

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
January 18, 2018

PRESENT: Maria Balota (via teleconference), Michele Borgarelli, Tim Hodge, Omchand Mahdu, Cayce Myers, Amr Hilal (substitute for Andi Ogier), Robert Sebek, Ken Smith, Michael Sorice, Jack Washington (substitute for Jason Soileau) and Susan White.

ABSENT: Cyril Clarke, Henri de Hahn, Quinton Nottingham, Randy Penson, Hans Robinson, Dwight Shelton, Benjamin Tracy, Linbing Wang, and Rex Willis.

1. CALL TO ORDER AND WELCOME NEW MEMBERS

Mr. Tim Hodge, Associate Vice President for Budget and Financial Planning, called the meeting to order.

2. APPROVAL OF THE NOVEMBER 16, 2017 MINUTES

Mr. Hodge stated that the November 16, 2017 minutes were shared electronically, having received no feedback, those minutes are considered approved and are forwarded to the University Council for posting on the web.

3. UPDATE ON EXECUTIVE BUDGET

Mr. Hodge provided an update on the Governor's 2018-20 Executive Budget, which was communicated to campus in a memorandum by Mr. Dwight Shelton, Vice President for Finance and CFO, on December 20, 2017. Mr. Hodge reminded the council that the State is in a slow growth economy yet revenues are outpacing expectations modestly. The State's efforts are focused on bolstering Virginia's revenue reserves and addressing mandated costs and core government services (i.e. K-12 Education, workforce training, and healthcare). The State has proposed an increase in Student Financial Aid, continued support for the Equipment Trust Fund, restoration of the interest earnings and credit card rebate financial incentives, which were eliminated in the prior year biennium, and maintenance reserve for higher education. Mr. Hodge shared the Executive Budget proposes a two percent salary increase for all state employees in the second year of the biennium, effective December 1st. 2019. The State also proposed to fully cover the employee share of the health insurance premium increases using state General Fund and university nongeneral funds revenue. There was no additional support for higher education capital projects, but there was an increase of \$8.4 million to VT's Maintenance Reserve fund. Mr. Hodge reminded the Council that the Executive Budget is subject to change during the General Assembly session, which convened on January 10, 2018 and is scheduled to adjourn on March 10, 2018. A copy of Mr. Shelton's memorandum is attached to these minutes.

4. UPDATE ON ADVANCEMENT

Mr. Charles Phlegar, Vice President for Advancement, provided an update to the Council on the current activities of the Division of Advancement. Mr. Phlegar shared with the Council that the Division of Advancement was a vision of Dr. Sands and was created by the merging of University Development (fund raising), Alumni Relations and University Relations (communications and marketing) into the Division of Advancement. This merger was the first step in instituting a new advancement model at Virginia Tech, a model that has been very successful at many institutions. Mr. Phlegar shared how his group is working to educate VT

stakeholders on the importance of philanthropy and how they are changing the culture of giving with Virginia Tech alumni (to increase the participation rate), beginning while students are still undergraduates. Mr. Phlegar also spoke of the importance of Virginia Tech's 'brand' being more than a new logo, but how people outside of Virginia perceive Virginia Tech. Mr. Phlegar concluded that while the Division of Advancement has much more to do in implementing the advancement model, they are making progress. In August of 2017, it was announced that for the second straight year, Virginia Tech set a new donation record, doubling what had previously been raised.

5. No further business was discussed, and the meeting adjourned at 5:00 p.m.



Office of the Vice President for
Finance and Chief Financial Officer
800 Drillfield Drive
Burruss Hall, Suite 210 (0174)
Blacksburg, VA 24061
P: (540) 231-8775 F: (540) 231-4265

December 20, 2017

MEMORANDUM

To: Deans
Vice Presidents
Members of the President's Council

FROM: M. Dwight Shelton, Jr. 

SUBJECT: Analysis of 2018-20 Executive Budget

On December 18th, Governor McAuliffe presented the proposed 2018-20 Executive Budget to the House Appropriation and Senate Finance Committees. With underlying economic indicators trending upward, the Commonwealth's fiscal outlook continues to improve. However, although revenues are outpacing expectations, efforts to bolster Virginia's revenue reserves and to address mandated costs and core government services like K-12 education, workforce training, and healthcare have largely limited the administration's proposed new spending on discretionary initiatives including higher education.

Given the Commonwealth's financial challenges of rising fixed costs and federal budget uncertainty, the university appreciates the additional support provided for student financial aid and maintenance reserve, as well as the restoration of financial benefits associated with Higher Education Restructuring performance that are included in the Executive Budget proposal.

The major direct and indirect impacts of the proposed budget are summarized below:

Operating Budget

Student Financial Aid: The Executive Budget proposes increased undergraduate student financial aid at Virginia Tech of \$474 thousand General Fund (GF) in the first year and \$1.6 million GF in the second year.

Interest Earnings & Credit Card Rebate: Financial incentives related to Higher Education Restructuring that had been eliminated in the prior biennium are restored. This results in approximately \$700 thousand in each year of the biennium for Virginia Tech.

Equipment Trust Fund: Continuation of the current year funding of \$10.3 million for traditional equipment and \$5.2 million for research equipment is proposed.

Compensation

Faculty and Staff Salaries: The Executive Budget proposes a two percent salary increase for all state employees in the second year of the biennium, effective December 1, 2019. The Commonwealth would fund the General Fund share of this action. No compensation changes in the first year of the biennium are recommended.

Employee Health Insurance: Premium increases of 8.5 percent in the first year and 8.7 percent in the second year of the biennium are projected, and the Executive Budget proposes that the state fully cover the employee share of these increases using state General Fund and university nongeneral funds revenue. While coverage of the employee share of this increase is a welcome action, this will increase costs to the university beyond what would normally be anticipated.

Statewide Actions of Interest

GO Virginia: Additional support of \$637 thousand GF is proposed to increase program administration of the GO Virginia initiative.

Virginia Research Investment Committee: An additional \$233 thousand GF in the first year and \$253 thousand GF in the second year is proposed to support salary and operating support for the development of the Research and Technology Roadmap.

Reserve Fund: The Executive Budget contains language providing institutional authority to create a reserve fund using any unexpended Educational & General (E&G) resources. The optional fund is encouraged as a long-term financial planning tool that could promote efficient resource utilization and/or mitigate substantial increases in future tuition and fees.

Mandatory Fee Limit: The Executive Budget proposes lowering the current five percent annual limit on increases of non-E&G mandatory fees to three percent. As a Level III institution, Virginia Tech is exempt from this language.

Capital

Maintenance Reserve: Maintenance Reserve funding for the university totals \$27.1 million for the biennium. This is an increase of \$8.4 million over the current biennium funding.

Capital Projects: No new state support for higher education capital projects was proposed in the Executive Budget.

A summary of the direct financial impacts of the Governor's proposed amendments on the university's operating and capital budgets is attached.

As in years past, the university will continue our efforts to communicate the impact of these budget initiatives to our elected representatives and advocate for the university's critical funding needs during the 2018 General Assembly session. If you have any questions about the Executive Budget proposal, please feel free to contact me.

Attachment

cc: Alex Hyler, President of the GSA
Robert Sebek, President of the Staff Senate
Rex Willis, President of the SGA
University Advisory Council on Strategic Budgeting and Planning

SUMMARY OF EXECUTIVE BUDGET AMENDMENTS FOR 2018-20 BIENNIUM
VIRGINIA TECH
December 18, 2017
(Dollar Amounts in Thousands)

OPERATING BUDGET

	<u>State Support</u>	
	<u>2018-19</u>	<u>2019-20</u>
<u>University Division</u>		
Educational and General (E&G)		
Restoration of Interest Earnings and Credit Card Rebates	\$ 700	\$ 700
<u>Technical Adjustments</u>		
State share of technical adjustments, such as annualizing state support for FY18 costs only partially funded in the current year. (These are not new resources for 2018-20)	6,748	6,748
Student Financial Aid		
Virginia Undergraduate Students	474	1,572
Equipment Trust Fund		
Traditional Allocation	10,332	10,332 (a)
Research Allocation	5,240	5,240 (a)
Subtotal University Division	<u>23,494</u>	<u>24,592</u>
<u>Cooperative Extension/Agricultural Experiment Station Division (VCE/VAES)</u>		
Educational and General (E&G)		
<u>Technical Adjustments</u>		
State share of technical adjustments, such as annualizing state support for FY18 costs only partially funded in the current year. (These are not new resources for 2018-20)	2,123	2,123
Subtotal VCE/VAES Division	<u>2,123</u>	<u>2,123</u>
TOTAL OPERATING SUPPORT	<u>\$ 25,617</u>	<u>\$ 26,715</u>
CAPITAL BUDGET		
Maintenance Reserve	13,574	13,574 (b)
TOTAL CAPITAL SUPPORT	<u>\$ 13,574</u>	<u>\$ 13,574</u>

(a) This represents no change to the current year (2017-18) allocation for equipment.

(b) This represents an increase of \$3.9 million per year over the current year (2017-18) allocation.