

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**

**February 24, 2011**

**PRESENT:** Martin Daniel, Kim Avis (for Lynn Eichhorn), Erik Ervin, Tim Hodge, Bill Huckle, Lonnie Johnson, Maxine Lyons, Andrew McCoy, Dwight Shelton, Ken Smith, Ed Lener (for Connie Stovall), Robert Tracy

**ABSENT:** Greg Boardman, Corbin DiMeglio, Mike Ellerbrock, Courtney Gleason, Patricia Lavender, Steve McMullin, Mark McNamee, Quinton Nottingham

**1. CALL TO ORDER**

Mr. Dwight Shelton, Vice President for Finance and Chief Financial Officer, called the meeting to order at 3:00 p.m.

**2. APPROVAL OF THE DECEMBER 2, 2010 MINUTES**

Mr. Shelton announced that the minutes of the December 2, 2010 meeting have been approved and sent to University Council for posting on the web.

**3. CONTINUED DISCUSSION ON THE UNIVERSITY STRATEGIC PLAN PROGRESS REPORT**

Dr. McNamee was unable to attend due to a calendar conflict. This discussion will be carried forward to the next Council meeting.

**4. REPORT ON GENERAL ASSEMBLY ACTIONS**

Mr. Dwight Shelton, Vice President for Finance and Chief Financial Officer, and Mr. Tim Hodge, University Budget Director, updated Council members on General Assembly actions: (1) Update on the state budget – Money Committees Reports, (2) Impact of state budget developments on the University Budget, and (3) Other Legislation of Interest.

On December 17, 2010 the Governor presented his Executive Budget amendments for the 2010-12 biennium. In a December 21 memo, Mr. Shelton provided senior administration and Council members with a review of the more significant elements of the Executive Budget amendments that impact Virginia Tech and higher education. Mr. Shelton and Mr. Hodge reviewed a handout (attached) which summarized the actions taken by the House and Senate to amend the Governor's proposed Executive Budget for the remainder of the 2010-12 biennium. The proposals are currently being vetted by a Conference Committee of members of the House and Senate to reconcile the competing proposals, which are then still subject to change during the remainder of the 2011 General Assembly Session.

The legislative session is scheduled to adjourn on February 27. A report on the final actions of the General Assembly and state budget activities will be provided at the next Council meeting.

There being no further business, the meeting adjourned at 4:00 p.m.

**University Advisory Council on Strategic Budgeting and Planning**  
**Update on Legislative Session**  
**February 24, 2011**

The following is a summary of actions by the House and Senate to amend the Governor's proposed Executive Budget for the remainder of the 2010-12 biennium. These proposals are now being vetted by a Conference Committee of members of the House and Senate to reconcile the competing proposals. These proposals are *subject to change* during the remainder of the 2011 General Assembly Session.

**Compensation & Retirement Plans**

The Governor's Executive Budget amendments proposed changes to the compensation and retirement plans for state employees hired prior to July 1, 2010. The House and Senate have each offered plans to address the issue, though each is unique in its approach.

- **For employees in the Virginia Retirement System (VRS):**
  - The House has proposed requiring employees hired prior to July 1, 2010 to pay the 5% *employee* share of contributions for their defined benefit retirement program, consistent with state employees hired after that date. A 5% salary increase is also proposed for these employees in the VRS to offset the required contribution.
  - The Senate proposes reversing the Governor's changes, requiring no *employee* contribution to VRS for members hired prior to July 1, 2010. No salary increase for VRS members is proposed by the Senate.
- **For employees in the Optional Retirement Plan (ORP):**
  - The House and Senate both propose reversing the Governor's reduction and restoring the full 10.4% benefit for ORP members hired prior to July 1, 2010. Neither body institutes a mandatory employee contribution, and no salary increase is proposed for ORP members.
- **Bonus:** The House retains the Governor's proposed performance-contingent bonus of up to 2% for all salaried employees. The Senate removed the proposed bonus.
- **New Defined Contribution Plan for Employees hired on or after July 1, 2010:** The House proposes a new optional retirement plan that would allow for all employees hired on or after July 1, 2010 to participate in a defined contribution program instead of the VRS. If passed, this proposal would be available on January 1, 2012, and all employees hired on or after July 1, 2010 would have sixty days to elect to participate or be defaulted into the VRS. This program would include a 5% *employer* contribution, and would provide a 100% *employer* match of up to 3.5% in voluntary *employee* contributions.

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### **Operating Budget**

- **NGF Rate Savings:** The House and Senate continue to collect nongeneral fund savings generated from rate changes, though the financial impact has been reduced to the changes in retirement proposals as well as fringe benefit rates.
- **Tuition Authority:** The House proposes a cap on E&G nongeneral fund revenue increases of \$17 million, effectively limiting the additional revenue potential of tuition and E&G fees. Increases that result in more than \$17 million NGF must be justified to and approved by the Governor. This proposal conflicts with the tuition authority of the Board of Visitors granted by the Management Agreement and the sum-sufficient authority contained in the Appropriation Act. The Senate proposed no changes to the existing tuition authority of the Board of Visitors.

### **Statewide Issues and Initiatives**

- **Higher Education Incentive Funding:** As part of the recommendations of the Governor's Commission on Higher Education Reform, Innovation, and Investment, the Executive Budget amendments created a central pool of \$50 million in General Fund (GF) to support targeted initiatives in higher education. However, rather than requiring institutions to apply for such funding, the House and Senate have distributed the funding to institutions based on several factors.
  - The House distributed this funding statewide to address access, affordability, and new degree production. Funding was allocated for enrollment increases, new Virginia undergraduate seats, operation and maintenance of new facilities, and STEM programming and faculty. For Virginia Tech, the House recommends an additional \$3,490,000 General Fund support.
  - The Senate also distributed the funding according to many specific areas across the state, including enrollment, retention, STEM, base operations, and operations and maintenance of new facilities. For Virginia Tech, the Senate recommends an additional \$3,955,077 General Fund support.
- **Student Financial Aid:** The House proposed no additional support of student financial aid. The Senate proposes an additional \$672,683 General Fund for Virginia Tech to support low and middle-income students.
- **Higher Education Opportunity Act of 2011:** Based upon the recommendations of the Governor's Commission on Higher Education Reform, Innovation, and Investment, this legislation addresses most aspects of university operation, funding, enrollment, and performance. The university spent considerable effort informing the legislature, advocating for the needs of the university, and addressing potential unforeseen consequences of the legislation. The final passage of the legislation creates a new Higher Education Advisory Committee to review the performance of institutions, refocuses the six-year planning process around statewide goals in several areas, and codifies the Commonwealth's commitment to funding resident students and promoting financial aid programs for low and middle-income

households. As many of the metrics to be used are yet to be determined, the university will continue to advise and advocate to ensure that the needs of the institution are considered and that the Commonwealth continues to move forward in the support of higher education.

- **Higher Education Clearing Account:** The biennial budget included a clearing account that would require an additional \$10 million of undistributed reductions to higher education in the second year. The expectation was that additional reductions in operating expenses would be identified in the biennium, though no specific reductions were implemented. The Governor retained the clearing account in his Executive Budget proposal, as did the House. The Senate's proposal removes the clearing account, eliminating the need to identify \$10 million in additional reductions.

### **Cooperative Extension and Agricultural Research Station (Agency 229)**

- **Agency 229 Operating Support:** The Governor's Executive Budget included an additional \$494,410 General Fund support to support the reorganizational efforts of the Cooperative Extension service. The House provided no additional support. The Senate proposes an additional \$2m General Fund support, beyond the Governor's proposal, to add fifty Extension agents across the state.
- **Agency 229 Reorganization:**
  - The House proposes budget language that would require the development of a revised restructuring plan. This plan is required to have stakeholder input from many constituents, including the agricultural industry, local governments, and extension agents. Progress reports are required to be submitted to the General Assembly throughout the process. The House also requires detailed expenditure reports outlining the uses (teaching, research, extension) of the agency's funding.
  - The Senate proposes budget language that would require the development of a new reorganization plan that would include input from stakeholders from across the commonwealth. Additional guidance on required reporting will be provided by the Secretary of Education and Secretary of Agriculture and Forestry.

While this summary helps to understand the current operating budget proposals of the House and Senate, it is important to recognize that these actions *are subject to change* during the course of the General Assembly.

**PROPOSED BUDGETS FROM THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY**

as of February 8, 2011

Amounts in Thousands of Dollars -- All amounts are General Fund unless otherwise noted

**OPERATING BUDGET**

**University Division**

**Educational and General Budget**

E&G Interest Earnings & Credit Card Rebate (est)  
 Federal Stimulus (ARRA Recalculation) 233,127  
 Access, Affordability, New Degrees -Enrollment Growth  
 New In-State Undergraduate Seats  
 4VA Cisco Instructional Partnership  
 Base Adequacy Allocation  
 Operation and Maintenance of New Facilities  
 Total Educational and General

**Student Financial Aid**

Affordability for Low-Income  
 Affordability for Middle-Income  
 Total Student Financial Aid

*Total University Division*

**Cooperative Extension/AES Division**

**Educational and General Budget**

ARRA Recalculation (Federal Stimulus NGF) 149,399  
 Reorganization Support  
 Additional 50 FTE Extension Agents  
 Total Cooperative Extension/AES Division

**Total VT Operating**

<b>Executive Budget</b>	
2010-11	2011-12
	\$ 450,000
233,127	
	1,770,000
	500,000
	850,000
	-
	1,220,000
233,127	450,000
233,127	4,790,000
-	-
-	-
-	-
233,127	450,000
149,399	494,410
	494,410
	-
149,399	494,410
<b>\$ 382,526</b>	<b>\$ 944,410</b>

<b>House</b>	
2010-11	2011-12
	\$ 450,000
233,127	-
	1,770,000
	500,000
	850,000
	-
	1,220,000
233,127	450,000
233,127	4,790,000
-	-
-	-
-	-
233,127	450,000
149,399	494,410
	494,410
	-
149,399	494,410
<b>\$ 382,526</b>	<b>\$ 5,284,410</b>

<b>Senate</b>	
2010-11	2011-12
\$ -	\$ 450,000
233,127	-
-	-
-	-
-	-
-	3,799,403
-	155,674
233,127	4,405,077
-	265,939
-	406,744
-	672,683
233,127	5,077,760
149,399	-
	494,410
	2,000,000
149,399	2,494,410
<b>\$ 382,526</b>	<b>\$ 7,572,170</b>

**OTHER AGENCIES**

**Central Pools**

Reduction Pool (from last session)  
 Higher Education Incentive Pool  
 Virginia Research and Technology Investment Fund  
 K-12 Partnership  
 On-line Course Availability and Technology Pool  
 Two-Year College Transfer Grant Program  
 Virginia Military Survivors and Dependents Program  
 Subtotal central pools

**Secretary of Education**

Public Broadcasting

2010-11	2011-12
	(10,000,000)
	50,000,000
	25,000,000
	600,000
	-
	-
	-
	-
	-
	600,000
-	65,600,000
	(957,872)

2010-11	2011-12
-	(10,000,000)
-	-
-	10,000,000
-	600,000
-	-
-	-
-	-
-	-
-	-
-	600,000
-	65,600,000
-	(957,872)

2010-11	2011-12
-	-
-	-
-	10,000,000
-	300,000
-	3,100,000
-	1,700,000
235,000	500,000
235,000	15,600,000
-	(227,872)

**CAPITAL BUDGET**

**Equipment Funding**

FF&E Infectious Disease Facility

**Educational and General Projects**

Visitors and Admissions Center (9d)  
 Visitors and Admissions Center (NGF)

**Total VT Capital**

<b>Executive Budget</b>	
2010-12	
State	NGF
\$ 863,000	\$ -
	7,100,000
	3,400,000
<b>\$ 863,000</b>	<b>\$ 10,500,000</b>

<b>House</b>	
2010-12	
State	NGF
863,000	-
-	7,100,000
-	3,400,000
<b>\$ 863,000</b>	<b>\$ 10,500,000</b>

<b>Senate</b>	
2010-12	
State	NGF
\$ 863,000	\$ -
-	7,100,000
-	3,400,000
<b>\$ 863,000</b>	<b>\$ 10,500,000</b>