

MINUTES

UNIVERSITY ADVISORY COUNCIL ON STRATEGIC BUDGETING AND PLANNING

November 6, 2008

PRESENT: Donna Dunay, David Ford, Kyrille Goldbeck, Muhammad Hajj, Scott Hurst, Lonnie Johnson, Willard Eyestone (for Ramanathan Kasimanickam), Patricia Lavender, Mary Ann Lewis, Patrick McCann, Steve McMullin, Mark McNamee, Pavli Mykerezi, Hardus Odendaal, Chris Pennisi, Don Rimstidt, Dwight Shelton, Linda Tegarden, Tom Tucker

ABSENT: Dixon Hanna

GUEST: Tim Hodge

1. CALL TO ORDER

Dr. Mark McNamee, Senior Vice President and Provost, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE OCTOBER 1, 2008 MINUTES

Dr. McNamee announced that the minutes of the October 1, 2008 meeting were electronically approved and sent to University Council to be posted on the web.

3. UPDATE ON PROJECTED SHORTFALLS IN STATE REVENUE BUDGET

Mr. Dwight Shelton, Vice President for Finance and Chief Financial Officer, provided an update on the state's projected revenue budget shortfalls. On October 9, 2008, the Governor announced the revenue reforecast and plans to address the fiscal year 2009 shortfall. The official reforecast projects a shortfall of \$973 million for 2008-09 and \$1.54 billion for 2009-10. These reductions are projected to be ongoing, and as a result, the State will need to adjust ongoing revenue and/or expenditure budgets to balance the budget. The assessment to the University was a General Fund appropriation reduction of 5% for both the University Division and the Cooperative Extension and Agricultural Experiment Station Division. Further, the Governor established some operating restrictions, such as restrictions on hiring, but exempted higher education from these controls. The Governor also delayed the November 25, 2008 salary increase for all state employees until July 2009, subject to approval by the General Assembly.

These reductions come on top of those received in October 2007, which totaled \$13.6 million. Further, the Governor indicated that additional reductions are likely to be applied for fiscal year 2009-10. Reductions to address the \$1.54 billion shortfall in 2009-10 will most likely be announced on or before December 17, 2008, the date of the release of the Governor's Executive Budget Amendments.

4. IMPACT OF STATE BUDGET REDUCTIONS ON VIRGINIA TECH

The University has begun planning to address the anticipated shortfall over the two-year period.

To internally plan for reductions, the University will follow a two stage process. First, the University is asking the campus to plan for a 1.5 percent, one-time reversion in 2008-09. The University will combine these funds with existing one-time funds from identified central strategies and savings, and incremental revenues generated during 2008-09 to address the total reduction targets in the current year. This strategy cushions the immediate impact of the reductions for the operating units, provides the deans and vice presidents more time to plan for ongoing budget reductions, and allows the University to be able to address the budget reductions while continuing to monitor the actions of the Administration and the

General Assembly in addressing the revenue shortfall. The University intends to provide maximum flexibility to the campus in managing reductions.

The second stage of the process focuses on developing strategies to align the University's base budgets in 2009-10 with the reduction to be announced by the Governor. The university will prepare a plan that identifies expenditure reductions and revenue enhancements that can be achieved on an ongoing basis beginning July 1, 2009, looking at all programs of the university while working to minimize the impact on the quality and program excellence of our academic enterprise. Because of the anticipated size of the state revenue shortfall and adverse impact of impending reduction, the university will consider a variety of measures, including administrative efficiencies, program consolidation, program elimination, as well as selective and differential reductions.

5. GENERAL DISCUSSION OF BUDGET ISSUES AND CONCERNS

There are several uncertainties that the University is watching closely that have potential implications for the University's budget. At the state level, the University is following the Virginia economy and its ability to achieve the Commonwealth's revised revenue forecast. Second, the success of the Administration's plan to access the Revenue Stabilization Fund and other one-time balances is critical to implementing the Administration's plans for the 2008-09 budget. If this effort is unsuccessful, the Administration will have to look at other options to balance the budget in the current year. Third, the University is monitoring events to ensure that the Board of Visitors' authority to establish tuition and fee rates continues without restriction, in accordance with the provisions of the restructuring Management Agreement.

A Council member asked what the University's strategic plan will be to address budget reductions without diminishing the excellence of the University. Dr. McNamee acknowledged that the University's current Strategic Plan was developed on the premise of modest steady growth and that discussions would take place to determine if Virginia Tech will need to review its Strategic Plan for the next five years to determine what can be addressed.

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