

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**January 23, 2020**

**PRESENT:** Blake Barnhill, Scott Case, Terry Clements, Sherrie Clark-Deener (via Zoom), William Dougherty (via Zoom), Donald Hatfield (via Zoom), Tim Hodge, Maruf Hoque, Edward Lener, Erin McCann, John Richey (via Zoom) Ken Smith and Michael Sorrice.

**ABSENT:** Maria Balota, Angel Carter, Cyril Clarke, John Fike, Bob Hicok, Ken Miller, Liza Morris and Cayce Myers.

**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 21, 2019 MINUTES**

Mr. Hodge stated that the November 21, 2019 minutes have been approved and forwarded to the University Council for posting on the web.

**3. UPDATE ON GOVERNOR'S EXECUTIVE BUDGET**

Mr. Hodge provided an update on the Governor's 2020-22 Executive Budget, which was communicated to campus in a memorandum by Dr. Dwayne Pinkney, Senior Vice President and Chief Business Officer, on December 19, 2019. The Governor proposed significant additional support for Student Financial Aid, specifically targeting need-based undergraduate Virginian students. The Governor also proposed additional operating support and startup costs associated with the Tech Talent Program in accordance with the agreement. A reduction in the existing state support for the Commonwealth Cyber Initiative was proposed, the university will work to restore during the session. The Governor also chose not to propose a compensation program for either year, but did support a rate increase in the employer share of VRS and Health care premiums. The Governor proposed a slight increase in the Maintenance Reserve fund, along with support for Life, Health, Accessibility & Safety and System wide AREC improvements. Equipment funding is planned for the Holden Hall renovation, Phase 1 of the Livestock and Poultry Research Facility and Fralin Biomedical Research Institute. Mr. Hodge also shared with the Council that the University has been working with the State on enrollment flexibility. Mr. Hodge highlighted a few legislative bills that have been proposed during the current General Assembly Session. Mr. Hodge reminded the Council that the Executive Budget is subject to change during the General Assembly session, which convened on January 8, 2020 and is scheduled to adjourn on March 7, 2020. A copy of the handout is attached to these minutes.

**4. No further business was discussed, the meeting was adjourned at 4:55 p.m.**



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December 19, 2019

## MEMORANDUM

TO: Deans  
Vice Presidents  
Research Institute Leadership

FROM: Dwayne L. Pinkney, Senior Vice President and Chief Business Officer

SUBJECT: Analysis of the Executive Budget proposal for the 2020-22 biennium

On December 17<sup>th</sup>, Governor Northam presented a proposed 2020-22 biennial budget to the House Appropriation and Senate Finance Committees. With the state's revenue performance continuing to outpace expectations, the Commonwealth was able to expand support for key initiatives.

While there are many aspects of the Executive Budget proposal that impact Virginia Tech and our operating environment, we specifically appreciate additional support proposed for student financial aid and the strategic investment in the Tech Talent Investment Program.

The Executive budget proposal is not a final spending plan for the state, yet it represents an important step of the 2020-22 biennial budget development process. The General Assembly will convene in January to review and consider potential amendments to the Executive budget bill.

The major impacts of the proposed Executive budget on Virginia Tech are summarized below, and direct financial impacts are summarized in the attached schedule.

### Operating Budget

**Student Financial Aid:** The Executive Budget proposes increasing undergraduate need-based financial aid at Virginia Tech by \$811,600 in the first year and \$1,623,200 in the second year.

### Tech Talent Investment Program

- **Operating Support:** An increase of \$15.2 million per year is proposed to fully fund all final Memorandums of Understanding (MOUs) with institutions committing to grow computer science graduates, bringing the total statewide funding for this initiative to \$31.8 million in each year of the biennium. Virginia Tech's MOUs anticipate \$13.0 million of operating support in each year of the biennium comprised of \$9.7 million for the bachelors program and \$3.3 million for the masters program.
- **Startup/Equipment (state debt funding):** In addition to the operating support above, \$13.6 million in the first year and \$8.5 million in the second year of support is provided to support startup costs associated with the Tech Talent Investment Program. The university's MOUs

anticipate \$8.2 million in 2020-21 comprised of \$5.1 million for the bachelors program and \$3.1 million for the masters program.

### **Commonwealth Cyber Initiative (CCI)**

- **Hub:** The Executive Budget would reduce the current funding for the CCI Hub (\$10 million) to \$5 million in the first year and to \$2.5 million in the second year.
- **Nodes:** Likewise, the Executive Budget would also reduce the current funding for node sites (\$10 million) to \$5 million in the first year and \$2.5 million in the second year.

### **Compensation and Benefits**

- **Faculty and Staff Salary Increase:** No increase is currently proposed.
- **Virginia Retirement System:** The employer share of retirement benefits is increased from 13.52 percent to 14.46 percent in each year of the biennium.
- **Health Care Premiums:** Employee and employer shares of health insurance premiums are projected to increase over current levels by 2.4 percent on average in the first year and an additional 6.7 percent on average in the second year of the biennium.

### **Capital Support**

- **Maintenance Reserve:** A total of \$13.7 million in each year of the biennium is proposed for Virginia Tech; an increase of \$151,357 per year over the 2019-20 funding level.
- **Infrastructure Pool:** Two Virginia Tech projects are supported within this proposed pool that included \$77.5 million for eight Higher Education projects.
  - **Address Life, Health, Safety, Accessibility and Code Compliance** - \$3.1 million
  - **System wide AREC Improvements (Agency 229)** - \$10 million
- **Equipment Pool:** Proposes the following funding for Virginia Tech.
  - **Renovate Holden Hall:** \$5.1 million
  - **Livestock and Poultry Research Facilities - Phase I (229):** \$0.5 million
  - **Fralin Biomedical Research Institute** - \$18.1 million

### **Statewide Actions of Interest**

- **Virginia Innovation Partnership Authority:** The Executive Budget proposes the establishment of the Virginia Innovation Partnership Authority to serve as a consolidated entity for innovation and new technology-based economic development, bringing together several existing entities including the Center for Innovative Technology (CIT), the Virginia Research Investment Committee (VRIC), the Virginia Biosciences Health Research Consortium, the Commonwealth Center for Advanced Manufacturing (CCAM), and the Commonwealth Cyber Initiative (CCI).

The university will continue our efforts through the 2020 General Assembly session to ensure that our elected representatives understand the critical role that Virginia Tech plays in the future of the Commonwealth and to advocate for the university's critical funding needs. If you have any questions about the Executive Budget proposal, please feel free to contact me.

Attachment

cc: Adil Sageer, President of the SGA  
Hani Awni, President of the GSA

Tamarah Smith, President of the Staff Senate  
John Ferris, President of the Faculty Senate  
Elizabeth Hooper, Director of State Government Relations  
University Advisory Council on Strategic Budgeting and Planning

**SUMMARY OF EXECUTIVE BUDGET FOR 2020-22 BIENNIUM**  
**VIRGINIA TECH**  
December 17, 2019  
(Dollar Amounts in Thousands)

<b>OPERATING BUDGET</b>	<b>State Support</b>	
<u>University Division</u>	<u>2020-21</u>	<u>2021-22</u>
<b>Student Financial Aid</b>		
Virginia Undergraduate Need-based Aid	\$ 812	\$ 1,623
<b>Tech Talent Investment Program</b>		
Virginia Tech State Operating Funding	12,957	12,957
Virginia Tech Startup & Equipment Funding (state debt funding)	8,237	7,541
<b>Commonwealth Cyber Initiative</b> (under Virginia Innovation Partnership Authority)		
Hub Leasing, Operations, Faculty, & Internships	(5,000)	(7,500)
Scale Initiative at Hub & 4 statewide Node Sites	(5,000)	(7,500)
<b>Equipment Trust Fund</b>		
Traditional Allocation	10,332	10,332 (a)
Research Allocation	5,240	5,240 (a)
<b>Technical Adjustments</b>	12,823	12,823 (b)
Subtotal University Division	<u>40,401</u>	<u>35,516</u>
<u>Cooperative Extension/Agricultural Experiment Station Division (VCE/VAES)</u>		
<b>Technical Adjustments</b>	1,863	1,863 (b)
<b>TOTAL OPERATING SUPPORT</b>	<u><u>\$ 42,264</u></u>	<u><u>\$ 37,379</u></u>
<b>CAPITAL BUDGET</b>		
Maintenance Reserve	13,726	13,726 (c)
Address Life, Health, Safety and Code Compliance	3,100	-
Fralin Biomedical Research Institute Equipment	18,133	-
Renovate Holden Hall - FF&E	5,128	-
System-wide Agricultural Research and Extension Centers (Agency 229)	10,000	-
Livestock and Poultry Research Facilities, Phase I - FF&E (Agency 229)	500	-
<b>TOTAL CAPITAL SUPPORT</b>	<u><u>\$ 50,587</u></u>	<u><u>\$ 13,726</u></u>

(a) Represents no change to the current year (2019-20) allocation.

(b) Represents the annualization and distribution to the university of current central funding for items such as fringe benefit increases, 2019-20 compensation, state system costs, and the 2019-20 tuition moderation support. These are not new resources for 2020-22.

(c) Represents an increase of \$151,357 per year over the current year (2019-20) allocation.