

WILLIAM & MARY FY 2024 OPERATING BUDGET PROPOSAL

This summary provides an overview of William & Mary's proposed operating budget for fiscal year 2023-2024 (FY24) and identifies specific budget actions. These actions reflect W&M's commitment to the lowest increases that allow us to fulfill the mission of this University and uphold its pre-eminence and excellence. Detailed budgets by program are contained in the accompanying enclosures. The budget for the Virginia Institute of Marine Science is presented separately under Resolution 20. The budget includes assumptions based upon the most recent versions of the state budget available with the House and Senate both including 7% salary increases. No additional state funding beyond the general fund share of 7% salary increases, and the funding in the original proposed budget, is assumed. If the state passes a revised budget, W&M will revisit its internal assumptions accordingly and share an updated budget with the Board at its next meeting. In addition, dining budgets and rates are held flat in the proposed budget due to ongoing negotiations to award W&M's dining contract with a third-party provider and will be updated along with any state changes for Board review at its next meeting.

Sources of Revenue for FY24

The FY24 operating budget, as presented, combines the university's state appropriated funds as well as donor funds and other revenue maintained locally at the university. Revenue assumptions fall into six main categories as follows:

1. **State general fund (GF) appropriations** (\$78.4 million) primarily support the university's academic mission, commonly referred to as the Educational and General (E&G) program, and need-based, in-state undergraduate financial aid. The FY24 projected state GF support adds base allocations from the state to support a share of salary and fringe increases, operation and maintenance of the new arts complex coming on-line, and additional financial aid. \$2.5 million in general funds are removed from the budget because FY23 had a one-time allocation to support relocation of the Bray School.
2. **Tuition and fee revenue** (\$259.4 million) reflects estimated revenue based on proposed FY24 tuition and fee rates included in Resolution 21. These funds are used to support the university's (E&G) academic programs as well as need-based, undergraduate financial aid.
3. Unrestricted and restricted gifts as well as endowment earnings received by the university are categorized as **Private Funds** (\$14.9 million in new revenue added to a \$15.4 million fund balance anticipated as of June 30, 2023). They do not include funds budgeted as part of the William & Mary Foundation or other university-affiliated foundations.
4. Funds from grants and contracts for **Sponsored Programs** (\$31.4 million) include both direct funding for research as well as indirect cost recoveries used to support research facilities and administrative infrastructure. In addition, William & Mary receives \$131,900 in general fund support for state-sponsored research, which is included in the state general fund amounts above.

5. Student and user fees support **Auxiliary Enterprises** (\$130.4 million), which provide non-academic goods or services to students, faculty and staff, including housing, dining, student health, and athletics.
6. **Local funds** (\$40.2 million) are supported mostly by funds from affiliated foundations (W&M Foundation, Business Foundation, and Law Foundation), as well as fees related to specific programs such as study abroad, EMBA, green fees, student activities and student health insurance.
7. The FY24 budget includes a **planned use of cash reserves** to cover the debt service on the general obligation bonds issued by the university. As approved by the Board, \$60 million of the proceeds have been invested with the intention that investment earnings over time will offset the need for covering this cost with other sources of funding. Given the recent investment of those funds and current market conditions, we do not anticipate investment earnings will be sufficient in FY24 to cover this cost.

Proposed Spending Priorities for FY24

In total, the university's FY24 proposed operating budget includes \$554.6 million in projected revenue, \$557.1 in total resources available with usage of reserves, and \$556.7 million in expenditures. The university is proposing a 5% tuition reset for all general undergraduates and a 3.0% increase to mandatory non-E&G fees to support the priorities outlined below. The Board already approved graduate tuition as presented at its November 2022 meeting.

Priority expenditures include:

- Funding unavoidable cost increases related to 7% salary increases, fringe rate increases, utility and contract inflation, and operation and maintenance of the Fine & Performing Arts complex;
- Expanding affordability through financial aid for the Pell Initiative while also funding increases needed to maintain current commitments to non-Pell need-based aid;
- Addressing student service needs specifically related to student health.

FY24 William & Mary Proposed Operating Budget Summary

Revenue ¹	FY23 Budget	FY24 Proposed Budget	Change from Prior Year	
			\$ Change	% Change
State General Fund	\$74,277,400	\$78,368,800	\$4,091,400	5.5%
Tuition and E&G Fees	248,982,025	259,432,012	10,449,987	4.2%
Grants & Contracts	31,350,000	31,350,000	-	0.0%
University Private Funds ²	14,412,100	14,889,800	477,700	3.3%
Auxiliary Revenue ³	129,164,800	130,405,600	1,240,800	1.0%
Local Funds	34,970,000	40,156,400	5,186,400	14.8%
Total Revenue	\$533,156,325	\$554,602,612	\$21,446,287	4.0%
Planned Use of Reserves ⁴	-	2,518,203	2,518,203	N/A
Total Available Resources	\$533,156,325	\$557,120,815	\$23,964,490	4.5%

Expenditures, by Program	FY23 Budget	FY24 Proposed Budget	Change from Prior Year	
			\$ Change	% Change
Instruction	\$160,250,042	\$169,537,238	\$9,287,196	5.8%
Research	4,354,594	6,750,463	2,395,869	55.0%
Public Service	2,721,693	186,993	(2,534,700)	-93.1%
Academic Support	45,877,177	50,042,508	4,165,331	9.1%
Student Services	20,349,294	22,472,900	2,123,606	10.4%
Institutional Support	45,302,901	47,030,113	1,727,212	3.8%
Plant Operations	21,914,591	23,626,809	1,712,218	7.8%
Financial Aid	65,511,220	69,819,274	4,308,054	6.6%
Sponsored Programs	31,481,900	31,481,900	-	0.0%
Auxiliary Services	126,653,500	129,592,600	2,939,100	2.3%
Other Expenses	229,900	212,300	(17,600)	-7.7%
E&G Debt Service	5,962,900	5,954,717	(8,183)	-0.1%
Total Expenditures	\$530,609,712	\$556,707,815	\$26,098,103	4.9%

¹ Total revenues and expenditures exclude the Virginia Institute of Marine Science and funds maintained in university-affiliated foundations.

² Does not include an estimated \$15.4 million fund balance in primarily restricted funds.

³ Auxiliary Revenues include \$400,000 generated in support of student financial aid.

⁴ Includes use of \$2.2M in reserves to balance budget as outlined in E&G budget detail, and just under \$300k in private funds reserves.

Detail for each of the major program areas are provided in the enclosures.

WHEREAS, FY24 revenue projections are based upon available state budget increases, proposed tuition increases, and enrollment estimates and their related impact on tuition and fees;

WHEREAS, FY24 planned expenditures reflect prioritized spending assuming the university generates revenues as projected; and

WHEREAS, these actions reflect W&M's commitment to the lowest increases that allow us to fulfill the mission of this University and uphold its pre-eminence and excellence;

THEREFORE, BE IT RESOLVED, That the William & Mary Board of Visitors approves the FY24 Operating Budget of the university as displayed herein and authorizes the William & Mary President and Chief Operating Officer to update the budget based on the final state budget and the new dining contract.

**WILLIAM & MARY
FY 2024 OPERATING BUDGET DETAIL
FOR EDUCATIONAL AND GENERAL PROGRAMS**

The Educational and General (E&G) Program constitutes those activities that support the delivery of academic services to William & Mary's students and the Commonwealth. The E&G Program is the largest program at the university, representing 57.4% of its annual expenditures, and is comprised of seven subprograms, based on national higher education reporting standards.

These subprograms directly support the university's mission of teaching, research, and public service, with major activities of each outlined below:

Subprogram**Major Activity**

<i>Instruction</i>	<i>Instructional faculty; departmental operating costs</i>
<i>Research</i>	<i>Targeted, state supported research</i>
<i>Public Service</i>	<i>Community outreach activity</i>
<i>Academic Support</i>	<i>Library materials and services, academic technology; academic administration at a school or center level</i>
<i>Student Services</i>	<i>Registrar, admissions, financial aid; career services; etc.</i>
<i>Institutional Support</i>	<i>Executive management; fiscal services; human resources; police; purchasing; fund raising, administrative technology etc.</i>
<i>Physical Plant</i>	<i>Buildings/grounds maintenance; plant personnel, utilities</i>

Revenue Assumptions for FY 2024

The proposed E&G budget assumes a 5% tuition increase for undergraduate students and the 3.7% increase for graduate students paying the general university rate approved by the Board in November. The Board also approved graduate and professional student tuition increases to specific programs to more appropriately reflect pricing and program design amongst peers and to align tuition with the cost of delivering the program. The proposed budget assumes increases to general fund support including: 1) the state's share of 7% salary and fringe benefit increases; and 2) O&M funding for the Fine & Performing Arts Building. Those increases are partially offset by the removal of \$2.5M in General Funds that were a one-time allocation in FY23 associated with the relocation of the Bray School. The combination of recent enrollment growth, general fund support, and tuition increases provide the resources needed to balance the FY24 budget.

Overall, state general fund (GF) support will account for an estimated 25.8% of the university's E&G budget (excluding VIMS), with the remaining 74.2% of the total \$279.9 million budget coming from tuition and E&G fee revenue.

Spending Priorities for FY 2024

The proposed E&G budget includes new spending for FY24. Spending increases are proposed in a number of priority areas:

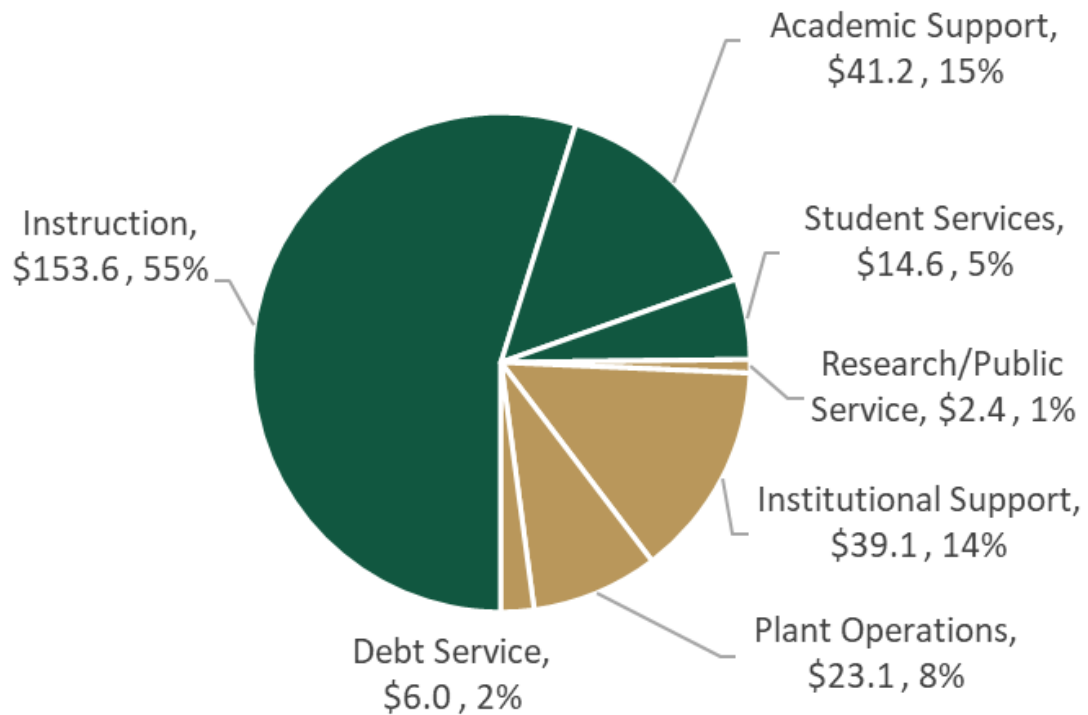
- 1) **Salary Actions-** The proposed budget assumes 7% salary increases that were included in both the House and Senate versions of the budget along with the GF share as well as an increase of 4.1% to health insurance rates. The state budget is still pending final passage, and budgets will be updated if any changes are made to base assumptions included in this budget.
- 2) **Other Required Expenses-** W&M has the new Arts Complex coming on-line in FY24 and will need to fund the NGF share of operation and maintenance. While not state-mandated, W&M has experienced inflationary increases particularly in utilities that are funded as a part of this budget.
- 3) **Institutional Priorities-** In addition to the items above this budget also includes funding to support the Pell Grant initiative as well as funding W&M's ongoing commitment to financial aid for non-Pell recipients.

Revenue	FY23 Budget	FY24 Proposed Budget	Change from Prior Year	
			\$ Change	% Change
General Fund	\$68,826,800	\$72,221,000	\$3,394,200	4.9%
Nongeneral Fund	198,546,705	205,491,238	6,944,533	3.5%
Total Revenue	\$267,373,505	\$277,712,238	\$10,338,733	3.9%
Planned Use of Reserves ¹	531,687	2,233,703	1,702,016	
Total Available Resources	\$267,905,192	\$279,945,941	\$12,040,749	4.5%
Expenditures, by Program				
Instruction	\$146,284,442	\$153,563,838	\$7,279,396	5.0%
Research	2,306,094	2,418,163	112,069	4.9%
Public Service	2,531,293	31,293	(2,500,000)	-98.8%
Academic Support	39,533,077	41,247,108	1,714,031	4.3%
Student Services	13,885,694	14,624,700	739,006	5.3%
Institutional Support	36,826,901	39,053,013	2,226,112	6.0%
Plant Operations	20,574,791	23,053,109	2,478,318	12.0%
Debt Service	5,962,900	5,954,717	(8,183)	-0.1%
Total Expenditures	\$267,905,192	\$279,945,941	\$12,040,749	4.5%

¹Reserve balances will be utilized as needed to cover the university bond debt service until income from investment is generated.

In total, these actions result in a FY24 E&G operating budget of \$279.9 million, an increase of \$12.0M or 4.5%. In looking at the proposed expenditures by functional area, the FY24 budget allocates a combined \$209.4 million or 75% of its available E&G resources to instruction, academic support and student services -- the heart of its activities. A complete breakdown by subprogram is provided in the chart below.

75% of E&G expenditures directly support student learning



**WILLIAM & MARY
FY 2024 OPERATING BUDGET DETAIL
FOR STUDENT FINANCIAL AID**

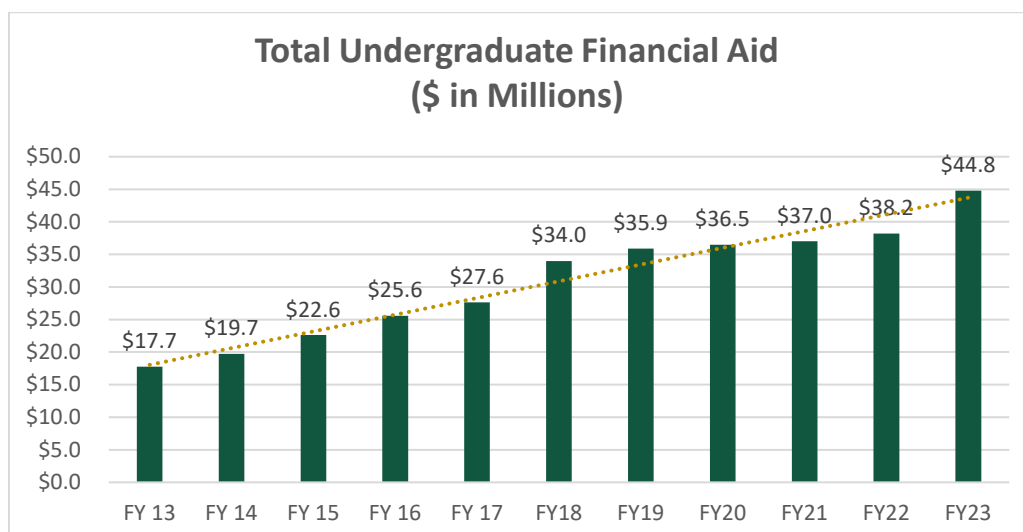
The university's FY24 proposed operating budget for student financial aid totals \$65.5 million. This budget assumes \$697,200 in additional general fund support; and \$3.5 million in incremental tuition revenue to continue and expand the university's commitment to in-state, undergraduate need, as well as on-going support from university private funds and auxiliary enterprises.

Revenue	FY 23 Budget	Proposed FY24 Budget	Change from Prior Year	
			\$ Change	% Change
State General Fund	\$5,318,700	\$6,015,900	\$697,200	13.1%
Tuition Revenue ¹	50,435,320	53,940,774	3,505,454	7.0%
Auxiliary Enterprises	400,000	400,000	0	0.0%
Private Funds	4,595,600	5,137,700	542,100	11.8%
Total Revenue²	\$60,749,620	\$65,494,374	\$4,744,754	7.8%
Total Expenditures²:	\$60,749,620	\$65,494,374	\$4,744,754	7.8%

¹Excludes tuition waivers.

²Does not include \$4.8 million from local funds revenue that supports financial aid.

Of the \$65.5 million in proposed expenditures for FY24, undergraduate aid is projected to total \$49.4 million with graduate aid accounting for the remaining \$16.1 million. The investment in financial aid is directly related to the university's commitment to maintain access and affordability for Virginia's low- and middle-income students through the *William & Mary Promise* and moving forward will reflect the new commitment to Pell-eligible in-state undergraduates.



Note: Excludes scholarships and aid from the William & Mary Foundation or other university-affiliated foundations.

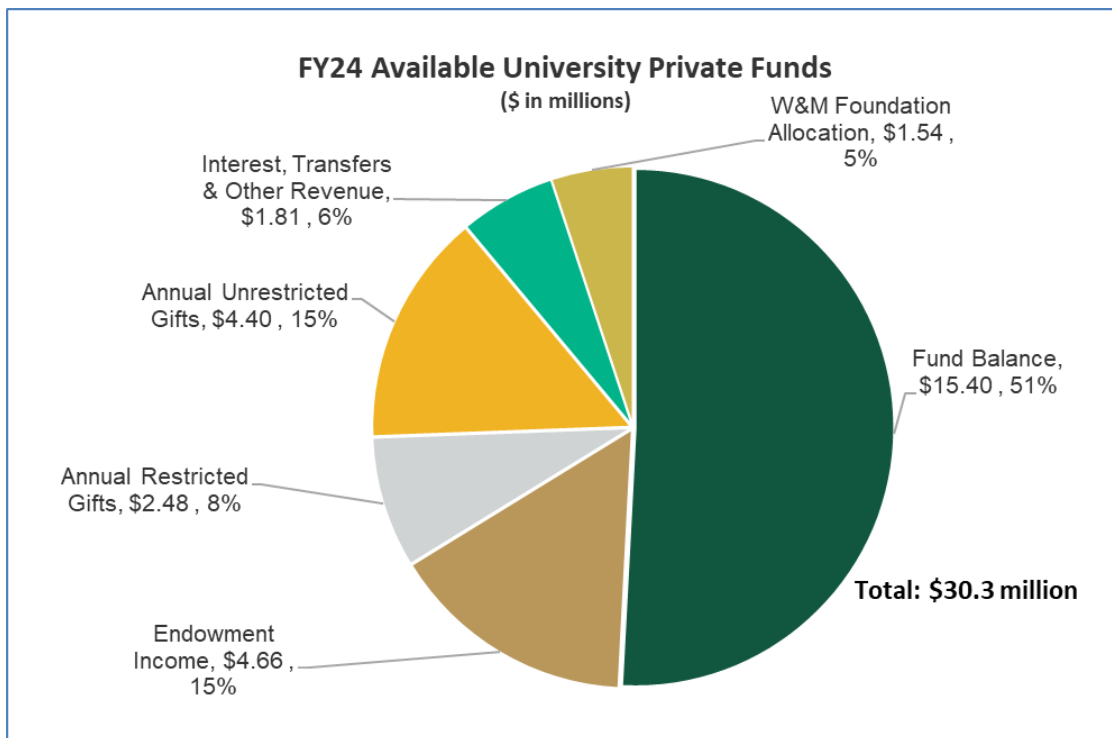
**WILLIAM & MARY
FY24 OPERATING BUDGET DETAIL
FOR UNIVERSITY PRIVATE FUNDS**

William & Mary’s Board of Visitors is charged with the responsibility of administering endowed and other expendable funds privately donated to the university for restricted and unrestricted purposes, collectively known as university private funds. As a result, each year the Board:

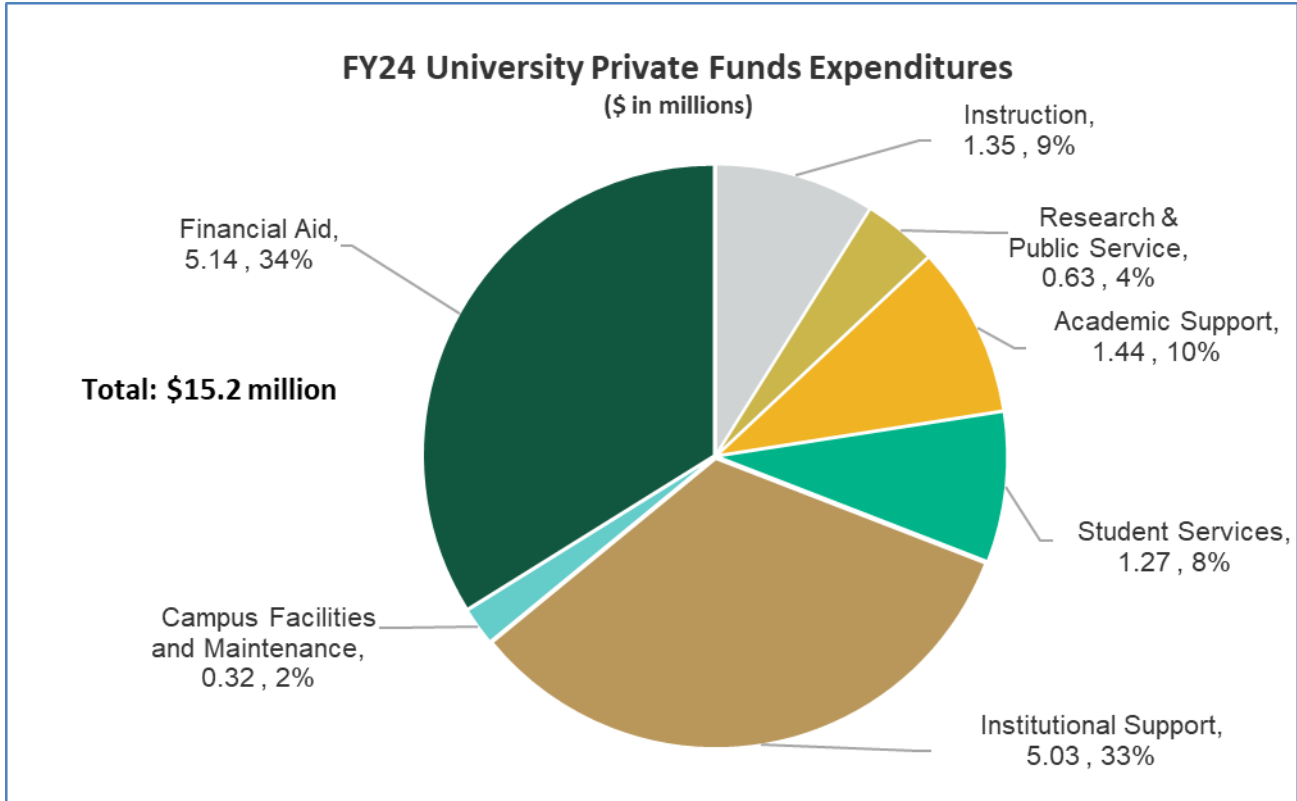
- Authorizes spending for the upcoming year consistent with donor guidance on restricted endowment and expendable funds;
- Approves the spending of endowment income consistent with Board policy;
- Reviews projections of unrestricted revenue and approves proposed use of those funds; and
- Reviews available fund balances.

For FY24 a spending rate of 5.0% is applied to a rolling twelve-quarter average value of endowments to determine income available from each endowment. This spending rate is up from 4.75% in FY23 and is established with consideration of the criteria outlined in UPMIFA (Code of Virginia, Section 64.2-1102). The increase in spending rate is proposed to lessen the year 1 impact of the gift reinvestment process, which is combining with a down market, on funds available to university departments.

FY24 starts with an estimated total beginning fund balance (including restricted and unrestricted funds) of approximately \$15.4 million and projected revenues of \$14.9 million, resulting in \$30.3 million available for expenditure. Sources of revenue are shown in the chart below.



Budgeted expenditures total \$15.2 million with \$6.45 million coming through planned expenditures from the combined use of income from restricted endowments (\$3.63 million) and restricted expendable gifts (\$2.82 million) and \$8.72 million in expenditures anticipated from unrestricted funds.



April 19-21, 2023

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WILLIAM & MARY
FY 2024 UNIVERSITY PRIVATE FUNDS BUDGET
REVENUE DETAIL

	ACTUAL FUND BALANCE 06/30/2022	ESTIMATED RESTRICTED ENDOWMENTS 06/30/2023	ESTIMATED RESTRICTED GIFT FUNDS 06/30/2023	ESTIMATED UNRESTRICTED FUNDS 06/30/2023	ESTIMATED TOTAL FUND BALANCE 06/30/2023
BEGINNING FUND BALANCE (cash, receivables & payables)	14,429,400	1,239,900	10,836,800	3,319,700	15,396,400
	REVISED FY 2022-2023	RESTRICTED ENDOWMENT FY 2023-24	RESTRICTED GIFTS FY 2023-24	UNRESTRICTED FY 2023-24	TOTAL FY 2023-24
REVENUES					
Distribution of Endowment Income UA Reinvestment Payout	4,400,900	3,580,500	-	623,900 457,200	4,204,400 457,200
Administrative Overhead Allocation UA Reinvestment Allocation	300,000	-	-	300,000 457,200	300,000 457,200
Interest on Cash Balances	760,000	-	10,000	500,000	510,000
Annual Gifts:					
Restricted*	2,600,000	-	2,476,500	-	2,476,500
Unrestricted	4,400,000	-	-	4,400,000	4,400,000
Earnings From External Trusts	45,000	48,000	-	-	48,000
W&M Foundation Allocation	1,531,200	-	-	1,539,500	1,539,500
Other Revenue**	375,000	-	48,500	448,500	497,000
TOTAL PROJECTED REVENUES	14,412,100	3,628,500	2,535,000	8,726,300	14,889,800
AVAILABLE FOR EXPENDITURE	28,841,500	4,868,400	13,371,800	12,046,000	30,286,200
BUDGETED EXPENDITURES					
Instruction	1,344,600	543,000	622,000	186,800	1,351,800
Research	545,300	136,800	425,000	-	561,800
Public Service	62,900	26,000	37,500	-	63,500
Academic Support	1,558,500	1,038,000	300,000	103,400	1,441,400
Student Services	1,294,200	36,500	400,000	831,500	1,268,000
Institutional Support	3,815,700	76,000	125,000	4,833,400	5,034,400
Facilities and Operations	228,300	82,000	150,000	83,700	315,700
Student Aid	4,595,600	1,690,200	760,000	2,687,500	5,137,700
TOTAL BUDGETED EXPENDITURES	13,445,100	3,628,500	2,819,500	8,726,300	15,174,300
PROJECTED YEAR-END BALANCES	15,396,400	1,239,900	10,552,300	3,319,700	15,111,900

*FY 2023-24 is net of University Advancement Reinvestment 4.75% assessment

**FY 2023-24 Other Revenue (Unrestricted) includes Undesignated Gifts of \$300,000
and \$123,500 transfer from Restricted (4.75% of Annual Gifts to UA Reinvestment Fund)

April 19-21, 2023

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WILLIAM & MARY
CHARTERED 1693

OFFICE OF UNIVERSITY OPERATIONS

April 10, 2023

To: The Committee on Financial Affairs of the Board of Visitors

From: Jackie Ferree, Interim Chief Operating Officer

Subject: UPMIFA Considerations in Spending from Endowment in the Proposed FY24 Budget

This memo is intended to inform you of certain provisions articulated in the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as amended by the Commonwealth of Virginia’s General Assembly in 2012.

Per UPMIFA guidelines cited in the **Code of Virginia Title 64.2-1102 (2012), Appropriation for expenditure or accumulation of endowment fund; rules of construction**, Board fiduciaries need to recognize the following considerations specifically with respect to adoption of the university’s annual private funds operating budget:

- “A. Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:
1. The duration and preservation of the endowment fund;
 2. The purposes of the institution and the endowment fund;
 3. General economic conditions;
 4. The possible effect of inflation and deflation;
 5. The expected total return from income and the appreciation of investments;
 6. Other resources of the institution; and
 7. The investment policy of the institution.
- B. To limit the authority to appropriate for expenditure or accumulate under subsection A, a gift instrument shall specifically state the limitation.
- C. Terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only “income,” “interest,” “dividends,” or “rents, issues, or profits,” or “to preserve the principal intact,” or words of similar import:
1. Create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purposes of the fund; and
 2. Do not otherwise limit the authority to appropriate for expenditure or accumulate under subsection A.”

In the absence of any donor specifications contained in a gift instrument, UPMIFA gives authority to the governing board to spend from the endowment as long as the aforementioned considerations are taken into account. With respect to the University's compliance with criteria cited in subsection A, the following clarifications apply:

1. **No prohibitions against spending.** Staff have researched that from a total of 188 endowment funds there were 14 endowments with a market value on December 31, 2022 beneath their respective historical gift values, i.e. "underwater", by a total amount of \$283,567. This compares to the prior year when of 186 endowments in place, none were classified as underwater. The total dollar amount of funds currently "underwater" equates to 0.33% of the University endowment's 12/31/2022 total market value of \$86,954,991. These 14 endowments are not subject to donor imposed prohibitions against spending when the fund is "underwater." Endowment funds that are subject to revenue sources outside that of distributions from the investment pool will be budgeted according to trend estimates (e.g. pattern of dividend yield).
2. **Duration and preservation of the endowment fund.** The BOV has invested its endowment in the 1693 Partners Fund ("the Fund") as it is an investment pool designed and managed by in-house professionals who are knowledgeable of the BOV's requirements and best practices for long-term asset management: broad diversification among asset classes and managers, ongoing risk management, capital preservation mindset and methods, and controls on liquidity, spending and duration. Contributions to endowment are invested in perpetuity with a goal of providing current support to the university as well as maintaining intergenerational spending power of gift assets.
3. **Purposes of the institution and the endowment fund.** The university was chartered in 1693 as an institution of higher education. Since that time, the university has been the recipient of private contributions that are used to further the mission and initiatives of the university. Contributions to endowment are administered by university staff in keeping with governance policies and oversight of the Board of Visitors as well as following any donor imposed restrictions with respect to use of payout from the invested endowment.
4. **General economic conditions.** The Partners Fund Board is comprised of professional investment practitioners who are respectively engaged in different business disciplines. This allows for fertile cross-sectional dialogue during Board meetings where discussions include topics of U.S. and global economic conditions and the potential effects on the investment portfolio.
5. **The possible effect of inflation and deflation.** The Partners Fund Board addresses the possible effect of inflation and deflation on an episodic basis, particularly when discussion is focused on asset allocation and manager strategies as pursued by the Fund, and how the portfolio reasonably would be expected to perform under inflationary or deflationary scenarios.
6. **The expected total return from income and the appreciation of investments.** The University's average annualized compounded returns versus the portfolio's policy and target benchmarks are displayed below. The investment return metrics for 12/31/2022 represent the returns from the previous investment manager geometrically linked with the 1693 Partners Fund investment return data. The results do not represent the final 12/31/2022 return data for either investment manager.

	One Year Thru 12/31/22	Three Years Thru 12/31/22	Five Years Thru 12/31/22	Ten Years Thru 12/31/22
University	-13.91%	1.52%	3.04%	5.45%
Target Benchmark	-12.31%	2.24%	3.44%	6.12%
Policy Benchmark	-13.19%	2.00%	3.40%	6.24%

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These nominal total return statistics are net of manager fees, gross of 1693 Management Company expenses and include both income and appreciation. The Investment Policy Statement (“IPS”) for the Fund, states a primary objective to “maximize long-term real return in the Fund’s investment portfolio”, consistent with the Board’s risk tolerances, objective to preserve and grow the depository base, and recognized need to preserve intergenerational equity. Asset allocation within the Fund portfolio is derived following intensive due diligence by the 1693 Management Company Investment staff whereby additions or deletions of managers or strategies are made thoughtfully considering the risk and performance impact on the portfolio in both the short and long term. Actual performance relative to the established policy benchmark can vary widely year to year and through business cycles, however over longer time periods, positive absolute returns should be sufficiently high to support a prudent spending rate. The FY24 BOV budget has a recommended spending rate of 5.00%.

7. **Other resources of the institution.** The university’s comprehensive operating budget includes revenue from both the Commonwealth and private sources. Besides state appropriations, support can come from tuition and fees, grants and contracts, endowment payout, distributions from external funds held in trust by others, income from specifically held securities, expendable gift contributions, interest income from working capital, and other miscellaneous revenue sources. Funds with donor restrictions as to use are budgeted accordingly and unrestricted funds are allocated for discretionary use following review and endorsement by the President of the university, incorporating her priorities and most pressing needs.
8. **The Investment Policy of the institution.** The BOV passed a revised Investment and Spending Policy for Endowment at its April 20-22, 2022 meeting. Contained in the policy are specific guidelines that apply to corporate governance, investment objectives, delegation of management and investment functions, portfolio composition and asset allocation, social responsibility, manager guidelines, and spending provisions.

With respect to criteria cited in subsection B (above) of the UPMIFA guidelines, the University remains compliant with any donor restrictions that cap or limit the spending authority of the Board.

With respect to criteria cited in subsection C (above) of the UPMIFA guidelines, donor restrictions are documented in gift agreements, trust documents, bequest agreements (wills and estates), and other donor correspondence. Any restrictions or limitations with respect to use or spending are articulated in these types of documents.

Management Recommendation

In view of the fiduciary responsibilities required by UPMIFA as cited in the Code of Virginia for a governing board to appropriate spending from an endowment pool, this memorandum serves to inform you of those various considerations that need to be taken into account before a board takes action on spending.

Accordingly, following review by internal management we see no impediments to the spending recommendations outlined in the university Private Funds Budget for FY24, considering current economic conditions and the performance of the University portfolio over the past year and annualized over longer term time periods.

The Association of Governing Boards has counseled member institutions to make a management recommendation a point of record. Accordingly, this memorandum should be referenced in the Board’s budget review process and later included with the minutes from the April meeting.

Please let me know if I can be of further assistance with respect to this governance issue.

**WILLIAM & MARY
FY 2024 OPERATING BUDGET DETAIL
FOR SPONSORED PROGRAMS**

Sponsored programs activity reflects estimated FY24 expenditures of \$31.5 million primarily from federal grants and contracts. This budget assumes level funding from prior year. Indirect cost recoveries enable the university to reinvest funds back into its research programs, including support for faculty start-up, grant-matching funds, technology transfer, debt service payments associated with construction of various science facilities, and participation in high-speed network systems. William & Mary's current federal indirect cost recovery rate is 50.7%.

Across all areas of research at the university, students continue to benefit directly as they work alongside faculty on major research projects, often resulting in joint publication of the results. In addition to covering direct costs of research programs, sponsored research activity also provides indirect cost recoveries to the university.

Revenue	FY23 Budget	FY24 Proposed Budget	Change from Prior Year	
			\$ Change	% Change
General Fund	\$131,900	\$131,900	\$0	0%
Grant Awards - Direct Costs	27,000,000	27,000,000	0	0%
Indirect Cost Recoveries	4,350,000	4,350,000	0	0%
Total Revenue	\$31,481,900	\$31,481,900	\$0	0%
Expenditures	\$31,481,900	\$31,481,900	\$0	0%

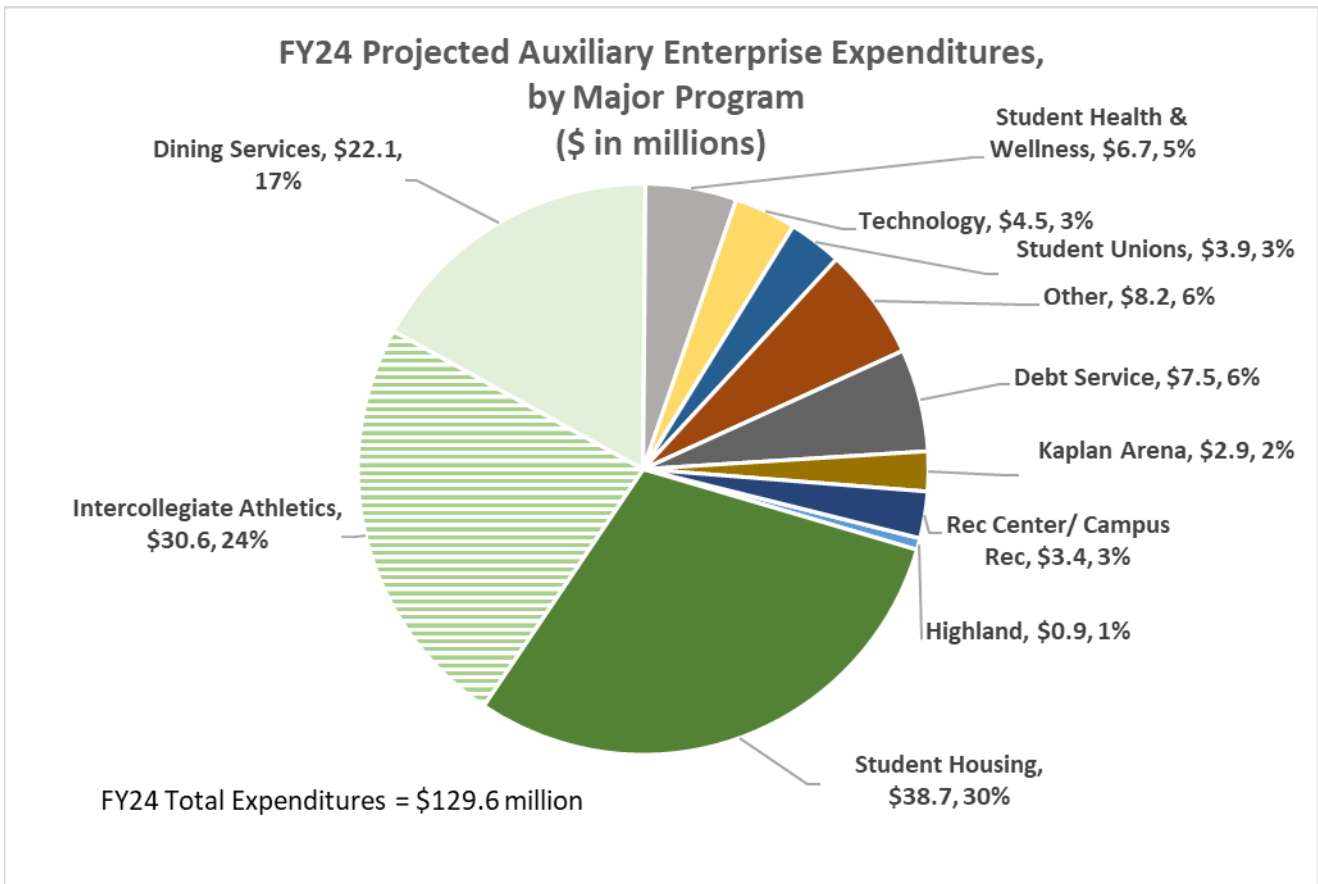
WILLIAM & MARY
FY 2024 OPERATING BUDGET DETAIL
FOR AUXILIARY ENTERPRISES

Auxiliary Enterprises exist to furnish goods and services to students, faculty and staff outside of the academic missions, which distinguishes them from other university programs. In addition, auxiliary enterprises receive no funding from the state, and thus, rely on revenues from student and user fees for the goods and services provided.

For public institutions of higher education, the Commonwealth of Virginia requires that auxiliary enterprise activities in total, and Intercollegiate Athletics specifically, be self-supporting, including direct and indirect costs. As part of that expectation, auxiliary enterprises must reimburse the university for any services provided by a functional area that is supported from the state general fund or other appropriated non-general funds. Standard university services providing support to auxiliary enterprises include human resources, financial operations, housekeeping and facility maintenance. The Commonwealth further expects that auxiliary enterprises establish and maintain a positive cash balance in order to provide an operating reserve as well as support for future capital investment.

William & Mary has established a number of auxiliary enterprises including dining services, residence life, intercollegiate athletics, student health and wellness, campus transportation, campus parking, the bookstore, and student unions. Collectively, auxiliary enterprises are the university's second largest operating program, with revenues for FY23 budgeted to reach \$128.8 and expenditures budgeted at \$126.7 million. The budgeted net operating revenue for FY23 is \$2.1 million.

For FY24, the proposed budget anticipates \$130.0 million in operating revenues after adjusting for \$400,000 in revenue that is transferred from auxiliary enterprises to support student financial aid. Planned expenditures are projected at \$129.6 million, generating a net operating margin of \$0.4 million. This budget includes fee increases at 3.0% and housing increases at 6.0% in order to cover state mandated salary and benefit actions, inflationary utility and contract increases, and fund critical ongoing needs related to student health. Housing's increase also begins to address funding needed to realize the housing portion of the 10 year master plan as the university begins to take some facilities off-line and works through the public private partnership agreement. Dining budgets and rates are held flat in the proposed budget due to ongoing negotiations to award W&M's dining contract with a third-party provider and will be updated along with any state changes.



A more detailed listing of each auxiliary services is provided in the table below.

FY24 William & Mary Proposed Auxiliaries Budget						
Auxiliary Enterprise	FY23 Budget			FY24 Proposed Budget		
	Revenues ¹	Expenditures	Net Operating	Revenues ¹	Expenditures	Net Operating
Campus Parking	1,721,800	1,569,500	\$152,300	\$1,721,800	\$1,655,800	\$66,000
College Bookstore	250,000	133,600	116,400	250,000	133,600	116,400
Conference Services	647,000	589,000	58,000	647,000	602,800	44,200
Cultural Activities	516,100	516,100	-	519,300	519,300	-
Express Program	694,100	671,000	23,100	694,100	671,000	23,100
Dining Services ²	21,686,600	22,134,500	(447,900)	21,686,600	22,134,500	(447,900)
General Auxiliary Services	1,396,900	1,605,000	(208,100)	1,701,200	1,644,100	57,100
Highland	591,400	945,300	(353,900)	617,600	868,400	(250,800)
Intercollegiate Athletics	30,999,900	30,887,100	112,800	30,592,700	30,592,700	0
Kaplan Arena	2,924,200	2,924,200	0	2,916,200	2,916,200	0
Licensing	84,500	20,200	64,300	84,500	20,200	64,300
Osher Lifelong Learning	348,200	306,500	41,700	348,900	348,900	-
FYE/P&F Programs	867,700	867,700	-	891,700	891,700	-
Rec Center & Campus Rec	2,790,800	2,843,800	(53,000)	3,367,200	3,420,200	(53,000)
Student Health & Wellness	6,485,700	6,483,400	2,300	6,728,900	6,712,200	16,700
Student Housing	39,326,200	37,162,900	2,163,300	39,086,400	38,720,700	365,700
Student Unions	3,477,000	3,461,200	15,800	3,931,700	3,931,700	-
Technology	4,581,800	4,581,800	0	4,545,200	4,545,200	-
Tennis Center	819,400	812,500	6,900	808,900	808,900	0
Transportation	525,500	442,200	83,300	528,800	451,900	76,900
Tribe Card	419,100	417,400	1,700	457,000	455,000	2,000
Vending Program	354,500	22,200	332,300	354,500	22,200	332,300
Debt Service ³	7,256,400	7,256,400	-	7,525,400	7,525,400	-
Total Auxiliary Enterprises	\$128,764,800	\$126,653,500	\$2,111,300	\$130,005,600	\$129,592,600	\$413,000

¹Excludes \$400,000 used to support student financial aid.

²Dining budget held flat due to ongoing contract negotiations with outside vendors. Revised budget and rate structure will be presented after negotiations are final.

³Debt service for auxiliary operations funded through student facility fees and private giving. Debt service is also included in operating expenses for housing, dining and parking.

**WILLIAM & MARY
FY 2024 OPERATING BUDGET DETAIL
FOR UNIVERSITY LOCAL FUNDS**

The university's FY24 proposed operating budget for local funds totals \$40.2 million. This budget consists of operating funds provided by affiliated foundations, as well as student health insurance, study abroad, and other revenue generating initiatives around campus. Revenues are generated by individual areas to support direct purposes. Budgets are estimates based upon historical revenue and expense.

Revenue	FY23 Budget	FY24 Proposed Budget*	Change from Prior Year	
			\$ Change	% Change
W&M Foundation	\$11,000,000	\$16,000,000	\$5,000,000	45.5%
Law Foundation	7,470,000	6,600,000	(870,000)	-11.6%
Business Foundation	6,500,000	5,000,000	(1,500,000)	-23.1%
Student Fees	2,418,100	4,590,700	2,172,600	89.8%
Other Revenue	7,581,900	7,965,700	383,800	5.1%
Total Revenue	\$34,970,000	\$40,156,400	\$5,186,400	14.8%
Expenditures, by Program				
Instruction	\$12,621,000	\$14,621,600	\$2,000,600	15.9%
Research	1,503,200	3,770,500	2,267,300	150.8%
Public Service	127,500	92,200	(35,300)	-27.7%
Academic Support	4,785,600	7,354,000	2,568,400	53.7%
Student Services	5,169,400	6,580,200	1,410,800	27.3%
Institutional Support	4,660,300	2,942,700	(1,717,600)	-36.9%
Plant Operations	1,111,500	258,000	(853,500)	-76.8%
Financial Aid	4,761,600	4,324,900	(436,700)	-9.2%
Other	229,900	212,300	(17,600)	-7.7%
Total Expenditures	\$34,970,000	\$40,156,400	\$5,186,400	14.8%

*Local Fund budgets are based upon available cash from fund balances, affiliated foundations, or from generation of revenue for specific activities. Budgets represent a best estimate of activity based upon historical levels.