

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
August 28, 2014

PRESENT: Martin Daniel, Tim Hodge, Bernice Hausman (for Sarah Karpanty), Steve Kleiber, William Knocke, Herve Marand, Andrew McCoy, Jack Finney (for Mark McNamee), Leslie O'Brien, Jeff Earley (for Ken Smith), Dwight Shelton, Sue Teel

ABSENT: Joseph Guthrie, Quinton Nottingham, Theresa Pancotto, Jason Soileau, John Tedesco

1. CALL TO ORDER AND WELCOME NEW MEMBERS

Mr. Dwight Shelton, Vice President for Finance and CFO, called the meeting to order at 3:00 p.m. Since it was the first meeting of the 2014-15 fiscal year, Mr. Shelton introduced himself then asked members to introduce themselves.

2. APPROVAL OF THE APRIL 24, 2014 MINUTES

Mr. Shelton stated that the April 24, 2014 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 what topics they would like to discuss during the upcoming year. Some suggestions for future discussion were: enrollment support funding for teaching, update on the market for faculty salaries, and the proposal for new curriculum for liberal education. Mr. Shelton made note of these items and added that Ken Smith can likely speak about the new curriculum proposal at a future meeting. Mr. Shelton also offered an update on faculty salaries during the year. He thanked members for their suggestions and encouraged them to bring other ideas to the meetings.

4. UPDATE ON FINANCIAL ENVIRONMENT – BUDGET REDUCTIONS

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning reported that within the past 24 hours, the university received news of budget reduction targets. He also shared a graph that identified how the State allocated General Funds for FY 2016. He noted that General Funds are generated through state tax revenue while non-general funds are generated through other sources such as tuition and other university business activities. The graph is attached to these minutes.

Mr. Hodge shared a handout of the state budget overview. He stated that the Commonwealth of Virginia's growth has slowed this year, and it has not achieved its forecasted growth targets for employment, income, capital gains, etc. Originally, the state anticipated a 5.2% revenue growth for 2014-15, but has now revised it to 2.7%. The state's

anticipated revenue growth rate of 4.1% for 2015-16 has also been revised to 2.7%. The state announced a \$1 billion dollar shortfall last Friday so it will draw \$700 million from the Rainy Day Fund and has asked universities to develop proposals for a 5% and 7% General Fund (GF) reduction assignment. The state exempted student financial aid, and university efforts resulted in sheltering of 50% of Agency 229. Mr. Hodge stated that higher education agencies were treated consistently. He also noted that Virginia Tech will try to shelter colleges and VP units from budget cuts in FY15. The reduction plans are due to the state by September 19th. A handout of the Virginia Tech GF reduction assignment is attached to these minutes.

Although cuts were made in some areas, Virginia Tech did receive funds for enrollment growth and HABB1. Other state budget news reported by Mr. Hodge is that a special session will be held in September to discuss Medicaid.

5. OTHER BUSINESS

No further business was discussed, and the meeting adjourned at 4:00 p.m.

BUDGET OVERVIEW

As of August 27, 2014

(\$ in Millions)

STATE BUDGET

Total State Budget for 2014-15

General Fund	\$ 18,964
Nongeneral Fund	33,114
	<u>\$ 52,078</u>

Change

2013-14: State anticipated 1.6% revenue growth; actual shrinkage of 0.9%.

2014-15: State anticipated 5.2% revenue growth; revised forecast is 2.7%.

2015-16: State anticipated 4.1% revenue growth; revised forecast is 2.7%.

General Fund Shortfall

	2013-14	2014-15	2015-16	Total
May 2014	\$ (350.0)	\$ (500.0)	\$ (500.0)	\$ (1,350.0)
Change	(87.8)	(359.5)	(600.0)	(1,047.3)
August 2014	\$ (437.8)	\$ (859.5)	\$ (1,100.0)	\$ (2,397.3)
		\$ (1,297)		

Impacts

STATE - Potential Strategies

	2014-15	2015-16	Total 2014-16
2014-16 Shortfall	\$ (1,297.3)	\$ (1,100.0)	\$ (2,397.3)
Appropriated Reserve Fund	481.8	344.3	826.1
Revenue Stabilization Fund (VT Estimate)	469.5	219.7 *	689.2
Other State Strategies or Actions (+/-)	TBD	TBD	TBD
Remaining Shortfall (Potential Exposure)	\$ (346.0)	\$ (536.0)	\$ (882.0)

* \$219M reserve draw likely an ongoing structural budget issue in 2016-17.

HIGHER EDUCATION - Systemwide Reductions

	5% 2014-15	7% 2015-16
General Fund Reduction Target	\$ (71.8)	\$ (100.6)
Higher Education Share of Statewide Reduction	21%	19%

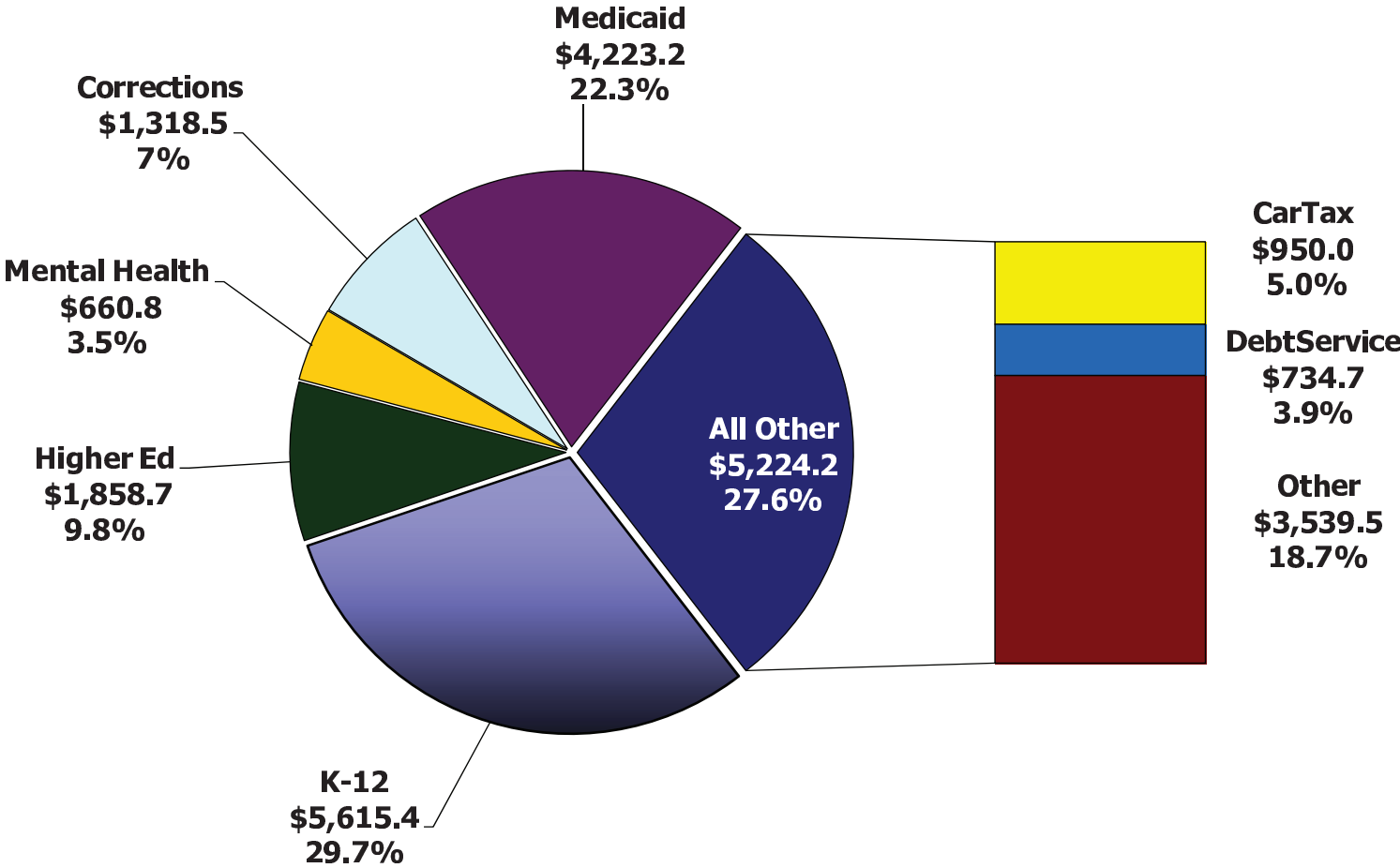
*Student Financial Aid exempted from reductions

*VT-EXT, VSU-EXT, and VIMS sheltered from 50% of reduction.

VIRGINIA TECH - Assigned Reductions

	5% 2014-15	7% 2015-16	
General Fund Reduction Target	\$ (9.4)	\$ (13.2)	(208 and 229)
VT Share of Higher Ed System Reduction	13%	13%	

The same budget drivers account for 72.4 percent of the FY 2016 general fund in the introduced budget . . .



*Amounts shown in millions

Virginia Tech
General Fund Reduction Assignment
As of August 27, 2014

2014-15

	General Fund			Required GF
	(less)			Reduction
	Appropriation	Mandatory	Discretionary	5% \$
Agency 208				
E&G	\$ 151,525,781	\$ -	\$ 151,525,781	\$ 7,576,289
Research	2,488,544	-	2,488,544	124,427
UMA	2,084,350	-	2,084,350	104,218
SFA	19,705,847	(19,705,847)	-	-
	<u>175,804,522</u>	<u>(19,705,847)</u>	<u>156,098,675</u>	<u>7,804,934</u>
Agency 229				
E&G	64,840,171	(32,420,085)	32,420,086	1,621,004
Total	<u>\$ 240,644,693</u>	<u>\$ (52,125,932)</u>	<u>\$ 188,518,761</u>	<u>\$ 9,425,938</u>

2015-16

	General Fund			Required GF
	(less)			Reduction
	Appropriation	Mandatory	Discretionary	7% \$
Agency 208				
E&G	\$ 151,543,673	\$ -	\$ 151,543,673	\$ 10,608,057
Research	2,488,544	-	2,488,544	174,198
UMA	2,084,350	-	2,084,350	145,905
SFA	19,705,847	(19,705,847)	-	-
	<u>175,822,414</u>	<u>(19,705,847)</u>	<u>156,116,567</u>	<u>10,928,160</u>
Agency 229				
E&G	64,841,941	(32,420,085)	32,421,856	2,269,530
Total	<u>\$ 240,664,355</u>	<u>\$ (52,125,932)</u>	<u>\$ 188,538,423</u>	<u>\$ 13,197,690</u>