

A MEETING OF THE EXECUTIVE COMMITTEE OF THE  
BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY  
April 20, 1990

A meeting of the Executive Committee of the Board of Visitors of Virginia Commonwealth University was held on Friday, April 20, 1990, at 10 a.m. in the University Meeting Center.

Present were Drs. Moore (Rector) and Johnson; and Messrs. Farinholt, Ferguson, Gregory, Lipman, Meador and Siegel. Absent were Dr. Holland; Messrs. Morris and Whitworth; and Mrs. Epps. Also present were Drs. Ackell, Andrako, Cribbs, Dewey, Ruch and Wilson; Messrs. Bruegman, Fischer, Gehring, Kudless, Poe, Puleo, Rapp and Ross; and Mrs. Price.

Dr. Moore called the meeting to order and stated that due to the lack of a quorum the Executive Committee would meet rather than the full Board.

Dr. Ackell reported that last evening, during the School of Business' Executive in Residence program, Mr. Dick Meador was named the Business School's Alumnus of the Year.

Dr. Ackell stated that last year, when Governor Baliles first announced a 1 percent and then a 2 percent General Fund reversion in this year's budget due to anticipated state revenue shortfalls, VCU realized that the growth this institution had experienced over the past several biennia would not continue into 1990-92. VCU undertook immediate preparations for a budget cutback in December. Expectations were realized when the General Assembly approved in March a State General Fund budget reduction of over 5% as part of an overall state government

effort to generate savings so that high priority budget increases could be funded within the estimated state revenues available.

The University's share of this budget cut is \$6 million in 1990-91 and \$7 million in 1991-92. While these amounts represent a cut of 5-6% of VCU's State General Fund Appropriation for Educational and General Programs, they have a deeper impact when one considers that there are continuing commitments which also must be funded, along with other high priority funding needs, including a contingency fund. All together, the University faced a budget shortfall in its Educational and General Programs of \$10 million.

VCU is dealing with this budget shortfall in two ways. First, tuition and fees are being increased within the guidelines prescribed by the General Assembly and the Governor. Fifty-percent (50%) of the State's budget reduction is being offset by increased tuition charges. The University's tuition and required instructional fees will increase 5.6% for full-time in-state undergraduates. This percentage is well within the 6.5% limit imposed by Governor Wilder and the General Assembly.

Second, the budget is being cut in accordance with Governor Wilder's intent "to streamline programs, cut unnecessary expenses, and, in appropriate cases, curtail programs or services in order to meet the State's budget constraints." VCU has met the Governor's stated purpose to "demonstrate to parents and to the public at large that VCU is running as tight a ship as possible and that our fiscal house is in order." In addition, Virginia's state tax support per FTE student is

below the Southern Regional Education Board's average for public universities in the Southeast. This is one reason why Virginia's in-state tuition rates are the highest in the Southeast. Conversely, Florida and North Carolina are consistently above the average for state tax support per student. This is a major reason why the tuition rates are low in these two states.

The University's budget cuts amount to \$6.6 million in 1990-91 and \$7.9 million in 1991-92. This represents 3.8% of VCU's current base budget for Educational and General programs in 1990-91 and 4.4% of VCU's current base budget in 1991-92. By the second year of the biennium, 175 positions will be eliminated from the budget. This represents over 5% of the current work force in Educational and General Programs.

The budget reduction process has not been easy; however, it has afforded everyone an opportunity to participate and be heard. Early on in the process, a Budget Development Plan was developed. Following meetings with deans, department heads, and appropriate governance groups, a set of criteria was agreed upon to guide the preparation of the 1990-92 biennial budget plan. Among the more important criteria adopted were the following:

- Enrollment projections must be realized.
- Budget reductions will be permanent.
- Budget reductions will occur selectively in people and programs.
- There will not be an across-the-board percentage cut in all programs.

- Expedient methods used to cut the budget in the past, such as reductions in general operating support and support services, are inappropriate means of achieving the budget reductions necessary.
- New initiatives defined in the University's Institutional Priorities for 1990-92 will be funded insofar as possible.
- A contingency would be retained in the event of further economic downturn, revenue shortfalls, and inability to achieve the budget cuts based on the prescribed timetable.

While the center of attention has been on the University this time around, the Hospital is not without its challenges. Although the Hospital experienced a 1% cut in its state General Fund Appropriation, or approximately \$537,000 per year, the state still refuses to support the costs associated with Indigent Care co-payments. These costs are projected to be \$4 million annually. Coupled with the rapid and unpredictable changes in third party reimbursement practices and the highly competitive health care environment, the Hospital budget is stretched to the limit. A positive bottom-line is projected for next year, but it represents less than 1% of the Hospital's total operating revenue. For a Hospital of this size, and the necessity to maintain a capital reserve for the repair and replacement of facilities and equipment, a bottom-line of less than 1% is marginal at best.

Dr. Ruch stated that the budget process was a very open and participatory one. Following the policy direction set by President Ackell, each vice presidential area was given a target and asked to develop a plan. These plans were then moved through the "system" including involvement by faculty, department chairmen, deans and governance groups including University Council.

Mr. Bruegman stated that the Budget Plan includes six separate budgets involving various revenue sources and fund groups. As background, the six budgets are funded as follows:

- . Educational and General (E&G)  
State tax dollars and student tuition and fees
- . Sponsored Programs  
Grants and contracts
- . Auxiliary Enterprises  
Self-supporting areas such as athletics, housing, bookstores
- . University Funds  
Gifts, endowment income, etc.
- . Student Financial Aid  
Loans, grants primarily from the State and Federal Government
- . Hospital  
Patient revenues, third-party payers, indigent care funding

Mr. Bruegman stated that during the budget process there were some misconceptions about that need to be clarified

1. Fund accounting does not permit one fund group to support another. As such, the cuts to E & G programs mandated by the General Assembly must occur in E & G funds.
2. Funds raised as part of the \$52 million campaign consist primarily of restricted gifts and are earmarked for specific purposes.
3. Tuition and fees can be increased to offset only 50 percent of the budget cut. The University is required to charge out-of-state students three times the amount of tuition as in-state students.
4. A modest contingency is being retained for unexpected revenue shortfalls and unrealized budget cuts.
5. The budget includes the abolishment of 175 positions. Many of these positions are vacant. It is difficult to determine at this time exactly how many people will be adversely affected, if any, because of the very complicated State layoff policy which allows for "bumping" based on seniority.

Mr. Cribbs stated that VCU's headcount and FTE enrollments are at their highest levels ever, 21,391 headcount and an estimated 17,404 FTE. Modest increases are expected in next year's enrollment. The University's total revenues are expected to be \$1.3 billion with the general fund accounting for 28 percent of this total and tuition and fees for 10.5 percent.

It was noted that the Budget Plan for Educational and General Funds presents a balanced budget on a current basis for each year of the biennium and on a permanent basis by June 30, 1992. In addition, by June 30, 1992, a permanent University Contingency equal to approximately 1.5 percent of revenues will be established. Contingencies equal to .5 percent of revenues will be established in other fund sources.

General Fund reductions imposed in the 1990-92 Appropriation Act are achieved on a permanent basis by June 30, 1992. Consistent with the Appropriation Act, tuition charges have been increased to equal 50% of the general fund cut. Therefore, tuition is used to replace 50 percent of the lost state support, thereby reducing required expenditure reductions. The increase in tuition charges results in increasing the proportion of educational costs that tuition supports.

Critical funding needs totalling \$1.6 million in 1990-91 and \$2.0 million will be met through reallocation of savings accomplished through base budget reductions. Funding reductions totalling \$6.6 million in 1990-91 and \$7.9 million in 1991-92 will be imposed.



On motion made and seconded, the Committee convened into executive session to discuss certain personnel matters involving the performance of identifiable employees or faculty of VCU and to discuss matters relating to gifts, bequests and fund-raising activities including the approval of Naming Proposals as authorized by Section 2.1-344 a(1) of the Virginia Freedom of Information Act.

Following executive session, on motion made and seconded, the following Resolution was approved by roll call vote:

Virginia Commonwealth University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the executive meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the executive session meeting were heard, discussed or considered by the Executive Committee of the Board of Visitors of Virginia Commonwealth University.

<u>ROLL CALL</u>	<u>Ayes</u>	<u>Nays</u>
Dr. French H. Moore, Jr. (Rector)	X	
Mrs. Rozanne G. Epps	Absent	
Mr. James B. Farinholt, Jr.	X	
Mr. Jack H. Ferguson	X	
Mr. Roger L. Gregory	X	
Dr. Harry I. Johnson, Jr.	X	
Mr. Eric M. Lipman	X	
Mr. Richard L. Meador	X	
Mr. Philip B. Morris	Absent	

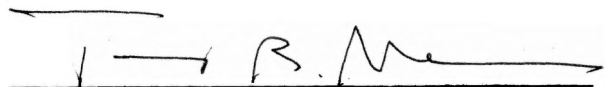
Vote:

Ayes: 7  
Nays: 0

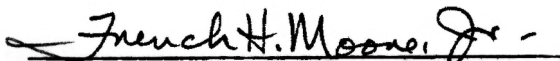
ABSENT DURING MEETING: 2  
ABSENT DURING VOTING: 2

On motion made and seconded, the Committee approved the Naming Proposals and the appointment of Dr. Grace Harris as Vice Provost for Continuing Studies and Public Service.

The meeting was adjourned at 12:50 p.m.

  
Philip B. Morris, Secretary

Approved:

  
French H. Moore, Jr., Rector



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<u>ROLL CALL</u>	<u>Ayes</u>	<u>Nays</u>
Dr. French H. Moore, Jr. (Rector)	X	
Mrs. Rozanne G. Epps	Absent	
Mr. James B. Farinholt, Jr.	X	
Mr. Jack H. Ferguson	X	
Mr. Roger L. Gregory	X	
Dr. Harry I. Johnson, Jr.	X	
Mr. Eric M. Lipman	X	
Mr. Richard L. Meador	X	
Mr. Philip B. Morris	Absent	

Vote:

Ayes: 7  
Nays: 0

ABSENT DURING MEETING: 2  
ABSENT DURING VOTING: 2

- . The budget assumes a cash balance of \$10.1 million at June 30, 1991.

Mr. Cribbs presented the proposed Tuition and Fees Charges for 1990-91. A number of objectives and strategies were used in setting tuition, the most important of which was to replace half of the General Fund reductions imposed by the state with tuition revenues. The University Fee was set at a rate sufficient to fund approved operating levels for activities supported by the Fee and to increase the sinking fund for construction of Student Commons II. A full-time Virginia undergraduate student will receive an increase of 6.1 percent overall (tuition, fees, room and board). An out-of-state undergraduate student will receive an 11 percent increase which is consistent with the state's policy of charging out-of-state students three times the cost of in-state students. The University Fee will increase from \$510 to \$575 or 12.7 percent. Tuition for a Virginia graduate student will increase 5.4 percent and 11 percent for a non-Virginian. Pharmacy rates will be the same as graduate rates. Medical students' tuition will increase 8.9 percent for in-state students and 17.4 percent for out-of-state students. The dental students' tuition increase is 7.9 percent for in-state and 11.1 percent for out-of-state.

On motion made and seconded, the 1990-92 Consolidated Budget Plan, the 1990-91 Tuition and Fees Charges and the 1990-91 Hospital Operating Budget were approved.

Mr. Farinholt commended the administration for its outstanding leadership of a very difficult budgetary matter.

reduced reimbursements for capital costs, and direct and indirect medical education.

The Hospitals continue to work aggressively with the Commonwealth and the City of Richmond in attempting to transfer patients from Indigent Care to the Medicaid Program. Success in making this transition through on-site Medicaid workers will have a direct impact upon indigent care costs and their relationship to Commonwealth funding.

Appropriations from the Commonwealth are estimated to be at 20 percent of cash receipts.

The budget represents state support based upon the biennial amount enacted by the 1990 Session of the General Assembly. It should be noted that State support was reduced by the General Assembly by 1 percent or approximately \$.5 million each year of the biennium. In addition, the state guidelines for defining Indigent Care continue to exclude costs associated with Indigent Care co-payments. This effectively reduces hospital revenues by \$4 million annually.

The state appropriation assumes a \$5.5 million reduction due to increased Medicaid eligibility and to mandated disproportionate share increases by Medicaid.

The budget recommends a 9 percent increase in rates. Medicare per case payments are projected to increase by 4.1 percent, Medicaid per day payments by 4.5 percent, Blue Cross per day payments by the contractual 7 percent and commercial reimbursement by 9 percent. Since the majority of payors do not pay charges, the 9 percent rate change translates into an effective net patient service revenue increase of only 5.9 percent.

The Budget Plan continues a strong emphasis on cost containment, and assumes revenues and expenditures will be balanced and the Hospitals will break even for the budget year.

Personal services and fringe benefit costs are projected to increase 10.4 percent in 1990-91.

In total, operating expenditures are projected to increase 6.3 percent in 1990-91.

Debt service payments and required capital expenditures and commitments will require a draw on hospital reserves of \$4.1 million in 1990-91.

The Budget Plan for Auxiliary Enterprise Programs projects revenues at approximately \$27,806,000 in 1990-91 and \$30,027,000 in 1991-92 with anticipated operating expenditures of approximately \$26,626,000 in 1990-91 and \$28,108,000 in 1991-92. Auxiliary Enterprises fund balances are sufficient to meet state guidelines for operating and maintenance reserves.

With regard to University Funds, unspent balances may be carried forwarded at year-end. As a result, expenditures do not necessarily equal revenues in any single fiscal year. In 1990-91, expenditures are projected to exceed revenues by \$2,784,000 and by \$1,896,000 in 1991-92, resulting in the use of accumulated fund balances. Although permissible by University policy, this use of fund balances will be closely monitored to ensure that ongoing commitments do not exceed revenue streams, and, if necessary, reductions in spending will be imposed.

The Student Financial Assistance Budget is expected to reach \$43,691,000 in 1990-91 and \$45,612,000 in 1991-92. It was noted that loans are the single largest category of student financial aid, accounting for \$28,080,000 in 1990-91 and \$29,100,000 in 1991-92.

Mr. Fischer presented the Hospital Operating Budget for 1990-91.

Mr. Fischer stated:

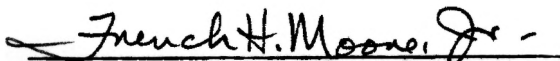
- Inpatient admissions, patient days, and emergency visits are projected to remain relatively level for the 1990-91 budget year. Outpatient visits are estimated to increase only slightly by 1 percent.
- Medicare reimbursement has in recent years failed to meet basic inflation and has continued to reduce payment in several areas. Proposed regulations for 1990-91 will result in

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The meeting was adjourned at 12:50 p.m.

  
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Approved:

  
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