

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**January 26, 2017**

**PRESENT:** Tim Hodge, Steve Kleiber, Herve Marand, Ed Lener (substitute for Andi Ogier), Alex Parrish, Ken Smith, John Tedesco, and Benjamin Tracy.

**ABSENT:** Mateo Carrasco, Carolyn Copenheaver, Henri de Hahn, Omchand Mahdu, Susan Marmagas, Quinton Nottingham, Randy Penson, Thanassis Rikakis, Hans Robinson, Dwight Shelton, Jason Soileau, and Linbing Wang

**1. CALL TO ORDER**

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

**2. APPROVAL OF THE NOVEMBER 17, 2016 MINUTES**

Mr. Hodge stated that the November 17, 2016 minutes have been approved and forwarded to the University Council for posting on the web.

**3. UPDATE ON EXECUTIVE BUDGET AMENDMENTS**

Mr. Hodge provided an update on the Governor's executive budget amendments, which was communicated to campus in a memorandum by Mr. Dwight Shelton, Vice President for Finance and CFO, on December 20, 2016. Mr. Hodge reminded the council that the State initially proposed a 7.5% reduction in General Fund for 2017-18, but ultimately, we were pleased that this was reduced to 5%, with exemptions for matching requirement in our Cooperative Extension Agriculture Experiment Station Division (Agency 229). Mr. Hodge reminded the Council that these budget amendments to the 2016-18 budget are subject to change during the General Assembly session, which convened on January 11, 2017 and is scheduled to adjourn on March 18, 2017. A copy of Mr. Shelton's memorandum is attached to these minutes.

**4. REVIEW OF POTENTIAL LEGISLATION WITH FINANCIAL IMPACT**

Mr. Hodge shared with the council that as of January 24, 2017, 2,380 pieces of legislation had been filed for consideration by the 2017 General Assembly. Of these legislative items, Mr. Hodge gave a brief overview of a few finance-related items to provide a sense of the scope and breadth of topics under discussion that could have impact on the university. Mr. Hodge reminded the council that while many of these legislative items will not pass through the General Assembly, review and consideration are made to determine the impact an item could have on Higher Education and Virginia Tech. The University works to understand and educate the General Assembly on potential impacts and unintended consequences. A summary of potential legislation is attached to these minutes.

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

December 20, 2016

**MEMORANDUM**

**TO:** Deans  
Vice Presidents

**FROM:** M. Dwight Shelton, Jr. *Dwight*

**SUBJECT:** Analysis of Executive Amendments to the 2016-18 Budget

As we shared with you this fall, state revenue challenges have resulted in a downward revision to revenue expectations in both the current year and next year. This impacts the commonwealth's ability to maintain existing levels of General Fund support for the university. While state revenue is currently outperforming the revised projections, most indicators are pointing towards continued slow growth that will likely be outpaced by rising mandated costs like retirement and health care.

Taking these factors into consideration, the Governor offered amendments to the 2016-18 budget on Friday, December 16<sup>th</sup> for review by the 2017 General Assembly. As expected, the Governor's amendments include General Fund reductions for the university, and while they are significant, the proposed reductions are less than the amounts that had been previously communicated.

We have now completed our review of the proposed budget amendments, and have summarized the direct and indirect impacts of the proposed changes below. We will continue our efforts to communicate the impacts of the recently announced state budget reductions to our elected representatives and advocate for the university's critical funding needs during the 2017 General Assembly session.

Following is a brief summary of the items of particular interest to Virginia Tech:

**Operating Budget**

**Budget Reduction:** In August 2016, the Governor announced a state revenue shortfall that would lead to required agency savings strategies. A reduction of 7.5 percent for 2017-18 was initially proposed. Ultimately, the following reductions were assigned:

- University Division (Agency 208): Educational and General (E&G) appropriation was not reduced in 2016-17, and a 5 percent (\$8.6 million) General Fund (GF) reduction is proposed in 2017-18. This is \$4.3 million (33 percent) less than the original reduction target communicated by the Executive Branch in November. Language authorizes the application of the reduction across university programs, excluding Student Financial Aid. This percentage increase is consistent with most other public colleges and universities.
- Cooperative Extension & Agricultural Experiment Station Division (Agency 229): The university worked with state officials to reduce the negative impact on the Land Grant mission to protect funds used to match federal and local contributions to Cooperative Extension. The proposed 5 percent reduction, when applied to the remaining discretionary

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General Fund budget, results in a \$2.1 million GF reduction in 2017-18 for the agency. This is \$3.2 million (61 percent) less than the original reduction target communicated by the Executive Branch in November.

**VRS Savings Repayment:** The Executive Budget requires one-time University Division reversions of \$4.2 million GF in 2016-17 and \$2.7 million GF in 2017-18 in recognition of nongeneral fund savings due to the state's prepayment into the Virginia Retirement System. The university worked with state budget officials after the November reduction announcement to reduce the impact on Agency 229. Ultimately, the Executive Branch exempted Agency 229 from this savings action.

**Student Financial Aid:** A one-time allocation of \$590 thousand GF for undergraduate aid provided in 2016-17 is continued in the 2017-18 base budget. As Student Financial Aid is exempt from the budget reductions, no overall change in support for student financial is proposed.

**Interest Earnings and Credit Card Rebates:** The Executive Budget withholds the Credit Card Rebate and Interest Earnings benefits that are allocated to the university as part of the Restructuring agreement, resulting in a projected \$400 thousand loss to the university per year.

### Employee Compensation

**Faculty and Staff Salary Increase:** The statewide salary increase planned for December 2016 has been eliminated due to the 2015-16 revenue shortfall and downward revision to the 2016-17 revenue projection, as previously communicated in July 2016.

**State Employee Bonus:** The Executive Budget amendments propose a 1.5 percent employee bonus effective December 1, 2017 for eligible faculty and staff employees who were employed on July 1, 2017 and remain employed until at least November 1, 2017.

### Statewide Programs

**Virginia Growth and Opportunity Fund (Go Virginia):** Go Virginia support is reduced by \$4.6 million GF in 2016-17 and by \$10.4 million GF in 2017-8. Funding of \$900 thousand GF remains in 2016-17 and \$19.7 million GF remains in 2017-18.

**Virginia Research Investment Fund (VRIF):** Support for the VRIF is reduced by \$4 million GF in the 2016-17 and by \$6 million GF in 2017-18. Funding of \$4 million GF remains in 2016-17 and \$8 million GF remains in 2017-18.

**Global Genomics and Bioinformatics Institute:** Support for the genomics research initiative is reduced by \$4 million GF in 2016-17. Funding of \$4 million GF remains to recruit high performing researchers.

**Virtual Library of Virginia:** General Fund support of VIVA is reduced by five percent in each year.

## Capital Program

**Renovate/Renew Academic Buildings:** A supplemental appropriation of \$4.5 million GF is included in the proposed amendments to support this renovation project.

**Equipment Funding (FF&E):** Funding is provided for equipment as requested:

- **Renovate/Renew Academic Buildings:** \$3,174,000
- **Improve Kentland Facilities:** \$745,000

A summary of the direct financial impacts of the Governor's proposed amendments on the university's operating and capital budgets is attached. If you have any questions about the Executive Budget proposal, please feel free to contact me.

### Attachment

cc: Montasir Abbas, President of the Faculty Senate  
Chelsea Corkins, President of the GSA  
Alex Parrish, President of the Staff Senate  
Alexa Parsley, President of the SGA  
Thanassis Rikakis, University Provost  
Timothy Sands, President  
University Advisory Council on Strategic Budgeting and Planning

**SUMMARY OF EXECUTIVE BUDGET AMENDMENTS FOR 2016-18**  
**VIRGINIA TECH**  
December 16, 2016  
(Dollar Amounts in Thousands)

**OPERATING BUDGET**

	General Fund	
	2016-17	2017-18
<u>University Division</u>		
<b>Educational and General (E&amp;G)</b>		
General Fund Reduction (5%)	\$ -	\$ (8,588) (a)
Recover Cost Savings from State VRS Prepayment (One-Time)	(4,110)	(2,740)
Withhold Credit Card Rebate and Interest Earnings	(400)	(400) (b)
<b>Student Financial Aid</b>		
Undergraduate - Continue 2016-17 One-Time Funding in 2017-18	-	590
Subtotal University Division	(4,510)	(11,138)
<u>Cooperative Extension/Agricultural Experiment Station Division (VCE/VAES)</u>		
General Fund Reduction (5%)	-	(2,041)
Recover Cost Savings from State VRS Prepayment (One-Time)	N/A	N/A (c)
Subtotal VCE/VAES Division		(2,041)
<b>TOTAL OPERATING SUPPORT</b>	<b>\$ (4,510)</b>	<b>\$ (13,179)</b>

**CAPITAL BUDGET**

	State Support
<u>Capital Project</u>	
Renovate/Renew Academic Buildings Supplement	\$4,466
<u>Furniture, Fixture, and Equipment Funding (FF&amp;E)</u>	
Renovate/Renew Academic Buildings FF&E	3,174
Improve Kentland Facilities	745
<b>TOTAL CAPITAL SUPPORT</b>	<b>\$8,385</b>

(a) Item 224.K authorizes the university to distribute the reduction across any university programs except Student Financial Aid.

This 5% GF reduction replaces the 7.5% GF reduction previously communicated in November 2016.

(b) Estimated Credit Card Rebate and Interest Earnings allocation.

(c) The Cooperative Extension/Agricultural Experiment Station Division was exempted from the nongeneral fund VRS assessment.

## **Legislation with Potential Impact**

As of January 24, 2,380 pieces of legislation had been filed for consideration by the 2017 General Assembly. The following represent a sample of finance-related items that may have an impact on the university, and their final status:

- **HB 1410**: 1) Changes the name of the *Board of Visitors* to the *Board of Trustees*. 2) Requires that Virginia residents make up at least 75 percent of all undergraduates at most public institutions of higher education. 3) Prohibits the use of Virginia resident tuition revenue to support student financial aid, and limits the use of nonresident tuition revenue for financial aid to 5 percent.
- **HB 1447**: Requires public institutions of higher education with at least 25 percent of the undergraduate population living on campus to establish a substance abuse recovery housing program with on-site counseling, mentoring, peer support, and other appropriate services.
- **HB 1886**: Requires that at least 75 percent of undergraduate students admitted to the institution be Virginia residents.
- **HB 1892**: Requires public institutions of higher education to submit their annual financial statements, as well as the accounts and status of any ongoing capital project, to a certified public accounting firm for the independent audit of such statements at the expense of the institution.
- **HB 2262**: Establishes the Online Virginia Network Authority to aggregate, administer, and deliver all online courses, degrees, and certificates offered by any public institution of higher education in the commonwealth, including the many current programs offered by Virginia Tech.
- **SB 1088**: Requires public institutions of higher education to annually establish an in-state tuition rate “class cap” that identifies the maximum tuition charge that students will pay in each of the following four years.
- **SB 1376**: Prohibits the Board of Visitors from increasing undergraduate tuition or mandatory fees without first providing students, parents and the public with a synopsis of the proposed increase and notice of the date, time, and location of any vote at least 30 days in advance. Also requires provision of opportunity for public comment at a meeting of the Board at least two meetings prior to vote.
- **SB 1379**: Requires an institution with a “budget surplus or cash reserves” in excess of 150 percent of the cost to educate all students to spend down such resources over five years to mitigate in-state tuition.
- **SB 1405**: Requires publishing in a prominent location on the institution’s website a synopsis of any proposed increases in tuition and fees, including an explanation of the need for such an increase, the maximum potential amount of the increase, and the date, time, and location of any vote at least 30 days in advance. A copy of the synopsis shall be emailed to each student, and public comment must be accepted at any hearing on the increase.
- **SJ 292**: Requests that the State Council of Higher Education for Virginia study the practice of maintaining financial reserves at baccalaureate public universities of higher education.
- **Tuition Cap Legislation**: Multiple bills were introduced that would cap tuition increases at various external indices including the Consumer Price Index (CPI), the National Average Wage Index (NAWI), the state’s median income increase, and the percentage of any state required compensation program.