increase in the value of these awards for the period July 1999-March 2000 is used to estimate 2000-01 expenditures. Award data are good predictors of expenditures in subsequent periods for federally sponsored programs. Sponsored program expenditures are related primarily to research projects, but also may be restricted to institutional and service programs.

STUDENT FINANCIAL ASSISTANCE

The student financial assistance budget promotes student accessibility to the University through scholarships and fellowships. Wages paid to students for work performed and student loans are **not** included in this category. The student financial assistance budget also does **not** include aid provided directly to students or their

families by third parties.

Financial aid awards to undergraduate students are based on standard calculations of the student's financial need. In 1999-2000, the University is meeting an estimated 88 percent of the demonstrated need of undergraduate students when Direct Student Loans are included; in 1998-99, 87 percent of demonstrated need was met.

Revenues

Revenues in support of student financial assistance programs are received primarily from state general funds, tuition, federal sources, and restricted gifts and endowment income. The 2000-01 revenue budget for student financial assistance is \$48.3 million, an increase of approximately 4.7 percent over the 1999-2000 revised budget of \$46.1 million.

The budget reflects a decrease in state general fund appropriations for student aid of \$163,000 or 2.9 percent in 1999-2000. The decrease is related to special state awards and the re-appropriation of unspent cash balances included in the 1999-2000 revised budget that are not reflected in the 2000-01 budget.

Over \$8.4 million from tuition revenue will be allocated to both undergraduate and graduate financial aid. The increase over 1999-2000 results from the Law School allocating a greater amount of its excess tuition to financial aid. Additional financial aid is provided through several tuition remission programs. In 1984-85, the Commonwealth initiated an out-of-state graduate student tuition adjustment program. To qualify for the program, an out-of-state graduate student must be employed in a significant academic capacity and earn a contract rate of at least \$4,000 during the fiscal year. The maximum award is limited to the differential between in-state and out-of-state tuition rates as approved by the Board of Visitors. This program will continue in 2000-01. In an effort to further enhance the support of graduate teaching assistants, the University will continue to provide remission of in-state tuition and required fees to eligible graduate students. In total, financial aid funded from tuition represents 13.7 percent of gross regular session tuition revenue.

Private gifts and endowment income applied as student aid are projected to increase by 6.1 percent in 2000-01. These components of the budget are projected to total \$19.0 million in the new academic year compared with \$17.9 million in 1999-2000. This increase is related to the projected 30 percent increase in the endowment fund distribution and continued success of the Capital Campaign.

The sponsored programs revenue category for student aid, which includes those federal funds administered by the University, is projected to increase approximately \$917,000 or 7 percent in 2000-01.

Expenditures

Expenditures for student financial assistance are projected to increase from \$46.1 million in 1999-2000 to \$48.3 million in 2000-01, an increase of approximately 4.7 percent. In addition to the general scholarships and fellowships, the 2000-01 student financial assistance budget includes \$550,000 for the President's Fellowships and \$824,200 for continued funding of the merit scholarship program established in 1985-86.

AUXILIARY ENTERPRISES

The auxiliary enterprises include Housing, Parking and Transportation, Athletics, Dining Services, University Bookstore and Cavalier Computers, Student Health, Satellite Uplink, Voice Communications, Child Care Center, Printing and Copying Services, Mail Services, and other activities operated to serve students, faculty, and staff. Auxiliary activities are supported entirely through fees charged to users. Emphasis is placed on providing safe, effective, and efficient enterprises that are compatible with and facilitate the accomplishment of the University's primary mission.

Revenues

Revenues from all auxiliary enterprises are estimated to total \$91.9 million in 2000-01, an increase of 4.1 percent over the 1999-2000 revised budget. The increase in revenue is primarily attributable to three factors: a new first year residence hall opening in the fall, the new parking facility at Scott Stadium, and increases in student fees to support operating cost increases in University Transit, Recreational Facilities, Athletics, Student Health, and WTJU.

The proposed revenue budgets for auxiliary enterprises reflect the rates approved by the Board of Visitors in February and April 2000. Revenue projections which are **not** based on Board approved rates are explained below:

- ◆ Under the dining services contract with ARAMARK Corporation, net revenues received by the University in 2000-01 are expected to total \$3.54 million. Of this amount, approximately \$670,000 represents vending and concessions commissions, \$170,000 represents interest income, and the remaining \$2.7 million is from total board and retail sales. Rates for contract meal plans were approved by the Board of Visitors in April and were increased at an average of 3.9 percent.
- ◆ University Bookstore sales are estimated at \$21.4 million in 2000-01, 1 percent above the 1999-2000 revised revenue budget. The 2000-01 revenue budget includes \$6.0 million in sales by Cavalier Computers, which is

consistent with the 1999-2000 budget.

- ◆ Parking and Transportation's revenues are estimated at \$7.3 million, an increase of 15.7 percent or \$995,000. In addition to increased student fees, this budgeted increase is related to higher parking rates and fines, which have been implemented to address operating costs at new facilities, including the debt service for the new parking garage under construction at Scott Stadium.
- ◆ Revenue from other auxiliary enterprise activities, including leased facilities, the satellite uplink, the telephone system, the child care center, printing services, and mail services are projected to increase by 0.2 percent in 2000-01.

A comparative statement of the auxiliary enterprise revenue budgets is provided on pages 22-24.

Expenditures

Auxiliary enterprise expenditures are projected to increase by 4.8 percent in 2000-01 from \$87.1 million to approximately \$91.3 million.

In the development of the auxiliary enterprise budgets for 2000-01, the University has continued to place emphasis on the maintenance of prudent reserves for the rational and systematic renewal and replacement of equipment and facilities. The budget includes proposed expenditures for 2000-01 from each auxiliary enterprise reserve beginning on page 30.

Of the \$4.2 million increase in the 2000-01 expenditure budget, \$1.1 million is attributable to Housing's operating cost increases and debt service for the new first year residence hall. Housing's expenditure budgets total \$19.5 million in 2000-01. The Parking and Transportation budget will increase by \$995,000 to account for higher operating costs and new debt service for the parking facility at Scott Stadium. The Student Health budget will increase \$769,000 or 13 percent due to salary increases and planned expansion of services to include specialty clinical services. All auxiliary enterprise expenditure budgets also reflect classified and faculty salary increases to be effective in 2000-01.

The 2000-01 Athletics budget, exclusive of Intramurals, will increase \$725,000 or 3.9% over the 1999-00 revised budget. This reflects salary increases and five new positions created to support academic advising and the

Sports Information Department, to maintain Bryant Hall and to provide computer support. These positions have been partially funded through reducing expected transfers to the reserves in 2000-01. The Athletics budget will continue to be monitored closely on a monthly basis until the financial constraints of the Athletics program can be addressed. It is anticipated that the forthcoming recommendations of the President's Commission on Athletics will direct the Athletics department toward meeting its mission, while remaining financially viable.

Positions

The 2000-01 budget reflects a net increase of 18.5 FTE positions in auxiliary enterprises over the 1999-2000 revised budget. This increase is attributable primarily to additional staff in the Bookstore (6), Information Technology and Communications (5), Athletics (5), Housing (4), Parking and Transportation (3.5), and Student Health (2.75). Auxiliaries with decreases in FTEs include Dining (5), Motor Pool (2), and Printing and Copying Services (1).

A comparative statement of the auxiliary enterprise expenditure budgets for 2000-01 and 1999-2000 is provided on page 26.

**University of Virginia - Academic Division
2000-01 Revenue Budget Summary**

	2000-01 Academic Division	Original 1999-2000 Academic Division	Revised 1999-2000 Academic Division	\$ Change from Revised 1999-2000 to 2000-01	% Change from Revised 1999-2000 to 2000-01
Revenues from Educational & General Activities					
Tuition & Fees	\$ 150,397,018	\$ 143,787,902	\$ 142,714,900	\$ 7,682,118	5.4%
State Appropriations	160,730,925	154,958,690	163,849,421	(3,118,496)	(1.9%)
Endowment Income	35,760,893	30,397,569	32,277,030	3,483,863	10.8%
Gifts	59,358,122	62,398,265	55,614,757	3,743,365	6.7%
Sponsored Programs & Indirect Cost Recoveries	186,678,000	169,782,000	174,495,000	12,183,000	7.0%
Sales, Services & Other	19,478,585	18,061,640	19,316,277	162,308	0.8%
Total Revenues from Educational & General Activities	\$ 612,403,543	\$ 579,386,066	\$ 588,267,385	\$ 24,136,158	4.1%
Revenues from Student Financial Assistance					
State Appropriations	\$ 5,418,047	\$ 5,418,047	\$ 5,580,937	\$ (162,890)	(2.9%)
Transfer from Tuition	8,433,543	8,076,463	8,076,463	357,080	4.4%
Sponsored Programs & Indirect Cost Recoveries	14,007,000	16,403,000	13,090,000	917,000	7.0%
Gifts & Endowment Income	19,014,909	20,882,846	17,921,855	1,093,054	6.1%
Other Income	1,422,200	1,428,000	1,439,635	(17,435)	(1.2%)
Total Revenues from Student Financial Assistance	\$ 48,295,699	\$ 52,208,356	\$ 46,108,890	\$ 2,186,809	4.7%
Revenues from Auxiliary Enterprises					
Athletics & Related Activities	\$ 23,126,367	\$ 22,474,054	\$ 22,853,767	\$ 272,600	1.2%
Dining Services	3,540,000	3,514,000	3,514,000	26,000	0.7%
Housing	19,656,500	18,424,300	18,424,300	1,232,200	6.7%
Newcomb Hall & Related Activities	3,840,345	3,701,300	3,701,300	139,045	3.8%
University Bookstore	21,410,000	21,450,000	21,200,000	210,000	1.0%
Parking & Transportation	7,324,000	6,329,000	6,329,000	995,000	15.7%
Student Health	6,684,038	5,914,607	5,914,607	769,431	13.0%
Other Auxiliary Activities	6,321,045	6,451,220	6,307,520	13,525	0.2%
Total Revenues from Auxiliary Enterprises	\$ 91,902,295	\$ 88,258,481	\$ 88,244,494	\$ 3,657,801	4.1%
Total Revenue Budget - Academic Division	\$ 752,601,537	\$ 719,852,903	\$ 722,620,769	\$ 29,980,768	4.1%

**University of Virginia - Academic Division
2000-01 Expenditure Budget Summary**

	2000-01 Academic Division	Original 1999-2000 Academic Division	Revised 1999-2000 Academic Division	\$ Change from Revised 1999-2000 to 2000-01	% Change from Revised 1999-2000 to 2000-01
Expenditures for Educational & General Activities					
Instruction	\$ 213,400,226	\$ 207,508,425	\$ 207,455,497	\$ 5,944,729	2.9%
Research	16,677,773	15,786,139	15,073,089	1,604,684	10.6%
Public Service	19,192,145	21,109,712	19,068,267	123,878	0.6%
Academic Support	83,627,218	83,149,144	83,801,188	(173,970)	(0.2%)
Student Services	15,095,193	14,297,235	14,277,301	817,892	5.7%
Institutional Support	53,086,432	45,099,597	50,610,244	2,476,188	4.9%
Operation & Maintenance of Physical Plant	37,110,963	34,338,814	35,171,799	1,939,164	5.5%
Sponsored Programs & Indirect Cost Recoveries	174,213,593	158,097,000	162,810,000	11,403,593	7.0%
Total Expenditures for Educational & General Activities	\$ 612,403,543	\$ 579,386,066	\$ 588,267,385	\$ 24,136,158	4.1%
Total Expenditures for Student Financial Assistance	\$ 48,295,699	\$ 52,208,356	\$ 46,108,890	\$ 2,186,809	4.7%
Expenditures for Auxiliary Enterprises					
Athletics & Related Activities	\$ 22,990,367	\$ 22,224,054	\$ 22,224,054	\$ 766,313	3.4%
Dining Services	3,525,800	3,463,000	3,463,000	62,800	1.8%
Housing	19,515,027	18,346,000	18,346,000	1,169,027	6.4%
Newcomb Hall & Related Activities	3,867,180	3,701,300	3,726,300	140,880	3.8%
University Bookstore	21,355,372	21,399,705	21,149,705	205,667	1.0%
Parking & Transportation	7,324,000	6,329,000	6,329,000	995,000	15.7%
Student Health	6,684,038	5,914,607	5,914,607	769,431	13.0%
Other Auxiliary Enterprises	6,066,892	6,328,739	5,968,039	98,853	1.7%
Total Expenditures for Auxiliary Enterprises	\$ 91,328,676	\$ 87,706,405	\$ 87,120,705	\$ 4,207,971	4.8%
Total Expenditure Budget - Academic Division	\$ 752,027,918	\$ 719,300,827	\$ 721,496,980	\$ 30,530,938	4.2%

University of Virginia - Academic Division
2000-01 Comparative Statement of Revenues by Source

	2000-01 Academic Division	Revised 1999-2000 Academic Division
Revenues From Educational & General Activities		
<i>State Funds for Educational & General Activities</i>		
State Nongeneral Fund Appropriations for Educational & General Activities		
<i>Tuition & Fees</i>		
Regular Session Tuition		
Architecture	\$ 3,242,358	\$ 3,128,554
Graduate Architecture	1,538,554	1,463,416
College of Arts & Sciences	64,223,327	62,241,829
Graduate Arts & Sciences	10,136,453	9,996,438
Commerce	4,868,980	4,676,287
Graduate Commerce	2,994,030	1,296,100
Education	657,535	639,166
Graduate Education	4,597,104	4,554,416
Engineering	15,234,822	14,682,310
Graduate Engineering	3,896,640	3,563,991
Darden MBA	10,217,898	9,360,936
Darden DBA	135,690	129,526
Law	19,807,166	18,515,243
Graduate Law	771,755	726,651
Medicine	8,011,363	7,526,926
Nursing	1,652,121	1,603,730
Graduate Nursing	502,669	456,715
Subtotal Tuition	\$ 152,488,465	\$ 144,562,234
Less: Tuition Remission Undergraduate	\$ (2,476,732)	\$ (2,476,732)
Less: Out-of-State Tuition Adjustment Program	(6,871,898)	(6,934,934)
Less: Graduate Teaching Assistant Remission Program	(3,164,039)	(2,969,433)
Total Regular Session Tuition	\$ 139,975,796	\$ 132,181,135
Transfer to Student Financial Assistance	\$ (8,433,543)	\$ (8,076,463)
Net Regular Session Tuition	\$ 131,542,253	\$ 124,104,672

University of Virginia - Academic Division

2000-01 Comparative Statement of Revenues by Source – page 2

	2000-01 Academic Division	Revised 1999-2000 Academic Division
Summer Session Tuition		
Summer Session	\$ 3,900,000	\$ 3,800,000
Mt. Lake	30,000	30,000
Total Summer Session Tuition	\$ 3,930,000	\$ 3,830,000
Other Tuition and Fees		
Off-Campus Tuition and Fees	\$ 6,823,126	\$ 6,506,403
Graduate Televised Engineering Program	214,428	215,989
Bachelor of Interdisciplinary Studies	135,731	181,308
Non-Credit Tuition and Fees	692,389	584,263
Citizen Scholar/Special Student Programs	624,740	727,445
Institute for Government	325,000	320,000
Music Lessons	202,108	172,000
Educational Leadership/Human Services	214,300	269,800
Recreational Facility Fee	284,000	275,000
Capital Renewal Fee	400,000	400,000
Arts Fee	207,000	214,000
Technology Fee	845,000	840,000
Summer Language Institute Fee	26,000	32,000
Northern Virginia Facility Fee	175,000	150,000
Application Fees	1,605,300	1,800,000
Summer Orientation Fee	708,750	620,000
Commerce Special Programs Fee	400,000	442,000
Total Other Tuition and Fees	\$ 13,882,872	\$ 13,750,208
<i>Total Tuition and Fees</i>	\$ 149,355,125	\$ 141,684,880
<i>Other Revenue</i>		
Administrative Allowances	\$ 176,000	\$ 176,000
Duplicate Diploma Fee	1,500	1,500
Duplicate ID Fee	27,000	18,000
Forfeited Deposits	60,000	60,000
Rent - Faculty and Sundry	159,070	154,670

University of Virginia - Academic Division

2000-01 Comparative Statement of Revenues by Source – page 3

	2000-01 Academic Division	Revised 1999-2000 Academic Division
<i>Other Revenue (continued)</i>		
Mt. Lake Rent and User Fees	24,000	24,000
Transcript Fees	180,000	180,000
Library Fines	37,025	38,300
Late Fees	40,000	38,000
Veterans Service Charges	600	600
Other Sales and Services	52,400	52,000
<i>Total Other Revenue</i>	\$ 757,595	\$ 743,070
Recovery of Overhead (30%)	\$ 11,877,000	\$ 11,100,000
Work Study Revenue	585,000	585,000
Total State Nongeneral Fund Appropriations for Educational & General Activities	\$ 162,574,720	\$ 154,112,950
State General Fund Appropriations		
Legislative Appropriations	\$ 156,153,177	\$ 143,491,893
Governor Appropriations		
Salary Increase and Related Fringe Adjustments	909,585	1,980,421
Reappropriation of 1998-99 Carryforward	-	9,977,435
Equipment Trust Fund Lease Payments	-	4,673,832
Total State General Fund Appropriations	\$ 157,062,762	\$ 160,123,581
Special State Appropriations		
Eminent Scholars Matching Funds	\$ 3,668,163	\$ 3,668,163
VIVA Library Materials	-	45,652
Student Organizations Cooperative Grant Funding		5,025
Graduate Student Conference	-	7,000
Total Special State Appropriations	\$ 3,668,163	\$ 3,725,840
Sponsored Programs & Indirect Cost Recoveries	\$ 174,216,000	\$ 162,810,000
<i>Total State Funds for Educational and General Purposes</i>	<i>\$ 497,521,645</i>	<i>\$ 480,772,371</i>

University of Virginia - Academic Division

2000-01 Comparative Statement of Revenues by Source – page 4

	2000-01 Academic Division	Revised 1999-2000 Academic Division
<i>University Funds for Educational & General Activities</i>		
Student Activity Fees	\$ 1,041,893	\$ 1,030,020
Endowment Income	35,760,893	32,277,030
Private Gifts and Grants	59,358,122	55,614,757
Sales, Services & Other Sources	18,720,990	18,573,207
<i>Total University Funds for Educational & General Activities</i>	\$ 114,881,898	\$ 107,495,014
Total Revenues from Educational & General Activities	\$ 612,403,543	\$ 588,267,385
Revenues from Student Financial Assistance		
State Appropriations	\$ 5,392,172	\$ 5,454,047
Virginia Graduate and Undergraduate Assistance Program	25,875	25,875
Special State Appropriations	-	101,015
Transfer from Regular Session Tuition	8,433,543	8,076,463
Sponsored Programs and Indirect Cost Recoveries	14,007,000	13,090,000
Restricted Gifts and Endowment Income	19,014,909	17,921,855
Other Income	1,422,200	1,439,635
Total Revenues from Student Financial Assistance	\$ 48,295,699	\$ 46,108,890
Revenues from Auxiliary Enterprises		
<i>Auxiliary Enterprise Revenues Deposited with State Treasurer</i>		
Athletics		
TV, Radio, Licensing and Sponsorship	\$ 420,000	\$ 383,993
Conference Revenue	5,157,365	5,176,830
Gate Receipts	6,586,017	6,374,724
Student Fees	6,435,600	6,056,868
Other	10,000	100,100
Total Athletics	\$ 18,608,982	\$ 18,092,515

University of Virginia - Academic Division

2000-01 Comparative Statement of Revenues by Source – page 5

	2000-01 Academic Division	Revised 1999-2000 Academic Division
<i>Auxiliary Enterprise Revenues Deposited with State Treasurer (continued)</i>		
Parking & Transportation Services		
Student Fees	\$ 1,961,000	\$ 1,871,000
Parking Fees, Bus Passes, Charter Fees & Other Income	5,363,000	4,458,000
Total Parking & Transportation Services	\$ 7,324,000	\$ 6,329,000
Student Housing Rents	\$ 16,792,000	\$ 15,778,000
Child Care Center	29,400	29,000
Student Health Fees	6,684,038	5,914,607
Student Auxiliary Fees	435,725	448,500
Student Programming Fees	185,000	185,000
Law School Placement Service	230,000	200,000
Newcomb Hall & University Union	1,242,000	1,242,000
Satellite Uplink	79,500	50,000
Telephone System	1,385,181	1,571,726
Leased Facilities	2,133,251	2,133,251
Printing Services	702,200	623,000
Housing Conference Services	2,235,000	2,046,700
Faculty and Staff Housing	629,500	599,600
Work Study	55,000	55,000
Police Escort Service	80,000	70,400
WTJU	106,000	70,000
Other	63,558	75,223
<i>Total Auxiliary Enterprise Revenues Deposited with State Treasurer</i>	\$ 59,000,335	\$ 55,513,522
<i>Auxiliary Enterprise Revenues Deposited with University</i>		
Athletics and Intramural/Recreation Sports		
Conference Revenue	\$ 837,635	\$ 1,058,690
U-Hall and Physical Education	1,245,000	1,245,000
TV, Radio, Licensing & Sponsorships	2,186,000	2,186,000
Other Receipts	248,750	271,562
Total Athletics and Intramural/Recreation Sports	\$ 4,517,385	\$ 4,761,252

University of Virginia - Academic Division

2000-01 Comparative Statement of Revenues by Source – page 6

	2000-01 Academic Division	Revised 1999-2000 Academic Division
<i>Auxiliary Enterprise Revenues Deposited with University (continued)</i>		
Dining Services	\$ 3,540,000	\$ 3,514,000
Leased Facilities	425,000	425,000
Newcomb Hall & University Union	2,598,345	2,459,300
University Bookstore & Cavalier Computers	21,410,000	21,200,000
Cavalier Advantage Card	184,700	218,000
Other Auxiliary Activities	226,530	153,420
<i>Total Auxiliary Enterprise Revenues Deposited with University</i>	<u>\$ 32,901,960</u>	<u>\$ 32,730,972</u>
Total Revenues from Auxiliary Enterprises	<u>\$ 91,902,295</u>	<u>\$ 88,244,494</u>
Total Revenue Budget - Academic Division	<u><u>\$ 752,601,537</u></u>	<u><u>\$ 722,620,769</u></u>

University of Virginia - Academic Division
2000-01 Comparative Statement of Expenditures by Program

	2000-01 Academic Division	Revised 1999-2000 Academic Division
	<hr/>	<hr/>
Expenditures for Educational & General Activities		
<i>State Funds for Educational & General Activities</i>		
Instruction	\$ 167,259,706	\$ 164,149,828
Research	6,986,862	6,431,078
Public Service	1,902,939	1,541,129
Academic Support	66,708,861	65,965,029
Student Services	12,003,587	11,115,921
Institutional Support	35,412,484	36,918,897
Physical Plant	33,033,613	31,840,489
Sponsored Programs	174,213,593	162,810,000
	<hr/>	<hr/>
<i>Total State Funds for Educational & General Activities</i>	\$ 497,521,645	\$ 480,772,371
<i>University Funds for Educational & General Activities</i>		
Instruction	\$ 46,140,520	\$ 43,305,669
Research	9,690,911	8,642,011
Public Service	17,289,206	17,527,138
Academic Support	16,918,357	17,836,159
Student Services	3,091,606	3,161,380
Institutional Support	17,673,948	13,691,347
Physical Plant	4,077,350	3,331,310
	<hr/>	<hr/>
<i>Total University Funds for Educational & General Activities</i>	\$ 114,881,898	\$ 107,495,014
	<hr/>	<hr/>
Total Expenditures for Educational & General Activities	\$ 612,403,543	\$ 588,267,385

University of Virginia - Academic Division

2000-01 Comparative Statement of Expenditures by Program – page 2

	2000-01 Academic Division	Revised 1999-2000 Academic Division
Expenditures for Student Financial Assistance		
State Scholarships and Fellowships	\$ 13,851,590	\$ 13,657,400
President's Fellowships	550,000	550,000
University and Sponsored Programs Restricted Scholarships and Fellowships	33,894,109	31,901,490
Total Expenditures for Student Financial Assistance	\$ 48,295,699	\$ 46,108,890
Expenditures for Auxiliary Enterprises		
Athletics and Intramural/Recreation Sports	\$ 22,990,367	\$ 22,224,054
Dining Services	3,525,800	3,463,000
Housing	19,515,027	18,346,000
Child Care Center	29,300	28,900
Leased Facilities Operations	2,558,251	2,558,251
Newcomb Hall & University Union	3,867,180	3,726,300
Student Affairs Programs	185,000	185,000
University Bookstore & Cavalier Computers	21,355,372	21,149,705
Parking and Transportation Services	7,324,000	6,329,000
Satellite Uplink	57,100	50,000
Student Health	6,684,038	5,914,607
Telephone System	1,385,181	1,571,726
Law School Placement Service	230,000	195,500
Printing Services	702,200	623,000
Other Auxiliary Activities	919,860	755,662
Total Expenditures for Auxiliary Enterprises	\$ 91,328,676	\$ 87,120,705
Total Expenditure Budget - Academic Division	\$ 752,027,918	\$ 721,496,980

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

GENERAL COMMENTS

The operating budget for all programs at the University of Virginia's College at Wise totals \$18.6 million for 2000-01, an increase of 7.0 percent over 1999-2000. The General Assembly session provided additional funding and staffing in the areas of admissions, financial aid, community relations and development. This funding allows for the complete implementation of the name change, which includes funding for marketing and admissions materials. The Technology and Engineering Program was partially funded during the legislative session, which begins implementation of the SCHEV study requested last session by legislation from Delegate Phillips. This funding will provide staffing to initiate a joint engineering program with The University of Virginia and Virginia Tech, continuing the development of technology across the curriculum.

Enrollment

In 2000-01, the full-time equivalent enrollment at the University of Virginia's College at Wise, is projected to total 1,453 students. Approximately 96 percent of the students will be Virginians. Tuition for in-state undergraduate students at the University of Virginia's College at Wise will not increase, as mandated by Governor Gilmore during the 2000 Legislative session. General fund support will continue to offset the decrease in nongeneral fund revenue.

Programs

The College will continue to charge all full and part-time students a \$45 annual technology fee in 2000-01. Revenue estimated to total \$50,000 will continue to enhance technology repair and training services on campus. The College Asynchronous Transfer Mode has been placed on line, removing distance education classes from satellite transmission and reducing the overall cost of course delivery.

The 2000-01 budget continues to maintain a \$150,000 budget line item for innovative and learning technology initiatives proposed by the College's academic community. The initiatives must support the mission statement and the strategic plan of the College.

Employment Level

Full-time equivalent positions for the 2000-01 fiscal year total 238. Of these positions, approximately 92 FTE positions are faculty involved directly in the primary program of instruction. The General Assembly session provided 8 additional FTE positions; 5 staff positions to be distributed among admissions, financial aid, community relations and development, and 3 faculty support positions for the Technology and Engineering Program. Auxiliary Enterprise positions increased by .50 FTE. A summary of all employees is presented below:

2000-01 Employment Level

Education & General	212
Sponsored Programs	6
Auxiliary Enterprises	<u>20</u>
Total	238

EDUCATIONAL AND GENERAL

The educational and general operating budget for 2000-01, including sponsored programs, totals \$14.0 million, 7.5 percent or \$970,000 more than the revised 1999-2000 budget. The academic support budget for 2000-01 has decreased from 1999-00 due to a transfer of funds and new positions to instruction. Institutional support reflects the additional state appropriation awarded during the 2000 Legislative session, as well as .50 FTE for additional staffing in Campus Police. Physical plant has increased by 5 percent related to anticipated increases in utility and lease expenditures for 2000-01.

Revenues

State general fund appropriations will increase 10 percent representing 59 percent of all educational and general revenues in the 2000-01 College at Wise budget. The state appropriation includes \$362,000 for the Southwest Virginia Public Education Consortium to improve the public education system in southwest Virginia. The College at Wise serves as fiscal agent for the Consortium.

Out-of-state tuition rates, as approved by the Board of Visitors in April, will increase 5 percent. In compliance with Governor Gilmore's tuition reduction initiative, in-state tuition rates will not increase for 2000-01. Sponsored program revenues increased by \$5,000 to \$807,000 for 2000-01.

Expenditures

Educational and general expenditures (including sponsored programs) are proposed to increase by \$970,000 or 7.5 percent from the 1999-00 revised budget. The 2000-01 budget includes funding for classified salary increases and funding for faculty salary increases authorized for November 25, 2000.

STUDENT FINANCIAL ASSISTANCE.

State general funds for student aid in 2000-01 total \$676,200, no increase from 1999-2000.

AUXILIARY

In 2000-01, the revenue and expenditure budgets for auxiliary enterprises (student and faculty

ENTERPRISES

housing, food service operations, bookstore, parking and transportation, fleet management, student union, student enhancement, vending and athletics) will total \$3.96 million, an increase of 6.6% from 1999-00. Parking and Transportation, Bookstore and Housing revenue projections are based upon actual collections in 1999-2000. Additional support staff in Parking and Transportation will increase by .50 FTE. Fleet Management revenue was initiated during the current fiscal year, representing an increase in overall auxiliary revenue projections of \$75,000. The occupancy in student housing is projected to be 96 percent, reflected by the 7.2 percent increase in student housing revenue. The enforcement of the new housing policy requiring all students to contract for an entire year's occupancy has minimized the loss of 10-15 percent in occupancy and revenue between the fall and spring semesters. The increase in revenue is also due to increased housing rates for the 2000-01 fiscal year.

The student services fee for the 2000 academic year will increase by \$138 per student, as approved by the Board of Visitors. Of the additional revenue, \$100 will go to the New Student Center Development Fund and \$38 will fund student center operations. Projected enrollment indicates that approximately 1,030 students will be charged these fees.

SUMMARY

A summary of the 2000-01 College at Wise budget compared with the budget for 1999-2000 is provided on the following page.

**University of Virginia's College at Wise
2000-01 Budget Summary**

	2000-01 Budget	Original 1999-2000 Budget	Revised 1999-2000 Budget	\$ Change from Rev. 1999-2000 to 2000-01	% Change from Rev. 1999-2000 to 2000-01
Revenues from General Funds					
Legislative Appropriation	\$ 10,624,193	\$ 9,526,991	\$ 9,659,572	\$ 964,621	10.0%
SW Va Public Education Consortium	362,000	362,000	362,000	-	0.0%
Total Revenues from General Funds	\$ 10,986,193	\$ 9,888,991	\$ 10,021,572	\$ 964,621	9.6%
Revenues from Nongeneral Funds					
Tuition and Fees - Regular Session	\$ 2,789,150	\$ 2,739,150	\$ 2,689,150	\$ 100,000	3.7%
Tuition and Fees - Summer Session	225,000	225,000	225,000	-	0.0%
Tuition and Fees - Off Campus	82,818	132,818	132,818	(50,000)	(37.6%)
Tuition and Fees - Tuition Remission	(250,000)	(250,000)	(250,000)	-	0.0%
Sponsored Programs	807,341	802,028	802,028	5,313	0.7%
Auxiliary Enterprises - Student Housing	975,000	909,626	959,626	15,374	1.6%
Auxiliary Enterprises - Parking and Transportation	100,000	47,000	75,000	25,000	33.3%
Auxiliary Enterprises - Cafeteria	804,152	794,792	794,792	9,360	1.2%
Auxiliary Enterprises - Bookstore	771,643	650,000	750,000	21,643	2.9%
Auxiliary Enterprises - Athletics	938,338	912,316	905,742	32,596	3.6%
Auxiliary Enterprises - Other	372,071	281,936	281,936	90,135	32.0%
Total Revenues from Nongeneral Funds	\$ 7,615,513	\$ 7,244,666	\$ 7,366,092	\$ 249,421	3.4%
Total Revenue Budget	\$ 18,601,706	\$ 17,133,657	\$ 17,387,664	\$ 1,214,042	7.0%
Expenditures for Educational & General Activities					
Instruction	\$ 5,487,953	\$ 5,282,003	\$ 5,231,348	\$ 256,605	4.9%
Public Service	362,000	362,000	362,000	-	0.0%
Academic Support	1,725,667	1,869,577	1,963,662	(237,995)	(12.1%)
Student Services	1,113,507	1,069,489	1,089,633	23,874	2.2%
Institutional Support	2,836,395	1,939,513	1,993,867	842,528	42.3%
Operations and Maintenance of Physical Plant	1,631,442	1,537,177	1,551,830	79,612	5.1%
Sponsored Programs	807,341	802,028	802,028	5,313	0.7%
Total Expenditures for Educational & General Activities	\$ 13,964,305	\$ 12,861,787	\$ 12,994,368	\$ 969,937	7.5%
Total Expenditures for Student Financial Assistance	\$ 676,200	\$ 676,200	\$ 676,200	\$ -	0.0%
Total Expenditures for Auxiliary Enterprises	\$ 3,961,201	\$ 3,595,670	\$ 3,717,096	\$ 244,105	6.6%

Total Expenditure Budget

\$ 18,601,706

\$ 17,133,657

\$ 17,387,664

\$ 1,214,042

7.0%

University of Virginia Medical Center 2000-2001 Fiscal Plan

The Medical Center's 2000-2001 fiscal plan has been developed to respond to the challenge of providing patient care, teaching, and research services in an increasingly changing health care market. Revisions in Medicare legislation as it relates to the Balanced Budget Act and prospective outpatient reimbursement, conversions to provider based clinics, changes in settling Medicaid claims and payment methodologies, and pressures from third party payers have caused Medical Center traditional revenues to constrict from the previous fiscal year for the same grouping of patients. The cost of providing quality patient care, however, continues to rise as prices increase for pharmaceuticals, medical supplies, and health care providers. The current nursing shortage and full employment economy has forced the Medical Center to allocate more dollars to labor to compete. New initiatives such as modernizing and integrating our information technology services and increased compliance requirements are competing for scarce resources. The Medical Center's 2000-2001 fiscal plan accounts for these circumstances while preserving the mission of providing high quality and cost effective health care, education, and research services to patients and their families, students, employers, state and federal governments, referring physicians, referring agencies, and affiliated networks.

The Medical Center budget development process continues to be a highly participatory and clinically focused process. Patient care service management, support function management, and physicians have significant roles in the four-month budget development cycle. Each operating unit has provided a monthly and cumulative operating budget that contains service demand forecasts, required full-time equivalent personnel, fringe benefits, and a full complement of non-labor expense.

Assumptions

Market conditions: Outpatient service demand is expected to grow by 3.4 percent. Patient days are expected to increase overall by 2.4 percent, primarily due to new program initiatives and higher (1 percent) admissions projections. The following table includes historical and projected patient volumes.

	Actual 1998-99	Projected 1999-2000	Budget 2000-2001
Admissions	28,992	28,047	28,285
Average length of stay	5.40	5.30	5.33
Patient days	154,500	147,301	150,861
Clinic & ER visits	530,202	546,992	565,681
Home Health visits	56,231	63,200	68,754

Payers: Inpatient and outpatient care payer mix is not expected to change significantly from the current year. There will be revenue increases resulting from new initiatives in service programs related to Obstetrics and Gynecology, Digestive Health, Breast Services, Dialysis Services, and provider based

clinics. The Medical Center's largest challenge is the unwillingness of payers (with government programs in the forefront) to increase their payments commensurate with the increases in medical delivery costs.

Rate changes: The Medical Center proposes an overall rate increase of 6.0 percent in 2000-2001. Over the past four years, the rates have increased annually by an average of 4.2 percent. The Medical Center will also review prices charged for specific services and procedures to update methodologies.

Expenses: Expenses for operations is projected to increase by 5.3 percent, related to new service programs, conversion to provider based clinics, the Integrated Healthcare Information Management System and other information related technology related expenditures, and length of stay issues. Other expenditures relate to inflation and higher than expected increases for labor to assuage the nursing shortage and competition in the general labor market. The Medical Center plan includes 4,579 FTEs, reflecting an increase of 110 FTEs from the 1999-2000 forecast of 4,469 FTEs. The increases stem from direct patient care givers (nurses) and positions in supporting functions. Direct Patient Care Services increased for various new programs and initiatives such as acquisition of Dialysis Services, Breast Services, Pediatric Home Health, Acute Care Nurse Practitioners, bed expansions, and also FTEs to support projected volume increases. Volume increases also affect the supporting functions of Radiology and Pathology. FTEs for supporting functions include additions for Mentorship and for Coding.

Operating Plan

The operating plan is presented on page 47 and includes actual results from 1998-1999, projected results for 1999-2000, and budgeted results for 2000-2001. The assumptions used to determine these budget components were consistently applied. A rapidly changing healthcare environment, however, could prove these assumptions less valid as the year progresses. For this reason, management will monitor budget versus actual performance on a monthly basis and, where appropriate, recommend amendments to the Health Affairs and Finance Committees. Management is in the process of identifying and implementing process improvement strategies on a grand scale that will allow for operational streamlining and cost improvement that will take place throughout the next several years to allow for such revenue aberrations.

The movement in revenues and expenses is exacerbated by the conversion of the clinics to provider-based status. The change to provider-based clinics allows the Medical Center to take advantage of the window of opportunity to tap into facility fees that would not have been available. The corresponding impact to the Medical Center, however, will be a net loss of \$3 million resulting from conversion and start up costs in systems and personnel.

Medicare will implement their new payment methodology called Ambulatory Payment Classifications, which will put outpatient reimbursement into a prospective payment system. Using the proposed regulations at the time of the budget preparation the estimated impact to the Medical Center would be \$1 million. Final regulations were published on April 7, 2000. However, amendments to the final regulations have already and continue to be

made. Consequences to patient coinsurance will also have an impact between \$2 to \$4 million annually. This program as laid out will progressively result in less reimbursement to the hospital in the next 3 years.

Medicare reimbursement affected by the Balanced Budget Act and modified by the Balanced Budget Refinement Act continues to lower projected increases from Medicare and the current rate will continue to erode every year for the next 3 years through FY 2004. If the Balanced Budget Act had not been passed by Congress, the hospital would have an additional \$8.9 million in net revenues next fiscal year, with a cumulative impact from FY1998 through FY2001 of \$30.2 million.

The following items provide the largest impact to next year's fiscal plan:

- The imminent redesign of clinic operations to provider based status,
- The negotiation of various third party payer contracts, including the Trigon contract which expired on December 31, 1999,
- The impact of the Balanced Budget Act and Ambulatory Payment Classifications on Medicare reimbursement,
- The impact of technology advancements on the cost of both supply and pharmaceutical items,
- The impact of personnel initiatives that necessitate the increase in labor expenditures,
- The process of system integration and modernization that is taking place in information technology
- New and enhanced programs such as Breast Services, expansion of Dialysis Services, Digestive Health outpatient services, intermediate care beds for the Children's Medical Center, expansion of the Pediatric Intensive Care Unit, development of Pediatric Home Health, expansion of therapeutic radiology treatment for cancer patients, expansion of the diabetes program, projected increases in the volume of outpatient radiology services and increased volumes of service for Hyperbaric and Speech Therapy.

A summary of historical and projected financial operating results are provided as follows:

(in millions)	Actual <u>1998-99</u>	Projected <u>1999-2000</u>	Budgeted <u>2000-2001</u>
Total operating revenue	\$471.3	\$485.9	\$512.6
Operating expense	\$409.3	\$416.3	\$435.9
Bad Debt	\$15.5	\$11.5	\$12.9
Depreciation & Amortization	\$30.9	\$30.3	\$33.9
Interest	\$5.5	\$4.8	\$4.8

Operating margin	\$10.1	\$23.0	\$25.0
Non-operating gain/(loss)	\$(4.4)	\$4.5	\$5.5
Total margin	\$5.7	\$27.5	\$30.5
Operating margin %	2.1%	4.7%	4.9%
Total margin %	1.2%	5.7%	6.0%

Capital Plan

Funds available to meet capital requirements are derived from operating cash flows and cash-on-hand. Medical Center management recommends \$33 million be authorized for capital requirements in 2000-2001. The \$33 million capital plan excludes investments in joint ventures, which may be authorized by the Board for network development or other purposes.

University of Virginia - Medical Center
2000-01 Projected Fiscal Plan

	1998-99 Actual	1999-2000 Forecast	2000-2001 Budget
Revenues			
Total Gross Charges	\$ 572,775,833	\$ 600,291,227	\$ 665,715,653
Less Deductions:			
Indigent Care Deduction (net of DSH payment)	24,510,434	26,986,942	33,451,151
Contractual Deduction	89,232,702	97,873,040	128,346,737
Total Deductions	113,743,136	124,859,982	161,797,888
Net Patient Revenue	459,032,697	475,431,245	503,917,765
Miscellaneous Revenue	12,255,810	10,463,268	8,654,324
Total Revenue	471,288,508	485,894,513	512,572,089
Expenses			
Expenses from Operations			
Operating Expenses	409,379,806	416,275,900	435,860,047
Depreciation and Amortization	30,862,915	30,277,438	33,928,000
Interest Expense	5,450,267	4,826,556	4,817,925
Bad Debt	15,502,007	11,514,619	12,929,593
Total Expenses from Operations	461,194,995	462,894,513	487,535,565
Net Gains From Operations	10,093,513	23,000,000	25,036,524
Other Gains and Losses			
Investment Income From Trustee Held Funds	7,771,019	8,000,000	9,500,000
Investments in Joint Venture/Other	(8,265,288)	(2,530,945)	(1,000,000)
Loss on Disposal of Equipment	(959,863)	(955,920)	(3,000,000)
Extraordinary loss on early extinguishment of debt	(2,925,551)	-	-
Total Other Gains and Losses	(4,379,683)	4,513,135	5,500,000
Revenues and Gains in Excess of Expenses	\$ 5,713,830	\$ 27,513,135	\$ 30,536,524
Statistics			
Admissions or Discharges	28,992	28,047	28,285
Patient Days of Care	154,500	147,301	150,861
Clinic and Emergency Room Visits (Excluding Acquired Practices)	530,202	546,992	565,681
Home Health Visits	56,231	63,200	68,754

Average Length of Stay

5.40

5.30

5.33