

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
February 21, 2019

PRESENT: Terry Clements, William Dougherty, Jack Washington (substitute for Liz Morris), Andi Ogier, Menah Pratt-Clarke (guest), Robert Sebek, Brennan Shepard (guest), Ken Smith, Linging Wang, Bronson Weston and Erin McCann (guest).

ABSENT: Maria Balota, Sherri Clark-Deener, Cyril Clarke, Caed Cunningham, Tim Hodge, John Fike, Bob Hicok, Cayce Myers, Quinton Nottingham, John Richey, Michael Sorice, and Dwight Shelton.

1. CALL TO ORDER

Mr. Ken Smith, Vice Provost for Academic Resource Management called the meeting to order.

2. APPROVAL OF THE JANUARY 17, 2019 MINUTES

Mr. Smith stated that the January 17, 2019 minutes have been approved and forwarded to the University Council for posting on the web.

3. UPDATE ON THE GENERAL ASSEMBLY AS OF CROSSOVER

Mr. Brennan Shepard, Director of Financial Planning for the Office of Budget and Financial Planning reminded the council that at the Council's January meeting, he gave an update on the Executive Budget Amendments proposed by Governor Northam on December 18, 2018. Both the House of Delegates and Senate review the Governor's budget and each branch makes changes to the original budget amendments. On Sunday, February 3, 2019 the budget Crossover occurred between the two branches and the two budgets were sent to the Conference committee, which was made up of both House Delegates and Senators. The Conference had not been released yet, so Mr. Shepard updated the council with a side-by-side comparison of the each budget as of Crossover. Some items Mr. Shepard highlighted with the council was the support to increase the number of bachelor's and master's degrees in computer science and closely related fields; the modification of language regarding the VRS Optional Retirement Plan surcharge; a correction of the Agency 229 fund split to correct the state's share of state assigned costs for VCE/AES; and the Commonwealth Cyber Initiative. The General Assembly is scheduled to adjourn on February 23, 2019. A summary on the General Assembly Session as of Crossover is attached to these minutes.

4. UPDATE ON STRATEGIC PLANNING DRAFT GOALS

Dr. Menah Pratt-Clarke, Vice President for Strategic Affairs, gave an update on the Strategic Planning draft goals. Dr. Pratt-Clarke reminded the Council that the strategic planning process has been built upon the Beyond Boundaries foundation of a vision for Virginia Tech. Dr. Pratt-Clarke shared the four strategic priorities that campus identified based upon the mission, vision, and core values of Virginia Tech. She then reviewed a draft of the goals, strategies and metrics for each of the priorities.

The Office for Strategic Affairs has been meeting with key stakeholders, faculty and staff across campus where they have received feedback on the draft Strategic Planning Priorities document. Dr. Pratt-Clarke reminded the Council that this is a working document and that based on feedback from campus, there would be additional changes to the document before it is finalized. She provided an overview of the timeline and next steps towards approval by the Board of Visitors. The Office for Strategic Affairs will be a resource in helping colleges and departments across campus develop their plans to advance the institutional priorities.

5. No further business was discussed, and the meeting adjourned at 4:50 p.m.

2018-20 BUDGETS AS OF CROSSOVER

As of Tuesday, February 5, 2019

Analysis based on Half-Sheets.

The Executive column reflects incremental adjustments to the 2018-20 biennial budget proposed by the Governor.
House and Senate columns reflect incremental changes proposed by each body to the Executive Budget.

	Executive	House	Senate
Affordability	N/A	<p>Proposes \$45.7 million statewide in additional General Fund (GF) support to offset the need for tuition increases (maintain tuition at 2019 levels), based on institutional six-year plan needs</p> <p>\$6,028,000 is provided to Virginia Tech in the second year to “maintain tuition and mandatory Educational and General (E&G) fee charges for in-state undergraduate students to fiscal year 2019 levels.”</p> <p>(Item 253.50 #1h)</p>	No change to Executive Budget.
Tech Talent Investment Program	<p>Proposes \$8.3 million GF statewide in FY20 to “support an increase in the number of bachelor’s and master’s degrees in computer science and closely related fields and to improve the readiness of graduates to be employed in technology-related occupations through internships. Funds shall be disbursed to institutions on a competitive basis and subject to agreed-upon performance....In consultation with the Secretary of Finance and the Secretary of Commerce and Trade, the Secretary of Education shall develop a process to award these funds in accordance with the provisions of this language, with the Governor providing final approval for distribution of the funds. (Item 475.U)</p>	<p>Proposes \$27.9 million GF statewide to increase the number of computer science and related degrees as part of the Tech Talent Pipeline proposed in House Bill 2490.</p> <p>“Prior to an allocation from the fund, institutions must enter into a Memorandum of Understanding (MOU) through a negotiation process between the institution and the Commonwealth. The MOU shall contain criteria for eligible degrees, eligible expenses, and degree production goals for a period ending in 2039. In addition, each institution shall (i) submit an enrollment plan detailing the number of eligible degrees produced between July 1, 2013, and June 30, 2018; (ii) develop a detailed plan of how the institution proposes to materially increase the enrollment, retention, and graduation of students pursuing eligible degrees, the resources necessary to accomplish such increase in enrollment, retention, and graduation, and</p>	<p>Proposes \$8.0 million GF statewide to support computer science and related degrees.</p> <p>Eliminates \$300,000 from Executive Budget proposed for internship support. (Item 474 #6s)</p>

	Executive	House	Senate
		plans to track new enrollment; (iii) provide an accounting of the anticipated number of in-state and out-of-state students enrolling in eligible degree programs; (iv) determine the existing capacity of current eligible degree programs; (v) propose plans to partner with other institutions to provide courses or programs that will lead to the completion of an eligible degree including articulation agreements with the Virginia Community College System to provide guaranteed admission for qualified students with an associate degree for transfer into an eligible degree program; (vi) allocate existing funds held by or appropriated to the institution to meet increased enrollment, retention, and graduation goals in eligible degree programs; and (vii) provide any other information deemed relevant. (Item 475.20 #1h)	
Undergraduate Student Financial Aid Funding	Proposes increased Virginia undergraduate need-based student financial aid at Virginia Tech of \$991,397 General Fund (GF) in FY20. (Item 222)	Eliminates Executive Budget proposal. (Item 222 #1h)	No change to the Executive Budget.
Unique Military Activities	N/A	Proposes additional \$173,000 GF in FY20 for Unique Military Activities. (Item 224 \$1h)	No change to the Executive Budget.
Employee Bonus	Proposes a one percent bonus to all state employees hired on or before July 1, 2019 and remaining employed until at least November 1, 2019, effective December 1, 2019. (Item 474.AB1)	Eliminates proposed bonus. (Item 474 #6h)	Eliminates proposed bonus. (Item 474 #2s)
Employee Salary Increase	Maintains 2018 General Assembly (Chapter 2) budgeted salary increase of 2% for all state employees, with an additional 2% merit-based supplemental	Proposes enhancing the compensation increases approved in Chapter 2 as follows:	No change to the Executive Budget.

	Executive	House	Senate
	increase for Classified staff. Increase effective June 10, 2019.	<ul style="list-style-type: none"> • University Staff: 2.75% (enhanced from 2%) • Classified Staff: 5.0% (2.75% base plus 2.25% merit), (enhanced from 2% base plus 2% merit) • Faculty: 3% (enhanced from 2%) (Item 474 #5h) 	
Health Insurance	Proposes no increase in premium in 2019-20.	<p>No apparent changes to premiums in the Executive Budget.</p> <p>Proposes a premium holiday of two pay periods in November 2019; The health insurance plan will not collect the employee or the employer share of the premiums. (Item 474 #3h)</p>	No change to premiums the Executive Budget.
VRS Optional Retirement Plan for Higher Education Surcharge	Maintains 2018 General Assembly (Chapter 2) surcharge of 5.02% on all employees choosing to participate in the Optional Retirement Plan.	Modifies existing language regarding stranded liabilities in the Virginia Retirement System to apply only to those positions which were converted from VRS to ORP-eligible on or after January 1, 2012 , and which are filled by an employee electing to participate in ORP. Surcharge appears to be 5.02%. (Item 474 #2h)	Modifies existing language regarding stranded liabilities in the Virginia Retirement System to apply only to those positions which were converted from VRS to ORP-eligible on or after January 1, 2014 , and which are filled by an employee electing to participate in ORP. Surcharge appears to be 8.04%. (Item 474 #1s)
Retiree Health Care Credit Rate Adjustment	N/A	Increases the Retiree Health Care Credit employer contribution rate from 1.17% to 1.31%. (Item 136 #9h)	N/A
Correction of Agency 229 Fund Split	Proposes \$129,557 GF in the first year and \$548,924 GF in the second year to correct the state's share of state assigned costs in VCE/AES, and language clarified that the 95% fund split covers entire agency. (Item 226.D)	Eliminates the direct funding proposed in Executive Budget to correct fund split. Language clarifying the intent of the fund split is retained. (Item 226 #1h)	No change to the Executive Budget.

	Executive	House	Senate
Agency 229 Operating Budget Support	No change	Proposes \$1,250,000 in the second year for Extension Agents and Research Specialists across the Commonwealth. (Item 226 #2h)	No change to the Executive Budget.
Student Financial Aid Language	N/A	Proposes a study of financial aid funding models, including current and prospective funding models. Review shall also assess use of tuition revenue for financial aid. Review shall include representatives from the House Appropriations and Senate Finance Committees, Department of Planning and Budget, Secretaries of Finance and Education, and representatives of public higher education institutions. (Item 141 #1h)	No change to the Executive Budget.
Six-Year Plan And Institutional Partnership Agreements	Language Requires institutions to outline the expected cost of tuition and mandatory E&G fees for a period of three years that in-state undergraduates shall be expected to pay. The tuition predictability plan will be submitted to SCHEV as part of the biennial six-year financial plan. Plans shall include a percentage and dollar increase or decrease of any size the institution determines to be appropriate from one year to the next or for the entire duration covered by the plan. Plans shall indicate a range of tuitions based upon available state resources, but must contain a scenario that includes the assumption of no new state general fund support. SCHEV shall develop instructions related to the submission of such plans in conjunction with the six-year financial plans as required by § 23.1-306 , Code of Virginia. (Item 143.P)	Eliminates new language proposed in Executive Budget. References HB2653 which provides for new institutional partnership agreements. (Item 143 #1h)	Eliminates new language proposed in Executive Budget. Proposed language states that institutions may present as part of their six-year financial plans 1) alternative tuition and fee structures and programs to result in lower costs for in-state undergraduate students; and an innovative performance pilot that includes one innovative request and corresponding state ask. Language related to the performance pilot mirrors language in SB1628 (Dunnavant) (143#6s)
Capital Projects	<ul style="list-style-type: none"> Improve Kentland Facilities Supplement: Proposes an additional \$3,100,000 in state support for this project. (Item C-46.10) 	Executive Budget proposed projects were maintained. In addition:	Executive Budget proposed projects were maintained.

	Executive	House	Senate
	<ul style="list-style-type: none"> • Renovate Dietrick Hall, First Floor and Plaza: Proposes \$3,800,000 for addition 9(d) debt authorization to support the project. (Item C-20) • The projects within the Capital Planning Pool from Chapter 759 of the 2016 Act were not advanced. This pool includes the Undergraduate Laboratory Building project that is currently in design. 	<ul style="list-style-type: none"> • Proposes \$69 million of General Fund for Data and Decision Science Building. VT will provide \$10 million from philanthropy and institutional funds for a total project budget of \$79M. • \$51 million in statewide pool for 9(c) and 9(d) revenue bonds for higher education projects. • Proposes a \$780 million construction bond pool beyond these projects that includes higher education and central government agencies, which includes additional support for six of the projects within the Capital Planning Pool from Chapter 759 of the 2016 Act. The Virginia Tech Undergraduate Science Laboratory Building was not included in the pool. 	
Innovation Campus	Proposes additional debt authorization of \$168 million for the Virginia Tech Innovation Campus in the second year, to be held until Virginia Tech certifies that “dollars are in hand and available to cover the nongeneral fund portion of the project costs.”	Proposes \$168.0 million of General Fund for the VT Innovation Campus. VT will provide \$107 million from philanthropy and institutional funds for a total project budget of \$275 million. The language change on the nongeneral fund allows the University to cash flow the project prior to cash receipts of private gifts.	Executive Budget proposed projects were maintained.
Commonwealth Cyber Initiative	Maintains the approved funding in the 2018 General Assembly budget (Chapter 2) of \$5 million in the first year and \$20 million in the second year.	Proposed language clarifies that “ the amounts provided in this paragraph are non-reverting and shall constitute the base budget for subsequent years ” for the both the Hub and Spoke funding levels of \$10 million each per year. (Item 252 #1h)	Removes \$5 million in FY20 for the Virginia Research Investment Fund to scale the initiative and provide resources for faculty recruiting at both the Hub and Spoke sites. Removes \$5 million in FY20 for the leasing of space and establishment of the Hub by the anchoring institution and for the establishment of research faculty, entrepreneurial programs, student internships, and educational programming, and operations of the Hub. (Item 252#1s)
Virginia Military Survivors and Dependents Program	Increases the current \$1,800 stipend to \$2,200 to offset the costs of room, board, books, and supplies for eligible recipients	No change to the Executive Budget.	No change to the Executive Budget.

	Executive	House	Senate
Grow Your Own Teachers	Proposes \$200,000 GF in FY20 for the establishment of a pilot program to provide scholarships to high school graduates who attend a baccalaureate institution of higher education in the Commonwealth and subsequently teach in high-need public schools in their school division of residents	Proposes \$240,000 statewide in FY20 for the Grow Your Own Teachers partnership with public colleges and universities, DOE and local school division. (Item 141 #3h)	Eliminates proposal in the Executive Budget. (Item 135 #1s)
Student Loan Ombudsperson	Provides \$115,333 GF in the first year and \$124,000 GF in the second year for a new student loan ombudsperson to assist borrowers of education loans in the Commonwealth.	No change to the Executive Budget.	No change to the Executive Budget.
Interest Earnings & Credit Care Rebate	Financial incentives related to Higher Education Restructuring that had been eliminated in the prior biennium are restored. This results in approximately \$400,000 in each year of the biennium.	Proposes reducing the level of restoration proposed in the Executive Budget of interest earnings by approximately one half. (Item 471 #1h)	No change to the Executive Budget.
Employment Waiting Period Requirement for Board of Visitors	N/A	Includes language prohibiting an institution of higher education from employing an individual appointed by the Governor to the board of visitors of such institution within four years of the expiration of their term. (Item 4-6.07 #1h)	Includes language prohibiting an institution of higher education from employing an individual appointed by the Governor to the board of visitors of such institution within two years of the expiration of his term; Such a prohibition shall not apply to the employment of an individual to serve as an institution president. (4-6.07#1s)
Commonwealth Center for Advanced Manufacturing	N/A	Proposes \$11.4 million for the Department of General Services to acquire of the CCAM facility. (Item C-1.20 #1h) Proposes \$6.1 million GF in the second year for rent, operating support and maintenance of the CCAM. Language establishes membership and research grant incentives for current and potential private sector, industry partners, as well as research grant incentives for university research to be conducted at the CCAM facility in an effort to increase federal resources. (Item 122 #3h)	Provides \$920,000 in operating support for the CCAM. (122#2s)

	Executive	House	Senate
One-Time Graduate Survey	N/A	N/A	Proposes \$750,000 in FY20 for the administration of a one-time survey of graduates of public institutions of higher education. The survey shall be designed to enable Virginia to answer fundamental questions about the value and impact of undergraduate education and complement existing research on wages of college graduates derived from the Virginia Longitudinal Data System. The results of the survey shall be used to guide future policy decisions in alignment with the priorities of the Governor and the General Assembly. (Item 143 #1s)
Data Exchange for Wage Outcomes	N/A	N/A	Proposes to authorize SCHEV to release data to the U.S Census, U.S. Education Department or other agency of the federal government in order to get wage outcomes for graduates working outside the Commonwealth to improve knowledge on earnings and education-related debt. (Item 143 #5s)
Innovative Internship Program	N/A	N/A	Provides an additional \$500,000 GF in FY20 for the SCHEV's innovative internship program. The program is designed to expand paid or credit bearing student internship and other work-based learning opportunities with Virginia employers. The program includes \$300,000 transferred from Central Appropriations in support of additional computer science degrees in support of the tech talent pipeline. The amendment would bring total funding for the program to \$700,000 GF in the second year, and specifies parameters for the program that are consistent with Senate Bill 1628, 2019 Session. (Item 143 #3s)
Virginia Neuroscience Initiative	N/A	Proposes \$275,000 GF in the second year for George Mason, in collaboration with EVMS, ODU, UVA, VCU, VT, INOVA, and Sentara Health System to create a network that facilitates significant clinical trials in	No change to the Executive Budget.

	Executive	House	Senate
		oncology, mental health, and substance abuse. (Item 164 #1h)	
Procurement	N/A	Proposes setting purchase thresholds equally to those set forth in the Virginia Public Procurement Act. (Item 4-9.03 #1h)	No change to the Executive Budget.
Tax Conformity/Tax Policy	<p>Proposes immediate conformity of state and federal tax codes.</p> <p>Proposes returning a portion of anticipated tax windfall from the federal Tax Cut and Jobs Act to Virginians who earn less than \$55,000 by making the Earned Income Tax Credit fully refundable and funding for various programs like broadband expansion and water quality improvements and additional deposits into revenue reserves.</p> <p>Recognizes \$82.5 million in collection of additional sales tax revenue from on-line retailers (Wayfair revenues).</p>	<p>Proposes immediate conformity of state and federal tax codes.</p> <p>Sets aside 100 percent of limited time revenues generated from the federal Tax Cut and Jobs Act into a Special Tax Payer Relief Fund. The General Assembly would convene a special session on how to refund revenues in new fund and changes to Virginia tax policy.</p> <p>Recognizes \$144 million in collection of additional sales tax revenue from on-line retailers (Wayfair revenues).</p>	<p>Proposes immediate conformity of state and federal tax codes.</p> <p>Proposes additional Virginia income tax changes: (1) For taxable year 2018, provides an income tax refund of up to \$110 for individual taxpayers and up to \$220 for married taxpayers filing jointly; (2) Beginning in taxable year 2018, extends the existing corporate income tax subtraction for foreign income to apply to the amount of Global Intangible Low-Taxed Income that is included in a corporation's federal taxable income; (3) Beginning in taxable year 2018, creates an individual and corporate income tax subtraction for one-fifth of the amount of business interest that is disallowed as a deduction from federal taxable income pursuant to the federal TCJA; (4) Starting with taxable year 2019, deconforms from the provision of the federal TCJA that limits the deduction for state and local taxes (SALT) to \$10,000; and (5) Increases the standard deduction to \$4,500 (single) and \$9,000 (married filing jointly) effective beginning in taxable year 2019, coincident with provisions of the federal TCJA.) (Item 4-14 #2s)</p> <p>Proposes a \$419 million tax refund in October from additional revenues created by resources related to the Tax Cuts and Jobs Act and \$80 million for a Tax Reform Fund to address any additional temporary or permanent tax reform in the 2020-22 biennium. (Item 266.10 #1s)</p>

	Executive	House	Senate
			Recognizes \$82.5 million in collection of additional sales tax revenue from on-line retailers (Wayfair revenues).
Statewide Higher Education Finance Plan	N/A	N/A	Language requires SCHEV to work with the Lumina Foundation to develop a statewide higher education finance plan that incorporates the priorities of the Joint Subcommittee on the Future Competitiveness of Higher Education and provides strategies to achieve higher education outcomes. (Item 143 #2s)
Deferred Maintenance and Expenditure Reporting	N/A	N/A	<p>Language requests additional deferred maintenance and expenditure reporting by institutions of higher education, including:</p> <ul style="list-style-type: none"> • a list of all their deferred maintenance with the cost estimates of each item and whether the item is either "energy related" or "non-energy related"; • a report on their energy expenditures; and • a comprehensive deferred maintenance strategy list and timelines for completion that utilize efficient resources from either internal or external sources <p>This information can be considered in future capital outlay requests. (Item 4-4.01 #1s)</p>

PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH CHAMBER OF THE GENERAL ASSEMBLY

As of February 5, 2019: Based on Halfsheets

Schedule reflects Incremental Funding already approved, and proposed adjustments for 2018-19 and 2019-20.

	Executive Budget		House Budget		Senate Budget	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Operating Budget						
General Fund						
University Division E&G						
<u>2018 Session Approved Budget (May 2018)</u>						
Degrees in Data Science & Technology, Science & Engineering, Healthcare, and Education		\$ 5,215,880	-	5,215,880	-	5,215,880
<u>2019 Proposed Budget - Incremental Changes</u>						
In-State Undergraduate Tuition & E&G Fee Freeze - Optional				6,028,000		
<i>Subtotal University Division Operating</i>	-	5,215,880	-	11,243,880	-	5,215,880
Student Financial Aid						
<u>2018 Session Approved Budget (May 2018)</u>						
Virginia Undergraduate Financial Aid		706,308	-	706,308	-	706,308
<u>2019 Proposed Budget - Incremental Changes</u>						
Virginia Undergraduate Financial Aid		991,397	-	-	-	991,397
<i>Subtotal Student Financial Aid</i>	-	1,697,705	-	706,308	-	1,697,705
Unique Military Activities						
<u>2018 Session Approved Budget (May 2018)</u>						
	-	300,000	-	300,000	-	300,000
<u>2019 Proposed Budget - Incremental Changes</u>						
			-	173,000	-	-
<i>Subtotal Unique Military Activities</i>	-	300,000	-	473,000	-	300,000
Higher Education Research Initiative						
<u>2018 Session Approved Budget (May 2018)</u>						
CyberX - Hub: Leasing, Operations, Research Faculty, Entrepreneurship, & Internships		10,000,000		10,000,000		10,000,000
CyberX - Virginia Research Investment Fund to Scale Initiative at Hub & Spoke Sites		10,000,000	-	10,000,000	-	10,000,000
<u>2019 Proposed Budget - Incremental Changes</u>						
CyberX - Hub: Leasing, Operations, Research Faculty, Entrepreneurship, & Internships						(5,000,000)
CyberX - Virginia Research Investment Fund to Scale Initiative at Hub & Spoke Sites						(5,000,000)
<i>Subtotal Higher Education Research Initiative (CyberX)</i>	-	20,000,000	-	20,000,000	-	10,000,000
Subtotal - University Division	-	27,213,585	-	32,423,188	-	17,213,585
Cooperative Extension/AES Division (CE/AES)						
<u>2019 Proposed Budget - Incremental Changes</u>						
Technical Correction of Fund Split of State Assigned Costs	129,557	548,924	-	-	129,557	548,924
Extension Agents and Research Specialists			-	1,250,000	-	-
Subtotal CE/AES	129,557	548,924	-	1,250,000	129,557	548,924
Total Operating Budget State Support	\$ 129,557	\$ 27,762,509	\$ -	\$ 33,673,188	\$ 129,557	\$ 17,762,509

PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH CHAMBER OF THE GENERAL ASSEMBLY

As of February 5, 2019: Based on Halfsheets
\$s in thousands

CAPITAL BUDGET

University Division

Innovation Campus

Data and Decision Sciences

Cooperative Extension & Agricultural Experiment Station Division

Improve Kentland Facilities Supplement

	State Support		
	Executive Budget	House Budget	Senate Budget
	\$ 168,000	\$ 168,000	\$ 168,000
	-	69,000	-
	3,100	3,100	3,100
TOTAL CAPITAL SUPPORT	\$ 171,100	\$ 240,100	\$ 171,100