

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
August 27, 2015

PRESENT: Brett Besag, Virginia Buechner-Maxwell, Carolyn Copenheaver, Tim Hodge, Stephen Kleiber, Tom Bell (for Herve Marand), Quinton Nottingham, Leslie O'Brien, Thanassis Rikakis, Hans Robinson, Dwight Shelton, Ken Smith, Jason Soileau, Sue Teel, Benjamin Tracy

ABSENT: Henri deHahn, William Knocke, John Tedesco

1. CALL TO ORDER AND WELCOME NEW MEMBERS

Mr. Dwight Shelton, Vice President for Finance and CFO, called the meeting to order. Mr. Shelton introduced himself then asked members to introduce themselves, as it was the first meeting of the 2015-16 fiscal year, and because this was the first meeting for Dr. Thanassis Rikakis, VT's new Executive Vice President and Provost.

2. APPROVAL OF THE APRIL 23, 2015 MINUTES

Mr. Shelton stated that the April 23, 2015 minutes have been approved and forwarded to the University Council for posting on the web.

3. OVERVIEW AND GENERAL DISCUSSION OF THE ACTIVITIES OF THE COUNCIL

Mr. Shelton gave an overview of the Council's purpose and noted examples of how input from Council members has been used in the past. He encouraged current members to give him feedback and asked them to share any topics they would like to discuss during the upcoming year. Mr. Shelton explained that the committee has taken on several roles since its inception in the 1990's, including working through several rounds of budget reductions, and advising on issues of strategic and financial importance to the university.

4. EXTERNAL OPERATING BUDGET TIMELINE

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, provided an overview of the state budget process and timeline, and explained that the committee would be updated at future meetings as the state budget process unfolded. Mr. Hodge noted that a couple of issues to watch in the coming months that may have an impact on the state, budget will be state revenue forecasts and potential federal sequestration. A handout of the external budget timeline is attached to these minutes.

5. UPDATE ON STATE-REQUIRED 6-YEAR ACADEMIC, FINACIAL & ENROLLMENT PLAN

Mr. Shelton provided an overview of the university's six-year plan that was presented to state officials on Monday the 24th. Mr. Shelton described the history of legislation that formalized the process of submitting a six-year plan that included within it an academic, financial and enrollment plan. Dr. Rikakis then presented an overview of the academic plan, and how the university is positioning itself for resources from the state by accentuating VT's strengths in STEM areas, but also in integrating technology into non-STEM programs.

Dr. Ken Smith, Vice Provost for Resource Management & Institutional Effectiveness, then provided an overview of the university's enrollment portion of the six-year plan, noting an estimated growth of the incoming class each year of 200 in-state undergraduate students each year, for a total enrollment growth plan of adding 2,000 undergraduate students over 4 years.

Mr. Hodge then provided a summary of the financial plan, including proposed costs for research and enrollment growth, but also for compensation programs and fixed cost increases (e.g. utility costs, etc.). Mr. Hodge noted that the university also submits a plan for the Cooperative Extension and Agricultural Experiment Station (Agency 229), and reviewed the financial aspects of that plan with the committee. Mr. Hodge noted that the revenue estimates the university includes in this plan are based on a placeholder for tuition increases that is subject to change. Finally, Mr. Hodge reviewed the timeline for the university to receive feedback on this plan from the state, and request final board approval in November. The presentation on the six-year plan is attached to these minutes.

6. No further business was discussed, and the meeting adjourned at 4:09 p.m.



2016-2022 Six-Year Academic, Financial, and Enrollment Plan

University Advisory Council on Strategic Budgeting and Planning

August 27, 2015

Background

- **Six-Year Plan is a requirement of the Higher Education Opportunity Act of 2011 (HEOA)**
- **Based on the Commonwealth's goals and objectives for higher education**
- **Focuses on four key areas:**
 - Financial Aid for low and middle-income families
 - Optimal year-round use of facilities
 - Instructional resource sharing program with other institutions of higher education in Virginia
 - Enrollment growth and degree completion

Components of Six-Year Plan

1. Academic plan

- Contains strategies that advance the university's strategic plan
- Provides support for the state's objectives in the HEOA

2. Financial Plan

- Estimated costs of academic strategies and other institutional cost drivers
- Identifies potential revenues and reallocations to resource the plan

3. Enrollment Plan

- SCHEV "2B" 6-year enrollment plan

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Basis of University Submission

- Continues previous plan initiatives
- Considered strategies in response to each area enumerated within the HEOA and SCHEV's new statewide strategic plan.
- Adds/updates new strategies
- Reflects current enrollment growth plan
- Continues the state's traditional salary competitiveness program
- Plans for increased affordability through additional student financial aid
- Operating Budgets: projections of state cost assignments, unavoidable cost increases, and fringe benefits

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Academic Plan Strategies

- Examples of initiatives to be included using this approach include:
 - Advancing Strategic Research Opportunities
 - Expanding and Enhance STEM-H Degree Production
 - Ensuring Access for Low and Middle-Income Families by Continuing to Expand Need-based Financial Aid to Undergraduate Students
 - Increasing Virginia Undergraduate Enrollment

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The 21st Century Land Grant Mission: *Mapping academic activity to ever-changing market needs*

**Research and Research
Institutes - 10 year change rate**



Translational Research -----

Market – 5 year change rate



Workforce Pipeline -----

**Education and Academic
Disciplines - 25 year change rate**



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The 21st Century Land Grant Mission: Mapping academic activity to ever-changing market needs – example of Autonomous Systems

Research and Research
Institutes - 10 year change rate



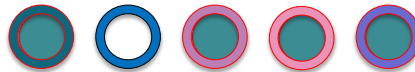
Translational Research -----

Market – 5 year change rate



Workforce Pipeline -----

Education and Academic
Disciplines - 25 year change rate



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What may this model mean for VT?

- **A very large, integrative and unique STEM-H portfolio**
 - Embedded across the majority of disciplines and institutes
 - Differentiation within the Commonwealth
- **A balance between**
 - Dynamicity and knowledge accumulation
 - Market demand and academic pursuit
 - Engineering and other disciplines
- **A unique opportunity to leverage in an integrative manner**
 - VT technology strengths
 - Comprehensive university nature
 - 21st century land grant mission

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Virginia Tech's successful and expanding research shapes the curriculum.

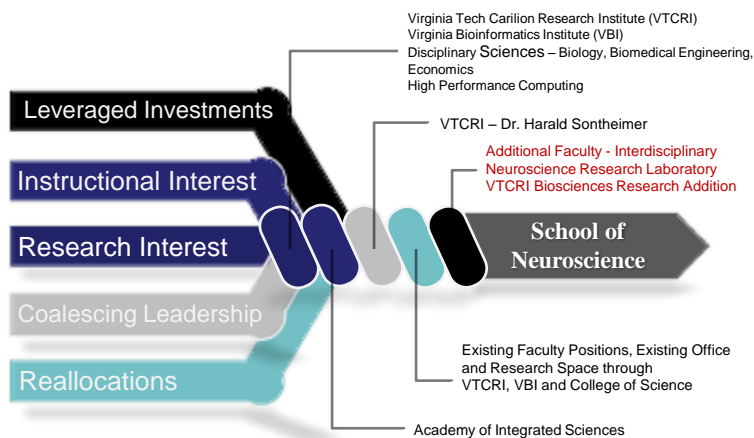


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STEM-H Education at VT

- A Hands-On, Minds-On approach
- Problem-based active learning classroom and research experiences
- **New Degrees Recently Approved or In-Progress**
 - Neuroscience
 - Nanoscience
 - Water: Resources Policy and Management
 - Computational Modeling and Data Analytics
 - Systems Biology
 - Biomedical Engineering

Evolution of Neuroscience Initiative



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Intersection of Arts and Technology

While many industries are in decline, the creative economy is one of the most rapidly growing sectors in the world economy. UNESCO (2013)

Arts and cultural production accounts for 4.3% or almost \$700B of U.S. GDP. Bureau of Economic Analysis (2015)

- Catalyzed by our Institute for Creativity, Arts and Technology
- Preparing students at all levels, across STEM-H, General Education and Liberal Arts, to be successful in an economy that rewards the integration of technical knowledge, cultural competence, collaboration and creativity.
- Campus programs and partnerships with the K-12 systems and the broader community
 - Visual Art → Big Data Visualization
 - Architectural Design and Urban Planning → Smart Cities
 - Communication Design → User experience/User Interface design
 - Top Down Marketing → Participatory Culture Analytics
 - Music Theory → Statistical Feature Analysis
 - Comparative Literature → Computational Linguistics

Expanding Access

- As a Land Grant institution, serving Virginians is our primary goal.
- Currently experiencing a significant increase in demand.
- Applications reached a new high for fall 2015; this reflects an increase of 7.6% over the previous year.
 - **Both in-state and out-of-state demand has increased**
- Demand is broad-based and includes several areas where Virginia Tech is in a strong or unique position to provide access to qualified students.
- STEM-H areas offer an opportunity for the university to support enrollment demand that directly impacts the commonwealth's economy.

Enrollment Highlights

- Record student demand reaches across all colleges.
- Enrollment growth provides opportunity to expand access to Virginia undergraduates.
- Opportunity to enhance diversity and campus enrichment
- Enhance state economic growth and degree attainment goals

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Enrollment Plan

Headcount On/Off-Campus Total

Student Group	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Entering In-State Undergraduates	3,968	3,968	3,968	3,968	3,968	3,968	3,968
Entering Out-of-State Undergraduates	1,933	1,933	1,933	1,933	1,933	1,933	1,933
Continuing Undergraduates and Transfer Students	19,104	19,634	20,167	20,605	20,729	20,758	20,771
Total Undergraduate	25,005	25,535	26,068	26,506	26,630	26,659	26,672
Masters and Doctoral	6,431	6,452	6,580	6,677	6,807	6,954	7,110
Veterinary Medicine	486	490	495	495	495	495	495
Total Graduate	6,917	6,942	7,075	7,172	7,302	7,449	7,605
Total Enrollment	31,922	32,477	33,143	33,678	33,932	34,108	34,277

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Financial and Operating Costs

- Ensure Competitive Faculty and Staff Salaries
- Library Services and Collections Enhancement
- Operations & Maintenance of New Facilities
- Fixed Cost Increases
- Fringe Benefit Rate Increases

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University Division Academic Strategy Highlights

Initiative	2016-2017	2017-2018*
Advance Strategic Research Opportunities & Innovation Ecosystem	\$4.9	\$9.7
Increase Access for Virginia Undergraduates	\$6.3	\$12.9
Expand STEM-Health Degree Production; Neuro & Health Sciences	\$3.0	\$6.1
Support Faculty Start-Up, STEM-H Labs	\$1.8	\$3.5
Ensure Access and Affordability for Low and Middle Income Families	\$1.5	\$3.0
Support Timely Degree Production and Student Advising	\$1.8	\$3.0
Increase Graduate Enrollment in Strategic Areas	\$0.9	\$1.8
Increase Support for Unique Military Activities	\$0.2	\$0.2
Advance Institutional Efficiencies	\$0.9	\$2.0
Strategic Reallocations	(\$1.8)	(\$3.6)

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* 2017-18 costs are cumulative of both years of the biennium

\$ in millions

University Division Operating Budget Needs

Initiative	2016-2017	2017-2018*
Faculty salary progress to the 60th percentile of peers	\$8.9	\$18.2
Administrative Professional salaries	\$2.9	\$5.9
Staff salaries	\$2.0	\$4.1
Additional Faculty	\$1.9	\$3.8
Library Enhancements	\$0.8	\$1.5
Operation and maintenance of new facilities coming online	\$0.9	\$1.2
Utility Costs	\$0.4	\$0.8
Fringe rate increases	\$2.7	\$5.6
VRS Increases	\$0.7	\$1.4

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* 2017-18 costs are cumulative of both years of the biennium

\$ in millions

Cooperative Extension and Agricultural Experiment Station Division Academic and Operating Budget Needs (CE/AES)

Initiative	2016-2017	2017-2018*
Faculty salary progress to the 60th percentile of peers	\$0.9	\$1.9
Administrative Professional salaries	\$0.5	\$1.0
Staff salaries	\$0.4	\$0.8
Advance Translational Agricultural Biosciences	\$0.8	\$1.5
Utility Costs	\$0.3	\$0.5
Fringe rate increases	\$0.5	\$1.0
VRS Increases	\$0.1	\$0.3

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* 2017-18 costs are cumulative of both years of the biennium

\$ in millions

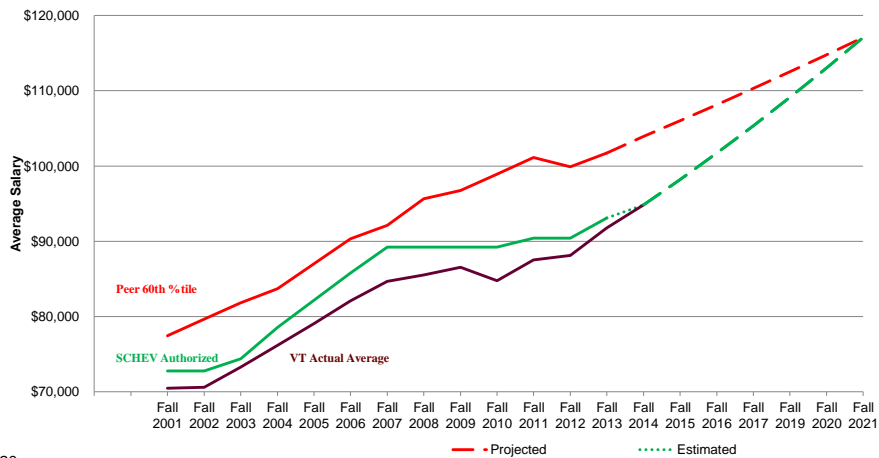
Faculty Compensation Strategy

- An annual merit process can continue recent progress and enhance the ability to recruit and retain high-quality faculty.
- To reach the 60th percentile of peer salaries, VT will need to increase the average salary by 3.6% per year over 6 years.
- If the Commonwealth cannot contribute to a faculty salary increase annually, VT will plan for a modest faculty salary increase based upon the NGF share of the target salary increase.

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Faculty Compensation Strategy

Ensuring faculty salary competitiveness is key to recruiting and retaining world class faculty.



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University Division Nongeneral Fund Revenue Estimate

- Tuition and Fee revenue estimates in Six-Year plan are based on:
 - Enrollment plan (2B)
 - Rates sufficient to support the university's share of projected costs.
- Plan is not balanced – projected incremental NGF revenue does not fully address the expenses of the plan.
- Plan provides opportunity for State General Fund investment to achieve shared goals.

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University Division Nongeneral Fund Revenue Estimate

Potential Tuition & Mandatory Fee Increase¹

	Resident		Nonresident	
	\$	%	\$	%
2016-17				
Undergraduate	\$487	3.9%	\$1,137	3.9%
Graduate	551	3.9%	1,053	3.9%
2017-18				
Undergraduate	506	3.9%	1,180	3.9%
Graduate	572	3.9%	1,093	3.9%

¹ Six-Year plan does not recommend or commit to specific set of rates. Tuition and fee rates remain authority of Board of Visitors. Board will consider tuition and fee rates in spring of 2016

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Revenue Planning

- Plan envisions partnering with the commonwealth to support strategic shared objectives
- Plan will serve as the basis for General Fund requests in the Fall
- Key components of self-generated revenue are tuition and fee revenue estimates by degree level and residency for first biennium

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University Division Financial Plan Summary

\$s in millions

Uses	2016-17	2017-18
Academic Initiatives	\$21.2	\$42.1
Operating Need	21.2	42.4
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Total	42.4	84.5
 Sources		
NGF Revenue Estimate	23.2	50.6
Internal Reallocations	1.8	3.6
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Implicit GF Request	\$17.4	\$30.3

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*2017-18 is cumulative of 2016-17 biennium.

CE/AES Division Financial Plan Summary

\$s in millions

- The CE/AES division relies heavily on General Fund support.
- Agency 229 has limited ability to increase NGF revenues.
 - No tuition revenue to supplant General Fund support.

Uses	2016-17	2017-18*
Academic Initiatives	\$0.8	\$1.5
Operating Need	2.7	5.5
Total	3.5	7.0
Sources		
NGF Revenue Estimate	0	0
Implicit GF Request	\$3.5	\$7.0

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*2017-18 is cumulative of 2016-17 biennium.

Summary

- Growing enrollment, research, and STEM-H opportunities.
- In order to accomplish these goals, the university will:
 - Attract and retain the best and brightest faculty, requiring competitive compensation that rewards performance
 - Work with state officials to increase support for research that enhances the economic opportunities of Virginia and leverages the capabilities of the university
 - Identify reallocation and cost containment opportunities and operating support to address increasing costs and academic plan implementation
 - Enhance access and affordability, especially for lower income Virginians

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Next Steps

June

- Board received update on planning assumptions

July 1

- Plans submitted to the state

August 24

- University met with state officials to discuss plans

September

- Receive feedback from state

October

- University responds to state suggestions

November

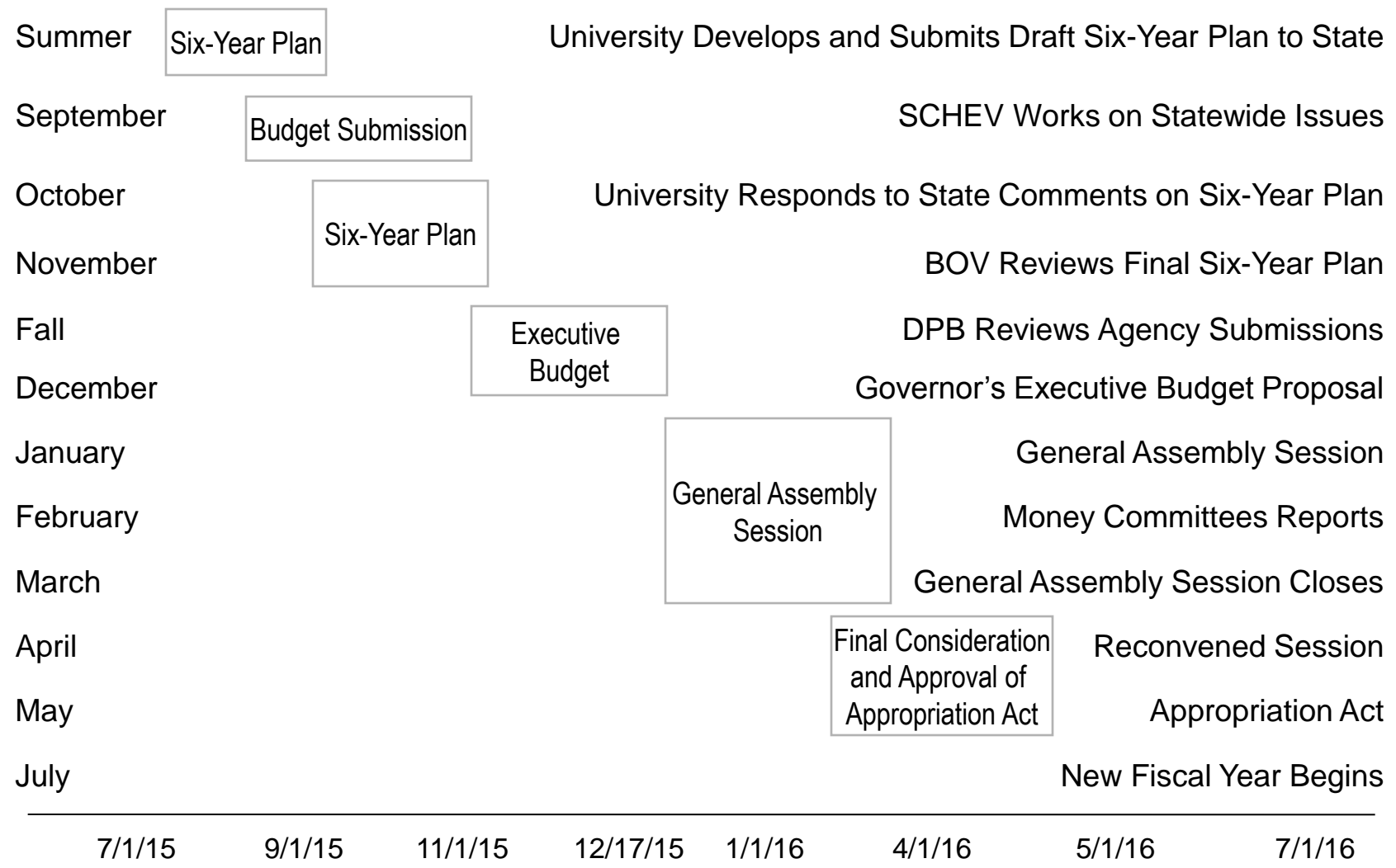
- Board approval of final plan

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Questions?

External Operating Budget Timeline

2016-2018 Biennium



7/1/15 9/1/15 11/1/15 12/17/15 1/1/16 4/1/16 5/1/16 7/1/16