

December 21, 2011

Anne Smith
Department of Planning and Budget
1111 East Broad Street, Room 5040
Richmond, VA 23219-3418

Dear Anne:

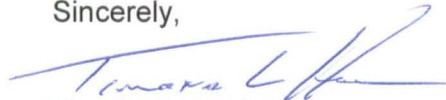
As required in the Appropriation Act, I am forwarding the annual report of actual expenditures for the Cooperative Extension/Agricultural Experiment Station Division (CE/AES) for fiscal year 2010-11.

While this report is normally due on September 1, two sections of the 2011 Appropriation Act were in conflict this year requiring a delay in the submission of the report. Item 121.D.1. of the Act initiated a review of Virginia Cooperative Extension by the Secretary of Education. This evaluation included a determination of the "appropriate reporting requirements of the agency". The annual report required by Item 219.B.2. could not be completed until the review of Agency 229 was complete and the new reporting format defined. Since the Secretary of Education recently completed this review in November 2011 and a new format for this annual reporting requirement has now been defined, the university is submitting the report in the new format as required.

The report summarizing the sources and uses of funds for the Cooperative Extension/Agriculture Experiment Station Division (Agency 229) for fiscal year 2010-11 is attached. The report arrays sources and uses according to the Commonwealth's fund and program accounting structure. The total expenditures made directly by the localities in support of extension programs are also shown. A cover narrative is also included.

Please let me know if you have any questions.

Sincerely,



Timothy L. Hodge

Attachment

cc: April Kees
Anthony A. Maggio
M. Dwight Shelton, Jr.
Division of Legislative Automated Systems
Martha Moore
Donna Pugh Johnson

Invent the Future

Cooperative Extension/Agricultural Experiment Station Division
Annual Report of Actual Expenditures by Fund Source and Program
2010-11

Cooperative Extension/Agricultural Experiment Station Division
Annual Report of Actual Expenditures by Fund Source and Program
2010-11

Item 219 B.2 of Chapter 890 of the Appropriation Act, requires the submission of an annual report of actual expenditures for the Cooperative Extension/Agricultural Experiment Station Division (CE/AES) to the Department of Planning and Budget, House Appropriations Committee, and Senate Finance Committee.

While this report is normally due on September 1, two sections of the 2011 Appropriation Act were in conflict this year requiring a delay in the submission of the report. Item 121.D.1. of the Act initiated a review of Virginia Cooperative Extension by the Secretary of Education. This evaluation included a determination of the “appropriate reporting requirements of the agency”. The annual report required by Item 219.B.2. could not be completed until the review of Agency 229 was complete and the new reporting format defined. Since the Secretary of Education recently completed this review in November 2011 and a new format for this annual reporting requirement has now been defined, the university is submitting the report in the new format as required.

The report summarizing the sources and uses of funds for the Cooperative Extension/Agricultural Experiment Station Division (Agency 229) for fiscal year 2010-11 is attached. The report arrays sources and uses according to the Commonwealth’s fund and program accounting structure. The total expenditures made directly by the localities in support of extension programs are also displayed. Consistent with the Commonwealth’s standards, the report is provided on a cash basis which reflects actual revenues and expenditures as of a point in time, in this case June 30, 2011.

It is important to note that fiscal year 2010-11 was an anomaly. The expenditures of Cooperative Extension were artificially and temporarily depressed in 2010-11 for several reasons. First, the delay in the required restructuring held up the filling of vacant positions while Cooperative Extension worked to develop a new strategy for hiring agents and associated support staff. Given Cooperative Extensions primary composition of personnel, this had significant implications. Second, pending reductions in state support were also a contributing factor. Cooperative Extension was preparing for \$1M in reductions assigned specifically to Cooperative Extension for 2011-12, which required a slowdown of expenditures, before it learned of a new \$1M allocation in late Spring of 2011. Additionally Agency 229 was also preparing for \$3.454M of reductions to occur in 2011-12 through a slowdown in staffing and expenditures agency wide. Given that 2010-11 was a year which had one-time resources, one-time investments were made. Since one-time resources are not effective for expanding staffing in a sustainable manner, one-time resources were invested to address deferred maintenance, physical plant, equipment, and other one-time needs at ARECs to continue to position Agency 229 in a manner to best support Cooperative Extension and the agribusiness community in the future. Institutional support costs in 2010-11 reflect

a timing issue; specifically, the final payment for 2009-10, all of 2010-11 and the first payment of 2011-12, these timing issues are settled in the university's carryover process and will balance out over time. Restated, Institutional Support costs in 2011-12 will be reduced by the payment for 2011-12 made in 2010-11. None of these temporary anomalies result in a permanent reallocation of funds between programs. Assuming the Commonwealth's economy continues to stabilize and state, federal, and local support is maintained, it is our expectation that Cooperative Extension expenditures will rebound in future years. A major push is currently well underway to hire additional extension agents (the agent count has already significantly increased), but because of the ongoing update of staffing plans and agreements with local governments, it is unlikely a full rebound will be complete in 2011-12. As a part of this, an additional reinvestment in training and professional development is planned beginning in 2011-12. Furthermore, a significant investment in technology for Cooperative Extension is planned that will include enhancement of video conference capabilities with district offices and provide additional technology to agents (e.g. smart phones) as productivity tools.

The Cooperative Extension/Agricultural Experiment Station Division Annual Report of Actual Expenditures by Fund Source and Program for 2010-11 is attached. The second page reconciles the information provided through the report to the Commonwealth's Accounting and Reporting System (CARS) and compares it to the authorized appropriation.

Cooperative Extension/Agriculture Experiment Station Division (Agency 229)

Sources and Uses for the Fiscal Year Ended June 30, 2011

By Major Source of Funds - CASH BASIS Totals *

Prepared December 14, 2011

	Agency 229						Locality	Combined Grand Totals
	Fund 0301	Fund 0343	Fund 0300			Total	Amounts Paid Directly by Localities	
	Federal Funds	Federal Stimulus Funds	General Fund	Non-General Funds	Locality Reimbursement/Support			
SOURCES:								
Revenue received directly by Virginia Tech	12,329,783	1,490,418 (h)	64,080,003	936,529		78,836,733		78,836,733
Locality Reimbursement of Expenditures at VT (a)					5,242,369	5,242,369		5,242,369
Amounts Directly Paid by Localities (b)						-	7,362,456	7,362,456
TOTAL SOURCES	<u>12,329,783</u>	<u>1,490,418</u>	<u>64,080,003</u>	<u>936,529</u>	<u>5,242,369</u>	<u>84,079,102</u>	<u>7,362,456</u>	<u>91,441,558</u>
USES:								
Instruction (c)	0	0	0	0	0	0		0
Research	5,747,164	1,540,961 (h)	28,191,724 (j)	631,065 (L)		36,110,914		36,110,914
Cooperative Extension								
Paid directly by Virginia Tech	5,345,204	1,254,194 (h)	27,206,925 (j)	305,464 (L)	5,242,369 (L)	39,354,156		39,354,156
Paid directly by local governments (b)							7,362,456	7,362,456
Academic Support (d)	150,965	257,462	1,605,542			2,013,969		2,013,969
Institutional Support (e)			4,273,127 (k)			4,273,127		4,273,127
Operation and Maintenance (f)	-		2,802,779	-	-	2,802,779		2,802,779
TOTAL USES	<u>11,243,333</u>	<u>3,052,617 (i)</u>	<u>64,080,097</u>	<u>936,529</u>	<u>5,242,369</u>	<u>84,554,945</u>	<u>7,362,456</u>	<u>91,917,401</u>
TOTAL REVENUES - EXPENDITURES (NET)	<u>1,086,450 (g)</u>	<u>(1,562,199) (g)</u>	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>(475,843)</u>	<u>-</u>	<u>(475,843)</u>

- a) Locality reimbursement/support reflects activities funded by a locality, with the needed resources transferred to Virginia Tech and subsequently expensed by the university and recorded in its accounting system. These funds are recorded as "recoveries" and are limited in use to cover the costs (normally agent salaries and fringe benefits) as agreed to by the locality.
- b) Direct payments by localities occur outside of the university (e.g. space and services in county office buildings, etc.) and are not recorded in Virginia Tech's accounting system or management reports.
- c) Degree credit instruction occurs only in Agency 208.
- d) Academic Support includes efforts to provide support services that directly support the primary function of the agency. For Agency 229 this is a portion of the College of Agriculture and Life Sciences Dean's Office including a portion of the Dean, support staff, and operating costs as well as Extension Leadership costs including the Director, state program leaders (4-H, FCS, ANR, Community Viability), support staff, and associated operating costs.
- e) Institutional Support includes efforts to provide operational support for the day-to-day functioning of the agency (e.g. payroll, human resources services, purchasing, accounting, budgeting, etc.).
- f) Operation and Maintenance of Plant includes efforts to operate and maintain the physical plant facilities (e.g. utilities, insurance, custodial services, maintenance, leased property, etc.)
- g) Virginia Tech manages expenditures for Federal Land Grant Appropriations on a federal fiscal year basis ending Sept 30. Therefore, at June 30 a net positive or negative balance usually exists. Net negative balances are temporarily financed by internal university loans. A positive balance reflects a drawdown on the federal letter of credit that exceeded the expenses at June 30. \$1.5M was received in July 2011
- h) One-time federal stimulus funds temporarily offset a portion of the \$10M of previously assigned General Fund reductions.
- i) \$1.85M of ARRA Federal Funds remained unexpended as of 6/30/11 and will be expended during the first quarter of 2011-12 as part of a multi-year plan to phase in GF reductions.
- j) The 2010 General Assembly assigned \$3.454M of reductions for FY12 which required a slow down of staffing during FY11 to prepare for a lower level of future support. The 2010 General Assembly assigned an additional \$1M reduction to Cooperative Extension for FY12 which required a slow down of staffing thus expenditures during FY11 to prepare for a lower level of support in FY12. During FY11, the 229 required restructuring proposal was halted, which resulted in a significant and extraordinary delay of staffing. During spring 2011, the university learned that the 2011 General Assembly provided \$1.494M of new support to Agency 229 for FY12 to allow for reinvestment in staffing next fiscal year. While no resources were permanently realigned between programs during FY11, one-time resources were leveraged through investment in ARECs.
- k) Timing for Institutional support in FY11 contains final payment from 2009-10, all of 2010-11, and the first payment of 2011-12. These timing issues are settled in the university's carryover process and balance out over time; as a result, Institutional Support costs in FY12 will be reduced by the FY11 prepayment.
- L) Virginia Tech manages Fund 0300 expenditures such that they can only be expended to the extent revenue has been actually received to cover such expenditures. Therefore, expenditures for the three columns in Fund 0300 have been allocated among these columns to match the revenues received by June 30 for each fiscal year. There are normally revenues in transit from local governments at each year end.

* Cash basis totals reflect actual revenues and expenditures as of a point time, in this case June 30.

Net Expenditures (summary of information from page 1 for comparative purposes)

Total Uses at VT (from page 1)	84,554,945
(less) Localities' Reimbursement of Salaries and Fringes Paid by VT (from page 1)	<u>(5,242,369)</u>
Net Expenditures	<u>79,312,576</u>

Reconcile Net Expenditures to CARS

Expenditures (per CARS Year End Report)	<u>79,312,620</u>
	<u>(44)</u>

Comparison of Net Expenditures to Appropriation

Original Appropriation - Chapter 874	85,794,415
Mid-year adjustments (central fund adjustments, reductions, etc.)	<u>1,731,934</u>
Ending Appropriation (GF & NGF) CARS	<u>87,526,349</u>
Unexpended Appropriation (1)	<u>8,213,773</u>

⁽¹⁾ \$1.85M of ARRA Federal Funds remained as of 6/30/11 and will be expended during the first quarter of 2011-12 as part of a multi-year plan. Remaining variance represents excess NGF authority -- Agency 229 has been assigned NGF authority for which it has been unable to generate NGF revenues.