

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
March 15, 2018

PRESENT: Tim Hodge, Amr Hilal (substitute for Andi Ogier), Randy Penson, Robert Sebek, Jeff Earley (substitute for Ken Smith), Jason Soileau, Michael Sorice, and Benjamin Tracy.

ABSENT: Julia Billingsley, Maria Balota, Michele Borgarelli, Cyril Clarke, Henri de Hahn, Omchand Mahdu, Cayce Myers, Quinton Nottingham, Hans Robinson, Dwight Shelton, Linbing Wang, and Susan White.

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 FEBRUARY 15, 2018 MINUTES

Mr. Hodge stated that the February 15, 2018 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 2018 GENERAL ASSEMBLY SESSION

Mr. Hodge reminded the council that the Executive Biennium Budget proposed by Governor McAuliffe on December 18, 2017 was passed on to the General Assembly, which convened on January 10, 2018. Both the House of Delegates and Senate reviewed the Governor's budget and each branch made changes to the original budget. On Sunday, February 18, 2018 the budget Crossover occurred between the two branches and the two budgets were sent to the Conference committee, which was made up of both House Delegates and Senators. The Conference committee could not reconcile the two budgets and the General Assembly adjourned on March 9, 2018 with no approved budget. Mr. Hodge updated the council with a side-by-side comparison of the each budget as of Crossover. Some items Mr. Hodge highlighted with the council were the Commonwealth CyberX Initiative, which would provide \$50 million over the biennium to create a Commonwealth Cyber Initiative with Virginia Tech serving as the anchoring institution. Mr. Hodge also reviewed enrollment growth support, undergraduate student financial aid, E&G interest earnings, faculty and staff compensation plans, and higher education restructuring. Governor Northam called for a Special Legislative session to begin on April 11, 2018 to continue work on the budget. A summary on the General Assembly Session as of Crossover is attached to these minutes.

4. No further business was discussed, and the meeting adjourned at 4:42 p.m.

PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY
as of February 20, 2018
\$s in Thousands

	Executive Budget		House Budget		Senate Budget	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Operating Budget						
General Fund						
University Division E&G						
Degrees in Data Science & Technology, Science & Engineering, Healthcare, & Education	-	-	\$ 2,608	\$ 5,216	-	-
2% Faculty & Staff Raise, Effective December 1, 2019 (Executive)	-	\$ 2,056	-	-	-	-
2% Faculty & Staff Raise, Effective June 10, 2019 (House)	-	-	-	3,625	-	-
2% Contingent Faculty & Staff Raise, Effective June 10, 2019 (Senate)	-	-	-	-	-	\$ 3,625
1% Staff Employee Merit Increase, Effective June 10, 2019 (House)	-	-	-	388	-	-
Up to 2% Contingent Staff Bonus (House)	-	-	673	-	-	-
Restoration of Interest Earnings and Credit Card Rebate	\$ 700	700	700	700	\$ 700	700
Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)	6,748	6,748	6,748	6,748	6,748	6,748
<i>Subtotal University Division Operating</i>	7,448	9,504	10,729	16,677	7,448	11,073
Student Financial Aid						
Virginia Undergraduate Financial Aid	474	1,572	474	1,572	237	786
Unique Military Activities						
	-	-	300	300	-	-
Higher Education Research Initiative						
CyberX - Leasing and Establishment of Hub facility	-	-	-	10,000	-	-
CyberX - Research Faculty, Entrepreneurship Programs, Internships, & Operations of Hub	-	-	-	15,000	-	-
CyberX - Virginia Research Investment Fund to Scale Initiative at Hub and Spoke Sites	-	-	-	15,000	-	-
CyberX - Renovations & Equipment at Hub and Spoke Sites (Capital)	-	-	3,000	7,000	-	-
<i>Subtotal Higher Education Research Initiative (CyberX)</i>	-	-	3,000	47,000	-	-
Higher Education Equipment Trust Fund						
Traditional Allocation	10,332	10,332	10,332	10,332	10,332	10,332
Research Allocation	5,240	5,240	5,240	5,240	5,240	5,240
<i>Subtotal Equipment Trust Fund</i>	15,572	15,572	15,572	15,572	15,572	15,572
Subtotal - University Division	23,494	26,648	30,075	81,121	23,257	27,431
Cooperative Extension/AES Division (CE/AES)						
Soil Scientist Assistance Program	-	-	200	200	-	-
Operation & Maintenance of New Facilities	-	-	500	500	-	-
2% Faculty & Staff Raise, Effective December 1, 2019 (Executive)	-	666	-	-	-	-
2% Faculty & Staff Raise, Effective June 10, 2019 (House)	-	-	-	1,142	-	-
2% Contingent Faculty & Staff Raise, Effective June 10, 2019 (Senate)	-	-	-	-	-	1,142
1% Staff Employee Merit Increase, Effective June 10, 2019 (House)	-	-	-	162	-	-
Up to 2% Contingent Staff Bonus (House)	-	-	281	-	-	-
Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)	2,123	2,123	2,123	2,123	2,123	2,123
Subtotal CE/AES	2,123	2,789	3,104	4,126	2,123	3,265
Total Operating Budget State Support	\$ 25,617	\$ 29,437	\$ 33,179	\$ 85,247	\$ 25,380	\$ 30,695

PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY
as of February 20, 2018
\$ in thousands

	Executive Budget	House Budget	Senate Budget
	State Support	State Support	State Support
<u>Capital Budget</u>			
Maintenance Reserve FY2019	\$ 13,574	\$ 13,574	\$ 13,574
Maintenance Reserve FY2020	13,574	13,574	13,574
University Division			
<i>Equipment</i>			
VTCRI Biosciences Addition	-	6,100	6,100
Virginia Cooperative Extension/AES Division (VCE/VAES)			
<i>Construction</i>			
Hampton Roads Agricultural Research and Extension Center (AREC)	-	Full Project	-

2018 GENERAL ASSEMBLY BUDGET PROPOSALS

As of Tuesday, February 20, 2018

The Executive column reflects incremental adjustments to the 2018-20 biennial budget proposed by the Governor.
House and Senate columns reflect incremental changes proposed by each body to the Executive Budget at the end of the Regular Session.

UNIVERSITY OPERATING BUDGET

	Executive	House	Senate
Commonwealth Cyber Initiative - CyberX	N/A	Provides \$50 million over the biennium to create a Commonwealth Cyber Initiative, with Virginia Tech serving as the anchoring institution. Support includes operating and capital funding for the Hub and Spoke institutions/partners.	No change to the Executive Budget.
Enrollment Growth Support	N/A	Proposes funding across the system to grow degrees in four key areas (Data Science & Technology, Science & Engineering, Healthcare, and Education). \$2.6 million GF in the first year and \$5.2 million GF in the second year is proposed for Virginia Tech to achieve the following degree growth goals (16-17 is baseline): <ul style="list-style-type: none"> <u>Data Science & Technology</u>: 30 more awards in the first year and 60 more awards in the second year. <u>Science and Engineering</u>: 50 more awards in the first year and 100 more awards in the second year. 	No change to the Executive Budget.
Unique Military Activities	N/A	Additional \$300k GF is proposed in each year of the biennium.	No change to the Executive Budget.
Undergraduate Student Financial Aid	Proposes increased undergraduate student financial aid of \$474,238 (GF) in the first year and \$1,571,790 (GF) in the second year.	No change to amounts in Executive Budget. Language proposed to allow up to 15% of GF received for the Virginia Guaranteed Assistance Program be directed towards students enrolled in Data Science & Technology, Science & Engineering, Healthcare, and Education programs.	Reduces the Executive Budget's proposed increases to Student Financial Aid by 50 percent.

	Executive	House	Senate
E&G Interest Earnings and Credit Card Rebate	Restores financial incentives related to Higher Education Restructuring that had been eliminated; Results in approximately \$700,000 in each year of the biennium.	No change to Executive Budget.	No change to the Executive Budget.
Agency 229 Operating Budget Support	No change	<ul style="list-style-type: none"> Proposes \$500k GF in each year to support Operation and Maintenance needs of new facilities. Proposes \$200k GF in each year "to restore the Soil Scientist Assistance Program." 	No change to the Executive Budget.

COMPENSATION & BENEFITS

Faculty and Staff Salary Increase	Proposes a two percent salary increase in the second year of the biennium for all state employees, effective December 1, 2019.	<p>Accelerates proposal of 2 percent across-the-board increase to June 10, 2019.</p> <p>An additional 1 percent merit component is proposed for staff employees on June 10, 2019.</p>	<p>Executive proposal is eliminated.</p> <p>Creates a revenue reserve to be used to offset any downward revision to FY19 and FY20 revenues. If this reserve is not needed to offset downward revenue revisions, the resources shall be used to fund a 2% statewide salary increase effective June 10, 2019.</p>
Staff Employee Contingent Bonus	N/A	Contingent upon FY18 revenues exceeding target by at least \$32.8 million, a one-time bonus of up to 2 percent for staff employees is proposed for December 1, 2018.	No change to the Executive Budget.
Health Insurance	Provides support to cover the Employee share of the projected 6% increase in FY19 and 8.5% increase in FY20.	Eliminates proposed support for Employee share of cost increase, instead opting to supplement the compensation program described above.	No change to the Executive Budget.
Optional Retirement Plan	N/A	Language calls on the Virginia Retirement System, the Department of Accounts, and the universities of higher education to work to develop a methodology to identify and	Language calls on the Virginia Retirement System, the Department of Accounts, and the universities of higher education to work to develop a methodology to identify and

	Executive	House	Senate
		<p>report separately personnel services expenditures for university personnel in positions that use to be classified positions but have been transitioned to university staff positions.</p> <p>Language also proposes surcharge on institutions offering their own optional retirement plan to positions that would have previously been required to participate in the Virginia Retirement System.</p>	<p>report separately personnel services expenditures for university personnel in positions that use to be classified positions but have been transitioned to university staff positions.</p>

STATEWIDE INITIATIVES

Internship Program	N/A	<p>Language is proposed to allow flexibility in the use of state scholarship funding to support students participating in a private sector partner internship program.</p>	<p>Provides \$200k General Fund per year to support internship program. The state grant shall be matched equally by the partner with non-state funding. Goal of program is to support identified workforce needs, research and research commercialization, regional economic growth, job readiness of students, and reduce educational loan debt.</p>
Higher Education Joint Subcommittee/Restructuring	N/A	<p>House directs Joint Subcommittee on the Future Competitiveness of Higher Education in Virginia to “identify and evaluate policies and processes that facilitate alignment of institutional programs and activities with the strategic economic objectives of the Commonwealth of Virginia and its communities and regions; and (k) identify practices by which institutions can develop public-private partnerships and recruit business organizations and other public-and private-sector partners to assist in accomplishing the foregoing objectives.”</p>	<p>Language directs the Joint Subcommittee on the Future Competitive of Higher Education in Virginia to “identify and evaluate policies and processes that facilitate alignment of institutional programs and activities with the strategic objectives of the Commonwealth of Virginia. “</p> <p>This initiative would encourage institutions to enter into “outcome agreements” with the Commonwealth that support state economic and workforce needs while potentially providing institutions with enhanced autonomy to achieve those goals.</p>
Statewide Higher Education Finance Plan	N/A	N/A	<p>“The staff of the House Appropriations and Senate Finance Committees will work with the State Council of Higher Education for Virginia staff, the Virginia Economic</p>

	Executive	House	Senate
			Development Partnership, and higher education stakeholders to develop a statewide higher education finance plan that incorporates the priorities of the Joint Subcommittee. This plan will be a component of the Joint Subcommittee's final report."
Procurement	N/A	Aligns the small purchase threshold for Level III Institutions with the levels set for other state agencies.	No change to the Executive Budget.
Tuition Increase Public Comment	N/A	Proposes requiring at least 30 days notice to students, any parent who has co-signed a student loan, and the public of 1) the projected range of increase in undergraduate tuition or mandatory fees, 2) an explanation of the need for the increase, and 3) the date and location of the board meeting at which those individuals will be permitted to provide public comment in advance of any vote.	No change to Executive Budget.
Equipment Trust Fund	Proposes continuation of current year funding of \$10,331,639 for traditional equipment and \$5,240,458 for research equipment.	No change to Executive Budget.	No change to Executive Budget.
GO Virginia	Proposes additional General Fund support of \$637,000 to increase program administration.	Proposes to increase support by \$5 million GF in the first year and \$10 million in the second year of the biennium. Language also proposes adjustments to award limits, etc.	Eliminates the new funding proposed in the Executive Budget. Authorizes a like amount of funding to be reallocated from existing resources in the Growth and Opportunity Fund.
Virginia Management Fellows Program	Proposes funding for an additional cohort of this two-year program for the upcoming biennium.	No change to Executive Budget.	Retains Executive Budget funding, yet allows the Secretary of Finance to contract with any university for the continuation of the program. Also requires a report to the HAC and SFC on the efficacy of the program.

	Executive	House	Senate
Mandatory Fee Limit	Proposes lowering the current five percent annual limit on increases of non-E&G mandatory to three percent. (As a Level III institution, VA Tech is exempt from this language)	No change to Executive Budget.	No change to Executive Budget.
Student Loan Ombudsperson	Proposes \$115,333 (GF) in the first year and \$124,000 (GF) in the second year to the State Council for Higher Education in Virginia (SCHEV) for a new student loan ombudsperson to assist borrowers.	No change to Executive Budget.	No change to Executive Budget.

CAPITAL BUDGET

Capital Projects	No new state support for higher education capital projects.	<ul style="list-style-type: none"> Proposes support for Furniture, Fixtures & Equipment for the VT-Carilion Research Institute Biosciences addition. Proposes replacement of the Virginia Tech Agricultural Experiment Station in Hampton Roads in the FY19 statewide capital funding pool. 	Proposes \$6.1 million for Furniture, Fixtures & Equipment for the VT-Carilion Research Institute Biosciences addition.
Maintenance Reserve	Proposes funding of \$27,148,422 for the biennium, an increase of \$3.9 million per year over the 2017-18 allocation to the university.	No change to Executive Budget.	No change to Executive Budget.