

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
January 17, 2019

PRESENT: Sherri Clark-Deener, Terry Clements, Tim Hodge, Jack Washington (substitute for Liz Morris), John Richey, Shane Coleman (substitute for Andi Ogier), Robert Sebek, and Brennan Shepard (guest).

ABSENT: Maria Balota, Cyril Clarke, Caed Cunningham, William Dougherty, John Fike, Bob Hicok, Cayce Myers, Quinton Nottingham, Dwight Shelton, Ken Smith, Michael Sorice, Linging Wang and Bronson Weston.

1. CALL TO ORDER

Mr. Tim Hodge, Associate-Vice President for Budget and Financial Planning called the meeting to order.

2. APPROVAL OF THE NOVEMBER 15, 2018 MINUTES

Mr. Hodge stated that the November 15, 2018 minutes have been approved and forwarded to the University Council for posting on the web.

3. UPDATE ON THE EXECUTIVE BUDGET AMENDMENTS

Mr. Hodge provided an update on the Governor's executive amendments to the 2018-20 Executive Budget, which was communicated to campus in a memorandum from Mr. Dwight Shelton, Vice President for Finance and CFO, on December 20, 2018. Mr. Hodge reminded the council that the General Assembly passed the original 2018-20 biennial budget in May of 2018. In that biennial budget, there were several items that would go into effect during the 2019-20 fiscal year, including additional funding for degrees in Data Science & Technology, Science & Engineering, Healthcare and Education; a contingent salary program for faculty & staff; funding for Student Financial Aid; and funding for the Cyber initiative. In addition to the budget items that had already passed by the 2018 General Assembly, on December 18, 2018 the Governor's amendments proposed additional Student Financial Aid support; a computer science education initiative including operating and capital support with \$168M of State support for the VT Innovation Campus; a 1% bonus for all state employees effective December 1st, 2019. The Governor's budget also proposes to hold employer and employee health insurance premiums flat for 2019-20 for most employee health plans. Additional capital support for Kentland Facilities project was also included. Mr. Hodge reminded the Council that the budget amendments are subject to change during the General Assembly session, which convened on January 9, 2019 and is scheduled to adjourn on February 23, 2019. A copy of Mr. Shelton's memorandum and schedule of budget items passed by the 2018 General Assembly are attached to these minutes.

4. REVIEW OF ASSESSMENTS OF ADMINISTRATIVE EFFICIENCY

In response to a request from the Council, Mr. Brennan Shepard, Director of Financial Planning for the Office of Budget and Financial Planning presented a review of various assessments of administrative efficiency. Due to interest from campus, university leadership, the Board of Visitors, State officials and the public, VT continuously assesses administrative costs from multiple perspectives, including comparisons to similar institutions. These analysis are completed by VT as well as external groups such as JLARC. VT's analyses utilize nationally recognized methodologies from State Higher Education Executive Officers, Delta Cost Project, and the American Council of Trustees and Alumni. While reviewing the methodologies, Mr. Shepard shared that any assessment requires accurate and comparable data, so the audited financial statements data from the Integrated Postsecondary Education Data System (IPEDS) is utilized. Within IPEDS, the core expenditures are classified by function. Mr. Shepard then walked through several graphs showing a comparison of total administrative spending per student FTE at VT compared to SCHEV Peer institutions, Public Research institutions and Virginia Research institutions. VT's total administrative spending per student was well below the average for each group. Mr. Shepard also showed a comparison of Administrative costs (Academic & Institutional Support) as a percent of Total Core Expenditures. Again VT had the lowest percentage when compared to our other peer groups. In his conclusion, Mr. Shepard reminded the council that this information is periodically assessed to provide insight on future financial decisions. A copy of Mr. Shepard's PowerPoint is attached to these minutes.

5. No further business was discussed, and the meeting adjourned at 5:00 p.m.

2018-20 SPECIAL SESSION BUDGET

The Executive columns represents incremental changes to the current budget proposed by the Governor for the 2018-20 biennium.

House and Senate/Compromise columns represent proposed incremental adjustments to the Executive column.

as of May 30, 2018

Operating Budget

University Division E&G

Degrees in Data Science & Technology, Science & Engineering, Healthcare, and Education

2% Faculty & Staff Raise, Effective December 1, 2019 (Executive)	-	2.1	-	-	-	-
2% Faculty & Staff Raise, Effective June 10, 2019 (House)	-	-	-	3.6	-	-
1% Staff Employee Merit Increase, Effective June 10, 2019 (House)	-	-	-	0.4	-	-
2% Contingent Faculty & Staff Raise, Effective June 10, 2019 (Senate/Compromise)	-	-	-	-	-	3.6
2% Contingent Classified Staff Merit Increase, Effective June 10, 2019 (Senate/Compromise)	-	-	-	-	-	0.3
Restoration of Interest Earnings and Credit Card Rebate	0.7	0.7	0.7	0.7	0.7	0.7
Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)	6.7	6.7	6.7	6.7	6.7	6.7

Subtotal University Division Operating

Student Financial Aid

Virginia Undergraduate Financial Aid

	0.5	1.6	0.5	1.6	0.3	1.0
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Unique Military Activities

	-	-	0.3	0.3	-	0.3
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Higher Education Research Initiative

CyberX - Hub: Leasing, Operations, Faculty, Entrepreneurship, and Internship Programs

	-	-	-	25.0	-	10.0
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CyberX - Virginia Research Investment Fund to Scale Initiative at Hub and Spoke Sites

	-	-	-	15.0	-	10.0
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CyberX - Renovations, Enhancements, and Equipment at Hub and Spoke Sites (Capital)

	-	-	3.0	7.0	5.0	-
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Subtotal Higher Education Research Initiative (CyberX)

	-	-	3.0	47.0	5.0	20.0
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Higher Education Equipment Trust Fund

Traditional Allocation	10.3	10.3	10.3	10.3	10.3	10.3
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Research Allocation	5.2	5.2	5.2	5.2	5.2	5.2
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Subtotal Equipment Trust Fund

	15.6	15.6	15.6	15.6	15.6	15.6
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Subtotal - University Division

	23.5	26.6	29.4	81.1	28.3	53.5
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Cooperative Extension/AES Division (CE/AES)

Soil Scientist Assistance Program	-	-	0.2	0.2	0.2	0.2
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Operation & Maintenance of New Facilities	-	-	0.5	0.5	0.5	0.5
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2% Faculty & Staff Raise, Effective December 1, 2019 (Executive)	-	0.7	-	-	-	-
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2% Faculty & Staff Raise, Effective June 10, 2019 (House)	-	-	-	1.1	-	-
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1% Staff Employee Merit Increase, Effective June 10, 2019 (House)	-	-	-	0.2	-	-
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2% Contingent Faculty & Staff Raise, Effective June 10, 2019 (Senate/Compromise)	-	-	-	-	-	1.1
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2% Contingent Classified Staff Merit Increase, Effective June 10, 2019 (Senate/Compromise)	-	-	-	-	-	0.1
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Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)	2.1	2.1	2.1	2.1	2.1	2.1
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Subtotal CE/AES

	2.1	2.8	2.8	4.1	2.8	4.1
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Total Operating Budget State Support

	\$ 25.6	\$ 29.4	\$ 32.2	\$ 85.2	\$ 31.1	\$ 57.6
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Capital Budget

University Division

VT-Carilion Research Institute Biosciences Addition - Furnishings, Fixtures & Equipment

	\$ -		\$6.1		\$6.1	
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Cooperative Extension & Agricultural Experiment Station Division

Construct Hampton Roads Agricultural Research and Extension Center ⁽²⁾

	N/A		Included in Pool		Included in Pool	
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Maintenance Reserve ⁽³⁾

	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6
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(1) These items are not yet represented in the university's 2018-19 budget, and will be incorporated as a 1st quarter adjustment.

(2) State initiative. This was not requested by the university.

(3) Represents a \$3.9 million annual increase over the 2017-18 funding level and a \$8.4 million increase over the previous 2016-18 biennium.



*Assessment of
Administrative Efficiency*

BRENNAN SHEPARD
DIRECTOR OF FINANCIAL PLANNING
JANUARY 17, 2018



Administrative Assessment

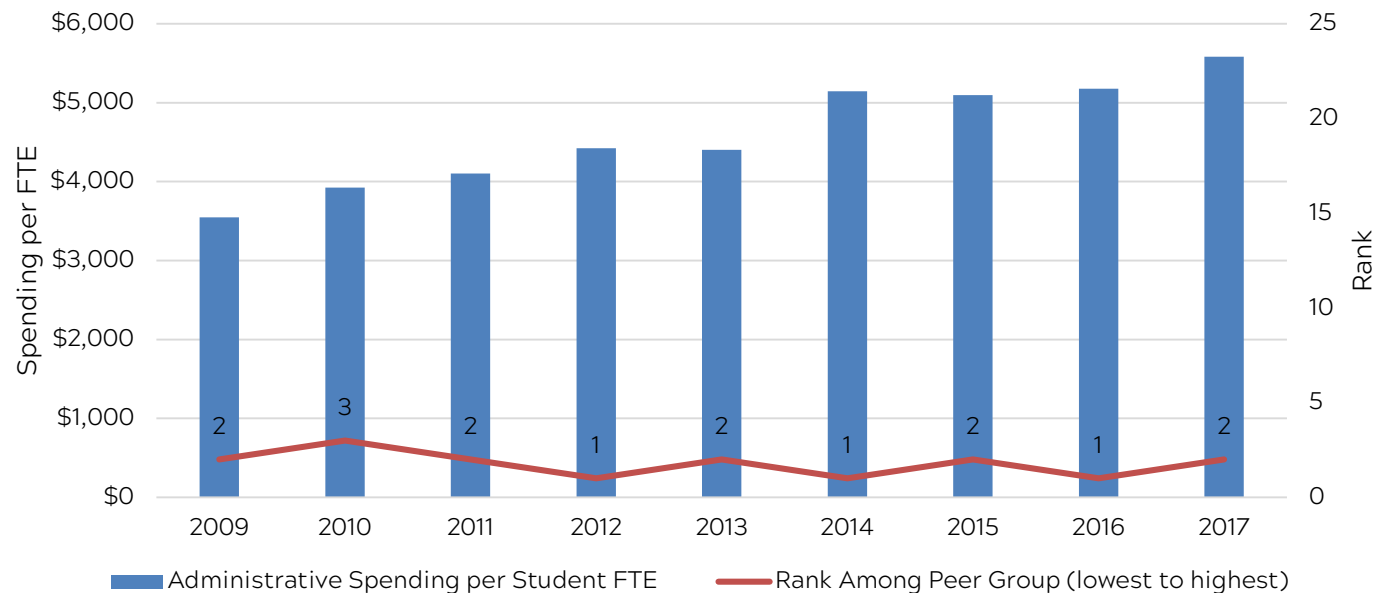
- Interest from campus, university leadership, Board of Visitors, State officials, and public
- Significant focus on constraining tuition increases and maximizing limited resources
- University continuously assesses administrative costs from multiple perspectives
- Comparisons to similar institutions help VT understand relative position and make informed decisions regarding future allocations

Methodology Basics

- Assessment requires accurate and comparable data
 - Audited financial statement data from the Integrated Postsecondary Education Data System
 - Regulated by national and state accounting standards
- Core Expenditures are classified by Function:
 - **Instruction**
 - **Research**
 - **Public Service**
 - **Academic Support** (libraries, dean's offices, course development)
 - **Student Services**
 - **Institutional Support** (HR, finance, executive admin, police)
 - **Other**
- Combining the **Academic Support** and **Institutional Support** categories is a common approach to defining “administrative” spending.

Administrative Assessment

- One valuable perspective is the **total “administrative” spending per student FTE**
- This is an approach utilized by the State Higher Education Executive Officers (SHEEO)
- Board of Visitors annually reviews this as one Scorecard measure
 - Goal to be among lowest 5 in peer group for “administrative” spending per student FTE.
 - VT has been 1st or 2nd for many years.



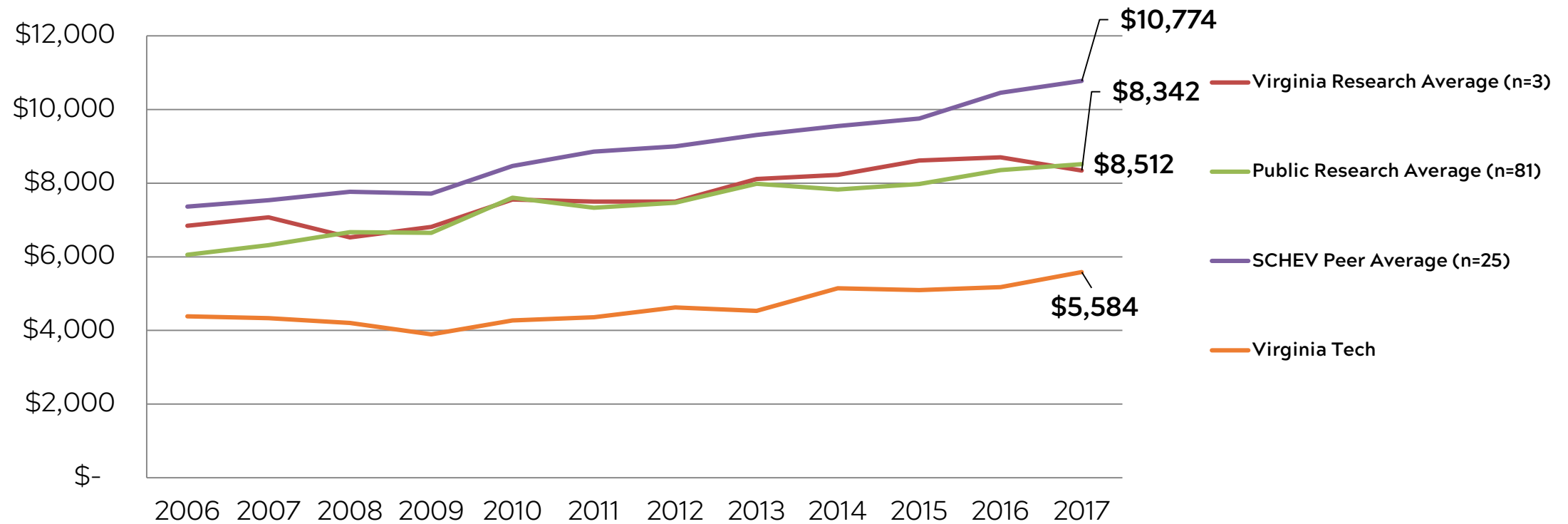
Data Source: IPEDS

Administrative Assessment

Longitudinal review of administrative spending per student FTE

Administrative Spending per Student FTE

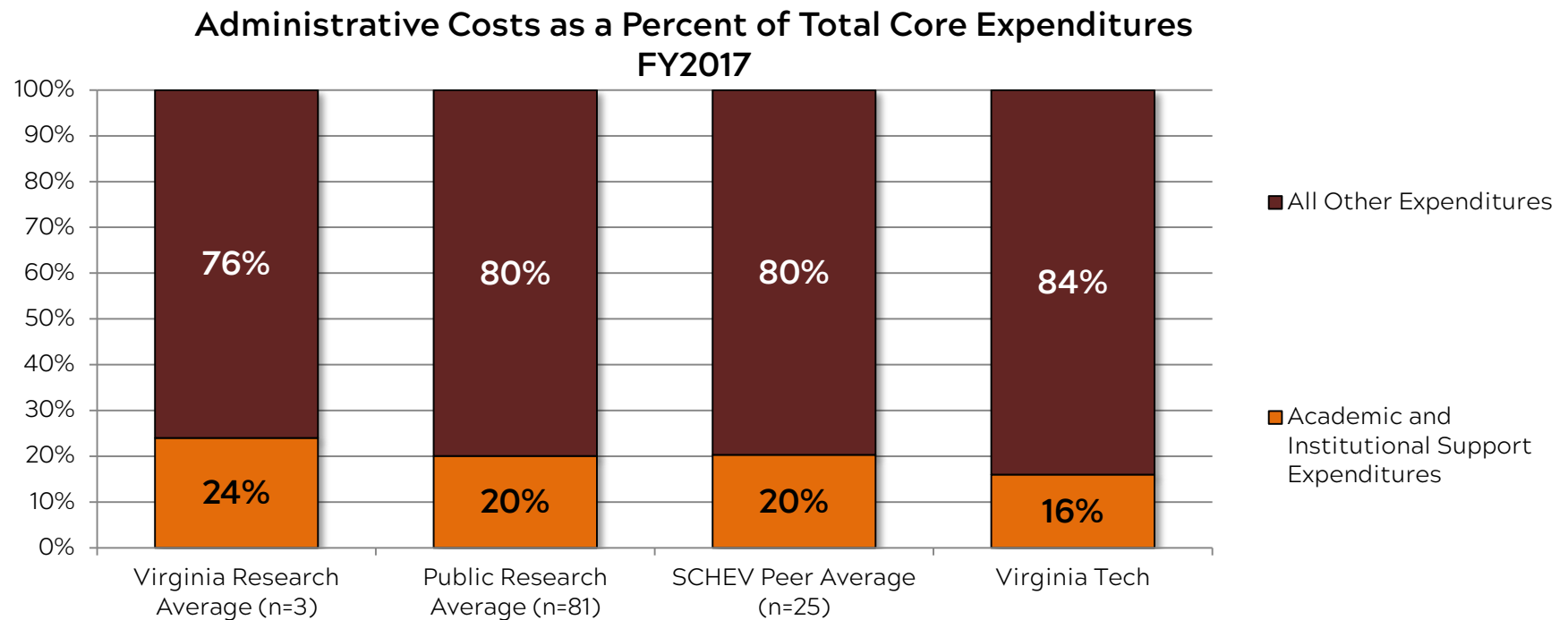
in 2017 dollars



Data Source: IPEDS

Administrative Assessment

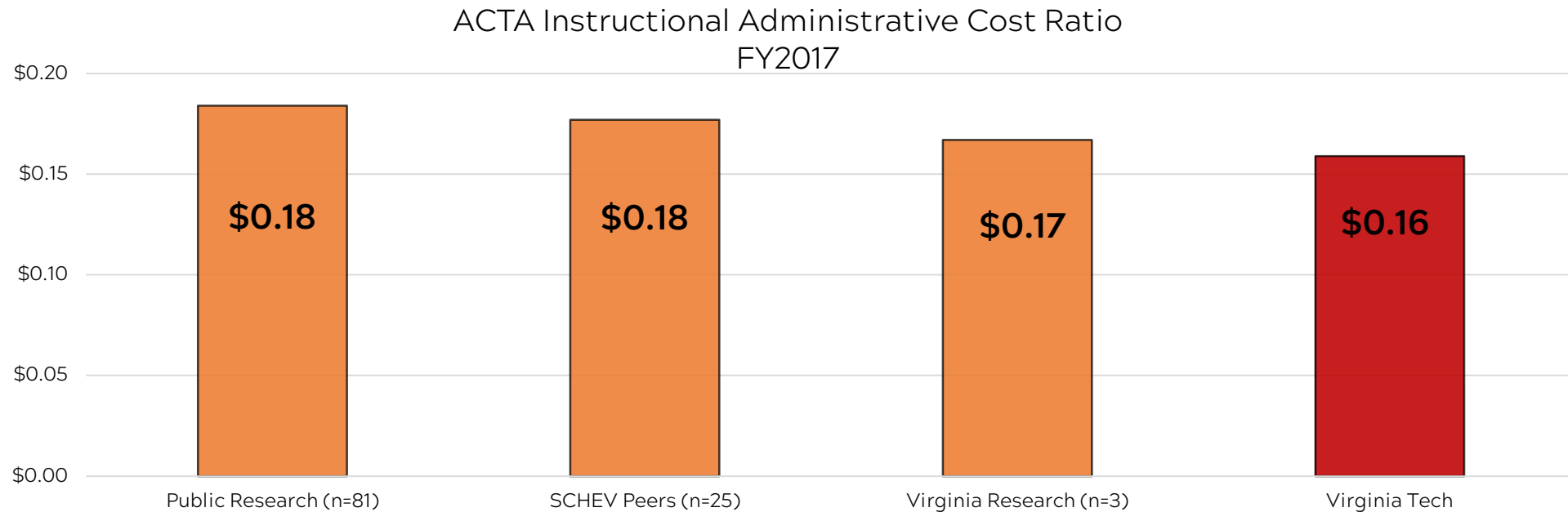
- Another approach is to compare the percentage of total expenses that an institutions expends on Academic and Institutional Support (administrative costs)
- This approach is based upon the Delta Project, a nonprofit best practices organization
- Administrative spending is a smaller portion of the Virginia Tech budget than the peer average



Data Source: IPEDS

Administrative Assessment

- Third perspective is a methodology published by the *American Council of Trustees and Alumni (ACTA)* in a 2017 report on administrative spending.
- Using IPEDS data, the study calculates a ratio of **Institutional Support (administrative)** spending compared to **Instruction and Academic Support (instructional)** spending.
- Virginia Tech's ratio is **0.16**, meaning VT spent \$0.16 on **Institutional Support** for each \$1.00 of spending on **Instruction and Academic Support**. *This ratio is lower than peer averages.*



Data Source: IPEDS

Administrative Assessment

- Continual assessment provides insights that can shape decisions
- Constant pressure to hold costs down and focus on core activities
- University remains committed to identifying and leveraging opportunities for administrative efficiency
- Restructuring of relationship with state has allowed greater autonomy and efficiency, and efforts continue to expand that autonomy
- Enrollment growth presents an opportunity to scale and generate greater efficiency (less spending per student)