

WEST VIRGINIA STATE UNIVERSITY

THREE-YEAR BUDGET PLAN

AND

DEFICIT ELIMINATION PLAN

April 13, 2009

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Executive Summary

After the West Virginia State University Board of Governors meeting on January 22, 2009, the President of WVSU established a Task Force for the Budget Deficit Elimination Plan to continue to focus on the commitment to a thriving West Virginia State University and the development of the following two overarching goals:

- To eliminate annual operating deficits, thereby achieving a balanced budget for each of the next three years, and
- To steadily reduce the deficit balances in the distressed accounts until all deficits are resolved.

Within the economic and legislative environment of the State of West Virginia, the separation of the community colleges from their host institutions, and the current fiscal realities of limited or no increases in tuition or in state appropriations, the Task Force examined the opportunities for revenue enhancements, and cost containment. Their observations and conclusions resulted in the Budget Deficit Elimination Plan. Given the multi-year assumptions of the Plan, the many unknown state and national economic factors, and the fluctuations in student enrollment, the Task Force is relatively confident the goals of the Plan will be realized as presented.

In the area of revenue enhancements, the Task Force examined the opportunities for additional revenues from students through

modest increases in tuition and implementation of a Metro Tuition rate. Externally, grants will be sought to fund ancillary programs of the University. The University will continue to implement the Central Services model of receiving reimbursement for services provided by Administrative Services to various areas of the University.

Revenue enhancement will also occur through new enrollment and retention initiatives developed by the Academic Affairs and the Student Affairs areas. Assignment of a staff member in the Admissions Office to full-time recruitment is expected to result in a greater number of new students. Earlier and more focused attention on advising and registering students who are admitted to the University is expected to connect students to the University and the University to these students.

Aggressive interaction with new students through personal contacts and College-level advising and special Freshman Experience courses are aimed at establishing a connection between our students and the University. This is particularly important for a commuter campus such as WVSU. A coordinated marketing program using traditional and electronic methods of advertising focused on attracting new students to a campus perhaps closer to their home, with affordable residence halls, and with excellent academic and research opportunities will also attract students.

Expenditure containment will result from the continued scrutiny of expenditures. Such scrutiny will measure requested expenditure

increases with necessity to accomplish the Mission of WVSU, analyze the level of services maintained where student enrollment has decreased, and explore consolidation of areas where services are duplicated. Capital expenditures will be vigorously evaluated to ensure compliance with the required 50/50 match for state funds. The necessity of those projects outside the required match will be critically analyzed.

The Education and General revenues are projected to exceed expenditures for each of the fiscal years of this Plan. These excess funds will be used to reduce the deficit balances in the distressed accounts.

THE THREE-YEAR BUDGET PLAN

Development of the Three-Year Budget Plan Goals

The development of the Three-Year Budget Plan necessitated a multifaceted approach that included revenue enhancements and expenditure discipline in order to achieve the goals of:

1. To eliminate annual operating deficit, thereby achieving a balanced budget for each of the next three years, and
2. To steadily reduce the deficit balances in the distressed accounts until all deficits are resolved.

We believe these goals are achievable.

Background

Laws passed by the West Virginia Legislature over the last fifteen years have significantly altered the landscape of public higher education in the State of West Virginia. Some of these bills are: Senate Bill 547 in 1995, Senate Bill 653 in 2000, Senate Bill 703 in 2001, Senate Bill 448 in 2004, and House Bill 3215 in 2008. It was Senate Bill 653 that allowed community colleges to charge different tuition rates from their sponsoring institution beginning in 2002.

This legislation restructured the governance of public higher

education by creating institutional governing boards for each of the universities, colleges, and community colleges in West Virginia. Other changes included the creation of an independent community and technical college system, and new requirements and processes for compensation of classified staff.

As a result of these legislative changes, West Virginia State University (WVSU) is no longer an institution with a student enrollment of approximately 5,944 students. WVSU now has approximately 3,756 students and West Virginia State Community and Technical College (WVSCTC) has an enrollment of approximately 2,188 students. Accordingly, the creation of two institutions located on the same campus has resulted in the loss of economies of scale in the administrative structure and the services provided for both institutions.

Since 2005, the University has either studied or implemented the following actions:

- Took prudent measures to recover the \$4,000,000 subsidy to the WVSCTC over the past five years;
- Continuously searched for budget efficiencies in administrative operations and services;
- Evaluated the feasibility of a “reduction in force” plan. In keeping with the core mission of the University, full-time faculty were not affected. However, vacancies in faculty positions were not automatically filled. Continuing to

employ personnel to carry out essential services was a priority;

- Evaluated the feasibility of reorganizing academic departments;
- Eliminated unnecessary duplication of services; and,
- Determined the feasibility of eliminating vacant positions in the budget of the University.

Assumptions

Environmental Assumptions:

- State of WV allocations will be flat or decrease over the three-year period of this Plan;
- Tuition will continue to rise, moderately, with more students remaining at home to attend local institutions - especially if the Promise scholarship is capped;
- The number of high school seniors will decline; however, the number of adults returning to college will increase;
- Tuition differential between the University and the Community College will continue to widen;
- The educational costs recaptured by the University through the

charge-back agreement with the Community College likely will decline in future years.

Revenue Enhancement Efforts:

- Tuition is projected to increase up to approximately 3% per year over the next two years resulting in additional revenues;
- Implementation of Metro Tuition will increase the number of students from out-of-state;
- Continued implementation of the Central Services model for reimbursement of services provided by the Administrative Services area;
- Grants will be sought to fund ancillary programs (such as the Booker T. Washington Institute program at Malden);
- Coordinate all marketing efforts -- print, radio, TV, Internet, and Web page -- to better establish the WVSU brand, to market the institution to perspective students, and to raise the awareness of potential donors and achieve greater recognition by the general population;
- Responsibilities in the Admissions Office have been realigned to permit one individual to devote full-time efforts to recruiting;

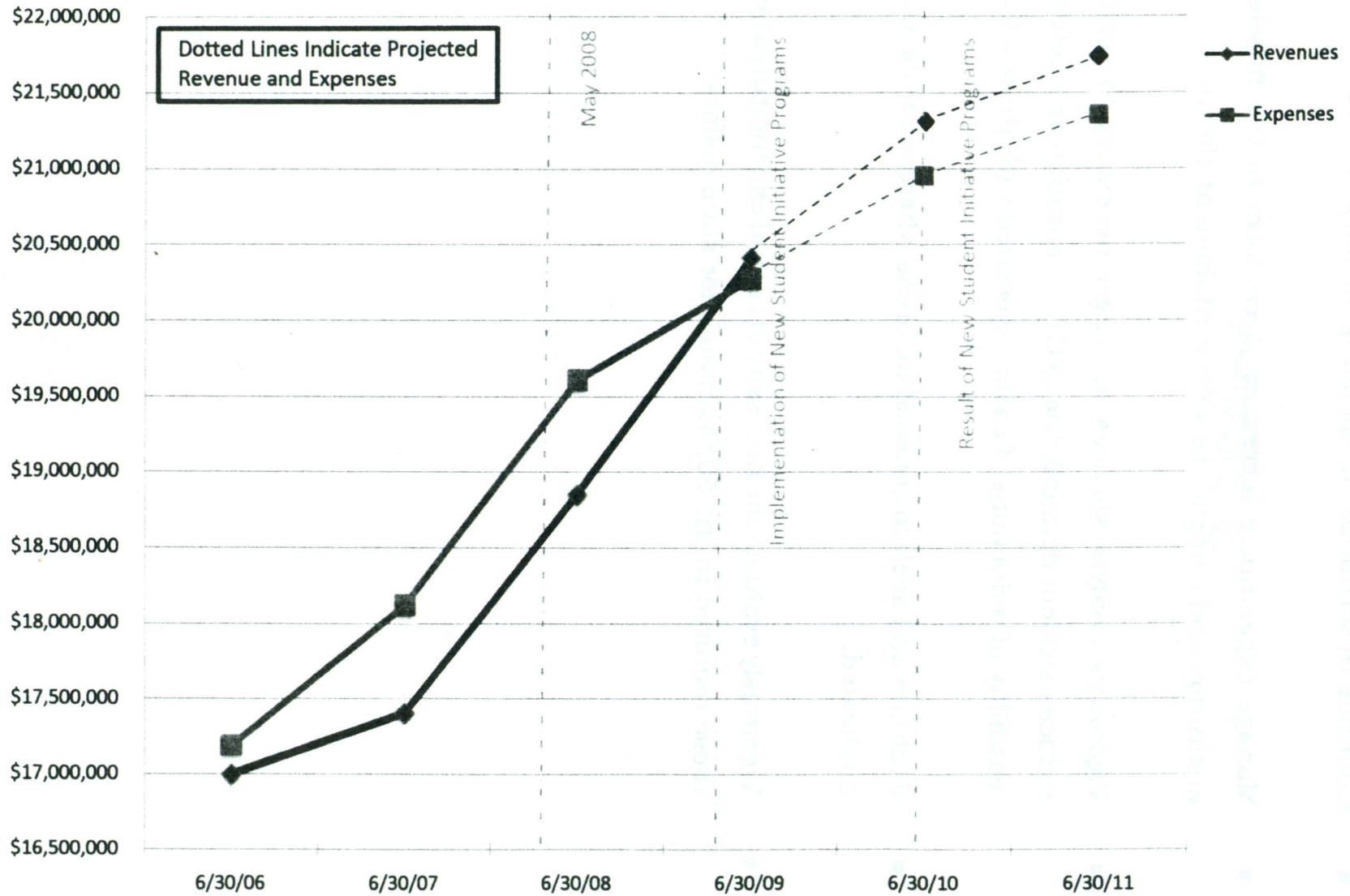
- Earlier notification of admission to applicants;
- Students fully admitted to the University will be advised and registered earlier than in previous years to gain their commitment to WVSU;
- Advising and registration of new students will be done in Colleges, with the goal to create an association with their major which is expected to increase retention and graduation rates;
- Student Affairs initiative (along with Academic Affairs) will conduct a series of five phone conversations with new students from admission to second semester of matriculation to mitigate problems and to steer students in the proper direction for assistance;
- Freshman Experience course to be offered at the College level for new freshman to better orient them to the University, its policies, their major, and their faculty, with the goal of increased retention and graduation of our students.

Expenditure Containment Efforts:

- Continue to monitor expenditures by the vice president for each administrative area to conform to budget constraints;

- Continue to scrutinize all spending for purpose and necessity;
- Manage expenditure increases to conform to the mission of institution and compliance with containment efforts;
- Vigorously analyze services no longer necessary to serve the reduced student demand due to CTC separation and determine feasibility of reductions of costs associated with those services;
- Evaluate and seek to consolidate areas where services are now duplicated;
- Vigorously evaluate the necessity of capital expenditures outside those required in the 50/50 match for state dollars.

Education and General Revenue and Expenses Fiscal Year 2005 to Projected 2011



Conclusion

The development of the Three-Year Budget Plan necessitated a multifaceted approach that included revenue enhancements and expenditure discipline. Consideration was given to the national economic conditions and other factors that impact the State of West Virginia and the University. In addition, the issue of the continuing financial subsidization of the West Virginia State Community and Technical College must be resolved. This subsidization has resulted in higher tuition for University students as well as eroding the financial reserves of the University.

The Task Force for the Budget Deficit Elimination Plan developed two goals: to eliminate the annual operating deficit of the University, thereby achieving a balanced budget for each of the next three fiscal years; and to use surpluses to steadily reduce the deficit balances in the various distressed accounts until all the deficits are resolved.

To accomplish these goals, it will require a collective and coordinated effort by all administrative areas to reverse the enrollment decline which is a major factor effecting the financial position of the University. Enrollment decline can be attributed in part to the tuition differential between WVSU and WVSCTC (See Appendix B). This enrollment decline will not be reversed over night and must be an ongoing effort of the University.

Conclusion

The development of the three-year budget plan necessitates a
comprehensive approach that includes various state entities and
the various disciplines. Consideration will be given to the fiscal
and economic conditions and other factors that impact the state's
budget and the University. In addition, the issue of the
University's contribution to the state's overall economic and
social development must be considered. The Commission has
developed a plan for the University's budget as well as
the overall strategy of the University.

Appendices

The plan for the three-year budget plan is presented in
two parts: the first part covers the overall strategy of the
University and the second part covers the details of the
budget for each of the next three years. The plan also
includes a detailed analysis of the University's financial
condition and a list of recommendations for the state's
budget.

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Particulars	Balance b/d	Income	Expenditure	Balance c/d
Assets				
Fixed Assets				
Land & Buildings				
Plant & Equipment				
Intangible Assets				
Current Assets				
Stocks				
Debtors				
Prepayments				
Other Current Assets				
Liabilities				
Long-term Liabilities				
Short-term Liabilities				
Equity				
Share Capital				
Reserves				
Profit Reserve				
Other Reserves				

Appendix A

West Virginia State University
Projected Sources and Uses of Funds
Fiscal Years 2009, 2010, and 2011

PROJECTED REVENUE	FY 2008-2009	FY 2009-2010	FY 2010-2011	Comments
General Revenue Base Budget for Fiscal Year	\$ 10,424,043.00	\$ 10,734,590.00	\$ 10,734,590.00	
General Revenue Base Budget for Fiscal Year Institutional Operations	\$ -			Note a
Reduction in State Appropriations				
State Appropriation for 3 % Salary Increases	\$ 310,547.00	\$ -	\$ -	Note b
Increases to General Revenue Base Budget	\$ 310,547.00	\$ -	\$ -	
Total General Revenue Base Budget - Fiscal Year	\$ 10,734,590.00	\$ 10,734,590.00	\$ 10,734,590.00	
Budgeted Revenue Tuition and Fees (COF) Fiscal	\$ 9,153,114.00	\$ 10,075,114.00	\$ 10,423,114.00	
Proposed Tuition and Fee Increase for Fiscal Year				Note c
Proposed for In-State Students	\$ 667,000.00	\$ 255,000.00	\$ 255,000.00	
Proposed for Out-of-State Students	\$ 243,000.00	\$ 90,000.00	\$ 90,000.00	
Proposed Graduate Education	\$ 12,000.00	\$ 3,000.00	\$ 3,000.00	
Other Sources of Revenue	\$ -	\$ -	\$ -	
Total Increase to College Operation Fund	\$ 922,000.00	\$ 348,000.00	\$ 348,000.00	
Total College Operation Fund Budget - Fiscal Year	\$ 10,075,114.00	\$ 10,423,114.00	\$ 10,771,114.00	
Projected Revenue before Adjustments	\$ 20,809,704.00	\$ 21,157,704.00	\$ 21,505,704.00	
Less Adjustments for Enrollment Decrease/Increase	\$ (400,000.00)	\$ 100,000.00	\$ 200,000.00	Note d
Projected Revenue for Fiscal Year	\$ 20,409,704.00	\$ 21,257,704.00	\$ 21,705,704.00	

PROPOSED EXPENDITURE ADJUSTMENTS	FY 2008-2009	FY 2009-2010	FY 2010-2011	Comments
Base Budget for Fiscal Year	\$ 19,721,112.00	\$ 20,270,873.00	\$ 20,908,373.00	
Salary Increases at 3%				
Faculty Salary Pool	\$ 192,352.00			
Staff Salary Pool	\$ 191,352.00			
Non-Classified Salary Pool	\$ 79,568.00			
Total Salary Increases	\$ 463,272.00	\$ 750,000.00	\$ 600,000.00	Note e
Mandated Fringe Benefit Cost Increase				
Faculty Fringe Benefit	\$ 28,852.00			
Staff Fringe Benefit	\$ 28,702.00			
Non-Classified Fringe Benefit	\$ 11,935.00			
Total Fringe Benefit Increases	\$ 69,489.00	\$ 112,500.00	\$ 90,000.00	
Total Salary & Benefits	\$ 532,761.00	\$ 862,500.00	\$ 690,000.00	
Establish a Contingency Fund to Increase Reserves	\$ 150,000.00			
Current Operating Expenses	\$ 500,000.00	\$ 175,000.00	\$ 75,000.00	Note f
Total Projected Expenditures	\$ 20,903,873.00	\$ 21,308,373.00	\$ 21,673,373.00	
Charge-back Increase	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	Note g
University Budget 1% Holdback/Cut	\$ (233,000.00)			Note h
Net Expenditures	\$ 20,270,873.00	\$ 20,908,373.00	\$ 21,273,373.00	
Excess Revenue / Expenses Prior to Re-Allocations	\$ 138,831.00	\$ 349,331.00	\$ 432,331.00	

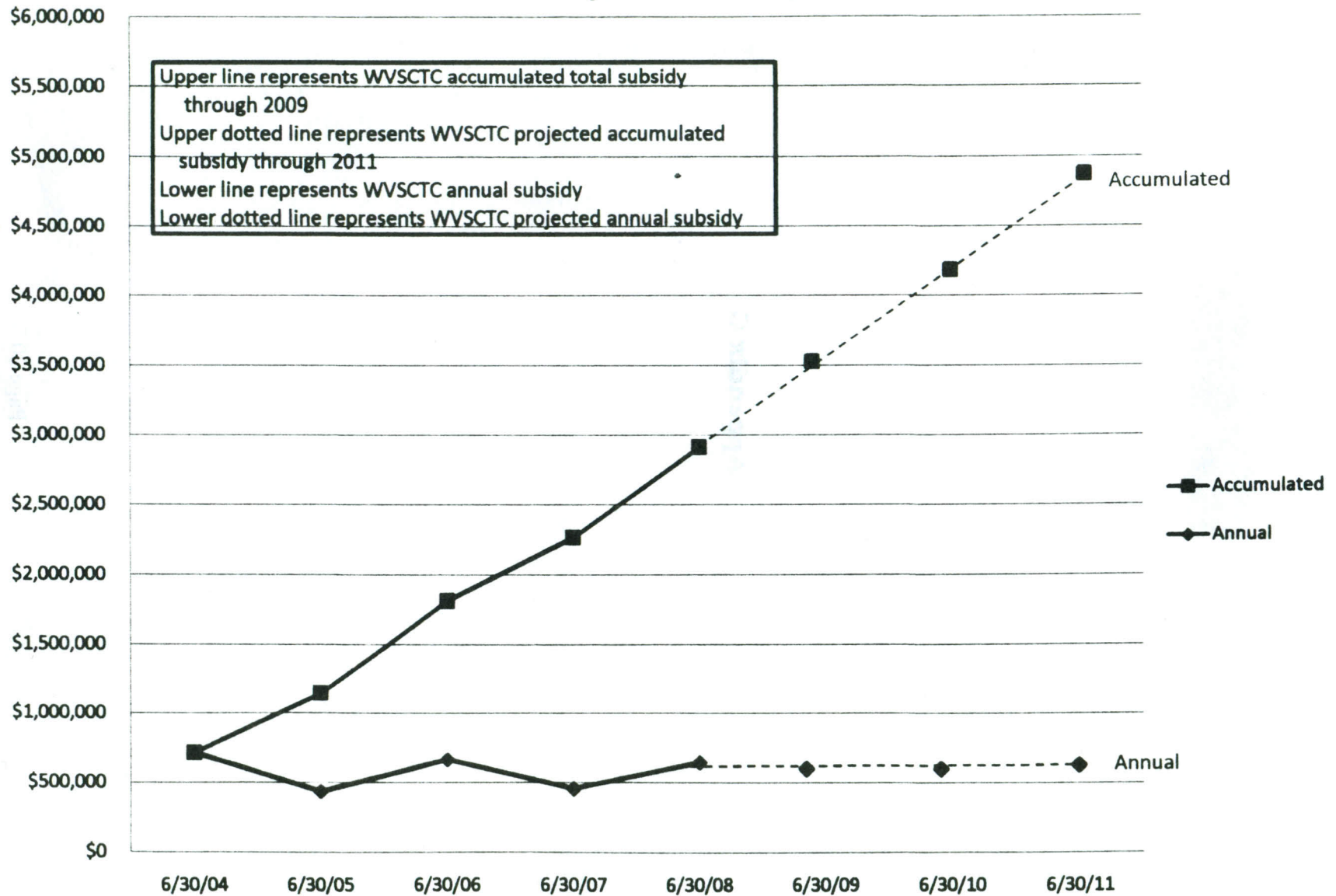
**West Virginia State University
Projected Sources and Uses of Funds
Fiscal Years 2009, 2010, and 2011**

Updated Footnote Assumptions

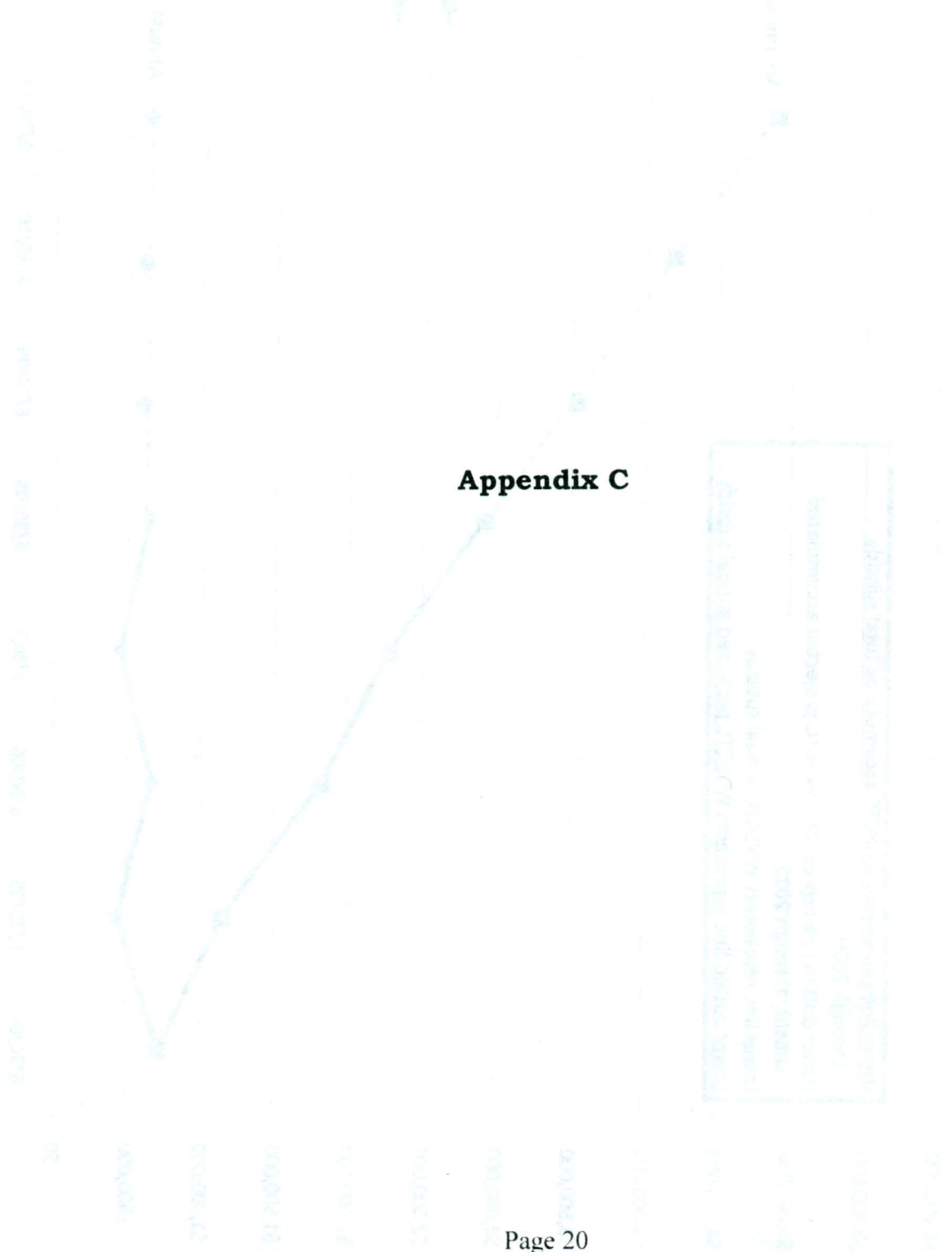
- a Amended to reflect no increase in State Appropriations.
- b No funding from State of WV for salary increases for FY/ 2010
- c Revenue is based on enrollment remaining at the same level for FY/ 2009.
- d Enrollment is projected to increase in FY/2010 and 2011 due to new enrollment initiatives
- e Funding needed for personnel in FY 10 and FY 11 to address salary issues
However, no funding from State of WV for salary increase
- f Increase to current expense budget in FY 10 and FY 11 due to projected price inflation
- g Increase in amount of Chargeback Agreement payment in FY/2009
- h University imposed 1% holdback or budget cut for FY/2009

Base Budget for Fiscal Year 2007-2008	General Revenue	College Operations	Total Budget
Personnel Budget for Fiscal 2008	\$ 7,981,933.00	\$ 6,119,211.00	\$ 14,101,144.00
Fringe Benefits Budget for Fiscal 2008	\$ 1,717,086.00	\$ 1,285,138.00	\$ 3,002,224.00
Transfers Out		\$ 130,462.00	\$ 130,462.00
Transfers In		\$ (29,952.00)	\$ (29,952.00)
Current Expense Operating Budget for Fiscal Year 2008		\$ 4,923,234.00	\$ 4,923,234.00
Charge-back Agreement for Fiscal Year 2008	\$ -	\$ (2,406,000.00)	\$ (2,406,000.00)
Total	\$ 9,699,019.00	\$ 10,022,093.00	\$ 19,721,112.00

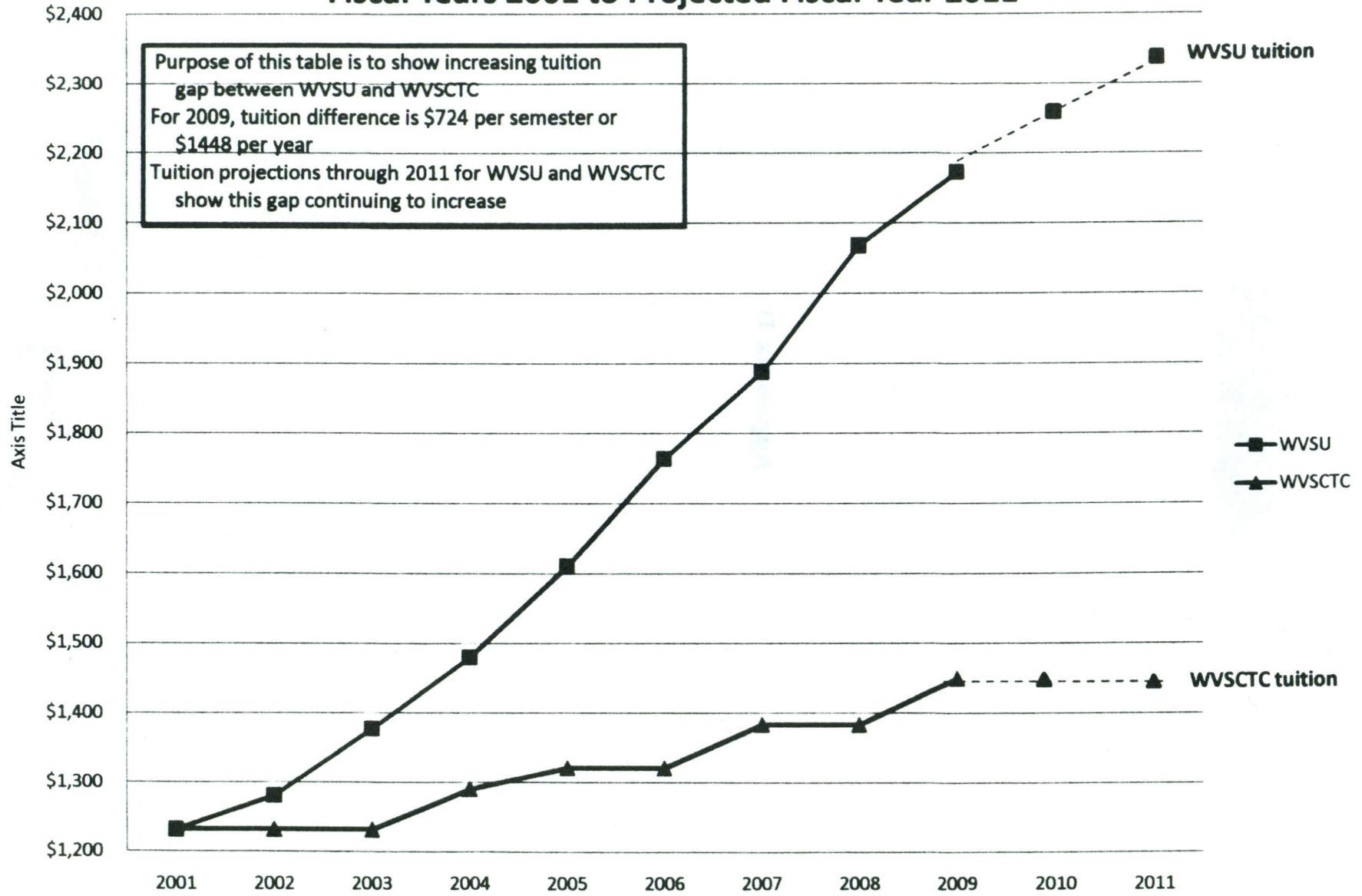
History of Charge-back Subsidy and Accumulated Total Subsidy Fiscal Year 2004 and Projected to Fiscal Year 2011



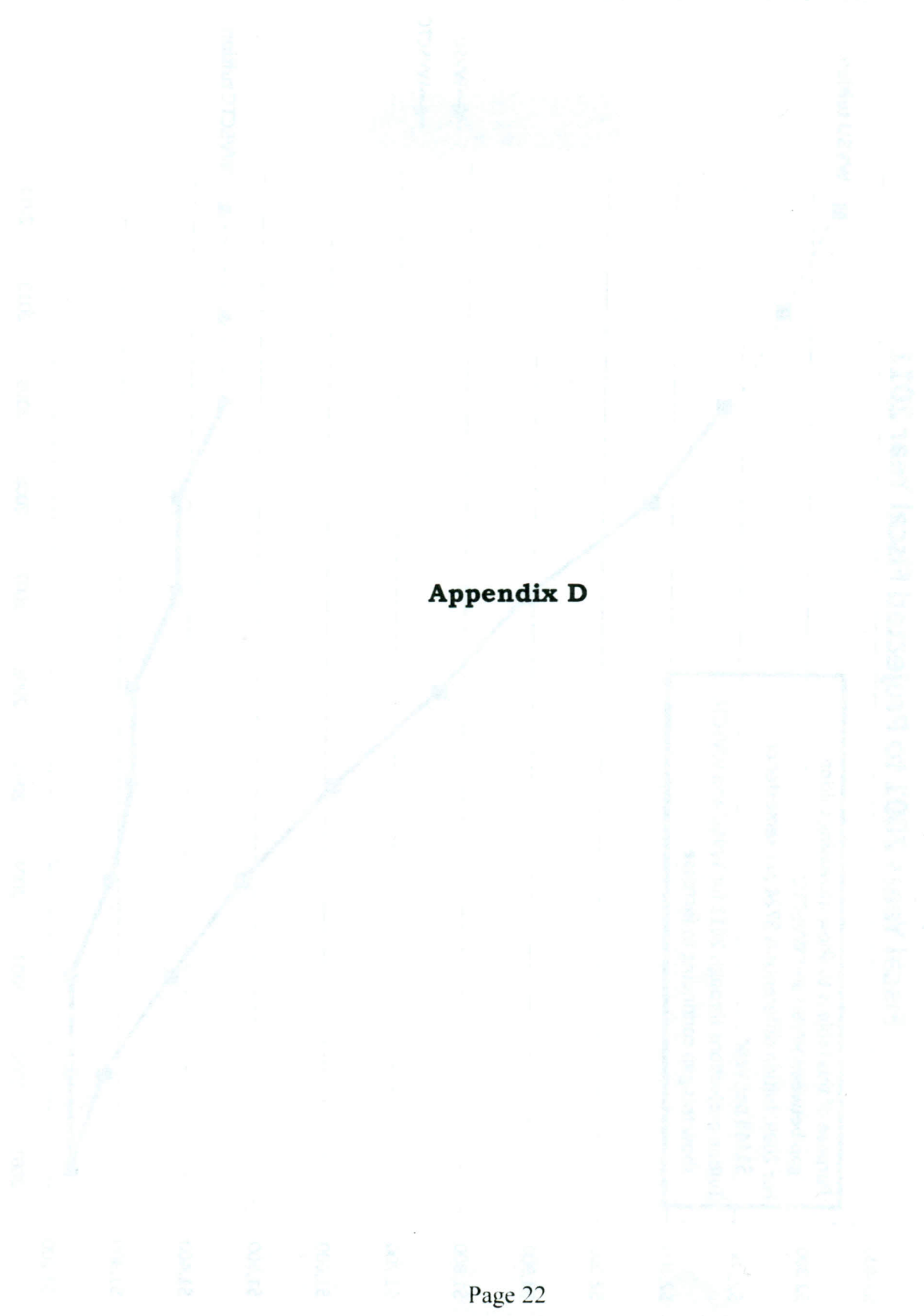
Appendix C



WVSU/WVSCTC Tuition and Fee Comparisons Fiscal Years 2001 to Projected Fiscal Year 2011



Appendix D



Capital Budget

The West Virginia Legislature appropriated capital improvement funds to West Virginia State University for Fiscal Year 2009. The appropriations require a 50/50 institutional match. Projects were identified affecting five buildings and campus infrastructure. The total for Fiscal Year 2009 is \$1,187,335. WVSU is required to match that sum in FY 2009 and FY 2010 from existing designated fees paid by students.