

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**January 28, 2016**

**PRESENT:** Brett Besag, Virginia Buechner-Maxwell, Carolyn Copenheaver, Tim Hodge, Tim Kinoshita, Stephen Kleiber, William Knocke, Channing Mitchell, Quinton Nottingham Leslie O'Brien, Thanassis Rikakis, Hans Robinson, Ken Smith, Sue Teel, Benjamin Tracy

**ABSENT:** Dwight Shelton, Henri de Hahn, Herve Marand, Jason Soileau, John Tedesco

**1. CALL TO ORDER**

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, called the meeting to order at 4:01 p.m.

**2. APPROVAL OF THE NOVEMBER 12, 2015 MINUTES**

Mr. Hodge stated that the November 12, 2015 minutes have been approved and forwarded to the University Council for posting on the web.

**3. UPDATE ON EXECUTIVE BUDGET AMENDMENTS**

Mr. Hodge provided an analysis of the Executive Biennium Budget proposed by Governor McAuliffe on December 17, 2015. He started by reviewing the State budget process, reminding the council the first step of the process is the presentation of the Governor's Executive Biennium Budget. The General Assembly will then have an opportunity to review and develop their own budget using the Governor's budget as their guide. Mr. Hodge highlighted funding for strategic areas that will positively impact the university's General Fund for the University Division (Agency 208) and Cooperative Extension Agriculture Experiment Station Division (Agency 229). He also highlighted the support for several capital initiatives at the university. Mr. Hodge reminded the council that the budget proposals included within the Executive Budget are subject to change during the General Assembly session, which convened on January 13, 2016 and is scheduled to adjourn on March 20, 2016. A summary on the Executive Biennial Budget is attached to these minutes.

**4. OTHER BUSINESS**

In other business, a question was raised as to whether the University's budget modeling was changing to a more performance based budgeting. Ken Smith, Vice Provost for Research Management and Institutional Effectiveness, shared that the university is moving in that direction and concepts are currently being developed. Dr. Thanassis Rikakis, Executive Vice President & Provost, reiterated that they are in the development phase and will share the new budget model with the Council once it has been completed.

The meeting adjourned at 5:00 p.m.

December 23, 2015

**MEMORANDUM**

**TO:** Deans  
Vice Presidents

**FROM:** M. Dwight Shelton, Jr.

**SUBJECT:** Analysis of Executive Budget proposal for the 2016-18 Biennium

On Thursday, December 17, 2015, Governor McAuliffe presented the Executive Budget proposal for the 2016-18 biennium to the General Assembly. We have now completed our initial review of the proposed budget and can share with you the more significant elements that impact Virginia Tech and higher education.

As you may recall, just one year ago the commonwealth faced significant budget shortfalls, necessitating the curtailment of planned investments and the assignment of statewide budget reductions. Through strategic reallocations, the university was able to largely absorb the four percent General Fund reduction levied on Virginia Tech, avoiding significant direct reductions to the university's operating budget. Since then, the commonwealth's economy has improved, and is currently performing better than projected. There are still some economic concerns, including the current slow growth of state revenues. However, most signs point toward slow but continuing economic improvement for Virginia.

The Executive Budget includes significant focus on K-12 and higher education and growing the skilled workforce needed to compete for private investment across Virginia. Virginia Tech is well positioned to partner with the commonwealth to address those shared goals, and we look forward to being a critical component in the future success of Virginia.

The Executive Budget proposal includes additional funding in strategic areas that will positively impact the university. We have developed a summary table that displays the net impact of these adjustments, by fiscal year, on the amount of incremental General Fund support available to the university in the proposed Executive Budget. This summary table is displayed as an attachment to this memorandum.

While it is important to understand the budget proposals included within the Executive Budget and their impact on the university, please remember that these actions are subject to change during the 2016 General Assembly session, which will convene in January.

The following is a brief summary of the items of particular interest to Virginia Tech:

*Invent the Future*

*Operating Budgets:*

**University Budget (208)**

- **Access and Degree Completion for Virginia Students:** The Executive Budget proposes \$2.8 million General Fund (GF) in each year of the biennium to educate and graduate more Virginians and support underrepresented students' college completion.
- **Cybersecurity Training Range:** An appropriation of \$2 million GF in each year is proposed to support a cyber range platform to be used for cyber security training by students in Virginia's public high schools, community colleges, and four-year institutions. This collaboration will include all Virginia public institutions with a certification of academic excellence from the federal government.
- **Cybersecurity Curriculum, Apprenticeships, and Internships:** Additional funding of \$750,000 GF in the first year and \$1.7 million GF in the second year is proposed to support a collaboration between Virginia Tech and James Madison University. This initiative is designed to implement a nationally-recognized undergraduate cyber security core curriculum, and to develop a structure and process for providing experiential learning, including apprenticeships and internships, for students to become cyber specialists.
- **Student Financial Aid:** An additional \$590,000 GF is recommended in each year of the biennium for undergraduate in-state student financial aid.
- **Research:** The Executive Budget proposes an additional one-time allocation of \$950,000 GF in the first year of the biennium for the purchase and integration of radar equipment for an unmanned aircraft test range.
- **Equipment Trust Fund:** An additional \$481,000 of traditional allocation and an additional \$962,000 of research-specific allocation is proposed. These additional amounts, when combined with the existing level of Equipment Trust Fund allocations in 2015-16, will bring the total appropriation to the university for the Equipment Trust Fund to \$15.6 million in each year of the 2016-18 biennium.

**Compensation**

- **Faculty and Staff Salaries:** The Executive Budget proposes a 2% salary increase for all state employees in the 2<sup>nd</sup> year of the biennium, effective July 1, 2017, contingent on meeting state revenue projections. No compensation changes in the first year of the biennium were recommended.
- **Health Insurance:** The Executive Budget projects an eight percent increase in health insurance premiums in each year of the biennium. However, the proposal includes funding both the employer and employee shares of projected health insurance rate increases in the first year of the biennium. Under this proposal, employees would not see an out-of-pocket increase until FY18.
- **Virginia Retirement System (VRS):** Employer contributions to VRS are proposed to rise to the full actuarial rate. Contributions in the current fiscal year are ninety percent of the actuarial rate. The state's share of this contribution is provided, and the university will be required to fund the remainder.

**Statewide Research Funding**

- **Higher Education Research Initiative (HERI):** The Executive Budget proposes a pool of \$20 million General Fund in each year to be administered by the HERI to offer incentive packages to high performing researchers who successfully commercialize their research. This pool will also establish centers of excellence where researchers can collaborate and receive support in commercialization efforts. Additionally, the Executive budget includes a

\$50 million in each year of debt-funded lab enhancements and research equipment, available to institutions or related research entities on a competitive basis and requiring an equal match.

- **Virginia Biosciences Health Research Corporation (VBHRC) Biotechnology Research:** The Executive Budget proposes the creation of \$30 million GF in each year of the biennium for a funding pool that would be used to incentivize the transfer of research to the private sector and the creation of spin-off companies. Under this proposal, funding would be provided on a competitive grant basis. Requests for funding would be reviewed and evaluated by the Major Employment and Investment (MEI) Project Approval Commission before being funded.
- **Bioscience Health Research Infrastructure:** The Executive Budget also includes \$7.5 million GF in the first year and \$10 million GF in the second year for the VBHRC to facilitate research in biosciences and promote the development of bioscience infrastructure tools that can be used to facilitate additional research.
- **Global Genomics and Bioinformation Research Institute\*:** Four public institutions in the commonwealth (expected to include Virginia Tech) would receive up to \$4 million GF per year to further research and collaboration with the Global Genomics and Bioinformation Research Institute.
- **Commonwealth Center for Advanced Manufacturing\*:** An appropriation of \$2 million GF in each year of the biennium is proposed to support the center.
- **GO Virginia\*\*:** A pool of at least \$38 million GF is proposed to support GO Virginia initiatives, targeted at competitive collaborations of higher education, private industry, and local and regional governments to support economic development initiatives.

*\* Proposed funding for these items is contingent upon savings generated from the proposed expansion of Medicaid in the Executive Budget.*

*\*\*A portion of this funding is contingent upon savings generated from the proposed expansion of Medicaid in the Executive Budget.*

#### **Statewide Higher Education Actions of Interest**

- **Cyber Security Scholarships:** A proposed \$1.5 million GF in each year is included in the Executive budget for students who choose cyber security as a major and commit to working in Virginia government upon graduation. (SCHEV)
- **Cyber Security Centers of Excellence Grant:** A pool of \$1 million GF is proposed in each year to support institutions' efforts to qualify as federal cyber security centers of excellence. (SCHEV)
- **Electronic Books:** Additional funding of \$1.2 million GF in the first year and \$1.3 million GF in the second year is proposed to expand access to ebooks in the Virtual Library of Virginia. (SCHEV)
- **Innovation Fund to Expand Affordable Student Pathways:** Competitive innovation fund is proposed that would provide \$2.5 million GF in each year to stimulate collaboration among public school divisions and colleges and universities to create and expand affordable student pathways. (SCHEV)
- **Longitudinal Data System:** To maintain and enhance the capacity of the Virginia Longitudinal Data System maintained by SCHEV, \$1.2 million GF in the first year and \$1.3 million GF in the second year is proposed.
- **Enhance and Promote Data Analytics:** A proposed \$562,000 GF allocation in each year is directed to enhance the environment for the teaching, research and job creation surrounding advanced data analytics. (SCHEV)

- **Study to Establish Entity to Investigate Sexual Assaults on College Campuses:** Funding is proposed in the amount of \$100,000 GF in the first year to study the possible creation of a Virginia higher education regional center for investigation and adjudication of criminal incidents of sexual and gender-based violence on college campuses. (SCHEV)
- **Automation of Introductory Courses:** The Executive Budget proposes \$50,000 GF in the first year for incentive grants to encourage institutions to use automation in introductory courses to reduce costs and enhance student success. (SCHEV)
- **Low- or No-Cost Textbooks:** General Funds in the amount of \$30,000 in the first year are proposed for the implementation of low-cost or no-cost textbook degree programs. (SCHEV)
- **Virginia Degree Completion Network:** New General Fund support of \$4.4 million in the first year and \$3.7 million in the second year is proposed to provide flexible online degree completion programs. George Mason and Old Dominion universities will collaborate on the creation of this network, and later expansion will include other institutions across the state. (SOE)

*Capital Budgets:*

**Support for Capital Initiatives**

- **Capital Construction Pool:** A \$1 billion pool for higher education capital projects that includes:
  - Holden Hall Renovation
  - The second phase of the Central Chiller Plant
  - Expansion of the Virginia Tech Carilion Research Institute in Roanoke
  - Livestock and Poultry Research Facilities project within the Cooperative Extension and Agricultural Experiment Station Division (Agency 229)
- **Maintenance Reserve:** Funding of \$18.7 million is proposed for the university's maintenance reserve allocation for the biennium. This reflects a \$506,000 increase in the first year and \$1.2 million in the second year. The system-wide maintenance reserve program is slated to increase by \$29.7 million, with all of higher education institutions increasing by 16.2 percent respectively. Maintenance Reserve funding is proposed to be cash-funded in the second year.

We very much appreciate the Governor's recognition of the value that higher education brings to the economic health of Virginia by educating the commonwealth's citizens and driving the discovery and development that will support Virginia moving forward. These proposed investments in the university's operating and capital needs will improve the quality of a Virginia Tech education and provide much needed space to advance the university's programmatic priorities.

The legislature will convene on January 13, 2016, and it is scheduled to adjourn on March 20, 2016, during which they will review various legislative proposals including the Executive Budget. We will continue to work during the legislative session to advocate on behalf of the university and support the shared goals of the university and the commonwealth.

If you have any questions about the Executive Budget proposal or need any additional information, please feel free to contact me.

December 23, 2015

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Attachment

cc: Timothy D. Sands, President  
Thanassis Rikakis, Executive Vice President and Provost  
Tracy Vosburgh, Senior Associate Vice President University Relations  
Tuna Shankar, President of the SGA  
Matt Chan, President of the GSA  
Rami Dalloul, President of the Faculty Senate  
Dan Cook, President of the Staff Senate  
University Advisory Council on Strategic Budgeting and Planning  
Research Institute Directors

## SUMMARY OF INTRODUCED EXECUTIVE BUDGET FOR 2016-18

## VIRGINIA TECH

December 17, 2015

(Dollar Amounts in Thousands)

## OPERATING BUDGET

<u>University Division</u>	<u>General Fund (a)</u>	
	<u>2016-17</u>	<u>2017-18</u>
<b>Educational and General Budget</b>		
Access and Degree Completion for Virginia Students	\$2,762	\$2,762
Cybersecurity Training Range	2,000	2,000
Cybersecurity Core Curriculum, apprenticeships and internships in collaboration with James Madison University	750	1,700
<b>Technical Adjustments</b>		
Represents technical adjustments, such annualizing partial FY16 funding (These are not new resources for 2016-18)	7,332	7,342
<b>Student Financial Aid</b>		
Virginia Undergraduate Students	590	590
<b>Research</b>		
Unmanned Aircraft Test Range Equipment (one-time allocation)	950	-
<b>Higher Education Equipment Trust Fund</b>		
Traditional Allocation	481	481 (b)
Research Allocation	962	962 (b)
Subtotal University Division	15,827	15,838
 <u>Cooperative Extension/Agricultural Experiment Station Division</u>		
<b>Technical Adjustments</b>		
Represents technical adjustments, such annualizing partial FY16 funding (These are not new resources for 2016-18)	2,994	2,996
Subtotal VCE/VAES Division	2,994	2,996
<b>TOTAL OPERATING SUPPORT</b>	<b>\$18,822</b>	<b>\$18,834</b>
 <b>CAPITAL BUDGET</b>		
<u>University Division</u>	<u>State Support</u>	
Renovate Holden Hall	61,000 (c)	
Construct Chiller Plant, Phase II	35,200 (c)	
Construct VTCRI Expansion	46,700 (c)	
<u>Cooperative Extension &amp; Agricultural Experiment Station Division</u>		
Livestock and Poultry Research Facilities, Phase I	22,500 (c)	
Maintenance Reserve	9,038	9,719
<b>TOTAL CAPITAL SUPPORT</b>	<b>\$ 174,438</b>	<b>\$ 9,719</b>

(a) Amounts represent incremental change to the university's existing 2015-16 General Fund appropriation.

(b) Amounts represent incremental change to existing 2015-16 Equipment Trust Fund appropriation (new purchasing power). New total amounts are \$10,331,639 in traditional allocation and \$5,240,458 in research allocation.

(c) The amounts are a placeholder and reflects the budget requested by the University. The actual amount will be based on a cost review by the Department of General Services at the completion of Preliminary Designs.