

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING

March 25, 2010

PRESENT: Martin Daniel, Gilles Divoux, Erik Ervin, Kyrille Goldbeck, Bill Huckle, Ben Johnson, Don Rimstidt, Dwight Shelton, Ken Smith, Linda Tegarden, Tom Tucker

ABSENT: Muhammad Hajj, Scott Hurst, Lonnie Johnson, Patricia Lavender, Gary Long, Steve McMullin, Mark McNamee, Joey Zakutney

GUEST: Tim Hodge

1. CALL TO ORDER

Mr. Dwight Shelton, Vice President for Finance and Chief Financial Officer, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE FEBRUARY 25, 2010 MINUTES

Mr. Shelton announced that the minutes of the February 25, 2010 meeting have been approved and sent to University Council for posting on the web.

3. GENERAL ASSEMBLY BUDGET ACTIONS

Mr. Shelton provided a review of the Joint Conference Committee budget amendments to Governor Kaine's proposed 2010-12 Executive Budget. The General Assembly approved the operating and capital budgets recommended by the Conference Committee. The approved budget bill was subsequently presented to Governor McDonnell for approval and/or modification. Gubernatorial amendments to the budget will be completed and offered to the General Assembly at the Reconvened Session on April 21.

Highlights of the new budget for fiscal years 2010-12 include: a 3 percent bonus for state employees if state revenues increase above the current projection of \$82 million; an employee contribution of 5 percent to their retirement benefit for new employees beginning July 1, 2010; and a temporary reduction in the current deferred compensation cash match program. Items specific to higher education institutions include an increase in the capital fee paid by out-of-state students: changes to the Equipment Trust Fund Program (Virginia Tech's ETF program is reduced nearly \$500,000 to \$8.3M GF in each year of the 2010-12 biennium. A new \$2.3 million "Research ETF Appropriation" is provided in each year of the 2010-12 biennium); reduction in Maintenance Reserve Funding (Virginia Tech's program is reduced nearly \$3 million to \$5.6 million in 2011); reductions to the University Division base

operating support (\$5.2 million in 2011 and \$21.8 million in 2012 for Virginia Tech with \$20.9 million of stimulus funds being provided in 2011); and similar reductions in the CE/AES Division base operating support (\$1.1 million in 2011 and \$4.5 million in 2012, as well as an additional \$1 million reduction to reorganize Extension services in 2012). With these additional budget reductions, the cumulative reductions to Virginia Tech for 2008-12 will be approximately \$75 million.

4. STATUS OF INTERNAL BUDGET DECISIONS

a. Tuition and Fees

The state budget was sent to the Governor in mid-March 2010 for approval. The Governor has 30 days to sign and submit additional amendments to the budget before the reconvened session on April 21, 2010. The final state budget has the potential to have a significant impact on tuition and fee decisions. The allocation of federal stimulus funding and level of reduction in General Funds are key elements in the resolution of the higher education budget for 2010-2011.

Despite these uncertainties, the University intends to continue to pursue progress with regard to its Strategic Plan. The results of the 2010 General Assembly Session, including the losses in General Fund support, the allocation of federal stimulus funding, and the impact on tuition and fees revenues from new funding requirements, will be critical to the operations of the University in 2010-11. University management believes that it must take sufficient time subsequent to the end of the General Assembly Session to fully assess its revenue options and opportunities. The University will submit the 2010-2011 tuition and fees proposal to the Executive Committee of the Board of Visitors for approval as soon as is practical after the Reconvened Session on April 21, 2010.

b. Ongoing budget reduction requirements

To address budget reductions in the current fiscal year, academic departments are absorbing a 1 percent reversion and administrative departments a 2 percent reversion of funds. University departments are being apprised that a reduction to base budget will be required in the upcoming 2010-12 biennium to address reductions. The next reversion will be larger than that in FY10, but the university is trying to keep it as a modest increase in reversion in order to minimize the adverse impact of the reduction in funds. Once the budget is finalized in the Reconvened Session of the General Assembly on April 21, and tuition increases are approved by the Executive Committee of the Board of Visitors, the university will be able to finalize internal budget decisions to address reductions.

There being no further business, the meeting adjourned at 4:00 p.m.