

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
March 25, 2021

Present: Scott Case, Carol Cash, Terry Clements, William Dougherty, Jeff Earley, Joell Eifert, John Fike, Daniel Harrington, Donald Hatfield, Jia-Qiang He, Bob Hicok, Tim Hodge, Ed Lener, Erin McCann, Joe Merola, Liza Morris, and Michael Sorice.

Absent with Notice: Cyril Clarke and Ken Miller

Absent: Awad Abdelhalim and Angel Carter

Guests: David Crotts (substitute for Ken Miller)

1. Announcement of approval and posting of minutes of February 18, 2021

The February 18, 2021 minutes have been approved and forwarded to the University Council for posting on the web.

2. Old Business

No old business.

3. New Business

No new business.

4. Presentation

Tim Hodge, Associate Vice President of Budget and Financial Planning, provided an update on the 2021 General Assembly Conference budget for 2020-22. Mr. Hodge reviewed VT's funding allocation from the State, which included \$4.0 million of base operating support, \$4.9 million of one-time support, along with \$3.27 million federal one-time support for COVID-19 testing. VT will also receive one-time support for Student financial aid through a statewide pool, but the support amount for VT is not yet known. The State also allocated \$150,000 for the Unique Military Activities and \$1.6 million for Virginia need-based undergraduate aid. The Cooperative Extension/Agricultural Experiment Station (Agency 229) received \$1.0 million in base operating support and an additional \$4 million one-time Equipment Trust Funds for IT modernization and research equipment.

The State also approved a compensation package of 5% increase for all full-time employees, effective June 10, 2021. The university will run a merit program for faculty and university staff, classified staff will be a 5% increase. The State also allocated \$90.8 million construction funding for the Undergraduate Lab Building.

Mr. Hodge also reviewed several fiscal items that were approved by the Board of Visitors in their March 22, 2021 meeting. Below is a review of the approved items:

- Graduate Compensation:
 - 5% increase in the base stipend, effective August 10, 2021
 - Maintain current stipend supplement of \$458
 - Continue university health insurance coverage at 88% of the annual premium
- Transit Service Fee Refund:
 - Town of Blacksburg received federal support through CARES to support costs of mass transit during COVID-19 pandemic.
 - Town of Blacksburg lowered VT's contractual contribution for 2020-21 fiscal year, which allowed \$96 refund for regular, full-time students on Blacksburg campus.
 - The University appreciates the Towns support.
- 2021-22 Tuition & Fees:
 - Over the past 5 years, tuition has increased less than CPI (Consumer Price Index). CPI has increase 10.9%, while VT has increased ISUG tuition by 9%.
 - University proposed a 2.9% increase for Undergraduate and Graduate students, using the one-time buy down to 2.1%. Ultimately, the BOV rejected the buy down and approved a 2.9% increase.
 - Graduate Candidacy Status Discounted Tuition Rate:
 - 10% tuition rate discount for up to 2 years for Ph.D. student who have completed their preliminary exam and are engaged solely in research & dissertation.
 - Comprehensive Fee:
 - \$90 increase, with majority of the increase going towards the Health Service Fee and Athletics Fee.
- Closing the COVID Gap:
 - While the financial impacts of COVID19 on VT are much larger, Board approval is needed to manage the auxiliary shortfall.


- As of December 31, 2020, Auxiliary Enterprise impact is negative \$63.2 million.
- University is closing the gap through federal support, state support, restructuring of existing debt, one-time saving (health insurance holiday), relief from indirect costs assessments, and expenditure savings/cost control.
- This gap is as of December 31st, 2020, we continue to monitor and learn additional impacts on VT's Auxiliary Enterprise units.
- Institutional Efficiencies:
 - The Board continues to be very interested in institutional efficiency. In response, the institution is provided an update on institutional efficiency measures. A couple highlights of at report were shared:
 - Over the last 10 years, Instruction has grown more than Institutional Support.
 - In terms of Ratio analysis, the American Council of Trustees and Alumni (ACTA) cost ratio indicates the university spends \$0.16 on Institutional support for every \$1 spent on Instruction and Academic Support costs.
 - More measures were provided in the complete report.

5. Other Items

Council asked question regarding wage rate increases for FY21, pricing of extended campus tuition rates, and level of instructional support as compared with peers.

6. Adjournment

There being no further business, the meeting adjourned at 5:00 p.m.



Update for University Advisory Council on Strategic Budgeting and Planning

MARCH 25, 2021

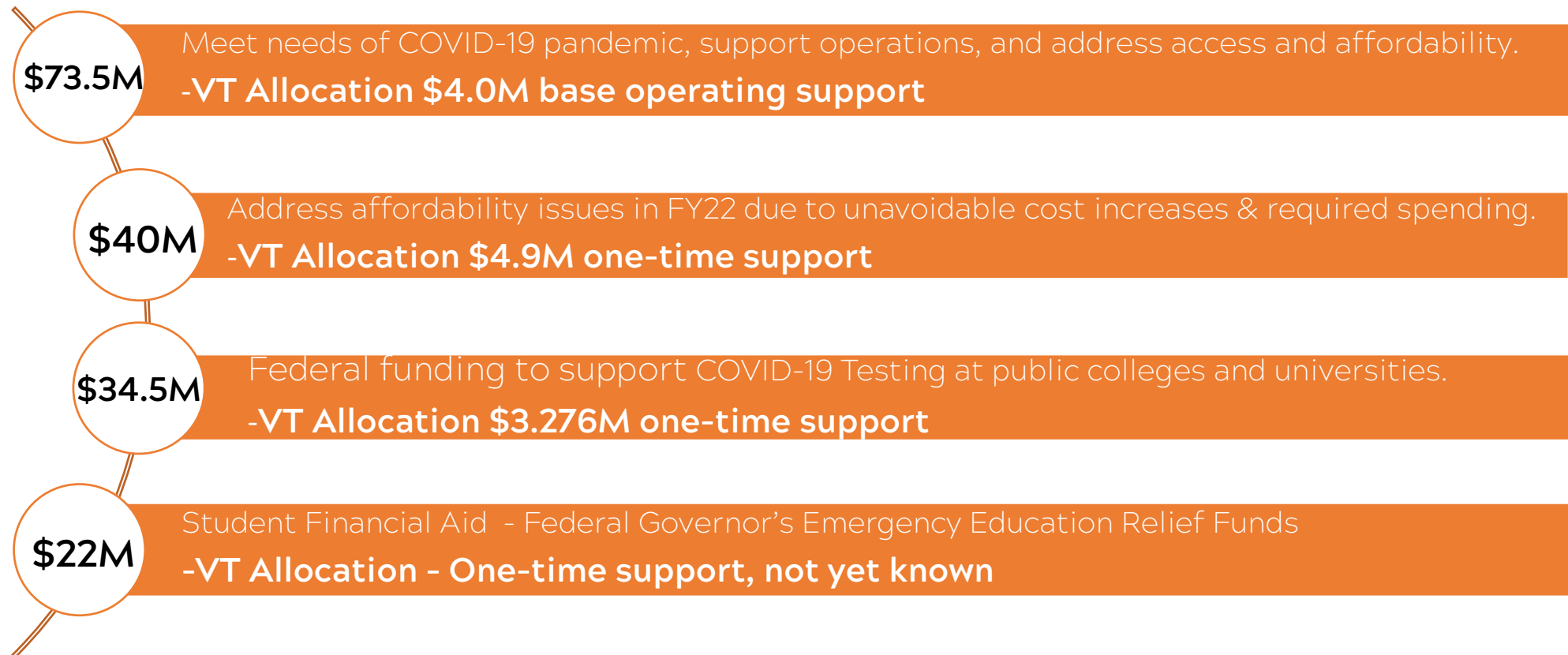


2021 General
Assembly
Conference Budget

State Budget Update

Conference Budget

Higher Education Unified Amendment Provides Several Funding Pools for 2021-22



State Budget Update

Conference Budget

- \$150,000 for Unique Military Activities
- \$1.6 million Virginia need-based undergraduate aid
- Cooperative Extension / Agricultural Experiment Station (Agency 229)
 - \$1 million base operating to support “Building Resiliency” initiative
 - Internet Connectivity, Modernization of Research Equipment, and Critical Personnel (begin phasing-in twelve additional extension agents and six additional specialists)
 - \$4 million one-time Equipment Trust Funds for IT modernization and research equipment

2020-22 State Budget Update

Employee Compensation & Benefits Summary

	Executive	Conference
Compensation	<p>Effective September 1, 2021</p> <ul style="list-style-type: none">Contingent bonus of \$1500 for full-time employeesContingent bonus of \$750 for adjunct faculty	<p>Effective June 10, 2021</p> <ul style="list-style-type: none">Eliminates Proposed Bonus5% increase for all full-time employeesIncrease may vary based on performance except for Classified Staff.Note: the Commonwealth only provides 39 percent of the funding for 208 E&G salary increases
Health Insurance	<p>Lowered expected 6.7% increase to just 3.35% for 2021-22</p> <ul style="list-style-type: none">This will impact employee and employer share	<p>No change to Executive Budget</p>

State Support for Capital Projects

(State Support in millions)

	Executive	Conference
Undergraduate Lab Building	Not included	<u>Undergraduate Lab Building</u> - Construction Funding totaling \$90.8 million
9(c) Debt Authorization	<ul style="list-style-type: none">• Supplement New Upper Quad Resident Hall: \$7.0 million 9(c) debt• Supplement Innovation Campus Academic Building Parking: \$27.1 million 9(c) debt	No change to Executive budget

March 2021
Board of Visitors
Meeting

Graduate Compensation

└ *Graduate Assistant Compensation Plan for 2021-22*

- 5.0 percent base stipend increase effective August 10, 2021, consistent with the state's approved employee compensation plan.
- Maintain current academic year stipend supplement of \$458 to help mitigate university assigned costs.
- Continue university share of health insurance coverage at 88 percent
 - In 2020-21 the university provided 88 percent of the \$3,173 annual premium
- Continue the tuition remission program.

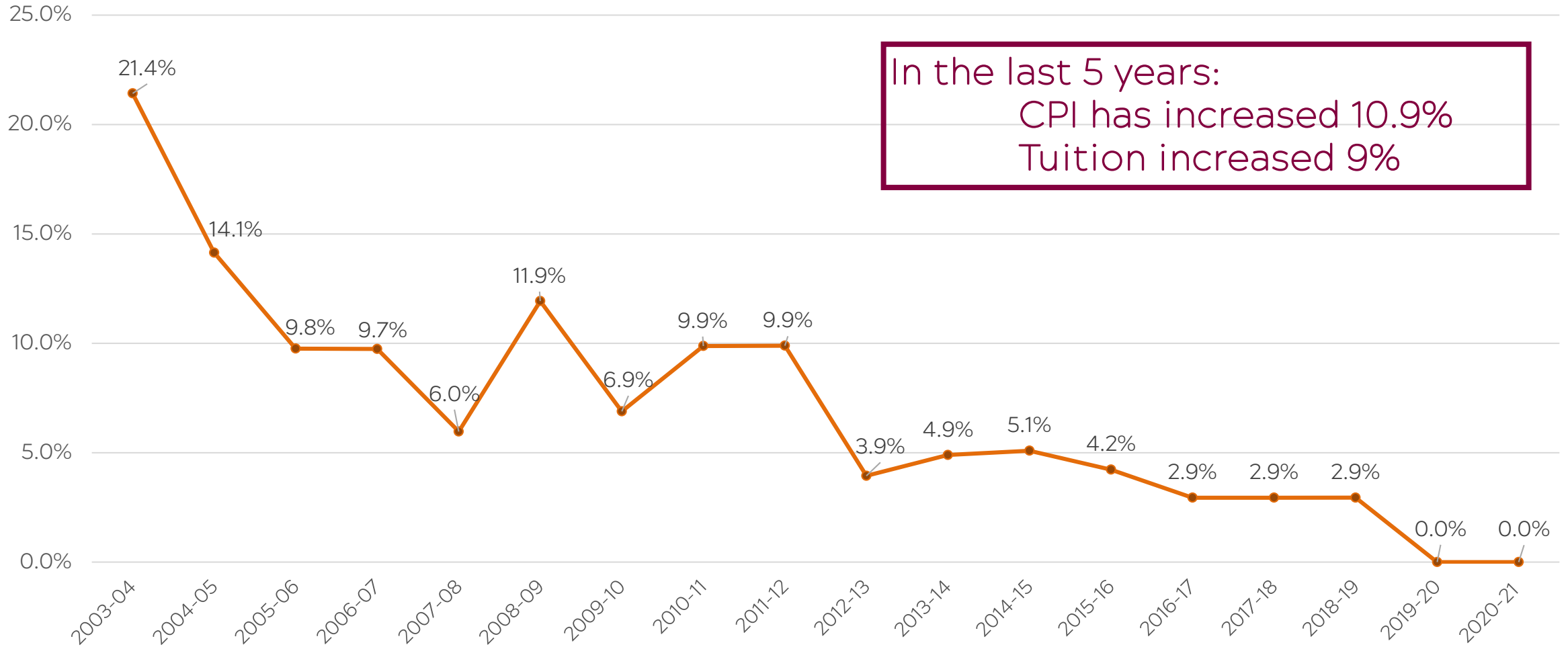
Refund of
Transportation Service
Fee - Spring 2021

┌ *Transit Services Fee Refund*

- Town of Blacksburg received federal support through CARES to support the costs of mass transit during COVID-19 pandemic.
- Support provides relief to Blacksburg Transit system, which is relied up by Virginia Tech students, staff and faculty.
- Town of Blacksburg lowered Virginia Tech's contractual contribution for 2020-21 fiscal year.
- Allows university to reduce Transportation Services fee paid by students in form of refund in Spring 2021:
 - \$96 refund to regular, full-time students on Blacksburg campus
 - Part-time students or students of different statuses refunded a reduced amount.

2021-22 Tuition & Fees

Virginia Undergraduate Tuition & E&G Fee Increases



University Tuition Proposal

	2020-21	2021-22	Rate		28%	Net	Proposed
	Charge	Base	Increase		One-time	Increase	2021-22
			\$	%	Relief		Rate
Undergraduate Students							
Resident	\$11,420	\$11,751	\$331	2.9%	(0.8%)	2.1%	\$11,658
Nonresident	29,960	30,829	869	2.9%	(0.8%)	2.1%	30,584
Graduate Students							
On-Campus Programs							
Resident	13,701	14,098	397	2.9%	(0.8%)	2.1%	13,986
Nonresident	27,614	28,415	801	2.9%	(0.8%)	2.1%	28,189
Off-Campus Programs							
Resident	15,167	15,607	440	2.9%	(0.8%)	2.1%	15,483
Nonresident	29,559	30,416	857	2.9%	(0.8%)	2.1%	30,174
Veterinary Medicine							
Virginia/Maryland	21,906	22,462	556	2.5%	(0.7%)	1.8%	22,305
Nonresident	50,435	51,459	1,024	2.0%	(0.6%)	1.5%	51,170
VTC School of Medicine	53,113	54,653	1,540	2.9%	(0.8%)	2.1%	54,219

Tuition Approved by Board of Visitors

	2020-21	2021-22	Rate		28%	Net	Proposed
	Charge	Base	Increase	Increase	One-time	Increase	2021-22
			\$	%	Relief		Rate
Undergraduate Students							
Resident	\$11,420	\$11,751	\$331	2.9%	(0.8%)	2.1%	\$11,658
Nonresident	29,960	30,829	869	2.9%	(0.8%)	2.1%	30,584
Graduate Students							
On-Campus Programs							
Resident	13,701	14,098	397	2.9%	(0.8%)	2.1%	13,986
Nonresident	27,614	28,415	801	2.9%	(0.8%)	2.1%	28,189
Off-Campus Programs							
Resident	15,167	15,607	440	2.9%	(0.8%)	2.1%	15,483
Nonresident	29,559	30,416	857	2.9%	(0.8%)	2.1%	30,174
Veterinary Medicine							
Virginia/Maryland	21,906	22,462	556	2.5%	(0.7%)	1.8%	22,305
Nonresident	50,435	51,459	1,024	2.0%	(0.6%)	1.5%	51,170
VTC School of Medicine	53,113	54,653	1,540	2.9%	(0.8%)	2.1%	54,213

Other Tuition Changes for 2021-22

- | | <u>Per Credit</u> |
|---|-------------------|
| ■ New On-line Programs and Pricing | |
| ■ Master of Business Administration (OMBA) | \$ 1,075 |
| ■ Master of Agriculture and Applied Economics | 1,000 |
| ■ Graduate Certificate in Leadership for an Aging Society | 850 |
| ■ Graduate Candidacy Status Discounted Tuition Rate | |
| ■ For Ph.D. students who have completed their preliminary exam and are engaged solely in research & dissertation efforts, a 10% rate discount will be provided for up to 2 years. | |
| ■ Incentives faster time-to-degree, graduate assistantships, and research. | |

Comprehensive Fee

	2020-21	2021-22	Increase	
			\$	%
<u>Comprehensive Fee</u>				
Student Activity Fee	330	330	0	0.0%
Health Service Fee	508	557	49	9.6%
Athletic Fee	326	362	36	11.0%
Transportation Services Fee	192	194	2	1.0%
Recreational Sports Fee	327	335	8	2.4%
Student Services Fee	298	302	4	1.3%
Student Cultural Activities Fee	173	164	(9)	(5.2%)
Total Comprehensive Fee	2,154	2,244	90	4.2%

Virginia Tech will retain the lowest fee in the state

Closing the COVID Gap

Auxiliary Enterprise COVID-19 Impact

as of December 31, 2020 (dollars in millions)

Auxiliary Enterprise	Revenue	Expense/ Cost Savings	Net
Dining	-\$36.7	-\$13.5	-\$23.2
Athletics	-25.0	-5.9	-19.1
Residential	-9.9	-1.0	-8.9
Inn at VT: Hotel & Conference Center	-8.6	-4.0	-4.6
Electric Service	-3.4	-1.8	-1.6
Parking & Fleet Services	-3.3	-1.5	-1.8
Health Services	-0.6	0.7	-1.3
Other Units (Steger Center, Printing, Center for Arts, Library Photocopy, Licensing/Trademark)	-3.9	-1.2	-2.7
Total	-\$91.4	-\$28.2	-\$63.2

Auxiliary Financial Plan to Close the Budget Gap Due to COVID-19

as of December 31, 2020 (dollars in millions)

Strategy	Amount
Federal Support	
CARES Act (via Commonwealth of Virginia)	\$10.7
2nd Stimulus (Consolidated Appropriation Act)	18.1
State Support	4.0
Restructuring of Existing Debt (FY21)	10.8
One-time Savings (health insurance holiday)	4.8
Relief from Indirect Cost Assessments	13.9
Expenditure Savings/Cost Control	0.9
TOTAL	\$63.2

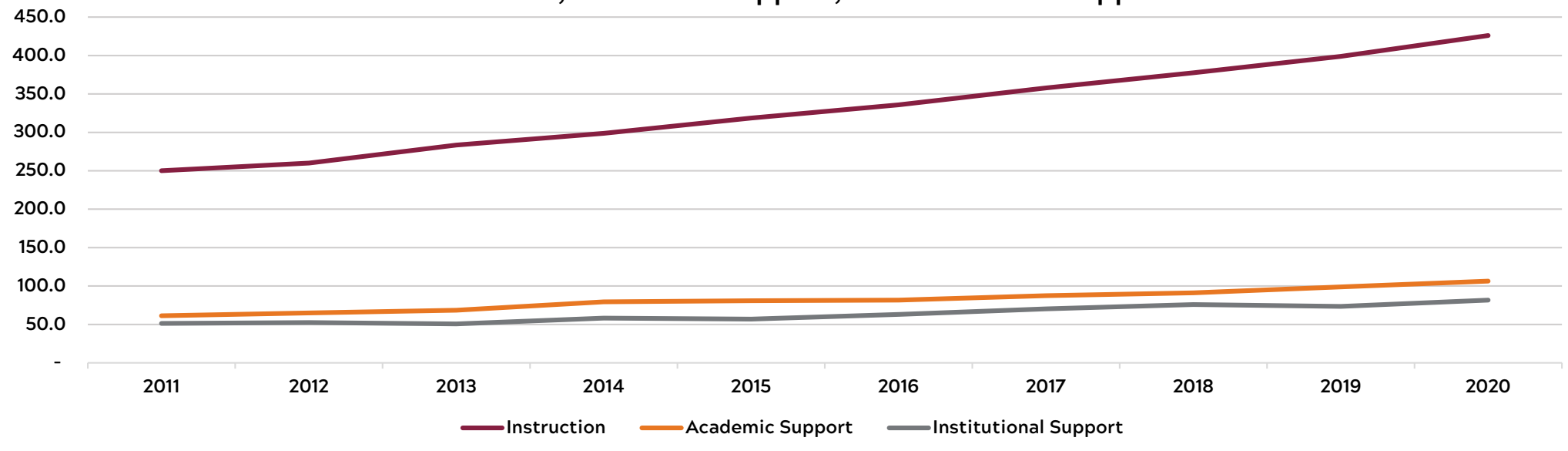
Next Steps

- This plan provides proposed solutions to the known or projected financial impacts of COVID-19 through December 31, 2020 and therefore additional actions may be needed
 - COVID-19 will continue to have local, national, and global impacts into the future & the university will continue to monitor the financial impacts on Spring and Summer semesters and the next fiscal year
 - The university will continue to monitor for additional governmental support
- Since this proposed plan is funded primarily with new one-time sources of funds, it is anticipated to have minimal impacts on the financial health of the university

Institutional Efficiencies



10-Year Trend in Financial Statement Expenditures Instruction, Academic Support, & Institutional Support



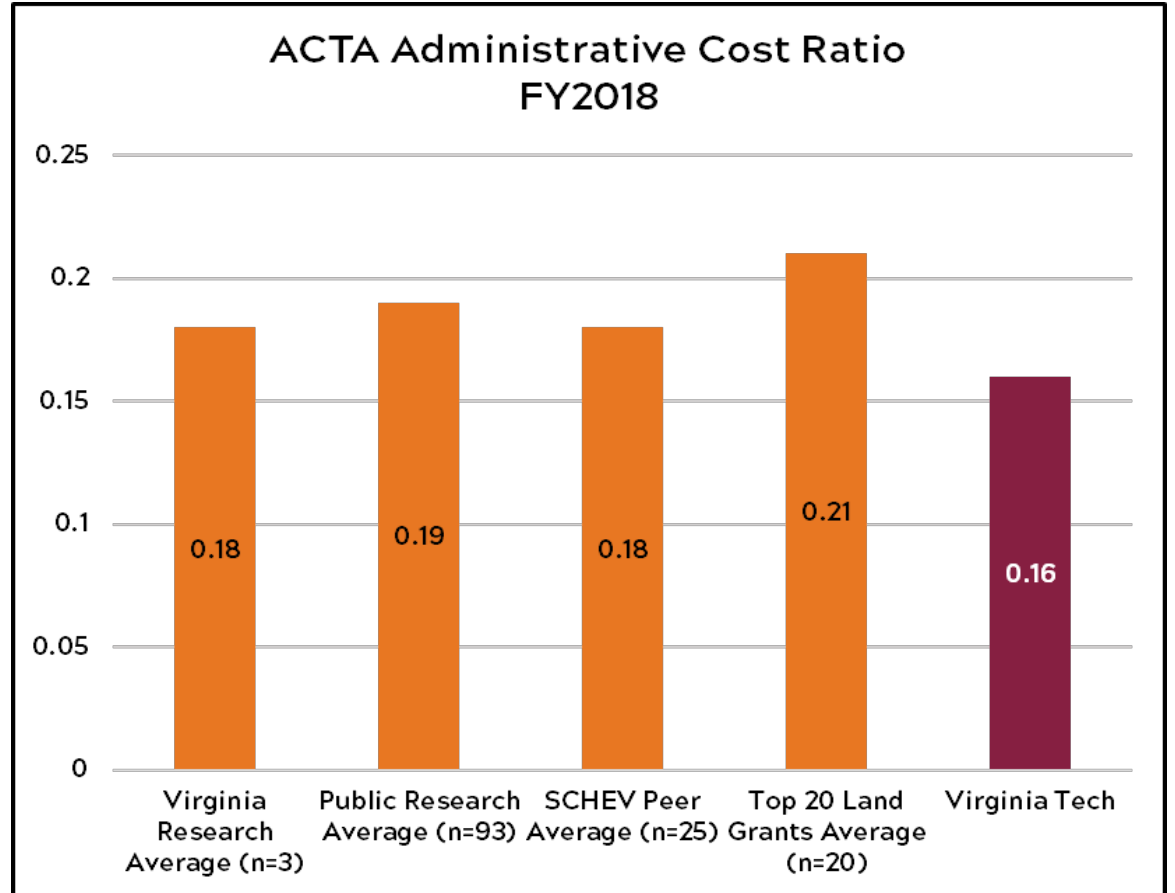
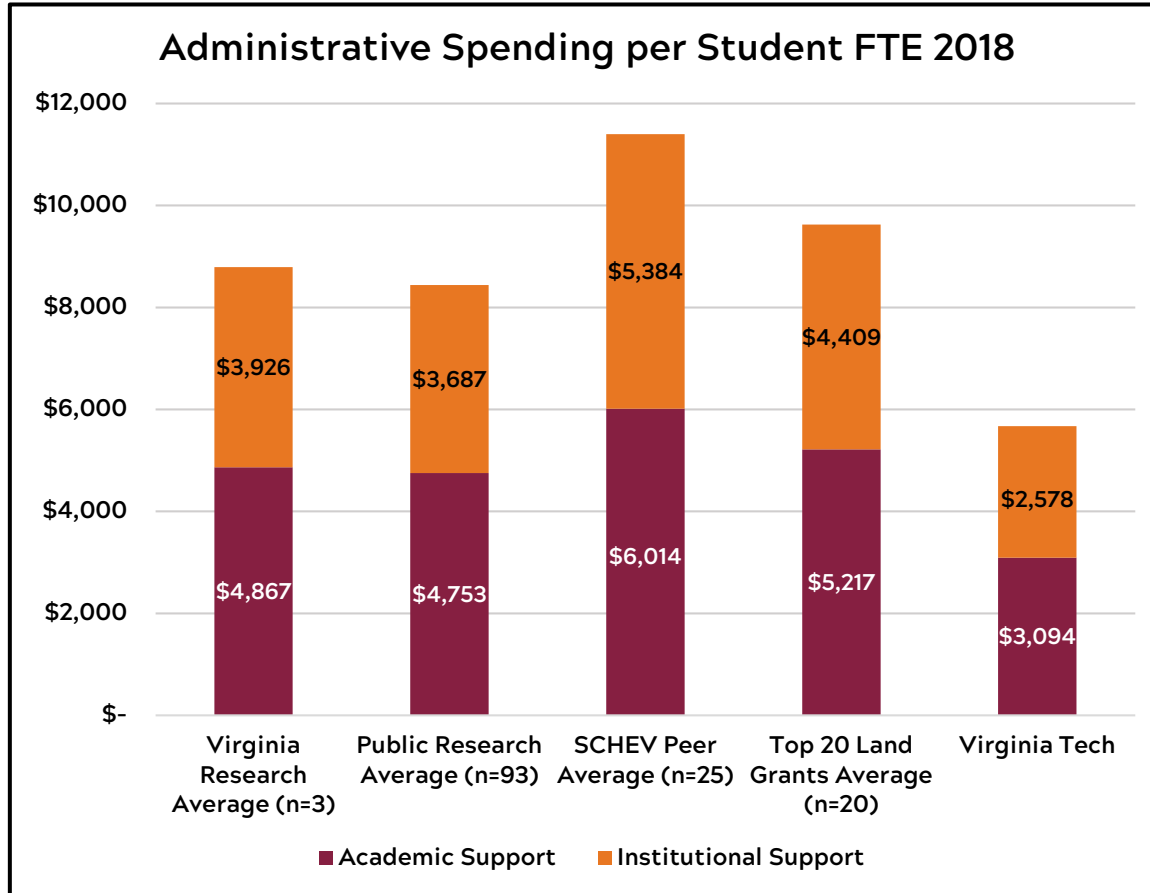
all dollars in millions											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Annualized Change (%)
Instruction	250.1	260.1	283.5	298.8	318.7	335.8	357.9	377.5	398.9	426.0	6.1%
Academic Support¹	61.2	65.0	68.5	79.4	80.9	81.7	87.4	91.2	98.9	106.4	6.3%
Institutional Support	51.3	52.5	50.7	58.2	56.9	63.1	70.3	75.9	73.4	81.7	5.3%

¹Increase in Academic Support reflects a purposeful investment in the university's library, comprising \$12M (27%) of the growth between FY2011 and FY2020.

- Growth in Instruction and Academic Support outpaced that of Institutional Support.



Peer Comparisons



- The American Council of Trustees and Alumni (ACTA) Administrative Cost Ratio indicates the university spends \$0.16 on Institutional Support for every \$1 spent on Instruction and Academic Support costs.