

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING

March 24, 2011

PRESENT: Martin Daniel, Kim Avis (for Lynn Eichhorn), Mike Ellerbrock, Brad Klein (for Bill Huckle), Patricia Lavender, Maxine Lyons, Steve McMullin, Quinton Nottingham, Dwight Shelton, Ken Smith, Connie Stovall, Robert Tracy

ABSENT: Greg Boardman, Corbin DiMeglio, Erik Ervin, Courtney Gleason, Tim Hodge, Lonnie Johnson, Andrew McCoy, Mark McNamee

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 24, 2011 MINUTES

Mr. Shelton announced that the minutes of the February 24, 2011 meeting have been approved and sent to University Council for posting on the web.

3. REPORT ON 2011 LEGISLATIVE SESSION

Mr. Shelton updated Council members on the 2011 General Assembly and the final budget actions of the Joint Budget Conference Committee. A handout was provided which summarized actions taken by the Conference Committee on compensation and retirement plans, amendments regarding new statewide funding initiatives and the Cooperative Extension and Agricultural Experiment Station (Agency 229), and amendments regarding thresholds for capital projects. A schedule provided a summary of the Conference Committee Budget adjustments for 2011-12. A copy of the handout is attached.

4. STATUS OF INTERNAL BUDGET DECISIONS

Mr. Shelton provided Council members with an update on the development of tuition and fees. After the reconvened session of the General Assembly on April 6, the University will prepare its proposed 2011-12 Tuition and Fees for approval by the Board of Visitors. The Executive Committee of the Board of Visitors will convene in late April to take action on the proposed 2011-12 Tuition and Fees, which would then be ratified by the full Board when it meets in June.

The university is reviewing several internal funding issues including compensation for employees and priority funding needs. Mr. Shelton invited Council members to send suggestions for priority funding needs to Provost McNamee (mmcnamee@vt.edu), Mr. Tim Hodge, University Budget Director (tlhodge@vt.edu) or Mr. Shelton (mdsjr@vt.edu). A follow-up report on these issues will be provided to Council members when available.

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

Final Budget Actions of the 2011 Joint Budget Conference Committee

House and Senate conferees reconciled each chamber's budget proposals, and the final version was passed by the House and Senate on Sunday, February 27th, 2011.

Compensation & Retirement Plans

- **For employees in the Virginia Retirement System (VRS):**
 - The Conference amendments require employees hired prior to July 1, 2010 to pay the 5% *employee* share of contributions for their defined benefit retirement program, consistent with state employees hired after that date. A 5% salary increase for employees hired prior to July 1, 2010 and participating in the VRS will offset the required employee contribution.
- **For employees in the Optional Retirement Plan (ORP):**
 - The Conference amendments reverse the Governor's reduction and restore the full 10.4% benefit for members hired prior to July 1, 2010. No mandatory contribution is implemented, nor is there a salary increase for ORP members.
- **Bonus:** The Conference amendments eliminated the Governor's proposed performance-contingent bonus of up to two percent for all salaried employees.
- **New Defined Contribution Plan for Employees hired on or after July 1, 2010:** The Conference amendments did not include a previously proposed Optional Retirement Program for all employees, nor did the stand-alone legislation pass the legislature.
- **NGF Rate Savings:** While legislation to prohibit the transfer of NGF resources to the state General Fund did not pass the legislature as proposed, significant attention was paid to the issue and some corrective actions were taken to mitigate the impact of the compensation and retirement changes on NGF resources. Though the Conference amendments improve the situation relative to Chapter 874, ensuring the availability of NGF resources for university needs continues to be an important issue moving forward.
- **Tuition Authority:** No additional language is included in the Conference amendments on tuition authority. Tuition authority remains under the purview of the Board of Visitors.
- **Nonresident Enrollment Cap:** As in prior years, attempts were made to impose legislative limits on nonresident enrollment at institutions of higher education. To have the legislation withdrawn, the University agreed to increase in instate student seats in exchange for full General Fund support of these students.
- **Additional In-state Undergraduate Seats:** \$500,000 GF is provided to provide fifty additional instate undergraduate seats (see Nonresident Enrollment Caps above).
- **Base Budget Adequacy:** \$1,263,375 GF was provided in recognition of the institutions base budget adequacy shortfall.

- **Operation and Maintenance of New Facilities:** \$311,349 GF to support the cost of operating and maintain facilities coming on-line.
- **Undergraduate Student Financial Aid:** \$733,310 GF was provided for need based undergraduate student financial aid.

New Statewide Funding Initiatives

- **4VA Cisco Partnership:** The Conference amendments include \$850,000 GF in the second year to Virginia Tech, UVa, JMU, and GMU, for a total of \$3.4 million to collaborate with Cisco Systems on a technologically advanced teleconferencing system that will promote shared learning across campuses.

Cooperative Extension and Agricultural Experiment Station (Agency 229)

- **Agency 229 Operating Support:** The Conference amendments include an additional \$1 million GF in the second year to support 25 additional extension agents. This funding is in addition to the Governor's proposed \$494,410 GF in support of the reorganizational efforts of the Cooperative Extension service.
- **Restructuring Plan:** The Conference amendments include language that requires the development of a revised restructuring plan. This plan is required to have stakeholder input from many constituents, including the agricultural industry, local governments, and extension agents.
- **Review:** The Conferee's include language that requires the Secretary of Education to evaluate the organizational structure of Cooperative Extension and determine appropriate reporting requirements to ensure transparency.

Capital

- **Energy Efficiency Thresholds:** The Conference amendments raise the threshold for energy efficiency projects for inclusion in the capital outlay budgeting process from \$3 million to \$7 million.
- **Institutions of Higher Education Capital Threshold:** The Conference amendments raise the threshold from \$1 million to \$2 million for projects at institutions of higher education for inclusion in the capital outlay budget process.
- **4-H Educational Center in Northern Virginia:** Language proposed during the legislature to allow a capital project to take place on this property without the consult of Virginia Tech was not ultimately accepted by the Conference Committee.

Schedule 1 provides an overview of the changes recommended by the Conference Committee and approved by the General Assembly for the University's operating and capital budgets.

PROPOSED BUDGET ADJUSTMENTS BY THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY
as of February 28, 2011

Amounts in Thousands of Dollars -- All amounts are General Fund unless otherwise noted

OPERATING BUDGET

University Division

Educational and General Budget

E&G Interest Earnings & Credit Card Rebate (est)
Federal Stimulus (ARRA Recalculation)
New In-State Undergraduate Seats
4VA Cisco Instructional Partnership
Base Adequacy Allocation
Operation and Maintenance of New Facilities
Total Educational and General

Executive Budget	
2010-11	2011-12
	\$ 450
\$ 233	
	500
	850
	1,263
	311
233	450
233	450
149	494
	494
149	494
\$ 383	\$ 944

Conference Budget	
2010-11	2011-12
	\$ 450
\$ 233	
	500
	850
	1,263
	311
233	3,375
233	4,108
149	494
	1,000
149	1,494
\$ 383	\$ 5,602

Student Financial Aid

Undergraduate Student Financial Aid

Total University Division

Cooperative Extension/AES Division

Educational and General Budget

ARRA Recalculation (Federal Stimulus NGF)
Reorganization Support
Additional Extension Agents

Total Cooperative Extension/AES Division

Total Increased Operating Support for Virginia Tech

OTHER AGENCIES

Central Pools

Reduction Pool (from last session)
Higher Education Incentive Pool
Virginia Research and Technology Investment Fund
K-12 Partnership
Two-Year College Transfer Grant Program
Virginia Military Survivors and Dependents Program
Subtotal central pools

2010-11	2011-12
	\$ (10,000)
	50,000
	25,000
	600
	300
	250
	\$ 65,600

2010-11	2011-12
	\$ (10,000)
	10,000
	600
	300
	250
	\$ 1,150

CAPITAL BUDGET

Equipment Funding

FF&E Infectious Disease Facility

Educational and General Projects

Visitors and Admissions Center (9d)
Visitors and Admissions Center (NGF)

Total Increased Capital Outlay Support for Virginia Tech

Executive Budget	
2010-12	
State	NGF
\$ 863	
	\$ 7,100
	3,400
\$ 863	\$ 10,500

Conference Committee	
2010-12	
State	NGF
\$ 863	
	\$ 7,100
	3,400
\$ 863	\$ 10,500