

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
April 25, 2013

PRESENT: Greg Boardman, Tim Hodge, Sarah Karpanty, Dwight Shelton, Jason Soileau, Ken Smith, Sue Teel

ABSENT: Elizabeth Fine, Balu Guduri, Joseph Guthrie, Wendy Herdman, Andrew McCoy, Quinton Nottingham, Theresa Pancotto, Tyler Arthur, Amy Brunner, Martin Daniel, Mark McNamee, John Phillips, Connie Stovall

GUESTS: Rachel Gabriele

1. CALL TO ORDER

Mr. Dwight Shelton, Vice President for Finance and Chief Financial Officer, called the meeting to order at 3:05 p.m.

2. APPROVAL OF THE FEBRUARY 28, 2013 MINUTES

Mr. Shelton announced that the minutes of the February 28, 2013 meeting have been approved electronically and sent to University Council for posting on the web.

3. UPDATE ON UNIVERSITY BUDGET & TUITION & FEES

Mr. Dwight Shelton provided an update on the university budget and tuition and fees. Updates on the budget included a discussion of the current environment, an update on General Assembly actions, and a summary of the cost drivers at the university. Updates on tuition and fees included a discussion of the factors considered in establishing rates, potential increases, and an update on additional cost drivers and resource developments that will be presented to the Board of Visitors on April 28th.

A detailed informational handout was provided to council members and is attached to these minutes.

a. OTHER BUSINESS

There being no further business, the meeting adjourned at 4:25 p.m.

Update on University Budget & Tuition and Fees

M. Dwight Shelton, Jr.
VP for Finance and Chief Financial Officer

Current Environment

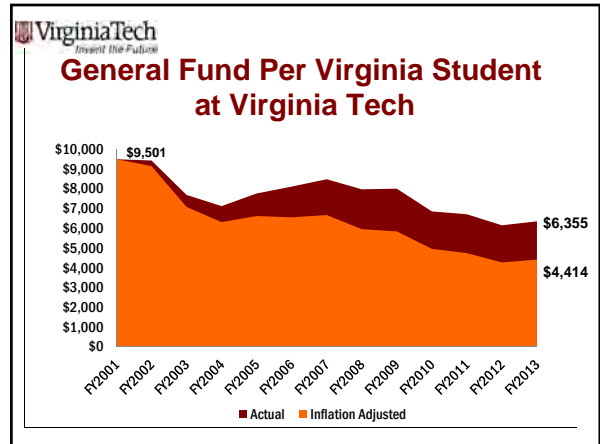
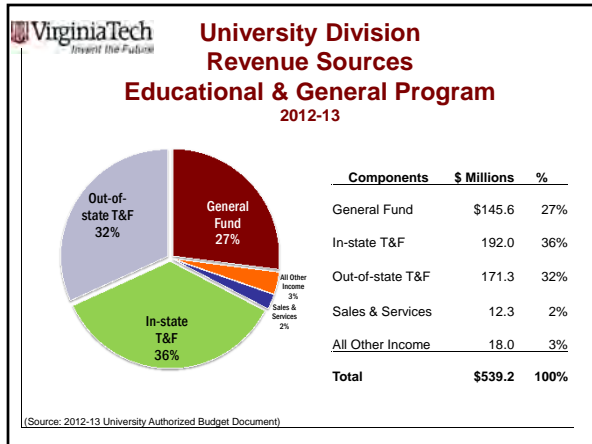
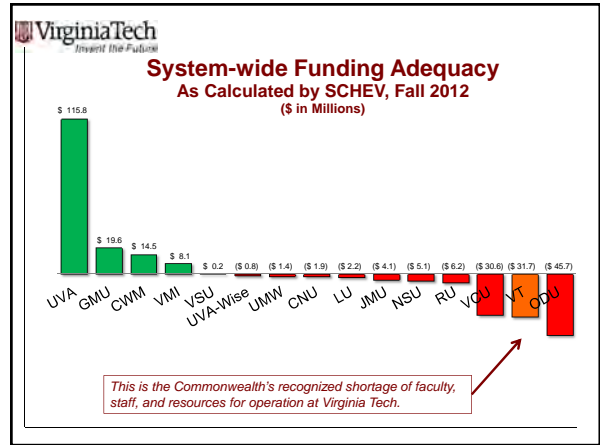
- \$31.7M base budget adequacy shortfall as of September 2012
- While the Commonwealth's stated goal is the 60th percentile, Virginia Tech's authorized faculty salary average is at the 25th percentile of our SCHEV peer group.
- 2,382 additional Virginia undergraduates have enrolled since 2004.
- Revised Six-year plan envisioned 3.9% across-the-board tuition increases based upon:
 - Significant increase in General Fund support
 - Known NGF cost assignments in Summer 2012

University Budget

Fiscal Year 2012-13
\$ in millions

Program Category	Total Budget
E&G	
University Division (208)	539.2
Coop Extension/Ag Exp Division (229)	78.0
Total E&G	617.2
Student Financial Aid (state)	18.6
Auxiliary Enterprises	270.5
Sponsored Programs	290.1
All Other Programs	5.8
University Budget	1,202.2

(Source: 2012-13 University Authorized Budget Document)



Budget Development

- Based upon BOV and state approved Six-Year Plan
- Major factors of the 2013-14 budget:
 - Results of the 2013 General Assembly
 - \$2.1m additional flexible operating support for E&G budget
 - Compensation
 - Health care cost increase up to 18%
 - Mandatory factors such as safety and security and fixed operating cost increases
 - Academic initiatives consistent with the Long Range plan
 - University continues to assess the relative priority of initiatives

Incremental E&G GF Per Resident Student

□ Though VT received new GF support in the 2013 General Assembly session, our total direct incremental support (as quantified by SCHEV) over the biennium still ranked last in the Commonwealth.

Institution	E&G GF/Resident FTE			E&G GF/FTE Rank		
	2012-13	2013-14	2012-14 Total	2012-13	2013-14	2012-14 Total
UVA's College at Wise	\$ 703	\$ 227	\$ 931	1	5	1
VMI	604	245	849	2	4	2
Old Dominion University	386	347	734	4	1	3
VA State University	430	122	553	3	15	4
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2013 General Assembly

□ Joint Conference Budget as of February 23rd includes the following support for Virginia Tech in 2013-14:

Designated support outside E&G budget	General Fund (\$ in Millions)
Agency 229 VCE/VAES	\$0.9
Unique Military Activities	0.6
Brain Disorder Research	1.0
Undergraduate Financial Aid	0.8
<i>Subtotal Outside E&G Budget</i>	<i>3.3</i>
E&G Instructional Budget Support	2.1
<i>Subtotal</i>	<i>5.4</i>
Budget Reduction Elimination	0.7
<i>Subtotal</i>	<i>6.1</i>
One-time Equipment Trust Fund Increase	2.0
Total Incremental Direct GF for 2013-14	\$8.1

2013-14 E&G Cost Drivers
(\$s in millions)

Compensation

	Total	Fund Split	
		State	University
3% Statewide Action – Faculty	\$8.1	\$2.8	\$5.3
2% Statewide Action – Staff	1.6	0.7	0.9
\$65/Yr Statewide Action - Staff	1.7	0.7	1.0
Total	\$11.4	\$4.1	\$7.3

Incremental E&G State Operating Support for Virginia Tech 2013-14

	General Fund (\$ in millions)
Base Operating Support	\$0.7
New Virginia Undergraduate Growth	0.6
1% Faculty Salary Increase	0.8
<i>New Direct GF for 2013-14 E&G Instructional Budget</i>	<i>2.1</i>
2012 General Assembly 2% Faculty Salary Action	1.9
<i>Total Incremental Direct GF Appropriation, 2013-14</i>	<i>4.0</i>
Estimated 2013-14 Central Fund GF Support	4.0
Total Incremental GF for 2013-14 E&G Operating	\$8.0

2013-14 E&G Cost Drivers
(\$s in millions)

Mandatory Cost Drivers

	Total	Fund Split	
		State	University
Health Insurance	\$6.9	\$2.6	\$4.3
Operating – Utilities & Fixed Costs	1.5	0.7	0.8
Operating – O&M	0.7	0.0	0.7
Unfunded Mandates	0.6	0.0	0.6
Total	\$9.7	\$3.3	\$6.4

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2013-14 E&G Cost Drivers

(\$s in millions)

Unavoidable Cost Increases

	Total	Fund Split	
		State	University
Enrollment Growth	\$0.9	0.6	0.3
Safety and Security	0.2	0.0	0.2
Contractual Commitments	1.1	0.0	1.1
	\$2.2	\$0.6	\$1.6

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Efficiency Enhancement

- Automation and re-engineering of business processes
- Classroom and equipment upgrades to more effectively utilize existing facilities and enhance learning outcomes
- Year round utilization of facilities
- Energy-savings
- Realignment of vacant positions
- Reallocation of a portion of E&G resources based on student credit hour and degree production to colleges

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2013-14 E&G Cost Drivers

(\$s in millions)

Total Cost Drivers

	Total	Fund Split	
		State	University
Compensation	\$11.4	\$4.1	\$7.3
Mandatory Cost Drivers	9.7	3.3	6.4
Unavoidable Cost Increases	2.2	0.6	1.6
	\$23.3	\$8.0	\$15.3

Prior to initiatives or critical needs identified in 2013-14 budget process.

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Factors Considered in Establishing Rates

- State policy
 - Nonresidents
 - Fund at least 100% of their average cost of education
 - Commonwealth capital and equipment debt service assignment
 - Residents
 - State intent to fund 67%
- Costs
 - Nongeneral fund cost assignments
- Market
 - SCHEV Peers
 - Competitive Peers
 - Net Price Benchmarking
- Continued Price sensitivity

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Reallocations

- Appropriation Act requires \$2.65M reallocation in 2013-14.
 - University has targeted this to meet prior commitments.
- 2013 General Assembly added language authorizing institutions of higher education to reallocate up to 1.5% of E&G General Fund support to address faculty compensation, if prioritized by the institution.
 - University plans to utilize this allowance to address retention, compression, and other strategic compensation issues, primarily as an element of the faculty merit process.

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Current Tuition & Fees

2012-13

	Undergraduate		Graduate	
	Resident	Nonresident	Resident	Nonresident
Tuition and E&G Fees	\$9,250	\$23,638	\$10,740	\$20,989
State Capital & Equipment Fee	N/A	\$604	N/A	\$604
Comprehensive Fee (Auxiliary)	\$1,673	\$1,673	\$1,673	\$1,673
Total Tuition and Mandatory Fees	\$10,923	\$25,915	\$12,413	\$23,266

- Student cost share
 - Residents charged 58% of the cost of education
 - Nonresidents charged 149% of the cost of education

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Potential Tuition & Mandatory Fee Increases

Example Scenarios for 2013-14

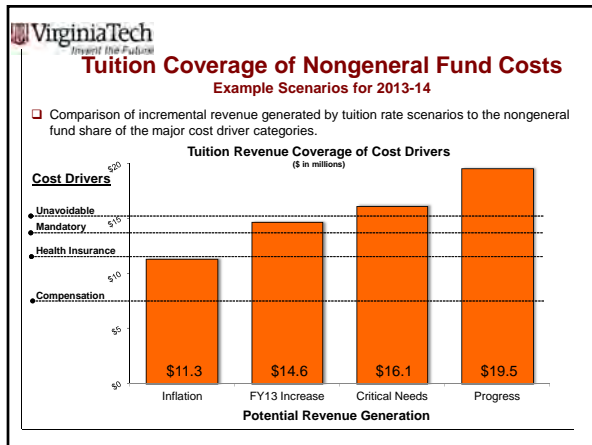
Scenarios	Undergraduate		Graduate		Incremental Tuition Revenue
	Resident	Nonresident	Resident	Nonresident	
Current Rate	\$10,923	\$25,915	\$12,413	\$23,266	
Inflation	1.7% (\$186)				\$11.3m
FY13 Rate Increase	3.9% (\$426)				\$14.6m
Critical Needs	4.9% (\$535)	4.9% (\$1,270)	4.9% (\$608)	5.7% (\$1,326)	\$16.1m
Progress	7.0% (\$764)				\$19.5m

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Projected Tuition and Fee Benchmarks for 2013-14

Resident Undergraduate Scenarios	Ranking within Peer Group of 25 (Current/Projected)			
	Undergraduate		Graduate	
	Resident	Nonresident 4.9%	Resident 4.9%	Nonresident 5.7%
1.7%	11th / 11th			
3.9%	11th / 11th			
4.9%	11th / 11th	16 th / 15 th	13 th / 13 th	17 th / 16 th
7.0%	11th / 11th			

*SCHEV Peer group projection based on average peer increases during 2012-13.



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April Update

Major Cost Drivers and Resource Developments

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Current Tuition & Fee Benchmarks

	2012-13		VT Rank
	VT	Average	
In-state Undergraduate			
Public SCHEV Peers	\$10,923	\$11,073	11 out of 24
Virginia Institutions	\$10,923	\$9,847	4 out of 15
UVA	\$10,923	\$12,006	
CWM	\$10,923	\$13,570	
Out-of-state Undergraduate			
Public SCHEV Peers	\$25,915	\$27,576	16 out of 24
Virginia Institutions	\$25,915	\$25,082	5 out of 15
Regional Competitive Peers (a)	\$25,915	\$25,851	

(a) Regional competitive peers: Pennsylvania State, Rutgers University, University of Maryland, Ohio State, University of Pittsburgh, and North Carolina State.

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Major Cost Drivers - Updated

2013-14
(\$ in millions)

	Total	Fund Split	
		State	University
Compensation	\$11.4	\$4.1	\$7.3
Mandatory Cost Drivers	9.7	3.3	6.4
Unavoidable Cost Increases	2.2	0.6	1.6
March Presentation Totals	23.3	8.0	15.3
Academic Initiatives: Library Investment	0.6	0.0	0.6
Revised Cost Drivers Total	\$23.9	\$8.0	\$15.9

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Library Expense and Fee

- ❑ Library needs identified as high priority
 - ❑ Funds will be used to support the new Library Transformation Initiative
 - ❑ Library expenditures ranked:
 - ❑ 111th of 115 of the American Research Libraries member institutions
 - ❑ 3rd lowest of SCHEV Peer group
- ❑ Implementation of Library Fee will directly support university's library needs
 - ❑ E&G fee allocation of previously identified tuition revenue
 - ❑ Supports expenses otherwise considered in the budget development process.
 - ❑ These expenses were NOT part of the university's previously identified fixed cost drivers.

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Nonresident Undergraduate Market Update

- ❑ Net Price
 - ❑ Total cost of attendance less average institutional financial aid package.
 - ❑ Key component of the economic decision faced by a student/family.
 - ❑ Findings of Net Price benchmarking for 2010-11 for a Nonresident freshman with assumed household income of \$60,000:

	Cost of Attendance	Net Price
Virginia Tech	\$ 36,400	\$ 31,700
SCHEV Peer Average	38,255	30,754
Advantage/(Disadvantage)	\$ 1,855	\$ (946)

	Cost of Attendance	Net Price
Virginia Tech	\$ 36,400	\$ 31,700
Regional Competitive Peers	38,862	31,265
Advantage/(Disadvantage)	\$ 2,462	\$ (435)

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Additional Tuition and Fee Calculations

Nonresident Undergraduate Alternatives

- ❑ Increase Nonresident undergraduate rate increase by an additional 0.5% (Critical Needs 2)
 - ❑ Total nonresident increase of 5.3% (\$1,385)
 - ❑ Generates an additional \$707k net revenue, equivalent to the revenue generated by 26 nonresident students
- ❑ Increase Nonresident undergraduate rate increase by an additional 1.0% (Critical Needs 3)
 - ❑ Total nonresident tuition increase of 5.8% (\$1,503)
 - ❑ Generates an additional \$1.4m net revenue, equivalent to the revenue generated by 52 nonresident students

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Nonresident Undergraduates

Fall 2012 Enrollment

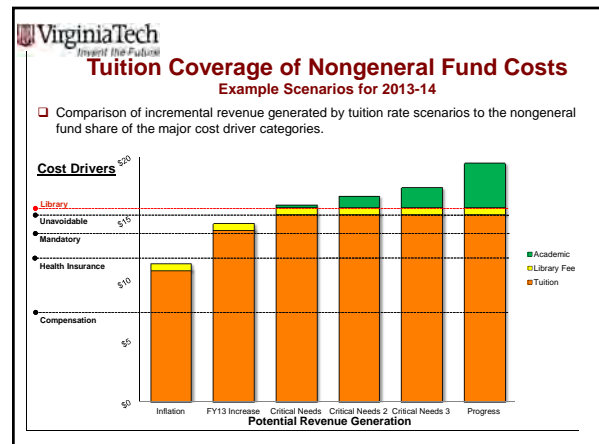
2012-13 Net Tuition Revenue

- ❑ Though only 26% of undergraduate enrollment, nonresidents provide 46% of net undergraduate tuition revenue.
- ❑ Nonresident undergraduate freshmen enrollment has fallen short of target for the last two years by an average of 43 students.

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Revised Potential Tuition & Mandatory Fee Increases Scenarios for 2013-14

Scenarios	Undergraduate		Graduate		Incremental Tuition Revenue
	Resident	Nonresident	Resident	Nonresident	
Current Rate	\$10,923	\$25,915	\$12,413	\$23,266	
Inflation	1.7% \$186				\$11.3m
FY13 Rate Increase	3.9% \$426	4.9% \$1,267	4.9% \$610	5.7% \$1,322	
Critical Needs	4.9% \$532				
Critical Needs 2	4.9% \$532	5.3% \$1,385	4.9% \$610	5.7% \$1,322	\$16.8m
Critical Needs 3	4.9% \$532	5.8% \$1,503			\$17.5m
Progress	7.0% \$764	4.9% \$1,267	4.9% \$610	5.7% \$1,322	\$19.5m



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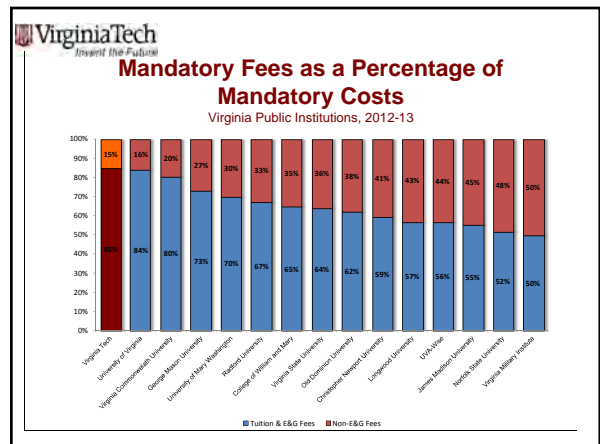
Highlights of the 2013-14 Tuition and Fee Recommendation

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- ### New Tuition Rates to Enhance Access and Year Round Use of Facilities
- ❑ To address the university and Commonwealth goals of:
 - ❑ Providing enhanced opportunities to explore other academic areas and degree options, as well as potentially reducing time-to-degree, and
 - ❑ More fully utilizing facilities throughout the year
 - ❑ The university recommends two specific actions:
 - ❑ Continue the new summer session discount of 10% per credit hour for 2013-14
 - ❑ Apply 10% discounted rate for on-campus instruction during winter session program
 - ❑ Winter session provides opportunities to earn credit between December 29th, 2013 and January 18th, 2014 through in-residence, on-line, blended, and study abroad educational experiences.

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- ### Differential Charges
- ❑ Update Engineering Fee
 - ❑ Update Architecture & Design Fee
 - ❑ New program differential for the Pamplin College of Business
 - ❑ Unique and exceptional costs of maintaining a competitive business curriculum drive additional resource need
 - ❑ Per credit charge for 1000 level courses in 2013-14

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- ### Veterinary Medicine Facility Fee
- ❑ Planned to cover the cost of new instructional addition
 - ❑ Permanent debt issued in 2012-13, cost of capital was less than planning placeholder
 - ❑ 2.5% vs. 4.5%
 - ❑ As a result, the university can reduce the Veterinary Medicine Facility Fee

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- ### On-line Differential Pricing
- ❑ Masters of Information Technology (MIT)
 - ❑ Nationally recognized graduate program offered fully online
 - ❑ Current pricing model has differential rates for resident and nonresident graduate students
 - ❑ New pricing model can capitalize on program reputation and drive broader enrollment
 - ❑ For 2013-14, a pilot pricing program is recommended
 - ❑ Per credit hour for all on-line MIT students
 - ❑ No assessment of the Commonwealth Capital & Equipment fee



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Major Cost Drivers of Auxiliary Fees

Auxiliaries are responsible for 100% of cost increases:

- ❑ State Assigned Compensation
- ❑ State Assigned Health Insurance
- ❑ Fixed costs
- ❑ Operation and maintenance of new facilities
- ❑ Maintenance reserve program

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Undergraduate Scholarships Funds For the Future

- ❑ Funds for the Future ensures existing levels of financial aid are maintained and retain their value over a returning student's four-year academic progression.
- ❑ Funds for the Future works on a sliding scale of family responsibility for coverage of tuition and fee increases.

Family Income (AGI)	Tuition & Fee Increase Protection
\$0 - \$29,999	100%
\$30,000 - \$49,999	75%
\$50,000 - \$74,999	30%
\$75,000 - \$99,999	20%

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Program Benefits of Auxiliary Fee Increases

- ❑ Programmatic
 - ❑ Maintain quality of food product
 - ❑ Address overcrowding of dining facilities
 - ❑ Improve furnishings of dining facilities
 - ❑ Enhance Blacksburg Transit Routes
 - ❑ Additional Recreational Sport Equipment
 - ❑ Expanded Recreational Sport Hours of Operation
 - ❑ Student Budget Board Inflationary Increase
 - ❑ Additional Career planning personnel
 - ❑ Enhance alcohol awareness programming

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Tuition Coverage of Nongeneral Fund Costs

Example Scenarios for 2013-14

- ❑ Comparison of incremental revenue generated by tuition rate scenarios to the nongeneral fund share of the major cost driver categories.

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Key Elements of Recommendation

- ❑ Proposed rates balance the resource needs of the university with price sensitivity
- ❑ Increases are driven largely by fixed increases and unavoidable costs
- ❑ Allows the university to make modest progress in support of university and Commonwealth goals
- ❑ Continues to support access for Virginia resident undergraduates in accordance with the university's Management Agreement is continued
- ❑ Includes differential rates and modified pricing strategies to increase revenues outside of general tuition increase

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Questions?




Update on University Budget & Tuition and Fees



M. Dwight Shelton, Jr.
 VP for Finance and Chief Financial Officer

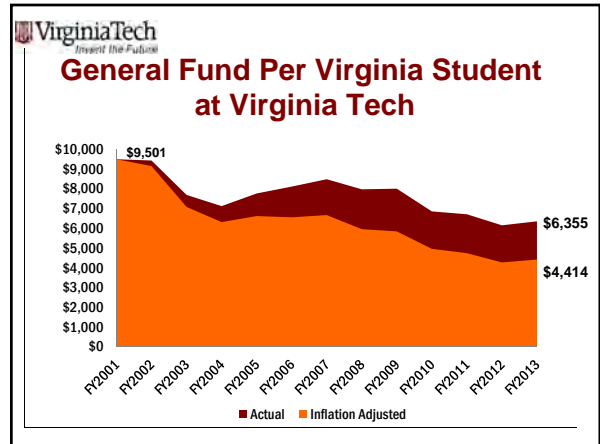
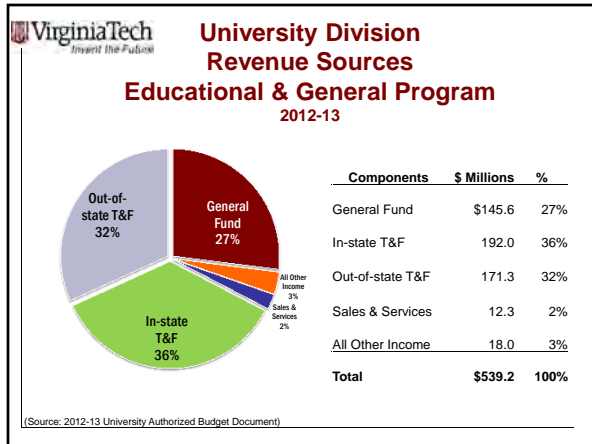
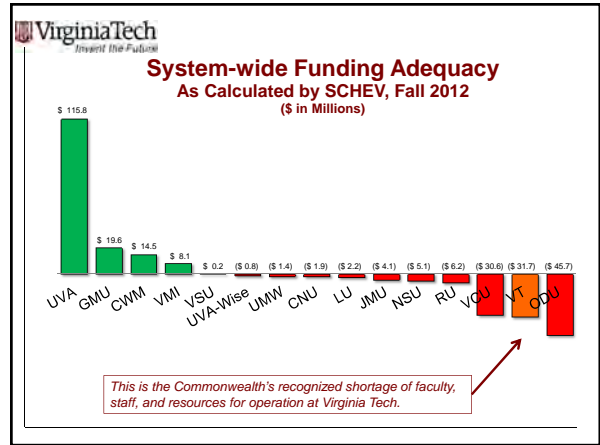

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Unfunded Mandates	0.6	0.0	0.6
Total	\$9.7	\$3.3	\$6.4

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2013-14 E&G Cost Drivers

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Unavoidable Cost Increases

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Enrollment Growth	\$0.9	0.6	0.3
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 - University has targeted this to meet prior commitments.
- 2013 General Assembly added language authorizing institutions of higher education to reallocate up to 1.5% of E&G General Fund support to address faculty compensation, if prioritized by the institution.
 - University plans to utilize this allowance to address retention, compression, and other strategic compensation issues, primarily as an element of the faculty merit process.

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Current Tuition & Fees

2012-13

	Undergraduate		Graduate	
	Resident	Nonresident	Resident	Nonresident
Tuition and E&G Fees	\$9,250	\$23,638	\$10,740	\$20,989
State Capital & Equipment Fee	N/A	\$604	N/A	\$604
Comprehensive Fee (Auxiliary)	\$1,673	\$1,673	\$1,673	\$1,673
Total Tuition and Mandatory Fees	\$10,923	\$25,915	\$12,413	\$23,266

- Student cost share
 - Residents charged 58% of the cost of education
 - Nonresidents charged 149% of the cost of education

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Potential Tuition & Mandatory Fee Increases

Example Scenarios for 2013-14

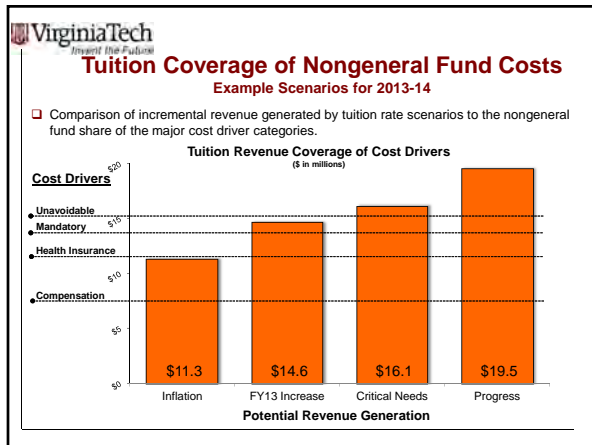
Scenarios	Undergraduate		Graduate		Incremental Tuition Revenue
	Resident	Nonresident	Resident	Nonresident	
Current Rate	\$10,923	\$25,915	\$12,413	\$23,266	
Inflation	1.7% (\$186)				\$11.3m
FY13 Rate Increase	3.9% (\$426)				\$14.6m
Critical Needs	4.9% (\$535)	4.9% (\$1,270)	4.9% (\$608)	5.7% (\$1,326)	\$16.1m
Progress	7.0% (\$764)				\$19.5m

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Projected Tuition and Fee Benchmarks for 2013-14

Resident Undergraduate Scenarios	Ranking within Peer Group of 25 (Current/Projected)			
	Undergraduate		Graduate	
	Resident	Nonresident 4.9%	Resident 4.9%	Nonresident 5.7%
1.7%	11th / 11th			
3.9%	11th / 11th			
4.9%	11th / 11th	16 th / 15 th	13 th / 13 th	17 th / 16 th
7.0%	11th / 11th			

*SCHEV Peer group projection based on average peer increases during 2012-13.



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April Update

Major Cost Drivers and Resource Developments

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Current Tuition & Fee Benchmarks

	2012-13		VT Rank
	VT	Average	
In-state Undergraduate			
Public SCHEV Peers	\$10,923	\$11,073	11 out of 24
Virginia Institutions	\$10,923	\$9,847	4 out of 15
UVA	\$10,923	\$12,006	
CWM	\$10,923	\$13,570	
Out-of-state Undergraduate			
Public SCHEV Peers	\$25,915	\$27,576	16 out of 24
Virginia Institutions	\$25,915	\$25,082	5 out of 15
Regional Competitive Peers (a)	\$25,915	\$25,851	

(a) Regional competitive peers: Pennsylvania State, Rutgers University, University of Maryland, Ohio State, University of Pittsburgh, and North Carolina State.

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Major Cost Drivers - Updated

2013-14
(\$ in millions)

	Total	Fund Split	
		State	University
Compensation	\$11.4	\$4.1	\$7.3
Mandatory Cost Drivers	9.7	3.3	6.4
Unavoidable Cost Increases	2.2	0.6	1.6
March Presentation Totals	23.3	8.0	15.3
Academic Initiatives: Library Investment	0.6	0.0	0.6
Revised Cost Drivers Total	\$23.9	\$8.0	\$15.9

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Library Expense and Fee

- ❑ Library needs identified as high priority
 - ❑ Funds will be used to support the new Library Transformation Initiative
 - ❑ Library expenditures ranked:
 - ❑ 111th of 115 of the American Research Libraries member institutions
 - ❑ 3rd lowest of SCHEV Peer group
- ❑ Implementation of Library Fee will directly support university's library needs
 - ❑ E&G fee allocation of previously identified tuition revenue
 - ❑ Supports expenses otherwise considered in the budget development process.
 - ❑ These expenses were NOT part of the university's previously identified fixed cost drivers.

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Nonresident Undergraduate Market Update

- ❑ Net Price
 - ❑ Total cost of attendance less average institutional financial aid package.
 - ❑ Key component of the economic decision faced by a student/family.
 - ❑ Findings of Net Price benchmarking for 2010-11 for a Nonresident freshman with assumed household income of \$60,000:

	Cost of Attendance	Net Price
Virginia Tech	\$ 36,400	\$ 31,700
SCHEV Peer Average	38,255	30,754
Advantage/(Disadvantage)	\$ 1,855	\$ (946)

	Cost of Attendance	Net Price
Virginia Tech	\$ 36,400	\$ 31,700
Regional Competitive Peers	38,862	31,265
Advantage/(Disadvantage)	\$ 2,462	\$ (435)

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Additional Tuition and Fee Calculations

Nonresident Undergraduate Alternatives

- ❑ Increase Nonresident undergraduate rate increase by an additional 0.5% (Critical Needs 2)
 - ❑ Total nonresident increase of 5.3% (\$1,385)
 - ❑ Generates an additional \$707k net revenue, equivalent to the revenue generated by 26 nonresident students
- ❑ Increase Nonresident undergraduate rate increase by an additional 1.0% (Critical Needs 3)
 - ❑ Total nonresident tuition increase of 5.8% (\$1,503)
 - ❑ Generates an additional \$1.4m net revenue, equivalent to the revenue generated by 52 nonresident students

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Nonresident Undergraduates

Fall 2012 Enrollment

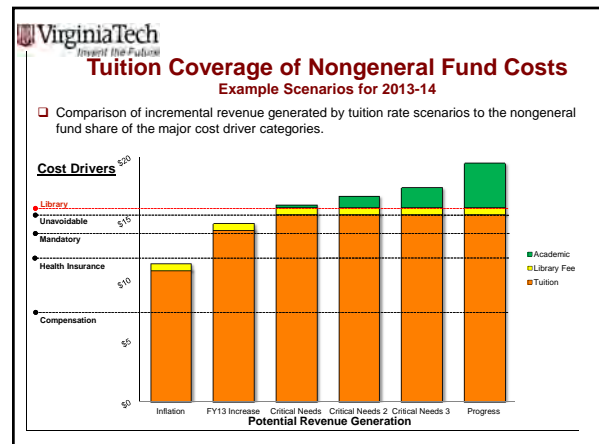
2012-13 Net Tuition Revenue

- ❑ Though only 26% of undergraduate enrollment, nonresidents provide 46% of net undergraduate tuition revenue.
- ❑ Nonresident undergraduate freshmen enrollment has fallen short of target for the last two years by an average of 43 students.

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Revised Potential Tuition & Mandatory Fee Increases Scenarios for 2013-14

Scenarios	Undergraduate		Graduate		Incremental Tuition Revenue
	Resident	Nonresident	Resident	Nonresident	
Current Rate	\$10,923	\$25,915	\$12,413	\$23,266	
Inflation	1.7% \$186				\$11.3m
FY13 Rate Increase	3.9% \$426	4.9% \$1,267	4.9% \$610	5.7% \$1,322	
Critical Needs	4.9% \$532				
Critical Needs 2	4.9% \$532	5.3% \$1,385	4.9% \$610	5.7% \$1,322	\$16.8m
Critical Needs 3	4.9% \$532	5.8% \$1,503			\$17.5m
Progress	7.0% \$764	4.9% \$1,267	4.9% \$610	5.7% \$1,322	\$19.5m



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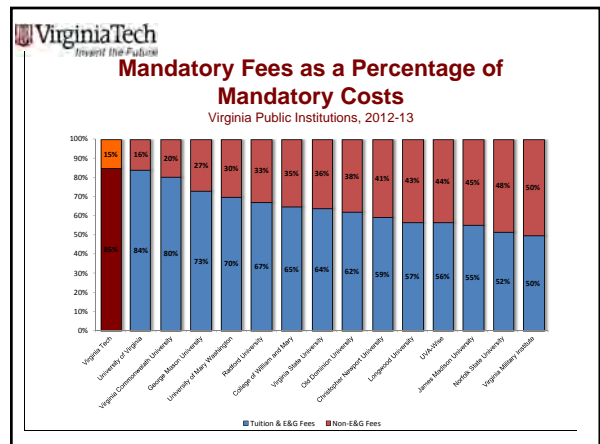
Highlights of the 2013-14 Tuition and Fee Recommendation

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- ### New Tuition Rates to Enhance Access and Year Round Use of Facilities
- ❑ To address the university and Commonwealth goals of:
 - ❑ Providing enhanced opportunities to explore other academic areas and degree options, as well as potentially reducing time-to-degree, and
 - ❑ More fully utilizing facilities throughout the year
 - ❑ The university recommends two specific actions:
 - ❑ Continue the new summer session discount of 10% per credit hour for 2013-14
 - ❑ Apply 10% discounted rate for on-campus instruction during winter session program
 - ❑ Winter session provides opportunities to earn credit between December 29th, 2013 and January 18th, 2014 through in-residence, on-line, blended, and study abroad educational experiences.

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- ### Differential Charges
- ❑ Update Engineering Fee
 - ❑ Update Architecture & Design Fee
 - ❑ New program differential for the Pamplin College of Business
 - ❑ Unique and exceptional costs of maintaining a competitive business curriculum drive additional resource need
 - ❑ Per credit charge for 1000 level courses in 2013-14

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- ### Veterinary Medicine Facility Fee
- ❑ Planned to cover the cost of new instructional addition
 - ❑ Permanent debt issued in 2012-13, cost of capital was less than planning placeholder
 - ❑ 2.5% vs. 4.5%
 - ❑ As a result, the university can reduce the Veterinary Medicine Facility Fee

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- ### On-line Differential Pricing
- ❑ Masters of Information Technology (MIT)
 - ❑ Nationally recognized graduate program offered fully online
 - ❑ Current pricing model has differential rates for resident and nonresident graduate students
 - ❑ New pricing model can capitalize on program reputation and drive broader enrollment
 - ❑ For 2013-14, a pilot pricing program is recommended
 - ❑ Per credit hour for all on-line MIT students
 - ❑ No assessment of the Commonwealth Capital & Equipment fee



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Major Cost Drivers of Auxiliary Fees

Auxiliaries are responsible for 100% of cost increases:

- ❑ State Assigned Compensation
- ❑ State Assigned Health Insurance
- ❑ Fixed costs
- ❑ Operation and maintenance of new facilities
- ❑ Maintenance reserve program

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Undergraduate Scholarships Funds For the Future

- ❑ Funds for the Future ensures existing levels of financial aid are maintained and retain their value over a returning student's four-year academic progression.
- ❑ Funds for the Future works on a sliding scale of family responsibility for coverage of tuition and fee increases.

Family Income (AGI)	Tuition & Fee Increase Protection
\$0 - \$29,999	100%
\$30,000 - \$49,999	75%
\$50,000 - \$74,999	30%
\$75,000 - \$99,999	20%

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Program Benefits of Auxiliary Fee Increases

- ❑ Programmatic
 - ❑ Maintain quality of food product
 - ❑ Address overcrowding of dining facilities
 - ❑ Improve furnishings of dining facilities
 - ❑ Enhance Blacksburg Transit Routes
 - ❑ Additional Recreational Sport Equipment
 - ❑ Expanded Recreational Sport Hours of Operation
 - ❑ Student Budget Board Inflationary Increase
 - ❑ Additional Career planning personnel
 - ❑ Enhance alcohol awareness programming

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Tuition Coverage of Nongeneral Fund Costs

Example Scenarios for 2013-14

- ❑ Comparison of incremental revenue generated by tuition rate scenarios to the nongeneral fund share of the major cost driver categories.

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Key Elements of Recommendation

- ❑ Proposed rates balance the resource needs of the university with price sensitivity
- ❑ Increases are driven largely by fixed increases and unavoidable costs
- ❑ Allows the university to make modest progress in support of university and Commonwealth goals
- ❑ Continues to support access for Virginia resident undergraduates in accordance with the university's Management Agreement is continued
- ❑ Includes differential rates and modified pricing strategies to increase revenues outside of general tuition increase

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Questions?