

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**May 24, 2012**

PRESENT: Greg Boardman, Amy Brunner, Martin Daniel, Mike Ellerbrock, Elizabeth Fine, Justin Graves (for Allante Nelson), Wendy Herdman, Tim Hodge, Hugh Latimer, Maxine Lyons, Mark McNamee, Bruce Pencek (for Connie Stovall), John Phillips, Ken Smith

ABSENT: Tom Caceci, Erik Ervin, Andrew McCoy, Quinton Nottingham, Dwight Shelton

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 APRIL 26, 2012 MINUTES

Dr. McNamee announced that the minutes of the April 26, 2012 meeting have been approved and sent to University Council for posting on the web.

3. TUITION AND FEES

a. Key decisions: Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, reviewed a presentation overviewing the university's 208 E&G budget in terms of its funding composition, funding need, development process, outlook for 2013-14, cost drivers for 2012-13, an analysis of state support to assist with the costs, the resources needed to balance the budget, the factors considered in establishing tuition rates, and the three tuition options reviewed with the Board of Visitors. He reported that the Board of Visitors approved Option 2 of the three proposed tuition and fee options presented at the special board meeting on May 17, 2012. The Commonwealth's Capital and Equipment Fee was also increased \$35 to \$604 by the Commonwealth. To encourage access and year round use of facilities and enable academic innovation, the summer 2013 tuition rates for on-campus undergraduates was streamlined to a credit hour basis and a 10% discount was provided as an incentive. The Funds for the Future program shelters returning undergraduate students for a portion of the impact of tuition increases based on student family income.

4. BUDGET DEVELOPMENT UPDATE

a. Costs identified for next year's budget: This was covered in item 3a.  
b. Potential reduction and reallocation options: as part of the presentation, Mr. Hodge discussed several scenarios that were shared with the Board as potential options for balancing the budget including asking the colleges to fund a portion of the state's assigned bonus program. Dr McNamee shared that it was difficult to balance the presentation with all of the various perspectives of different constituencies. Mr. Hodge reviewed that the development of the 2012-13 budget is ongoing. The outlook for 2013-14 and beyond is likely resource constrained, and will require consideration of strategies

to maximize limited resources and enhance resources through various strategies such as differential pricing.

The presentation describing this information was provided to council members and is attached to these minutes.

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



Budget Development and Tuition 2012-13



# University Budget Structure

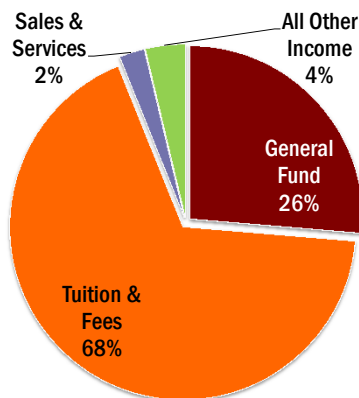
# University Budget

Fiscal Year 2011-12  
\$ in millions

<u>Program Category</u>	<u>Total Budget</u>
E&G	
University Division (208)	514.2
Coop Extension/Ag Exp Division (229)	75.1
Total E&G	589.3
Student Financial Aid (state)	18.2
Auxiliary Enterprises	241.7
Sponsored Programs	283.2
All Other Programs	5.6
<b>University Budget</b>	<b>1,138.0</b>

(Source: 2011-12 University Authorized Budget Document)

## University Division Revenue Sources Educational & General Program 2011-12



<u>Components</u>	<u>\$ Millions</u>	<u>%</u>
General Fund	\$135.4	26%
Tuition and Fees	347.5	68%
Sales & Services	12.2	2%
All Other Income	19.1	4%
<b>Total</b>	<b>\$514.2</b>	<b>100%</b>

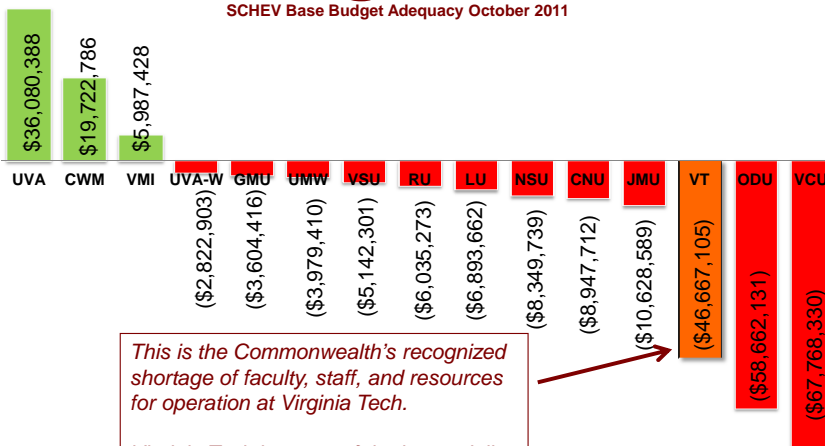
(Source: 2011-12 University Authorized Budget Document)

## Funding Need

*Each Institution has a unique funding need  
 computed by the  
 State Council on Higher Education for Virginia (SCHEV)*

## Funding Shortfall

SCHEV Base Budget Adequacy October 2011



*This is the Commonwealth's recognized  
 shortage of faculty, staff, and resources  
 for operation at Virginia Tech.*

*Virginia Tech has one of the larger dollar  
 and percentage shortfalls in the state.*



## 2012-13 University Budget Development

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## Multiyear Planning Process

- All flexible state support comes in first year of biennium
  - 2013-14 currently does not have additional flexible General Fund
- Campus has and is working to increase efficiency
  - Investments in technology
  - Energy efficiency

## Major Cost Drivers FY13

### Mandatory Cost Drivers

*\$ in millions*

State Cost Assignments (VRS 2.18%, health 12%)	\$ 4.3
Fixed Cost Increases	2.1
Operation & Maintenance of New Facilities	1.5
Debt service: classrooms in Academic & Student Affairs Building	1.0
SACS Requirement (QEP)	0.4
Contract Inflation (e.g. IT, service)	0.5
60% NGF share of 3% Bonus	6.3

*Subtotal* \$ 16.1

## Major Cost Drivers FY13

*cont'd.*

### Commitments

*\$ in millions*

Instructional support for enrollment growth	\$ 3.2
High Performance Computing	2.1
Student Financial Aid (BOV scorecard metric, Mgt Agreement)	1.0
Research investment obligations (One-time in FY12)	0.9
Start up commitments	0.7
Safety & Security	0.7
Technology (Research Administration System)	0.6
Research compliance	0.5

*Subtotal* \$ 9.7

## Major Cost Drivers FY13

*cont'd.*

*\$ in millions*

### **Priority Initiatives**

1% Compensation Alignment Pool	\$ 3.5
Instructional technology (Video Broadcast Services)	1.0
Classroom renewal	0.7
0.25% Retention Pool	0.7
Library	0.5
Support program needs (legal, communications, admin)	0.5
<i>Spring budget process - critical needs placeholder</i>	<i>1.5</i>

*Subtotal* \$ 8.4

## Major Cost Drivers FY13

*cont'd.*

### **Summary of Cost Drivers**

Mandatory Cost Drivers	\$16.1
Commitments	9.7
Priority Initiatives	8.4
	<u>8.4</u>
<b>Total</b>	<b><u>\$34.2</u></b>



## **State Support**

### **Incremental General Fund - 2012 Session** **Virginia Public Institutions**

<u>Institution</u>	<u>\$</u>	<u>% of E&amp;G GF</u>
University of Virginia-Wise	\$1,163,446	10.3%
Virginia Military Institute	656,731	8.8%
Old Dominion University	6,843,230	7.5%
James Madison University	4,459,719	7.1%
Christopher Newport University	1,448,183	6.5%
Radford University	2,496,436	6.3%
University of Mary Washington	1,121,555	6.2%
Virginia State University	1,731,790	6.2%
Longwood University	1,118,763	5.1%
Virginia Commonwealth University	7,166,101	5.0%
Norfolk State University	1,818,964	4.8%
George Mason University	4,992,484	4.6%
College of William & Mary	1,097,190	3.1%
University of Virginia	3,470,242	3.1%
<b>Virginia Tech</b>	<b>3,887,079</b>	<b>3.0%</b>

## Cost Drivers and Resources 2012-13

Costs	\$ (34.2)
General Fund (\$3.8M - restricted funds)	3.3
Enrollment Growth (+50 ISUG)	0.4
<b>Surplus/(Shortfall)</b>	<b>\$ (30.5)</b>

## 2012-13 Tuition & Fee Development

## 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/Needs
  - Nongeneral fund cost assignments
- Market
  - SCHEV Peers
  - Competitive Peers
  - Net Price Benchmarking
- Level of state support
- Guidance (e.g. from Governor, General Assembly, Board)

## Tuition Options

Three options for 2012-13 tuition and fees:

### Option 1:

- 4.7% for tuition for Virginia undergraduates**
- 4.9% for tuition and mandatory fees
- Range of room and board increases which span from 6.6% to 7.4%

### Option 2:

- 3.8% tuition for Virginia undergraduates**
- 3.9% tuition and mandatory fees
- Range of room and board increases which span from 3.8% to 6%

### Option 3:

- 2.9% tuition for Virginia undergraduates**
- 3.2% tuition and mandatory fees
- Range of room and board increases which span from 3.8% to 6%

## Virginia Undergraduates Option Two

	2011-12	Proposed	Increase	
	Charge	2012-13	\$	%
Tuition	\$8,852	\$9,187	\$335	3.8%
Comprehensive and E&G Fees	1,657	1,736	79	4.8%
<i>Tuition &amp; Mandatory Fees</i>	\$10,509	\$10,923	\$414	3.9%

## 2012-13 Tuition

	2011-12	Proposed	Rate Increase	
	Charge	2012-13	\$	%
<b><u>Undergraduate Students</u></b>				
Resident	\$ 8,852	\$ 9,187	\$ 335	3.8%
Nonresident	22,254	23,575	1,321	5.9%
<b><u>Graduate Students</u></b>				
On-Campus Programs				
Resident	10,048	10,677	629	6.3%
Nonresident	19,497	20,926	1,429	7.3%
Off-Campus Programs				
Resident	11,124	11,822	698	6.3%
Nonresident	20,902	22,435	1,533	7.3%

## 2012-13 E&G Fees

- Technology Fee:** To offset additional costs of university's communication network, e911 system, and emergency communications systems.
- Commonwealth Capital and Equipment Fee:** 2012 General Assembly increased assessment by \$35 per year for nonresident students. Revenue passed directly to state to service debt for facilities and equipment.

	2011-12 Charge	Proposed 2012-13	Increase	
			\$	%
Technology Fee	47	63	16	34.0%
Commonwealth Capital and Equipment Fee (Nonresident only)	569	604	35	6.2%

## Access and Year Round Use of Facilities

Summer 2013 tuition rate reduction for on-campus undergraduates

- Streamline process to credit-hour basis**
  - Enables innovation in course and timetable
- Discount of 10% per credit hour**
  - Undergraduate student incentive to study year round on campus.
  - 2012-13 per credit hour rate proposal:

<u>Undergraduate On-Campus</u>	<u>Regular Session</u>	<u>Summer Session</u>
Resident Credit Hour	\$386.25	\$348.00
Nonresident Credit Hour	982.25	884.00

**Scenario 1**  
**4.9% Virginia Undergraduate Tuition**

\$	Reduction and Reallocation Strategy and Impact
-0.5	Reduce student financial aid derived from tuition revenue. Reduced student access or increase in student loans.
-6.3	Assign 60% (NGF share) of 3% bonus costs to colleges and administrative units. Numerous impacts as units hold back base expenditures, reduce support for faculty,
-1.0	Reassign strategic ETF allocation to operational distance learning issue. Eliminates \$1.0 M in strategically planned research equipment to further position faculty to pursue large competitive grants and contracts.
-2.0	Assign new one-time research ETF allocation to high performance computing. Many faculty across the university will not have incremental ETF resources to support their research program.
-0.5	Assign contract escalation costs to responsible units. Differential reductions to administrative units, e.g., IT, where less funds will be available for staff.
-0.7	Reallocate one-time savings (energy savings from warm winter) to ensure functional classrooms. Reduced capacity to address promised support for faculty start up costs.
-1.9	Reallocate existing funds to cover enrollment growth. Not able to reduce faculty shortfall from \$46M Base Budget Adequacy shortfall and improve availability of course sections; not able to improve below average faculty salaries which further increases
-0.4	Lengthen financing plan for communications system. Pulls funds from future budgets -- resources available in future years will be reduced.
<b>-13.3</b>	<b>TOTAL REDUCTIONS AND REALLOCATIONS</b>

**Scenario 2**  
**3.9% Virginia Undergraduate Tuition**

\$	Reduction and Reallocation Strategy and Impact
-0.2	Further reduce student financial aid derived from tuition revenue. Further reduced student access or increase in student loans.
-0.1	Eliminate faculty position -- high performance computing. Reduces high performance computing efforts
-0.2	Reduce support for research administration system. Assign differential budget reductions to stakeholders.
-0.2	Reduce support for classroom video renewal. Reduce ability to deliver distance learning and advance the goals of Top Jobs 21.
-0.2	Reduce classroom repairs program. Reduces capacity to provide conducive learning environment on aging physical plant and defers refurbishment of biology laboratories.
-0.2	Further lengthen financing plan for communications system. Pulls additional funds from future budgets -- resources available in future years will be reduced.
-0.2	Eliminate research compliance position. Reduces support for IT-related research compliance for faculty -- faculty will be on their own to implement policies.
<b>-1.3</b>	<b>INCREMENTAL REDUCTIONS</b>
<b>-14.6</b>	<b>TOTAL REDUCTIONS AND REALLOCATIONS</b>

## Tuition & Mandatory Fee Increases 2012-13

Sorted by Percentage Increase

Institution	Tuition & Mandatory Fee Increase	%
Old Dominion University	TBD	TBD
University of Virginia-Wise	\$386	5.0%
University of Mary Washington	440	5.0%
Virginia Military Institute	651	4.9%
Christopher Newport University	488	4.8%
Virginia State University	330	4.7%
James Madison University	360	4.3%
Virginia Commonwealth University	368	3.9%
Virginia Tech Option 2	414	3.9%
George Mason University	354	3.8%
University of Virginia	430	3.7%
Longwood University	360	3.4%
College of William & Mary	438	3.3%
Radford University	270	3.2%
Norfolk State University	80	1.2%

## Undergraduate Scholarships Funds For the Future

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

Family Income (AGI)	Virginia Resident Undergraduate Tuition and Fee Increase	Net Impact of Tuition & Fee Increase
\$0 - \$29,999	3.9%	0%
\$30,000 - \$49,999	3.9%	1.0%
\$50,000 - \$74,999	3.9%	2.7%
\$75,000 - \$100,000	3.9%	3.1%

## Differential Pricing

- ❑ The university has expanded and enhanced its review of various revenue alternatives including differential pricing.
- ❑ The university will continue to study this issue over the coming months to allow time to further analyze the market, value demand to address exceptional program costs, and engage the appropriate constituencies to ensure a congruent solution.
- ❑ The university envisions bringing forth these new strategies for 2013-14 as part of the tuition and fee process in spring 2013.
- ❑ The university's budget planning model forecasts a highly constrained fiscal environment for 2013-14 for which these resources will be critical.

## 2011-12 Public Peer Institutions Instate Undergraduate

Institutions	Tuition and	Total Cost	
	Mandatory Fees		Rank
	\$	\$	
University of California, Berkeley	12,834	28,106	1
University of California, Davis	13,860	26,557	2
University of Pittsburgh	16,132	25,562	3
Pennsylvania State	15,984	25,404	4
University of Illinois, Urbana	14,581	24,661	5
Rutgers University, New Brunswick	12,754	24,016	6
University of Michigan, Ann Arbor	12,634	23,162	7
University of Washington, Seattle	10,574	20,924	8
Michigan State	12,769	20,923	9
University of Minnesota, Twin Cities	13,022	20,856	10
Ohio State	9,735	20,517	11
University of Colorado, Boulder	9,152	20,430	12
University of Texas, Austin	9,794	20,216	13
Purdue, West Lafayette	9,478	18,988	14
University of Maryland, College Park	8,655	18,532	15
SUNY at Buffalo	7,482	18,210	16
University of Missouri-Columbia	8,989	17,632	17
Stony Brook University	6,994	17,568	18
University of Wisconsin, Madison	9,665	17,389	19
<b>Virginia Tech</b>	<b>10,509</b>	<b>17,365</b>	<b>20</b>
Texas A&M	8,421	16,621	21
North Carolina State	7,018	15,554	22
Iowa State	7,486	15,468	23
University of Florida	5,657	14,457	24





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## 2011-12 Competitive Peer Institutions Out-of-state Undergraduate

Institutions	Tuition and Mandatory Fees		Rank
	\$	\$	
University of California, Berkeley	\$ 35,712	\$ 50,984	1
University of California, Davis	\$ 36,738	\$ 49,435	2
University of Michigan, Ann Arbor	\$ 37,782	\$ 48,310	3
University of Texas, Austin	\$ 32,506	\$ 42,928	4
University of Colorado, Boulder	\$ 30,330	\$ 41,608	5
University of Illinois, Urbana	\$ 29,953	\$ 40,033	6
Michigan State	\$ 31,639	\$ 39,793	7
University of Washington, Seattle	\$ 28,058	\$ 38,408	8
<b>Pennsylvania State</b>	<b>\$ 28,066</b>	<b>\$ 37,486</b>	<b>9</b>
Purdue, West Lafayette	\$ 27,646	\$ 37,156	10
University of Florida	\$ 27,934	\$ 36,734	11
<b>Rutgers University, New Brunswick</b>	<b>\$ 25,416</b>	<b>\$ 36,678</b>	<b>12</b>
University of Maryland, College Park	\$ 26,026	\$ 35,903	13
Ohio State	\$ 24,630	\$ 35,412	14
<b>University of Pittsburgh</b>	<b>\$ 25,540</b>	<b>\$ 34,970</b>	<b>15</b>
University of Wisconsin, Madison	\$ 25,415	\$ 33,139	16
Texas A&M	\$ 23,811	\$ 32,011	17
<b>Virginia Tech</b>	<b>\$ 24,480</b>	<b>\$ 31,336</b>	<b>18</b>
University of Missouri-Columbia	\$ 21,784	\$ 30,427	19
<b>North Carolina State</b>	<b>\$ 19,853</b>	<b>\$ 28,389</b>	<b>20</b>
SUNY at Buffalo	\$ 16,932	\$ 27,660	21
Iowa State	\$ 19,358	\$ 27,340	22
Stony Brook University	\$ 16,444	\$ 27,018	23
University of Minnesota, Twin Cities	\$ 18,022	\$ 25,856	24



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## 2011-12 Public Peer Institutions Instate Graduate

Institutions	Tuition and Mandatory Fees	
	\$	Rank
University of Pittsburgh	19,514	1
University of Michigan, Ann Arbor	18,860	2
Pennsylvania State	18,032	3
Rutgers University, New Brunswick	16,531	4
University of Illinois, Urbana	15,727	5
University of Minnesota-Twin Cities	15,240	6
University of Maryland, College Park	13,983	7
Michigan State	13,656	8
University of California, Davis	13,105	9
University of Washington, Seattle	12,898	10
University of California, Berkeley	12,834	11
University of Florida	11,954	12
Ohio State	11,823	13
<b>Virginia Tech</b>	<b>11,705</b>	<b>14</b>
University of Wisconsin, Madison	11,369	15
University of Colorado, Boulder	10,867	16
University of Texas, Austin	10,610	17
SUNY at Buffalo	10,536	18
Stony Brook University	9,974	19
Purdue, West Lafayette	9,478	20
University of Missouri-Columbia	8,866	21
Iowa State	8,508	22
Texas A&M	8,180	23
North Carolina State	7,834	24



**2011-12 Public Peer Institutions  
Out-of-state Graduate**

<u>Institutions</u>	<u>Tuition and Mandatory Fees</u>	
	<u>\$</u>	<u>Rank</u>
University of Michigan, Ann Arbor	\$37,920	1
University of Pittsburgh	\$31,476	2
Pennsylvania State	\$30,516	3
University of Florida	\$29,348	4
Ohio State	\$28,548	5
University of Maryland, College Park	\$28,527	6
University of California, Davis	\$28,207	7
University of Illinois, Urbana	\$27,955	8
University of California, Berkeley	\$27,936	9
Purdue, West Lafayette	\$27,646	10
Michigan State	\$26,820	11
University of Colorado, Boulder	\$26,743	12
University of Washington, Seattle	\$25,768	13
Rutgers University, New Brunswick	\$25,531	14
University of Wisconsin, Madison	\$25,127	15
University of Minnesota, Twin Cities	\$22,694	16
<b>Virginia Tech</b>	<b>\$21,723</b>	<b>17</b>
University of Missouri-Columbia	\$21,269	18
Iowa State	\$20,224	19
University of Texas, Austin	\$20,108	20
North Carolina State	\$19,882	21
SUNY at Buffalo	\$16,826	22
Stony Brook University	\$16,264	23
Texas A&M	\$15,692	24



**2011-12 Public Virginia Institutions  
Instate Undergraduate**

<u>Institutions</u>	<u>Tuition and Mandatory Fees</u>	<u>Total Cost</u>	<u>Rank</u>
	<u>\$</u>	<u>\$</u>	
William and Mary	\$13,132	\$22,024	1
University of Virginia	\$11,576	\$20,612	2
Virginia Military Institute	\$13,184	\$20,360	3
Christopher Newport University	\$10,084	\$19,612	4
Longwood University	\$10,530	\$18,664	5
Virginia Commonwealth University	\$9,517	\$18,163	6
George Mason University	\$9,266	\$17,666	7
<b>Virginia Tech</b>	<b>\$10,509</b>	<b>\$17,365</b>	<b>8</b>
University of Mary Washington	\$8,806	\$17,274	9
James Madison University	\$8,448	\$16,788	10
University of Virginia's College at Wise	\$7,813	\$16,703	11
Old Dominion University	\$8,144	\$16,362	12
Virginia State University	\$7,090	\$15,970	13
Radford University	\$8,320	\$15,909	14
Norfolk State University	\$6,600	\$14,527	15



**VirginiaTech** **2011-12 Public Virginia Institutions**  
*Invent the Future* **Out-of-State Undergraduate**

<b>Institutions</b>	<b>Tuition and Mandatory Fees</b>	<b>Total Cost</b>	<b>Rank</b>
University of Virginia	\$ 36,570	\$ 45,606	1
William and Mary	\$ 35,962	\$ 44,854	2
Virginia Military Institute	\$ 32,164	\$ 39,610	3
George Mason University	\$ 26,744	\$ 35,144	4
Virginia Commonwealth University	\$ 22,949	\$ 31,595	5
<b>Virginia Tech</b>	<b>\$ 24,480</b>	<b>\$ 31,336</b>	<b>6</b>
Old Dominion University	\$ 22,484	\$ 30,702	7
Longwood University	\$ 22,380	\$ 30,494	8
University of Virginia's College at Wise	\$ 21,428	\$ 30,318	9
James Madison University	\$ 21,738	\$ 30,078	10
University of Mary Washington	\$ 20,534	\$ 29,002	11
Christopher Newport University	\$ 19,306	\$ 28,834	12
Norfolk State University	\$ 20,243	\$ 28,170	13
Radford University	\$ 19,478	\$ 27,067	14
Virginia State University	\$ 15,988	\$ 24,868	15