

**UNIVERSITY OF VIRGINIA  
2001-2002 BUDGET SUMMARY**

**OVERVIEW**

**GENERAL  
COMMENTS**

The operating budgets for the period July 1, 2001 - June 30, 2002, for all divisions of the University of Virginia total \$1.41 billion. This amount represents an increase of \$97.2 million or 7.4 percent compared with the revised budgets for 2000-2001. Of the total budget, \$816.3 million relates to the Academic Division, \$575.6 million to the Medical Center, and \$18.8 million to the University of Virginia's College at Wise.

The 2001-02 operating budgets reflect the Appropriations Act as approved in April 2000. Due to the budget impasse between the House of Delegates and Senate during the 2001 General Assembly session, there are no additional state funds allocated to the University in 2001-02. Since neither the Governor nor the General Assembly included salary increases for the second year in the Appropriation Act approved in April 2000, there are no faculty or classified salary increases appropriated for 2001-02. The University of Virginia's Academic Division's educational and general appropriation for the second year of the 2000-02 biennium increased \$12.8 million, or 2.1 percent, over the first year of the biennium. This is the result of a \$3.4 million, or 2.1 percent, increase in general funds and a \$9.4 million, or 2.1 percent, increase in non-general funds. The 2001-02 educational and general appropriation for the College at Wise increased by \$198,000, or 1.4 percent, over the first year of the biennium. This is the result of a \$168,000, or 1.7 percent, increase in general funds and a \$30,000, or 0.8 percent, increase in non-general funds. The Medical Center's operating budget appropriation was increased by \$13.7 million for the second year of the 2000-02 biennium to reflect anticipated activity from patient revenue. This does not reflect a needed \$28.8 million increase that will be requested as an administrative adjustment given the budget stalemate.

The University's 2001-02 budget has been developed to support the priorities identified in its strategic plan. The appropriations authorized by the 2000 Virginia General Assembly for 2001-02 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**

As mentioned above, no faculty or classified salary increases have been passed by the General Assembly for either the University or the College at Wise. The Commonwealth's goal continues to be maintenance of the instructional faculty salary average at the 60<sup>th</sup> percentile of each institution's peer group. With no increases in 2001-02, the University could see its average faculty salary fall to the 38<sup>th</sup> percentile of the benchmark salary group.

The Medical Center has included in its budget a performance-based salary adjustment of 4.5 percent, with additional adjustments of up to 2.0 percent for critical personnel, in their budget.

#### Employment Levels

The 2001-02 budgeted employment levels reflect an increase of 4.3 percent or 534 FTE from the 2000-01 revised budget levels. In 2001-02, the Medical Center expects an increase of 193 FTE over the 2000-01 projected level. This increase is related to bringing 115 previously contracted employees in-house and new programs and expansions. The Academic Division is experiencing a growth of 344 FTE. The increase is made up of 178 in sponsored program staffing, 238 in state E&G programs, offset by decreases of 43 in local E&G programs and 29 in auxiliary enterprises. The increased positions in sponsored programs are the result of a 10 percent projected growth in sponsored program expenditures. If sponsored program awards do not support the projected number of FTEs, the positions will not be created. Nearly 170 of the state E&G increase is related to an Oracle reclassification of facilities management employees previously budgeted from other fund sources (Medical Center, auxiliary, overhead, and private sources). The cost of these positions will still be recovered from the other fund sources, but the actual positions now appear in the state E&G budget. Another 36.5 of the state E&G increase is related to facilities management, including the operations and maintenance of new facilities scheduled to open in 2001-02. The College at Wise is budgeting a decrease of 3 positions, due to converting several positions to wage.

#### Tuition Policy

The 2001-02 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 2001-02 budget reflects the expected revenue 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

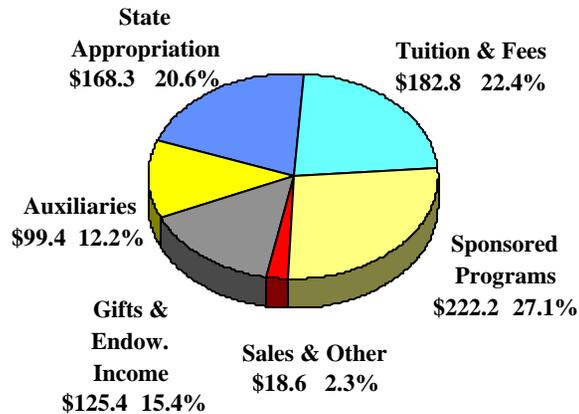
The 2001-02 budget includes a number of changes resulting from the implementation of Oracle financial systems. The 2001-02 budget was developed using the new account code structure and may result in some variances as new procedures are implemented. One example is the change in accounting for facilities management FTEs, which resulted in the reclassification of nearly 170 FTEs from overhead, private and auxiliary sources. Another example is the distribution of overhead expenditure budgets among the various programs where the overhead is used rather than including 100 percent of it in sponsored programs. The format in which the 2002-03 budget will be presented next year will change from this familiar format.

## ACADEMIC DIVISION

**GENERAL  
COMMENTS**

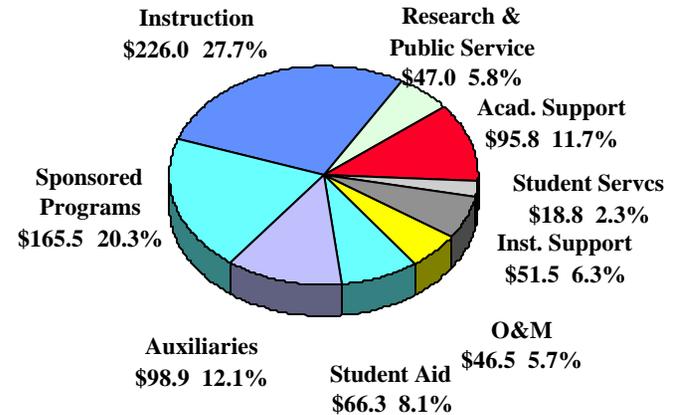
The Academic Division expenditure budget totals \$816.3 million in 2001-02, an increase of 7.4 percent over the revised 2000-2001 budget of \$759.7 million. Below are two charts that delineate the primary revenue sources

Revenues by Source 2001-02 (in millions)



Total Revenues \$816.7 Million

Expenditures by Program 2001-2002 (in millions)



Total Expenditures \$816.3 Million

that support the 2001-02 Academic Division budget and the programs where the resulting funds are expended. Additional information about each segment is included later in this narrative .

**Enrollment**

The University's approved enrollment growth plan shows that on-grounds regular session and summer session enrollment will total 19,188 full-time equivalent (FTE) students in 2001-02. Of the expected 12,793 FTE undergraduate students, 68 percent will be Virginians. The off-grounds enrollment projection for 2001-02 is 2,044 FTE students, of which 73 percent will be Virginians. It is projected that the first year class will include 2,985 students (by head count), an increase of 58 students over actual enrollment in the fall of 2000, while 520 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, 2001,

the University has received \$70.8 million. The next allocation is scheduled for July 2001, at which time the University expects to receive \$7.6 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 2001-02. However, it will be noted throughout the narrative where special allocations have been made from the HEET program.

**Employment Level**

A total of 7,560 FTE positions are budgeted in the Academic Division for 2001-02. Of this number, 2,548 positions are involved directly in the primary programs of instruction, research, and public service. Another 1,533 positions are involved in sponsored programs and related indirect cost recoveries. A summary of all budgeted positions (both state and local) in the Academic Division is presented below:

	2001-02 Budgeted
	<u>Positions</u>
Educational & General	5,279
Sponsored Programs	1,533
Auxiliary Enterprises	<u>749</u>
	7,561

The 2001-02 budget reflects an increase of 344 budgeted FTE positions compared to the 2000-2001 revised budget. Of this increase, 178 positions can be attributed to increased staffing for sponsored programs awarded to faculty and the related indirect cost recoveries. Of the 238 increase in state E&G, nearly 207 are related to Facilities Management: 170 result from re-classification of fully-recovered facilities management FTEs from other sources, including private, overhead, auxiliary, and the Medical Center (an Oracle-related change), 29 are related to the operations and maintenance of new facilities, and 8 are new fully-recoverable planning and construction positions. The remaining increase of 31 FTEs are related to self-supporting, revenue-generating enterprises (16), appropriations from the General Assembly for the Virginia Foundation for Humanities (4.5), the Integrated Systems Project (3), re-classifications from private sources (3), School of Nursing clinical and instructional faculty (3), a new performance evaluation trainer, and a new debt and trust manager.

**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 \$651.0 million in 2001-02, an increase of 5.2 percent over the revised budget for the current fiscal year.

The 2001-02 revenue projection includes the impact from the tuition and fee increases approved by the Board of Visitors in April. Tuition and fee revenues available for educational and general programs are projected to increase approximately 6.2 percent in the next fiscal year, from \$151.0 million to \$160.4 million. The increase is the result of changes in enrollment, the continued tuition freeze for in-state undergraduates, a 2.0 percent increase for in-state graduates, a 4.8 percent increase for out-of-state undergraduate and graduate students, growth in the McIntire special degree programs, and growth in School of Professional and Continuing Studies programs. Tuition increases for Law, Darden and Medicine vary as approved at the April Board meeting. Incremental tuition revenue will be used primarily to address the annualized cost of 2000-01 faculty and classified salary increases and other institutional priorities as outlined below in the expenditure summary.

The 2000-01 tuition revenue budget conservatively estimated revenue collections to minimize the impact of a decline in graduate enrollment and included a revenue reserve of \$2 million from which some of the University's highest priority needs would be addressed if enrollment targets were met. About \$1 million of the revenue reserve was realized and the proceeds have been allocated in 2001-02 to those needs identified last year.

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 tuition for out-of-state students by 6.5 percent and implemented a \$1,500 surcharge on entering out-of-state students. In-state students will see an increase to a rate \$5,000 less than that approved for out-of-state students. Both in-state and out-of-state Law students will see an increase of 6.9 percent. Entering in-state Law students will also pay a \$1,200 surcharge to move the Law School closer to a benchmark whereby in-state tuition is 70 percent of out-of-state tuition. 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 6.0 percent for all students and continued implementation of a \$2,000 surcharge. Additionally, due to the non-continuance of state support for physician's indigent care and undergraduate medical education, the School of Medicine will begin to implement a new \$1,000 surcharge on first year in-state students to raise a portion of the lost support. In 2001-02, first year in-state students will pay a \$3,000 surcharge, second and third year in-state students will pay a \$2,000 surcharge, and fourth year in-state students will pay a \$1,000 surcharge. The revenue generated from the increased tuition rates will be used to improve the competitive position of the school.

State general fund appropriations for educational and general programs are projected to decrease by 1.4 percent or \$2.4 million in 2001-02. The revised 2000-01 budget includes nearly \$3.8 million from a cash balance remaining at June 30, 2000 that was re-appropriated during 2000-01. Annualized November 25, 2000 faculty and classified salary and benefit increases contribute \$2.6 million in 2001-02. Additional 2001-02 appropriations of \$200,000 to maintain new facilities and \$100,000 for the Virginia Foundation for the Humanities are offset by anticipated decreases due to VRS rate changes and other anticipated state adjustments. The total appropriation of \$167.2 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 \$42.7 million in 2001-02 or 11.2 percent more than in the current year. This is related to the substantial increase in the market value of the endowment, which resulted in a 30 percent increase in the spending rate approved by the Board for 2000-01. The first increased distribution occurred in January 2001, so about half of the increase was available for expenditure in 2000-01 and half will be realized in 2001-02. Revenues from gifts are expected to increase 2.8 percent in the next fiscal year from \$57.2 million to \$58.8 million. This is a reflection of expected increased expenditures from these fund sources.

Sponsored program revenues and indirect cost recoveries (primarily federal funds) applied to research and other academic projects are anticipated to increase approximately 9.9 percent in 2001-02. This projection is based on the value of new sponsored program awards received during the period July 2000 - March 2001.

Revenues from other sources including current funds investments and sales and services of educational departments will increase \$419,000 or 2.3 percent in 2001-02.

#### Expenditures

The 2001-02 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 include the annualization of November 25, 2000 salary increases. Given the lack of a resolution on a state budget from the Governor and General Assembly, no salary increases for 2001-02 are reflected in the individual unit budgets or targets. As is consistent with the past few years, no incremental funding for increases in "other than personal services" budget categories has been included in the budgets or targets 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 \$15.9 million for the addenda process.

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 2001-02 instructional budget is \$8.3 million or 3.8 percent. The revised 2000-2001 budget includes carryforward balances from 1999-2000 for several schools of \$3.1 million. Adjusting for this one-time allocation results in a real increase of \$11.4 million in 2001-02. \$2.4 million of the increase is related to annualized prior year faculty and staff salary and fringe benefit increases paid from state accounts. An additional \$3.4 million in tuition will be generated and retained by Law, Darden, Medicine, and Commerce through excess tuition and revenue sharing agreements.

Through the addenda process and using private funding, the University has been able to meet several instructional needs. 2001-02 will be the second year of a three-year commitment to provide \$1 million annually to establish the Funding Excellence in Science and Technology awards at the recommendation of the Virginia 2020 Commission on Science and Technology. A portion of the funds are awarded in the form of small exploratory grants of \$10,000 or less, while the majority of the funds are awarded in the form of excellence grants for amounts from \$50,000 to \$500,000. To date, the awards have played a role in the new Materials Research Science and Engineering Center to be established by the NSF at the University. In 2000-01, the University was able to allocate nearly \$1.9 million (\$1 million on a on-going basis) to meet critical faculty start-up needs. These available funds have enabled the University to undergo critical faculty searches in the areas of biomedical sciences, biology, chemistry, environmental sciences, and physics for the fall of 2001.

In 2001-02, the University will allocate \$1 million towards international distance educational programs, \$205,000 to the School of Nursing to add two clinical faculty positions and one instructional faculty position. Additionally, \$525,000 will be reserved to subsidize the Bachelor of Interdisciplinary Studies program (\$275,000 on-going) and \$75,000 of central resources will be allocated towards the compensation package of a new University professor.

The process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from instruction for a net increase of \$3.2 million. An increase of \$1.2 million is from private resources.

## Research

The 2001-02 educational and general research program includes portions of the Center for Public Service, the State Climatologist, 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 2001-02 funding from state and private sources for educational and general research activities is projected to decrease by \$1.4 million to \$23.5 million. From state sources, \$90,000 was allocated for 2000-01 faculty and classified salary and fringe benefit increases. Offsetting this increase, the process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from research for a net decrease of \$1.7 million. Support from private resources is estimated to increase by \$200,000.

## Public Service

The 2001-02 public service budget reflects a \$4.8 million or 25.5 percent increase over the revised budget for 2000-2001. 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. \$2 million of the increase is in state E&G programs: \$360,000 is related to a revenue sharing agreement with the School of Continuing and Professional Studies, \$100,000 is related to increase general fund support for the Virginia Foundation for the Humanities, and \$23,000 for the annualization of 2000-01 faculty and classified salary increases. The process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from public service for a net increase of \$1.6 million. Support from private resources is estimated to increase by \$2.7 million.

## 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 2001-02 is projected to decrease by \$3.3 million to \$95.8 million. The revised 2000-2001 budget includes carryforward and one-time balances from 1999-2000 of \$2.2 million. Adjusting for this one-time allocation results in a real decrease of \$1.1 million in 2001-02. The 2001-2002 budget includes annualization of salary and fringe benefit costs from 2000-01 of \$683,000 and an investment of \$900,000 in Alderman and the Health Sciences libraries. An additional \$700,000 from existing resources from the Provost, the President and from HEETF sources will be allocated to Alderman Library. The process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from academic support for a net decrease of \$3.8 million. Additional support from private resources is estimated to increase by \$1.4 million, including \$600,000 for Alderman Library.

## 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 2001-02 is projected to increase by \$4.5 million to \$18.8 million. This increase is

attributable to higher salary and fringe benefit costs (\$130,000), the establishment of the International Residential College (\$300,000), the implementation of an Office of Fraternity and Sorority Life (\$202,000), increased costs related to Residence Life (\$141,000), and development of an on-line transcript service (\$60,000). The process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from student services for a net increase of \$3.5 million. Additional support from private resources is estimated to increase by \$100,000.

#### 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 decrease by \$4.9 million or 8.7 percent in 2001-02. Shifting University Police from Institutional Support to Physical Plant (a change in financial statement reporting requirements) resulted in a \$4.1 million decrease. There is also a net decrease of \$1.5 million for the Integrated Systems Project budget compared to last year as outlined in the following paragraph. Offsetting increases include additional funding in the form of \$250,000 for annualized faculty and classified salary increases, as well as new initiatives funded through the addenda process: \$1.1 million for the Oracle Applications Support Center which will provide administrative and technological support for the financial systems which will “go live” on July 2, 2001 and \$734,500 for the new Centralized Training Organization, most of which will support on-going Oracle training requirements. The process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from institutional support for a net decrease of \$1 million. Other support from private resources is estimated to decrease by \$1.3 million.

The continuation of the Integrated Systems Project to replace all of the University’s core administrative systems with an integrated suite of systems will cost approximately \$12.2 million in 2001-02. As expected, the implementation costs will exceed realized benefits in the early years and it is anticipated that a short-term loan will be needed. Of the \$12.2 million 2001-02 budget for the Integrated Systems Project, \$1.75 million is funded from the state and \$2.0 million will be funded from private resources. The remaining \$8 million will be financed. It is anticipated that the maximum loan amount during the life of the project will be approximately \$20 million. Payback on the loan should begin in 2004-05 and should be completed by 2009-10. The \$1.75 million from the state and the \$2 million from private resources are reflected in this budget as coming from available resources for 2001-02. This is a decrease of \$1.5 million from the revised 2000-2001 budget (which includes the \$1.75 million from the state and \$3.5 million from private resources).

#### 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 \$9.2 million or 24.5 percent in 2001-02 compared to the 2000-2001 revised budget. The revised 2000-2001 budget includes carryforward deficit from 1999-2000 of \$1.3 million. Adjusting for this one-time allocation results in a real increase of \$7.9 million. A large portion of the increase is related to the above-mentioned \$4.1 million shift of

University Police from the Institutional Support program to the Physical Plant program. Additional increases are for annualized 2000-01 salary and fringe benefit costs (\$362,000), operations and maintenance of new facilities (\$1.1 million, primarily for MR-5), and increased utility costs (\$566,000). The process of converting existing accounts into Oracle has resulted in a number of re-classifications to and from physical plant for a net increase of \$200,000. Support from private resources is estimated to increase by \$800,000.

Sponsored  
Programs

The proposed expenditure plan for 2001-02 anticipates a 9.9 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 2000-March 2001 is used to estimate 2001-02 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 2000-2001, the University is meeting an estimated 90 percent of the demonstrated need of undergraduate students when Direct Student Loans are included; in 1999-2000, 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 2001-02 revenue budget for student financial assistance is \$66.3 million, an increase of approximately 36.3 percent over the 2000-2001 revised budget of \$48.7 million.

A portion of this \$17.6 million increase, \$13.5 million, is related to a change in the way we recognize "unfunded" scholarships and fellowships. Unfunded scholarships and fellowships are awards made from gross tuition revenues (defined in Section 23-31 of the Code of Virginia). Previously and in 2000-01, unfunded scholarships and fellowships were treated as net against tuition revenues. In 2001-02 and going forward, we will recognize the gross tuition revenue and transfer it directly to financial aid accounts. The result is that gross tuition is now presented in E&G revenues and the transfer from tuition in the Student Financial Aid revenues will include this amount.

The budget reflects a decrease in state general fund appropriations for student aid of \$163,000 or 2.9 percent in

2000-2001. The decrease is related to special state awards and the re-appropriation of unspent cash balances from 1999-2000 that is not reflected in the 2001-02 budget.

Over \$22.4 million from tuition revenue will be allocated to both undergraduate and graduate financial aid. In 2001-02, one of the top priorities of the provosts and deans is being addressed through the funding of healthcare insurance for graduate students earning at least \$5,000 as a graduate research assistant (GRA) or a graduate teaching assistant (GTA) or graduate students receiving at least \$5,000 in fellowships. The graduate healthcare insurance for GRAs and GTAs will be funded from three sources in 2001-02: tuition, the 30 percent of indirect cost recoveries that are allocated to educational and general programs, and endowment income. In 2002-03, the entire cost will be funded from tuition and indirect cost recoveries. Funding for the fellowship recipients will come from the 30 percent increase in endowment distributions. 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 2001-02 and the amount available for distribution will be increased by \$500,000 to address one of the top priorities of the provost and deans. 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 12.3 percent of gross regular session tuition revenue.

Private gifts and endowment income applied as student aid are projected to increase by 12.0 percent in 2001-02. These components of the budget are projected to total \$23.9 million in the new academic year compared with \$21.3 million in 2000-2001. This increase is related to the 30 percent increase in the endowment fund distribution beginning in January 2001 and continued success of the Capital Campaign. There will also be an increase of approximately \$300,000 in DuPont funds for graduate financial aid, related to an increase in the way that earnings from these trustee-held funds are distributed.

The sponsored programs revenue category for student aid, which includes those federal funds administered by the University, is projected to increase approximately \$1.3 million or 10.0 percent in 2001-02.

#### Expenditures

Expenditures for student financial assistance are projected to increase from \$48.7 million in 2000-2001 to \$66.3 million in 2001-02, an increase of 36.3 percent. In addition to the general scholarships and fellowships, the 2001-02 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 \$99.4 million in 2001-02, an increase of 7.0 percent over the 2000-2001 revised budget. The increase in revenue is primarily attributable to continued success in the bookstore operations, the football team's planned participation in the Eddie Robinson Classic, and increases in student fees to support operating cost increases in University Transit, Recreational Facilities, Athletics, Student Health, and Newcomb Hall.

The proposed revenue budgets for auxiliary enterprises reflect the rates approved by the Board of Visitors earlier in 2001. Revenue changes 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 2001-02 are expected to total \$3.9 million. Of this amount, approximately \$740,000 represents vending and concessions commissions, \$325,000 represents interest income, and the remaining \$2.8 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 3.0 percent.
- ◆ University Bookstore sales are estimated at \$23.2 million in 2001-02, 8.4 percent above the 2000-2001 revised revenue budget. The Central Grounds Bookstore 2001-02 revenue budget of \$14.6 million represents an increase of \$900,000. This increase is expected due to decreasing competition of on-line companies and increased marketing efforts by the bookstore. The 2001-02 revenue budget includes \$6.7 million in sales by Cavalier Computers, an increase of \$700,000 over the 2000-01 budget. Cavalier Computers anticipates that both the expansion of the hospital branch and their beginning to accept student charges will result in increases sales for 2001-2002.
- ◆ Student Health revenues are estimated at \$6 million, a decrease of 9.5 percent. This decrease is a direct result of Student Health's pharmacy operations moving to the Health System.

- ◆ Parking and Transportation's revenues are estimated at \$8.3 million, an increase of 13.1 percent or \$964,000. In addition to increased student fees, increased rates for permits ranging from \$1 to \$3 per month are expected to generate an additional \$434,000 and increased fines and visitor parking rates are anticipated to provide an additional \$342,000. Demand for covered parking continues to increase while the availability of affordable land suitable for paved lots decreases. Therefore the increases in permits, fines and rates are necessary to assist with rising costs of operations at new parking facilities.
- ◆ Revenue from other auxiliary enterprise activities, including leased facilities, the satellite uplink, the telephone system, the child care center, printing services, mail services, and the support of the Center for University Programs are projected to decrease by 4.9 percent in 2001-02. Long distance revenues have decreased from the prior year due to both reduced long distance rates and reduced usage by students who are turning to cellular phones and long distance calling cards for their long distance usage.

A comparative statement of the auxiliary enterprise revenue budgets is provided on pages 21-22.

#### Expenditures

Auxiliary enterprise expenditures are projected to increase by 7.4 percent in 2001-02 from \$92.1 million to approximately \$98.9 million.

In the development of the auxiliary enterprise budgets for 2001-02, 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 2001-02 from each auxiliary enterprise reserve beginning on page 28.

Of the \$6.8 million increase in the 2001-02 expenditure budget, \$1.6 million is attributable to increased sales expected at the University Bookstore and Cavalier Computers and \$1.3 million is attributable to increased operating costs in Housing. The Parking and Transportation budget will increase by \$1 million to account for higher operating costs and to allow for transfers to the parking reserves of \$1.1 million, an increase of \$608,000. This increased reserve contribution will be set aside for bus purchases, parking lot maintenance and expansion funds for the upcoming building projects, such as the Studio Art Building. The Student Health budget will decrease \$671,000 or 10 percent due to pharmacy activity shifting to the Health System. All auxiliary enterprise expenditure budgets also reflect estimated classified and faculty salary increases to be effective in 2001-02. A salary increase is included in the auxiliary budgets due to the reliance on appropriate fees and rates to generate needed operational dollars to fund such an increase. Salary increases will not be granted unless and until they are enacted by the General Assembly.

The 2001-02 Athletics budget is \$22.9 million, exclusive of Intramurals. This is an increase of \$2.6 million or

13.2 percent over the 2000-01 revised budget. This reflects additional \$110,000 in Academic Advising, provided by the Virginia Student Aid Foundation. Additional increases are related to operations and maintenance for Bryant Hall (\$200,000) and transfers to the renewal and replacement reserve (\$1.5 million). The Athletics budget will continue to be monitored closely on a quarterly basis until the financial constraints of the Athletics program are deemed appropriately addressed. The Virginia 2020 Commission on Athletics closely examined the funding of the Athletic department and made several recommendations ranging from increasing student fees, placing a greater emphasis on private fundraising, and tiering the sports programs. It is expected that an implementation plan will be developed in the coming year as decisions are made about which of the proposed recommendations the University will adopt.

#### Positions

The 2001-02 budget reflects a net decrease of 29 FTE positions in auxiliary enterprises over the 2000-2001 revised budget. This decrease is attributable primarily to the reclassification of 42 Facilities Management FTEs to E&G. The decrease is offset by adding two new auxiliaries: the Center for University Programs Support (3.5) and Business Operations (4), as well as additional staff in Housing (5), Information Technology and Communications (1), Parking and Transportation (1), and Printing and Copying Services (1). Auxiliaries with decreases in FTEs include Dining (2), and Athletics (2).

A comparative statement of the auxiliary enterprise expenditure budgets for 2001-02 and 2000-2001 is provided on page 24.

**University of Virginia - Academic Division**  
**Revenue Budget Summary**  
**2001-02**

	2001-02 Academic Division	Original 2000-01 Academic Division	Revised 2000-01 Academic Division	\$ Change from Revised 2000-01 to 2001-02	% Change from Revised 2000-01 to 2001-02
<b>Revenues from Educational and General Activities</b>					
Tuition and Fees	\$ 160,414,843	\$ 150,397,018	\$ 151,032,759	\$ 9,382,084	6.2%
State Appropriations	162,901,071	160,730,925	165,253,256	(2,352,185)	(1.4%)
Endowment Income	42,699,701	35,760,893	38,408,524	4,291,177	11.2%
Gifts	58,829,000	59,358,122	57,247,275	1,581,725	2.8%
Sponsored Programs and Indirect Cost Recoveries	207,895,000	186,678,000	189,088,390	18,806,610	9.9%
Sales, Services, Investment Income and Other	18,295,345	19,478,585	17,876,084	419,261	2.3%
<b>Total Revenues from Educational and General Activities</b>	<b>\$ 651,034,960</b>	<b>\$ 612,403,543</b>	<b>\$ 618,906,288</b>	<b>\$ 32,128,672</b>	<b>5.2%</b>
<b>Revenues from Student Financial Assistance</b>					
State Appropriations	\$ 5,418,047	\$ 5,418,047	\$ 5,580,937	\$ (162,890)	(2.9%)
Transfer from Tuition	22,405,828	8,433,543	8,433,543	13,972,285	165.7%
Sponsored Programs and Indirect Cost Recoveries	14,290,000	14,007,000	12,996,610	1,293,390	10.0%
Gifts and Endowment Income	23,876,615	20,082,776	21,313,787	2,562,828	12.0%
Other Income	354,455	354,333	354,333	122	0.0%
<b>Total Revenues from Student Financial Assistance</b>	<b>\$ 66,344,945</b>	<b>\$ 48,295,699</b>	<b>\$ 48,679,210</b>	<b>\$ 17,665,735</b>	<b>36.3%</b>
<b>Revenues from Auxiliary Enterprises</b>					
Athletics and Intramural/Recreation Sports	\$ 26,992,579	\$ 23,126,367	\$ 24,132,111	\$ 2,860,468	11.9%
Parking and Transportation	8,328,000	7,324,000	7,364,000	964,000	13.1%
Housing and Conference Services	20,905,600	19,656,500	19,656,500	1,249,100	6.4%
University Bookstore and Cavalier Computers	23,209,600	21,410,000	21,410,000	1,799,600	8.4%
Student Health	6,046,600	6,684,038	6,684,038	(637,438)	(9.5%)
Newcomb Hall and University Programming Council	4,094,518	3,840,345	3,840,345	254,173	6.6%
Dining Services	3,863,000	3,540,000	3,540,000	323,000	9.1%
Other Auxiliary Activities	5,911,432	6,321,045	6,218,645	(307,213)	(4.9%)
<b>Total Revenues from Auxiliary Enterprises</b>	<b>\$ 99,351,329</b>	<b>\$ 91,902,295</b>	<b>\$ 92,845,639</b>	<b>\$ 6,505,690</b>	<b>7.0%</b>
<b>Total Revenue Budget - Academic Division</b>	<b>\$816,731,234</b>	<b>\$752,601,537</b>	<b>\$760,431,137</b>	<b>\$ 56,300,097</b>	<b>7.4%</b>

**University of Virginia - Academic Division**  
**Expenditure Budget Summary**  
**2001-02**

	2001-02 Academic Division	Original 2000-01 Academic Division	Revised 2000-01 Academic Division	\$ Change from Revised 2000-01 to 2001-02	% Change from Revised 2000-01 to 2001-02
<b>Expenditures for Educational and General Activities</b>					
Instruction	\$ 226,021,136	\$ 213,400,226	\$ 217,676,904	\$ 8,344,232	3.8%
Research	23,478,948	16,677,773	24,901,596	(1,422,648)	(5.7%)
Public Service	23,458,386	19,192,145	18,694,405	4,763,981	25.5%
Academic Support	95,764,703	83,627,218	99,053,984	(3,289,281)	(3.3%)
Student Services	18,759,921	15,095,193	14,237,688	4,522,233	31.8%
Institutional Support	51,510,851	53,086,432	56,408,711	(4,897,860)	(8.7%)
Operation and Maintenance of Physical Plant	46,501,015	37,110,963	37,344,610	9,156,405	24.5%
Sponsored Programs	165,540,000	174,213,593	150,588,390	14,951,610	9.9%
<b>Total Expenditures for Educational and General Activities</b>	<b>\$ 651,034,960</b>	<b>\$ 612,403,543</b>	<b>\$ 618,906,288</b>	<b>\$ 32,128,672</b>	<b>5.2%</b>
<b>Total Expenditures for Student Financial Assistance</b>	<b>\$ 66,344,945</b>	<b>\$ 48,295,699</b>	<b>\$ 48,679,210</b>	<b>\$ 17,665,735</b>	<b>36.3%</b>
<b>Expenditures for Auxiliary Enterprises</b>					
Athletics and Intramural/Recreation Sports	\$ 26,992,579	\$ 22,990,367	\$ 23,900,786	\$ 3,091,793	12.9%
Parking and Transportation Services	8,328,000	7,324,000	7,324,000	1,004,000	13.7%
Housing and Conference Services	20,817,100	19,515,027	19,515,027	1,302,073	6.7%
University Bookstore and Cavalier Computers	22,959,800	21,355,372	21,355,372	1,604,428	7.5%
Student Health	6,012,700	6,684,038	6,684,038	(671,338)	(10.0%)
Newcomb Hall and University Programming Council	4,040,051	3,867,180	3,867,180	172,871	4.5%
Dining Services	3,855,000	3,525,800	3,525,800	329,200	9.3%
Other Auxiliary Enterprises	5,930,524	6,066,892	5,964,492	(33,968)	(0.6%)
<b>Total Expenditures for Auxiliary Enterprises</b>	<b>\$ 98,935,754</b>	<b>\$ 91,328,676</b>	<b>\$ 92,136,695</b>	<b>\$ 6,799,059</b>	<b>7.4%</b>
<b>Total Expenditure Budget - Academic Division</b>	<b>\$ 816,315,659</b>	<b>\$ 752,027,918</b>	<b>\$ 759,722,193</b>	<b>\$ 56,593,466</b>	<b>7.4%</b>

University of Virginia - Academic Division  
 Comparative Statement of Revenues by Source – page 1  
 2001-2002

	2001-2002 Academic Division	Revised 2000-2001 Academic Division
<b>Revenues From Educational and General Activities</b>		
<i>State Funds for Educational and General Activities</i>		
<b>State Nongeneral Fund Appropriations for Educational and General Activities</b>		
<i>Tuition and Program Fees</i>		
Regular Session Tuition		
Architecture	\$ 3,353,754	\$ 3,242,358
Graduate Architecture	1,561,881	1,538,554
College of Arts & Sciences	66,905,959	64,223,327
Graduate Arts & Sciences	10,947,043	10,136,453
Commerce	4,990,828	4,868,980
Graduate Commerce	197,426	202,330
Education	800,731	657,535
Graduate Education	4,657,375	4,597,104
Engineering	15,268,129	15,234,822
Graduate Engineering	4,211,721	3,896,640
Darden MBA	11,441,710	10,217,898
Darden DBA	108,054	135,690
Law	20,950,434	19,807,166
Graduate Law	991,915	771,755
Medicine	9,083,183	8,011,363
Nursing	1,680,030	1,652,121
Graduate Nursing	517,169	502,669
Subtotal Tuition	\$ 157,667,342	\$ 149,696,765
Less: Tuition Remission Undergraduate	\$ -	\$ (2,476,732)
Less: Out-of-State Tuition Adjustment Program	-	(6,871,898)
Less: Graduate Teaching Assistant Remission Program	-	(3,164,039)
Transfer to Student Financial Assistance - Undergraduate Tuition Remission	(2,476,732)	-
Transfer to Student Financial Assistance - Undergraduate Excess Tuition	(4,917,953)	(4,917,953)
Transfer to Student Financial Assistance - Graduate Out-of-State Tuition Adjustment Program	(7,389,594)	-

**University of Virginia – Academic Division**  
**Comparative Statement of Revenues by Source – page 2**  
**2001-02**

	<u>2001-2002</u>	<u>2000-2001</u>
	<u>Academic</u>	<u>Revised Academic</u>
	<u>Division</u>	<u>Division</u>
Transfer to Student Financial Assistance - Graduate Teaching Assistant Remission Program	(3,290,759)	-
Transfer to Student Financial Assistance - GTA/GRA Healthcare	(675,000)	-
Transfer to Student Financial Assistance - Graduate Excess Tuition	(3,655,790)	(3,515,590)
Net Regular Session Tuition	\$ 135,261,514	\$ 128,750,553
Other Tuition and Program Fees		
Summer Session	\$ 4,000,000	\$ 3,900,000
Mt. Lake Tuition and Research Fees	30,000	30,000
Appellate Judges Program	-	34,000
School of Continuing and Professional Studies - Degree Programs	3,106,131	3,193,881
School of Continuing and Professional Studies - Other Credit Programs	5,268,533	4,778,435
School of Continuing and Professional Studies - Non-Credit Programs	1,517,679	692,389
School of Continuing and Professional Studies - Fees and Other	240,000	202,817
McIntire School of Commerce - Executive and E&Y Degree Program tuition	4,097,000	2,967,000
McIntire School of Commerce - Executive and E&Y Degree Program fees	1,188,101	788,900
Educational Leadership/Human Services Internships	214,250	214,300
Cooper Center's Institute for Government Fees	300,000	325,000
Recreational Facility Fee	275,000	273,000
Capital Renewal Fee	422,000	422,000
Arts Fee	207,000	207,000
Technology Fee	880,000	880,000
Summer Language Institute Fee	36,000	36,000
Application Fees	1,562,200	1,605,300
Summer Orientation Fee	747,875	708,750
Other Program Fees	3,400	-
Total Other Tuition and Program Fees	\$ 24,095,169	\$ 21,258,772
<i>Total Tuition and Program Fees</i>	\$ 159,356,683	\$ 150,009,325

**University of Virginia – Academic Division**  
**Comparative Statement of Revenues by Source – page 3**  
**2001-02**

*Revenue from Fines, Rents, Sales and Services*

*Recovery of Overhead (30%)*

*Work Study Revenue*

**Total State Nongeneral Fund Appropriations for Educational and General Activities**

**State General Fund Appropriations**

Legislative Appropriations

Anticipated State Adjustments

Reappropriation of 1999-2000 Carryforward

**Total State General Fund Appropriations**

**Special State Appropriations**

Eminent Scholars Matching Funds

VIVA Library Materials

Graduate Student Conference

**Total Special State Appropriations**

**Sponsored Programs & Indirect Cost Recoveries**

*Total State Funds for Educational and General Purposes*

*University Funds for Educational and General Activities*

Student Activity Fees

Endowment Income

Private Gifts and Grants

Sales, Services, Investment and Other Income

*Total University Funds for Educational and General Activities*

**Total Revenues from Educational and General Activities**

	<b>2001-2002</b>	<b>2000-2001</b>
	<b>Academic</b>	<b>Revised Academic</b>
	<b>Division</b>	<b>Division</b>
	848,185	797,595
	13,100,000	11,877,000
	585,000	585,000
	\$ 173,889,868	\$ 163,268,920
	\$ 160,802,708	\$ 157,507,164
	(1,569,800)	246,079
	-	3,780,181
	\$ 159,232,908	\$ 161,533,424
	\$ 3,668,163	\$ 3,668,163
	-	44,669
	-	7,000
	\$ 3,668,163	\$ 3,719,832
	\$ 194,210,000	\$ 176,626,390
	\$ 531,000,939	\$ 505,148,566
	\$ 1,058,160	\$ 1,023,434
	42,699,701	38,408,524
	58,829,000	57,247,275
	17,447,160	17,078,489
	\$ 120,034,021	\$ 113,757,722
	\$ 651,034,960	\$ 618,906,288

**University of Virginia – Academic Division  
Comparative Statement of Revenues by Source – page 4  
2001-02**

	<b>2001-02 Academic Division</b>	<b>Revised 2000-01 Academic Division</b>
<b>Revenues from Student Financial Assistance</b>		
State Appropriations	\$ 5,392,172	\$ 5,421,645
Virginia Graduate and Undergraduate Assistance Program	25,875	25,875
Special State Appropriations	-	133,417
Transfer from Regular Session Tuition	22,405,828	8,433,543
Sponsored Programs and Indirect Cost Recoveries	14,290,000	12,996,610
Restricted Gifts and Endowment Income	23,876,615	21,313,787
Investment Income	354,455	354,333
<b>Total Revenues from Student Financial Assistance</b>	<b>\$ 66,344,945</b>	<b>\$ 48,679,210</b>
<b>Revenues from Auxiliary Enterprises</b>		
Athletics and Intramural/Recreation Sports		
TV, Radio, Licensing and Sponsorship	\$ 2,176,779	\$ 3,444,616
Conference Revenue	7,275,000	5,995,000
Recreational Sports	1,300,000	1,245,000
Gate Receipts	8,327,200	6,586,017
Student Fees	7,602,400	6,435,600
Other	311,200	425,878
<b>Total Athletics</b>	<b>\$ 26,992,579</b>	<b>\$ 24,132,111</b>
Parking and Transportation Services		
Student Fees	\$ 2,023,000	\$ 1,961,000
Parking Fees, Bus Passes, Charter Fees and Other Income	6,305,000	5,403,000
<b>Total Parking and Transportation Services</b>	<b>\$ 8,328,000</b>	<b>\$ 7,364,000</b>
Housing		
Student Housing Rents	\$ 17,790,000	\$ 16,792,000

**University of Virginia – Academic Division**  
**Comparative Statement of Revenues by Source – page 5**  
**2001-02**

Housing Conference Services  
Faculty and Staff Housing  
Total Housing Services

	<b>2001-02</b>	<b>2000-2001</b>
	<b>Academic</b>	<b>Revised Academic</b>
	<b>Division</b>	<b>Division</b>
	2,463,800	2,235,000
	651,800	629,500
	\$ 20,905,600	\$ 19,656,500

**Auxiliary Enterprise Revenues (continued)**

University Bookstore and Cavalier Computers  
Student Health  
Newcomb Hall and University Programming Council  
Dining Services  
Leased Facilities  
Telephone System  
Printing Services  
Center for University Programs  
Student Auxiliary Fees  
Law School Placement Service  
Student Programming Fees  
WTJU  
Cavalier Advantage Card  
Police Escort Service  
Satellite Uplink  
Work Study  
Child Care Center  
Other Auxiliary Activities

	\$ 23,209,600	\$ 21,410,000
	6,046,600	6,684,038
	4,094,518	3,840,345
	3,863,000	3,540,000
	2,683,625	2,558,251
	760,499	1,385,181
	650,600	611,800
	515,258	-
	228,150	435,725
	240,000	230,000
	174,500	173,000
	106,000	106,000
	84,700	184,700
	80,000	80,000
	79,500	79,500
	55,000	55,000
	29,600	29,400
	224,000	290,088

**Total Revenues from Auxiliary Enterprises**

	\$ 99,351,329	\$ 92,845,639
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**Total Revenue Budget - Academic Division**

	<b>\$ 816,731,234</b>	<b>\$ 760,431,137</b>
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**University of Virginia**  
**Comparative Statement of Expenditures by Program – page 1**  
**2001-2002**

	2001-2002 Academic Division	2000-2001 Academic Division
<b>Expenditures for Educational and General Activities</b>		
<i>State Funds for Educational and General Activities</i>		
Instruction	\$ 179,964,929	\$ 172,815,342
Research	12,871,405	14,464,118
Public Service	3,816,985	1,713,270
Academic Support	79,043,010	84,300,866
Student Services	16,223,712	12,292,760
Institutional Support	30,172,170	34,062,941
Physical Plant	43,368,728	34,910,879
Sponsored Programs	165,540,000	150,588,390
<i>Total State Funds for Educational and General Activities</i>	\$ 531,000,939	\$ 505,148,566
<i>University Funds for Educational and General Activities</i>		
Instruction	\$ 46,056,207	\$ 44,861,562
Research	10,607,543	10,437,478
Public Service	19,641,401	16,981,135
Academic Support	16,721,693	14,753,118
Student Services	2,536,209	1,944,928
Institutional Support	21,338,681	22,345,770
Physical Plant	3,132,287	2,433,731
<i>Total University Funds for Educational and General Activities</i>	\$ 120,034,021	\$ 113,757,722
<b>Total Expenditures for Educational and General Activities</b>	<b>\$ 651,034,960</b>	<b>\$ 618,906,288</b>

University of Virginia  
 Comparative Statement of Expenditures by Program – Page 2  
 2001-2002

	2001-2002 Academic Division	2000-2001 Revised Academic Division
<b>Expenditures for Student Financial Assistance</b>		
State Scholarships and Fellowships	\$ 27,823,875	\$ 14,014,480
President's Fellowships	550,000	551,700
Univ & Sponsored Programs Restricted Scholarships and Fellowships	37,971,070	34,113,030
<b>Total Expenditures for Student Financial Assistance</b>	<b>\$ 66,344,945</b>	<b>\$ 48,679,210</b>
<b>Expenditures for Auxiliary Enterprises</b>		
Athletics and Intramural/Recreation Sports	\$ 26,992,579	\$ 23,900,786
Parking and Transportation Services	8,328,000	7,324,000
Housing and Conference Services	20,817,100	19,515,027
University Bookstore and Cavalier Computers	22,959,800	21,355,372
Student Health	6,012,700	6,684,038
Newcomb Hall and University Programming Council	4,040,051	3,867,180
Dining Services	3,855,000	3,525,800
Leased Facilities	2,683,625	2,558,251
Telephone System	760,449	1,385,181
Printing Services	650,600	611,800
Law School Placement Service	240,000	230,000
Student Programming Services	174,500	173,000
Satellite Uplink	182,242	57,100
Child Care Center	29,500	29,300
Other Auxiliary Activities	1,209,608	919,860
<b>Total Expenditures for Auxiliary Enterprises</b>	<b>\$ 98,935,754</b>	<b>\$ 92,136,695</b>
<b>Total Expenditure Budget - Academic Division</b>	<b>\$ 816,315,659</b>	<b>\$ 759,722,193</b>

## THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

### GENERAL COMMENTS

The 2001-02 Operating budget for all programs at The University of Virginia's College at Wise totals \$18.8 million, an increase of 1.1 percent over the revised current fiscal year. The 2001 General Assembly session failed to provide additional funding due to the budget resolution impasse. Funding will remain constant with the original 2001-02 appropriation approved during the 2000 Legislative Session.

### Enrollment

In 2001-02, the full-time equivalent enrollment at UVa-Wise, is projected at 1,256 students. This reduction is based on adjusted enrollment growth projected by the State Council of Higher Education during the spring of 2001. Approximately 94 percent of these students will be Virginians. The 2% increase in out-of-state enrollment is reflective of the expansion of the Kentucky Tuition Assistance Grant (KTAG), and increased recruitment efforts in targeted out-of-state markets. The 2001-02 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.

### Programs

UVa-Wise will continue to charge all full and part-time students a \$45 annual technology fee in 2001-02. Revenue estimates projected to total \$50,000, will supplement the costs of technology upgrades and repair, as well as training services on campus.

The 2001-02 budget continues to include 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 of the College and the restructuring guidelines approved by the State Council of Higher Education.

### Employment Level

For 2001-02 full-time equivalent positions total 238. Of these positions, approximately 95 FTE are faculty involved directly in the primary program of instruction. The total decrease is due to three positions which were converted to wage positions. Vacant positions total 12 FTE. The large number of vacancies is due to unfilled positions in Development and the Technology Initiative Program; both areas receiving additional FTE appropriation during the 2000 Session, and a restructuring of positions within Sponsored Programs. Positions have remained vacant due to the change in leadership at the executive

**University of Virginia's College at Wise  
2001-2002 Budget Summary**

level and it is expected that the vacancies will be filled once the new Chancellor assumes his duties. A summary of all positions is presented below:

2001-02 Employment Level

Education & General	215
Sponsored Programs	3
Auxiliary Enterprises	<u>20</u>
Total	238

**EDUCATIONAL  
AND GENERAL**

The educational and general operating budget for 2001-02, including sponsored programs, totals \$14.1 million; 0.9 percent or \$125,000 more than the revised 2000-01 budget. The academic support budget for 2001-02 has increased from 2000-01 due to the appropriate inclusion of academic computer services in academic support rather than the institutional support.

Revenues

State general fund appropriations will increase 1.8 percent representing 79 percent of all educational and general revenues in the 2001-02 UVa-Wise budget. Due to the reduction in FTE enrollment, there will be no increase in the tuition revenue projection from 2000-01 to 2001-02. The state appropriation includes \$362,000 for the Southwest Virginia Public Education Consortium to improve the public education system in southwest Virginia. UVa-Wise serves as fiscal agent for the Consortium.

Out-of-state tuition rates, as approved by the Board of Visitors, will increase 5.8 percent. In compliance with Governor Gilmore's tuition reduction initiative, in-state tuition rates will not increase for 2000-01. The sponsored program budget for 2001-02 is \$800,000, no significant change from the previous year.

Expenditures

Educational and General expenditures (including sponsored programs) are proposed to be \$14,100,000, a 0.9 percent increase from the 2000-01 budget. No faculty or staff salary increases are proposed for 2001-02. The proposed budget for 2001-02 is \$14,100,000, a 0.9 percent increase from the 2000-01 budget. The proposed budget for 2001-02 is \$14,100,000, a 0.9 percent increase from the 2000-01 budget.

**University of Virginia's College at Wise  
2001-2002 Budget Summary**

**STUDENT FINANCIAL  
ASSISTANCE**

State general funds for student aid in 2001-02 total \$676,200, no increase from the current fiscal year's budget.

**AUXILIARY  
ENTERPRISES**

In 2001-02, the revenue and expenditure budgets for auxiliary enterprises (student and faculty housing, food service operations, bookstore, parking and transportation, fleet management, student union, student enhancement, vending and athletics) will total \$4.03 million, an increase of 2% from 2000-01. Parking & Transportation and Bookstore projections are based upon actual collections in 2000-01. Revenue for the Bookstore, Cafeteria and Athletic programs is projected to increase by 3% for 2001-02. Student Housing revenue projections will increase 16.78 percent, a \$164,000 increase from the 2000-01 revised revenue projection. The completed construction of the new residential facility, Henson Hall, will provide an additional 111 available spaces for on-campus residential students. This, along with a projected 96 percent occupancy in student housing, explain the increase in student housing revenue. For 2001-02, the student housing rates, as approved by the Board of Visitors will increase by 2.8% from the 2000-01 year.

**SUMMARY**

A summary of the 2001-02 UVa-Wise budget in comparison with the 2000-01 budget is provided on the following pages.

**University of Virginia's College at Wise  
Budget Summary  
2001-2002**

	2001-2002 Budget	Original 2000-2001 Budget	Revised 2000-2001 Budget	\$ Change from Revised 2000-01 to 2001-02	% Change from Revised 2000-01 to 2001-02
<b>Revenues from General Funds</b>					
Legislative Appropriation	\$ 10,820,540	\$ 10,624,193	\$ 10,624,193	\$ 196,347	1.8%
SW Va Public Education Consortium	362,000	362,000	362,000	-	0.0%
<b>Total Revenues from General Funds</b>	<b>11,182,540</b>	<b>10,986,193</b>	<b>10,986,193</b>	<b>196,347</b>	<b>1.8%</b>
<b>Revenues from Nongeneral Funds</b>					
Tuition and Fees - Regular Session	2,807,264	2,789,150	2,803,859	3,405	0.1%
Tuition and Fees - Summer Session	225,000	225,000	225,000	-	0.0%
Tuition and Fees - Off Campus	15,000	82,818	82,818	(67,818)	(81.9%)
Tuition and Fees - Tuition Remission	(250,000)	(250,000)	(250,000)	-	0.0%
Sponsored Programs	800,000	807,341	807,341	(7,341)	(0.9%)
Auxiliary Enterprises - Student Housing	1,213,631	975,000	975,000	238,631	24.5%
Auxiliary Enterprises - Parking and Transportation	100,000	100,000	100,000	-	0.0%
Auxiliary Enterprises - Cafeteria	828,276	804,152	804,152	24,124	3.0%
Auxiliary Enterprises - Bookstore	794,792	771,643	691,014	103,778	15.0%
Auxiliary Enterprises - Athletics	797,153	938,338	1,012,748	(215,595)	(21.3%)
Auxiliary Enterprises - Other	300,000	372,071	372,071	(72,071)	(19.4%)
<b>Total Revenues from Nongeneral Funds</b>	<b>7,631,116</b>	<b>7,615,513</b>	<b>7,624,003</b>	<b>7,113</b>	<b>0.1%</b>
<b>Total Revenue Budget</b>	<b>\$ 18,813,656</b>	<b>\$ 18,601,706</b>	<b>\$ 18,610,196</b>	<b>\$ 203,460</b>	<b>1.1%</b>
<b>Expenditures for Educational and General Activities</b>					
Instruction	\$ 5,672,434	\$ 5,487,953	\$ 5,522,503	\$ 149,931	2.7%
Public Service	362,000	362,000	362,000	-	0.0%
Academic Support	2,436,022	2,234,892	2,464,205	(28,183)	(1.1%)
Student Services	1,365,176	1,113,507	1,288,122	77,054	6.0%
Institutional Support	1,912,288	2,327,167	1,883,396	28,892	1.5%
Operations and Maintenance of Physical Plant	1,555,683	1,631,442	1,651,442	(95,759)	(5.8%)
Sponsored Programs	800,000	807,341	807,341	(7,341)	(0.9%)

<b>Total Expenditures for Educational and General Activities</b>	14,103,603	13,964,302	13,979,009	124,594	0.9%
<b>Total Expenditures for Student Financial Assistance</b>	676,200	676,200	676,200	-	0.0%
<b>Total Expenditures for Auxiliary Enterprises</b>	4,033,853	3,961,204	3,954,987	78,866	2.0%
<b>Total Expenditure Budget</b>	<b>\$ 18,813,656</b>	<b>\$ 18,601,706</b>	<b>\$ 18,610,196</b>	<b>\$ 203,460</b>	<b>1.1%</b>

## **University of Virginia Medical Center 2001-2002 Fiscal Plan**

The Medical Center's 2001-02 fiscal plan has been developed to respond to the challenge of providing patient care, teaching, and research services in an increasingly changing health care industry. Revisions in Medicare legislation as they relate to the Balanced Budget Act and the Ambulatory Payment Classification system, changes in Medicaid claims settlements and payment methodologies, and pressures from third party payers will have a negative revenue impact on a per case and per outpatient basis. The cost of providing quality patient care will continue to rise because of high labor shortages and resultant costs coupled with increases in pharmaceutical and medical supply expenses. In addition, in 2001-02 the Medical Center expects to continue to care for patients with higher acuity illnesses. In 2000-01 the Medical Center's Medicare Case Mix Index (CMI) averaged 1.90. This acuity level is experienced by only a handful of hospitals in the United States.

In 2000-01, the nursing shortage caused the Medical Center to retain expensive traveling nurses to keep as many beds open as possible. In some cases the lack of adequate nursing coverage has forced bed closures. In response to the nationwide nursing shortage, the Medical Center initiated a compensation package to attract and retain well-qualified nurses and other ancillary caregivers. This package increased salaries to market rates, provided equity adjustments, made enhancements to shift differentials, and provided for retention bonuses and enhanced weekend rates for incoming and current caregivers. The annual cost of the 2000-01 compensation packages is \$19.0 million (\$8.2 million was incurred in 2000-01 and the remaining \$10.8 million is included in 2001-02). It is anticipated that the 2001-02 salary increases will have a similar impact on the operating margin.

The Medical Center projects that the 2000-01 operating margin will fall below expected levels to \$12.0 million or 2.2 percent. This is because of pressures on reimbursement, the need to rely on higher priced traveling nurses, and increased salaries for caregivers. Furthermore, the 2000-01 operating margin contains \$16.4 million in one-time revenue settlements from Medicaid, Medicare, and the State of Virginia. For 2001-02 such one-time revenue settlements are projected at \$21.2 million. (See Schedule A for detail.) The Medical Center expects these settlements to decline after 2001-02. The Corporate Integrity Agreement (CIA) and the new Health Insurance Portability and Accountability Act (HIPAA) legislation are external pressures that will translate into additional costs for the Medical Center. Also, the Medical Center will continue to modernize and integrate Information Technology (IT) services through the Integrated Health Information Management System (IHIMS) project. In addition, the Six Sigma Leadership Development Program (Six Sigma) will be implemented in 2001-02. The Medical Center's 2001-02 fiscal plan accounts for these additional expenses while preserving its 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.

**University of Virginia Medical Center  
2001-2002 Fiscal Plan**

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. The budget process begins with discussions around Business Planning and Development and ends with each operating unit providing a monthly and cumulative operating and capital budget that contains service demand forecasts, required full-time equivalent personnel, fringe benefits, and a full complement of non-labor expenses.

**Assumptions**

*Market conditions:* In 2001-02, discharges are expected to grow 2.4 percent from 2000-01 expected levels. Patient days are expected to increase overall by 3.8 percent, primarily because of new program initiatives, new faculty recruited by the School of Medicine and higher admission projections. Outpatient service demand is expected to grow by 0.2 percent. The following table includes historical and projected patient volumes:

	<b>Actual 1999-2000</b>	<b>Projected 2000-2001</b>	<b>Budget 2001-2002</b>
Discharges	28,220	27,734	28,390
Adjusted Discharges	42,265	43,129	43,791
Average length of stay	5.30	5.50	5.60
Patient days	149,861	152,445	157,757
Clinic & ER visits	543,047	566,954	568,277
Home Health visits	61,420	59,760	62,352

*Revenues:* The Medical Center’s patient payer mix is not expected to change significantly from the current year. Revenue increases are expected because of new initiatives such as the Vascular program in the Heart Center, the Harrisonburg and Luray dialysis programs and also because of increased volumes in the Adult Bone Marrow program in the Cancer Center, the Diabetes Community Network, and the expanded Saturday OR program. The Medical Center’s largest challenge is the unwillingness of payers, especially government programs, to increase their payments commensurate with the increases in medical delivery costs.

*Rate changes:* The Medical Center proposes an average rate increase of 9 to 15 percent in 2001-02. The proposed rate increase was established by evaluating current prices of specific services against rates in the 60<sup>th</sup> percentile for hospitals in the Southeast region.

## **University of Virginia Medical Center 2001-2002 Fiscal Plan**

*Expenses:* Expenses for operations are projected to increase by \$40.4 million. Expenses per adjusted discharge increase 5.3 percent from \$12,192 to \$12,846. The cause of increase includes the higher acuity of patients as shown by the higher CMI, the enhanced compensation package established to attract and recruit highly skilled nurses and other ancillary caregivers, the annual salary and equity adjustments, increases to support higher patient care volumes related to new programs and opening of closed beds, as well as new strategic initiatives such as Six Sigma, HIPAA, CIA, IHIMS, and other IT related expenditures. The Medical Center also expects increases because of inflation. Pharmaceutical costs are expected to increase 10 percent in 2001-02 in spite of heavy medical management involvement.

*Staffing:* The Medical Center's 2001-02 budget includes 5,116 FTEs, reflecting an increase of 193 FTEs from 2000-01 projections of 4,923 FTEs. Of the growth, 115 FTEs are related to bringing functions in-house that were previously contracted, including Patient Access, and Emergency Room Registration and the merger of the Medical Center and HSF IT functions. The remaining 78 growth in FTEs consists of direct patient caregivers (nurses) and positions in supporting functions for various new programs such as the new Vascular Service in the Heart Center, increases in volume expected in the Adult Bone Marrow program in the Cancer Center, the expansion of Dialysis Services into Harrisonburg and Luray, the Community Medicine Initiative, and projected volume increases because of bed openings. Such volume increases also affect the supporting functions of Radiology and Pathology.

### **Operating Plan**

The operating plan is presented on page 47 and includes actual results from 1999-2000, projected results for 2000-01, and budgeted results for 2001-02. 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 continue to monitor budget versus actual performance on a monthly basis and, where appropriate, recommend amendments to the Health Affairs and Finance Committees. Also, management will continue to identify and implement process improvement strategies that will allow for operational streamlining and cost improvement that will take place throughout the next several years.

Medicare's payment methodology, Ambulatory Payment Classifications put outpatient reimbursement into a prospective payment system in 2000-01 and will have a negative \$4.3 million impact in 2001-02.

Revenues are impacted by the Balanced Budget Act, the Balanced Budget Refinement Act, and the Benefits Improvement and Protection Act of 2000. The net revenue for 2001-02 would have been \$2.9 million higher if these acts were not legislated. (See Schedule B) The cumulative net revenue impact from 1997-98 to 2001-02 is a reduction of \$83.2 million.

## **University of Virginia Medical Center 2001-2002 Fiscal Plan**

The major strategic initiatives that impact next year's fiscal plan include:

- New and enhanced programs such as the Vascular Program in the Heart Center, Renal dialysis expansion into Harrisonburg and Luray, expansion of the Adult Bone Marrow program in the Cancer Center, and the full implementation of the expanded Saturday OR program
- Enhanced personnel compensation packages and annual salary and equity adjustments (\$8.2 million resulting from 2000-01 actions and \$8.8 million of new adjustments for 2001-02)
- IHIMS (\$3.6 million total 2001-02 budget) and supporting software systems such as PeopleSoft
- New initiatives such as Six Sigma (\$1.4 million)
- Increased IT expenditures (\$2.4 million)
- Required expenses related to the new HIPAA regulation (\$0.3 million) and the CIA (\$0.7 to \$1.0 million)

The major risk factors that impact the ability to accomplish the desired results of next year's fiscal plan include:

- The continuation and improvement of existing operating conditions including the management of the nursing shortage and a Medicare CMI above 1.90
- New Health Care Financing Administration and other regulatory reimbursement changes
- Current negotiations with Virginia Medicaid and third-party payers to move a substantial portion of our current Medicaid business from traditional to managed care coverage
- Advancements in medical technology
- Inflation for pharmaceutical goods could exceed 10 percent
- Investment returns provided by the State Treasurer coupled with increases in the Medical Center's investment principal
- Enhanced scrutiny by Federal regulators in areas such as Medical Records, Billing, Coding and contractual agreements

**University of Virginia Medical Center  
2001-2002 Fiscal Plan**

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

(in millions)	<b>Actual 1999-2000</b>	<b>Projected 2000-2001</b>	<b>Budgeted 2001-2002</b>
Total operating revenue	\$485.7	\$547.2	\$605.6
Operating expense	\$416.0	\$482.8	\$520.9
Bad Debt	\$12.0	\$13.4	\$15.1
Depreciation & Amortization	\$30.8	\$34.0	\$35.0
Interest	\$4.9	\$4.9	\$4.6
Operating margin	\$22.0	\$12.0	\$30.0
Non-operating gain/(loss)	\$2.9	\$6.0	\$9.3
Total margin	\$24.9	\$18.0	\$39.3
Operating margin percent	4.5%	2.2%	4.9%
Total margin percent	5.1%	3.3%	6.5%

**Capital Plan**

Funds available to meet capital requirements are derived from operating cash flows and cash-on-hand. The Medical Center faces many challenges regarding capital funding as continued pressures on the operating margin affect cash flow source supplies, while demand for capital has increased significantly from space requirements, technological advances and aging of existing equipment. The Medical Center management recommends \$35 million be authorized for capital requirements in 2001-02 concurrent with the expected depreciation expense for 2001-02; however, this will only satisfy one third of the demand for capital requested this year. Future plans for expansion of the hospital space will perpetuate this condition of demand for capital significantly exceeding supply from cash flow resources. The \$35 million capital plan excludes investments in joint ventures and the Medical Center expansion (Bustle Project), which may be authorized separately by the Board for network development or other purposes.

**SCHEDULE A**  
**UNIVERSITY OF VIRGINIA MEDICAL CENTER**  
**RESOLUTION OF POTENTIAL ISSUES**  
(in millions)

	Projected FY01	Budgeted FY02
Indigent Care Days in Disproportionate Share Settlements	3.8	16.7
Bad Debts Settlements	1.1	
Cost Report Settlements	9.9	
Medicare Cost Report Refilings - FY97-99		4.5
Medicaid Settlements - FY97-99	1.6	
Total	<u>16.4</u>	<u>21.2</u>

**SCHEDULE B**  
**UNIVERSITY OF VIRGINIA MEDICAL CENTER**  
**BALANCED BUDGET ACT OF 1997**  
**BALANCED BUDGET REFINEMENT ACT OF 1999**  
**AND BENEFITS IMPROVEMENT AND PROTECTION ACT OF 2000**  
(in millions)

	FY98	FY99	FY00	FY01	FY02	Total
Balanced Budget Act of 1997	(7.5)	(15.7)	(21.3)	(30.2)	(32.7)	(107.4)
Mitigating Impact of Balanced Budget Refinement Act of 1999	-	-	2.0	6.7	7.7	16.4
Mitigating Impact of Benefits Improvement And Protection Act of 2000	-	-	-	1.7	6.1	7.8
Net Annual Impact	<u>(7.5)</u>	<u>(15.7)</u>	<u>(19.3)</u>	<u>(21.8)</u>	<u>(18.9)</u>	<u>(83.2)</u>

**University of Virginia - Medical Center**  
**Projected Fiscal Plan**  
**2001-2002**

	1999-2000 Actual	2000-2001 Forecast	2001-2002 Budget
<b>Revenues</b>			
Total Gross Charges	\$ 605,778,000	\$ 672,463,012	\$ 762,408,728
Less Deductions:			
Indigent Care Deduction (net of DSH payment)	23,179,756	14,196,851	29,745,974
Contractual Deduction	106,383,067	120,418,812	140,039,255
Total Deductions	129,562,823	134,615,662	169,785,229
Net Patient Revenue	476,215,177	537,847,350	592,623,499
Miscellaneous Revenue	9,472,646	9,372,149	12,982,793
<b>Total Revenue</b>	<b>485,687,823</b>	<b>547,219,499</b>	<b>605,606,292</b>
<b>Expenses</b>			
Expenses from Operations			
Operating Expenses	416,023,918	482,835,919	520,833,976
Depreciation and Amortization	30,791,683	34,000,000	35,000,000
Interest Expense	4,878,263	4,904,404	4,631,165
Bad Debt	12,035,906	13,449,260	15,099,600
Total Expenses from Operations	463,729,770	535,189,583	575,564,741
<b>Net Gains From Operations</b>	<b>21,958,053</b>	<b>12,029,916</b>	<b>30,041,551</b>
Other Gains and Losses			
Investment Income From Trustee Held Funds	9,444,626	9,500,000	10,250,000
Investments in Joint Venture/Other	(2,700,771)	(1,000,000)	-
Loss on Disposal of Equipment	(812,121)	(2,500,000)	(1,000,000)
Extraordinary loss on early extinguishment of debt	(3,000,000)	-	-
Total Other Gains and Losses	2,931,734	6,000,000	9,250,000
<b>Revenues and Gains in Excess of Expenses</b>	<b>\$ 24,889,787</b>	<b>\$ 18,029,916</b>	<b>\$ 39,291,551</b>

**Statistics**

Admissions or Discharges	28,220	27,734	28,390
Patient Days of Care	149,861	152,445	156,740
Clinic and Emergency Room Visits (Excluding Acquired Practices)	543,047	566,954	568,277
Home Health Visits	61,420	59,760	67,490
Average Length of Stay	5.30	5.50	5.60