

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
March 24, 2016

PRESENT: Dwight Shelton, Carolyn Copenheaver, Tim Hodge, Tim Kinoshita, Leslie O'Brien, Ken Smith, Sue Teel

ABSENT: Thanassis Rikakis, Brett Besag, Virginia Buechner-Maxwell, Henri de Hahn, Stephen Kleiber, William Knocke, Herve Marand, Channing Mitchell, Quinton Nottingham, Hans Robinson, Jason Soileau, John Tedesco, Benjamin Tracy

1. CALL TO ORDER

Mr. M. Dwight Shelton, Vice President for Finance and Chief Financial Officer for Budget and Financial Planning, called the meeting to order at 4:02 p.m.

2. APPROVAL OF THE FEBRUARY 24, 2016 MINUTES

Mr. Shelton stated that the February 24, 2016 minutes have been approved and forwarded to the University Council for posting on the web.

3. UPDATE ON 2016 ACTIONS OF THE GENERAL ASSEMBLY CONFERENCE COMMITTEE

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, reminded the council that the General Assembly Conference Committee developed the Conference Budget from the House of Delegates and Senate versions of the Governors original budget. The University is pleased with the strong level of state support. He explained the budget is now in the hands of the Governor who has 30 days to approve. A few proposed budget items Mr. Hodge reviewed for the council included increased support for expanding access and affordability and approval of construction projects for several buildings. Mr. Hodge also highlighted proposed adjustments to compensation and fringe benefits, research initiatives, GO Virginia and JLARC recommendations. A summary of the proposed actions of the General Assembly Conference Committee is attached to these minutes.

4. UPDATE ON 2016-17 TUITION AND FEES

Mr. Hodge provided an update on the university tuition and fees that was recently approved by the Board of Visitors. Updates on tuition and fees included a discussion of the factors considered in establishing rates, increases in state support, and an update on additional cost drivers and resource developments. This resulted in the lowest increase in tuition and fees in 15 years. The tuition and fees presentation is attached to these minutes.

5. No further business was discussed, and the meeting adjourned at 4:59 p.m.

PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND CONFERENCE COMMITTEE

as of March 11, 2016
(\$ in thousands)

Operating Budget

University Division

Access, Affordability, Quality and Increased Degrees		\$ 2,762	\$ 2,762
Cyber Security Test Range		2,000	2,000
Restoration of Interest Earnings and Credit Card Rebate			
Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)		7,332	7,342
<i>Subtotal University Division Operating</i>		12,094	12,104

Research

Unmanned Aircraft Test Range Equipment (one-time allocation)		950	0
<i>Subtotal Research</i>		950	0

Student Financial Aid

Virginia Undergraduate Financial Aid		590	590
Graduate Financial Aid			
Cyber Security Core Curriculum, collaboration with JMU		750	1,700
<i>Subtotal Student Financial Aid</i>		1,340	2,290

Unique Military Activities

		0	0
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Higher Education Equipment Trust Fund

Traditional Allocation		481	481
Research Allocation		962	962
Unmanned Aircraft Test Range Equipment (one-time allocation)			
<i>Subtotal Equipment Trust Fund</i>		1,443	1,443

Subtotal University Division

Incremental General Fund Support			
Executive Budget		Conference Budget	
2016-17	2017-18	2016-17	2017-18
\$ 2,762	\$ 2,762	\$ 5,133	\$ 7,488
2,000	2,000	2,000	2,000
		400	400
7,332	7,342	7,332	7,342
12,094	12,104	14,865	17,230
		0	0
		0	0
590	590	590	0
		405	587
750	1,700	0	0
1,340	2,290	995	587
0	0	200	200
481	481	481	481
962	962	962	962
		950	0
1,443	1,443	2,393	1,443
15,827	15,837	18,453	19,460
		50	50
		70	200
2,995	2,996	2,995	2,996
2,995	2,996	3,115	3,246
\$ 18,822	\$ 18,833	\$ 21,568	\$ 22,706

(a)

(a) Estimated interest earnings.

(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.

PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND THE CONFERENCE COMMITTEE
as of March 11, 2016
(\$ in thousands)

Capital Budget

	Executive Budget		Conference Budget		
	State	NGF	State	NGF	
Maintenance Reserve FY2017	\$ 9,038	\$ -	\$ 9,038	\$ -	(a)
Maintenance Reserve FY2018	9,719		9,719		(a)
University Division					
Construction					
Renovate Holden Hall	61,000	12,500	61,000	12,500	(b)
Construct Chiller Plant, Phase II	35,200	4,800	35,200	4,800	(b)
Construct VTC Health Sciences and Technology Expansion	46,700	21,000	46,700	21,000	(b)
Planning Authorization					
Undergraduate Science Laboratories	-		3,740		(c)
NGF/Debt Authorization for projects in Construction					
Renovate Student Health Center	-	3,071	-	3,071	
Virginia Cooperative Extension/AES Division (VCE/VAES)					
Construction					
Livestock and Poultry Research Facilities, Phase I	22,500	-	22,500	-	(b)
Total	\$184,157	\$41,371	\$187,897	\$41,371	

Notes:

- (a) University submits a proposal and the state subsequently identifies the amounts listed.
- (b) Conference Report reflects that full project authorization has been provided. Detailed amounts are not yet known; thus, this schedule assumes that the university's full request is included in the state authorization.
- (c) Planning authorization effective July 1, 2017. Because actual amounts are not provided in the Conference Report, this schedule assumes that the traditional detail planning allocation of five percent of the project's budget will be provided.

**2016 GENERAL ASSEMBLY BUDGET
As of March 11, 2016**

Each column reflects proposed policy or language adjustments in the proposed budget. Any funding associated with these proposals is summarized in Attachment 1. Actions are incremental adjustments to the 2016-18 biennial budget.

COMPENSATION

	Executive	Conference
Faculty and Staff Salary Increase	<p><u>2016-17</u>: No salary increase is proposed.</p> <p><u>2017-18</u>: Contingent upon meeting state revenue targets, a 2% salary increase effective July 1, 2017 is proposed.</p> <p>Institutions may use merit as basis of awards for all employee classes, "as long as the increases do not exceed the <u>two percent increase</u> on average."</p>	<p><u>2016-17</u>: Contingent upon no need for a revision to the 2016-18 revenue projection, a 3% salary program will be effective November 10, 2016.</p> <p>Institutions may use merit as basis of awards for all employee classes, "as long as the increases do not exceed the <u>three percent increase</u> on average."</p> <p><u>2017-18</u>: No compensation program is included in the proposed budget.</p>

UNIVERSITY OPERATING BUDGET

	Executive	Conference
Cybersecurity: Cyber Range/Testbed/Accelerator	Proposes the creation of programmatic platform for cyber security training by students in Virginia's public high schools, community colleges, and four-year institutions. Funding support is proposed. (see Attachment 1)	No change to the Executive Budget proposal.
Cybersecurity Curriculum	Proposes the creation of a collaboration between VT and JMU to develop experiential learning and apprenticeships in cybersecurity. Funding support is proposed for each institution.	Eliminated.

FRINGE/HEALTH

	Executive	Conference
Health Insurance	Projects an 8% 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.	Projects a 9.6% increase in health insurance premiums FY17 and an 8.7% increase in FY18. Funding for employee share of increase is eliminated in lieu of a salary increase.
Virginia Retirement System (VRS)	Employer contributions to retirement 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.	Several changes are made for the upcoming biennium: 1. Includes a lump sum payment of \$177.7M GF in FY16 to expedite the repayment to VRS of the 2010-12 deferred contributions. 2. Per HB30, recommends funding VRS retirement at 100% beginning in FY17. 3. As rate no longer includes repayment of deferred contributions, the contribution rate for the state employee plan will decrease from 14.22% (FY16 rate) to 13.49%.

LANGUAGE IMPACTING OPERATIONS

	Executive	Conference
Tuition Authority	N/A	"It is the expression of the General Assembly that the institution seek to minimize tuition and fee increases for in-state undergraduate students. This language shall be in effect for the 2016-18 biennium only. The Board of Visitors shall set the tuition rates for the institution, and forward their action to the State Council of Higher Education for Virginia within three business days of such action. The Council shall analyze the Board's actions and report such analysis to the Chairmen of the House Appropriations and Senate Finance Committees within three business days of receipt, at which point, the Board's action shall be considered final. The Director of the Council shall report the final Board actions to the Chairmen by August 1, 2016 and August 1, 2017."

	Executive	Conference
Virginia Tech Carilion School of Medicine	N/A	Provides language encouraging pursuit of further developments in the partnership and allows the establishment of the VTCSOM within Virginia Tech.
Review of Alternative Tuition and Fee Structures	Recommends that the Joint Subcommittee on Higher Education review Alternative tuition and fee structures, including discounted tuition, flat tuition rates, discounted fees, student services flexibility, to any first time incoming freshmen.	“As part of its deliberations, the Joint Subcommittee shall review alternative tuition and fee structures and programs that could result in lower costs to in-state undergraduate students.”
Review of Statewide Student Financial Aid Model	Recommends that the Joint Subcommittee on Higher Education review Statewide Student Financial Aid model. Second year of incremental GF for SFA is withheld for development of new model.	Recommends that the Joint Subcommittee on Higher Education produce recommendations to reform the statewide allocation of student financial aid. \$24 million GF is withheld by SCHEV in the second year in order to fund this new model.
Capital Procurement Language	N/A	Language has been added that requires the university to develop a process and report on its procurement methods for capital construction.
JLARC Recommendations/Study	N/A	<ol style="list-style-type: none"> 1. Proposes that institutional Boards of Visitors shall “participate in national faculty teaching load assessments by discipline and faculty type.” 2. Proposes that SCHEV “include factors such as discipline, faculty rank, cost of living, and regional comparisons in developing faculty salary goals.” 3. Proposes that SCHEV “identify instructional technology best practices that directly or indirectly lower student cost while maintaining or enhancing learning.”

STATE COUNCIL ON HIGHER EDUCATION FOR VIRGINIA (SCHEV) PROGRAMS

	Executive	Conference
Cybersecurity Scholarships	Proposes \$1.5 million GF in each year for SCHEV to create scholarships for students who choose cybersecurity as a major and commit to working in Virginia upon graduation.	Eliminated.
Cybersecurity Centers for Excellent Grant	Proposes a \$1 million GF pool in each year to support institutions' efforts to qualify as federal cybersecurity centers of excellence.	Eliminated.
Innovation Fund to Expand 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.	Provides \$500k GF in each year for SCHEV to create a fund for excellence and innovation, designed to create and expand affordable student pathways and pursue shared services and other efficiency initiatives that lead to measurable cost reductions.
Study to Establish Entity to Investigate Sexual Assaults on College Campuses	Funding is proposed for SCHEV 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.	No change to the Executive Budget proposal.

CAPITAL PROJECTS

	Executive	Conference
Holden Hall Renovation	Included in \$1 billion Capital Construction Pool for higher education.	Included in \$1.33 billion Capital Construction Pool for higher education.
Central Chiller Plant, Phase II		
VTC Health Sciences and Technology Expansion		
229: Livestock and Poultry Research Facilities, Phase I		
Undergraduate Science Laboratory	N/A	Included in Detailed Planning support pool.
Maintenance Reserve	Fiscal Year 2017: \$9.038M Fiscal Year 2018: \$9.719M	Fiscal Year 2017: \$9.038M Fiscal Year 2018: \$9.719M

CENTRAL APPROPRIATIONS

	Executive	Conference
Higher Education Research Initiative	Proposes a pool of \$20 million GF in each year to be administered by the HERI to offer incentive packages to high performing researchers who successfully commercialize their research. \$100 million of debt financing has been provided for projects approved for the Higher Education Research Initiative for lab enhancements and research equipment.	Proposes a pool of \$8 million GF in the first year and \$14 million GF in the second year to attract high performing researchers. Bonds for equipment and lab renovation reduced to \$29 million in the first year, none in the second year.
Biotechnology Spinoff Growth	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.	Funding proposed by the Executive Budget is eliminated.

	Executive	Conference
Global Genomics and Bioinformation Research Institute (INOVA)	Four public institutions in the commonwealth (expected to include Virginia Tech) would receive \$4 million GF per year to further research and collaboration with the Global Genomics and Bioinformation Research Institute. This is tied to a proposal to expand Medicaid.	<p>Funding proposed by the Executive Budget that is tied to Medicaid expansion is eliminated.</p> <p>New language provides \$8 million GF in the first year to offer one-time incentive packages to attract high performing researchers.</p> <p>\$20 million in the first year is available for lab renovations and equipment at the Institute for GMU, ODU, UVa, VT, and CWM.</p>
GO Virginia	A pool of at least \$38M GF is proposed to support initiatives, targeted at competitive collaborations of higher education, private industry, and local and regional governments to support economic development initiatives. A portion of this is funded through savings related to Medicaid expansion.	After eliminating the portion tied to Medicaid expansion, the budget provides \$5.5 million GF in the first year and \$30 million in the second year to support the Go Virginia initiative.



Factors Considered in Budget and Tuition & Fee Planning

- **Level of state General Fund Support**
- **2016-17 Known Cost Drivers**
 - Compensation, fringe benefits, state systems, other
 - Other Costs (fixed costs, utilities, health & safety)
- **University Budget Priorities**
 - Financial Aid to support unmet need in Low- to Middle-Income families
 - Six-Year Plan Academic and Operating Priorities
 - Strategic Initiatives
- **Market Considerations**
 - Benchmarking & Studies
- **State Guidance**
 - Appropriation Act language
 - Six-Year Plan feedback

Market Considerations- Tuition and Mandatory Fees

Benchmarking

	2015-16		
	VT	Average	VT Rank
In-state Undergraduate			
Public SCHEV Peers	\$12,485	\$11,770	10 out of 24
Virginia Institutions	\$12,485	\$11,790	6 out of 15
UVA	\$12,485	\$14,468	
CWM	\$12,485	\$19,372	
Out-of-state Undergraduate			
Public SCHEV Peers	\$29,129	\$30,460	13 out of 24
Virginia Institutions	\$29,129	\$28,651	6 out of 15
Regional Competitive Peers (a)	\$29,129	\$28,878	

(a) Regional competitive peers: Pennsylvania State, Rutgers University, University of Maryland, Ohio State, University of Pittsburgh, and North Carolina State.

Market Considerations-

Total Cost

Benchmarking

	2015-16		
	VT	Average	VT Rank
In-state Undergraduate			
Public SCHEV Peers	\$20,711	\$22,901	17 out of 24
Virginia Institutions	\$20,711	\$21,577	9 out of 15
Out-of-state Undergraduate			
Public SCHEV Peers	\$37,355	\$41,590	19 out of 24
Virginia Institutions	\$37,355	\$38,438	6 out of 15
In-state Graduate			
Public SCHEV Peers	\$14,116	\$14,029	9 out of 24
Virginia Institutions	\$14,116	\$11,726	2 out of 12
Out-of-state Graduate			
Public SCHEV Peers	\$26,981	\$28,028	14 out of 24
Virginia Institutions	\$26,981	\$24,793	6 out of 12

Undergraduate Financial Aid

Funds For the Future

- Shelters returning students from tuition increases based upon income.
- Ensures that students with need are not priced out due to tuition increases.
- In 2015-16, income levels were expanded to provide 100% coverage from tuition increases to families with incomes of up to \$49,999.
- For 2016-17, the university plans to again increase protection, providing 100% coverage to families with incomes up to \$74,999.

Family Income (AGI)	Tuition & Fee Increase Protection	Example Impact of FFF Protection for Undergraduate Student	
		Tuition & E&G Fee Increase	Net Impact
\$0 - \$74,999	100%	2.9%	0%
\$75,000 - 87,499	50%	2.9%	1.5%
\$87,500 - 99,999	25%	2.9%	2.2%

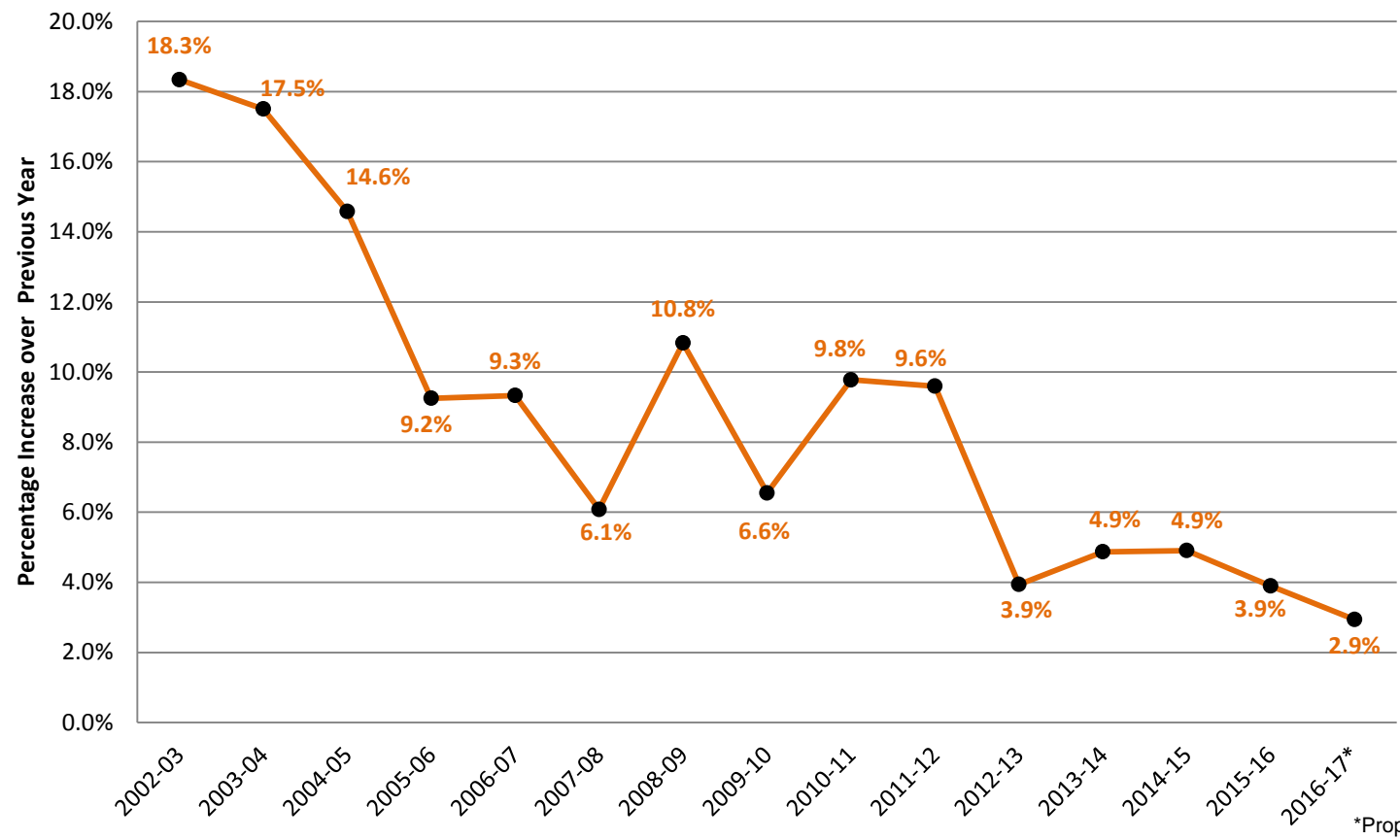
Undergraduate Financial Aid

Additional enhancements include:

- **Presidential Scholarship Initiative**
 - Provides full scholarship to incoming freshmen for four-years
 - For 2016-17, an additional 30 students are added to the annual cohort bringing the total number of scholarships available to 85
- **VT Grant – Reduction of Undergraduate Unmet Need**
 - Refocused program being developed to provide additional aid to Virginia resident families in the 1st-3rd income quintiles, reducing Net Price for Virginia families with low to middle-income.
- **Targeted Enrollment Growth Support**
- **In total, the university plans to enhance undergraduate student financial aid by at least \$2.5 million.**

Virginia Undergraduate Tuition and Fee Increase History

2016-17 Recommendation continues the trend of slowing increases, and is the lowest increase proposed since tuition was frozen in 2001-02.



Resident Undergraduates

	2015-16	Proposed	Increase	
	Charge	2016-17	\$	%
Tuition	\$10,496	\$10,787	\$291	2.8%
E&G Fees	132	154	22	16.7%
<i>Tuition & E&G Fees</i>	10,628	10,941	313	2.9%
Comprehensive Fee	1,857	1,911	54	2.9%
<i>Tuition & Mandatory Fees</i>	12,485	12,852	367	2.9%
<i>Room and Board</i>	8,226	8,424	198	2.4%
<i>Total Cost</i>	\$20,711	\$21,276	\$565	2.7%

Nonresident Undergraduates

	2015-16	Proposed	Increase	
	Charge	2016-17	\$	%
Tuition	\$26,536	\$27,306	\$770	2.9%
E&G Fees	736	758	22	3.0%
<i>Tuition & E&G Fees</i>	27,272	28,064	792	2.9%
Comprehensive Fee	1,857	1,911	54	2.9%
<i>Tuition & Mandatory Fees</i>	29,129	29,975	846	2.9%
<i>Room and Board</i>	8,226	8,424	198	2.4%
<i>Total Cost</i>	\$37,355	\$38,399	\$1,044	2.8%

Resident Graduates

	2015-16	Proposed	Increase	
	Charge	2016-17	\$	%
Tuition	\$12,127	\$12,467	\$340	2.8%
E&G Fees	132	154	22	16.7%
<i>Tuition & E&G Fees</i>	12,259	12,621	362	3.0%
Comprehensive Fee	1,857	1,911	54	2.9%
<i>Total</i>	\$14,116	\$14,532	\$416	2.9%

Nonresident Graduates

	2015-16	Proposed	Increase	
	Charge	2016-17	\$	%
Tuition	\$24,388	\$25,095	\$707	2.9%
E&G Fees	736	758	22	3.0%
<i>Tuition & E&G Fees</i>	25,124	25,853	729	2.9%
Comprehensive Fee	1,857	1,911	54	2.9%
<i>Total</i>	\$26,981	\$27,764	\$783	2.9%

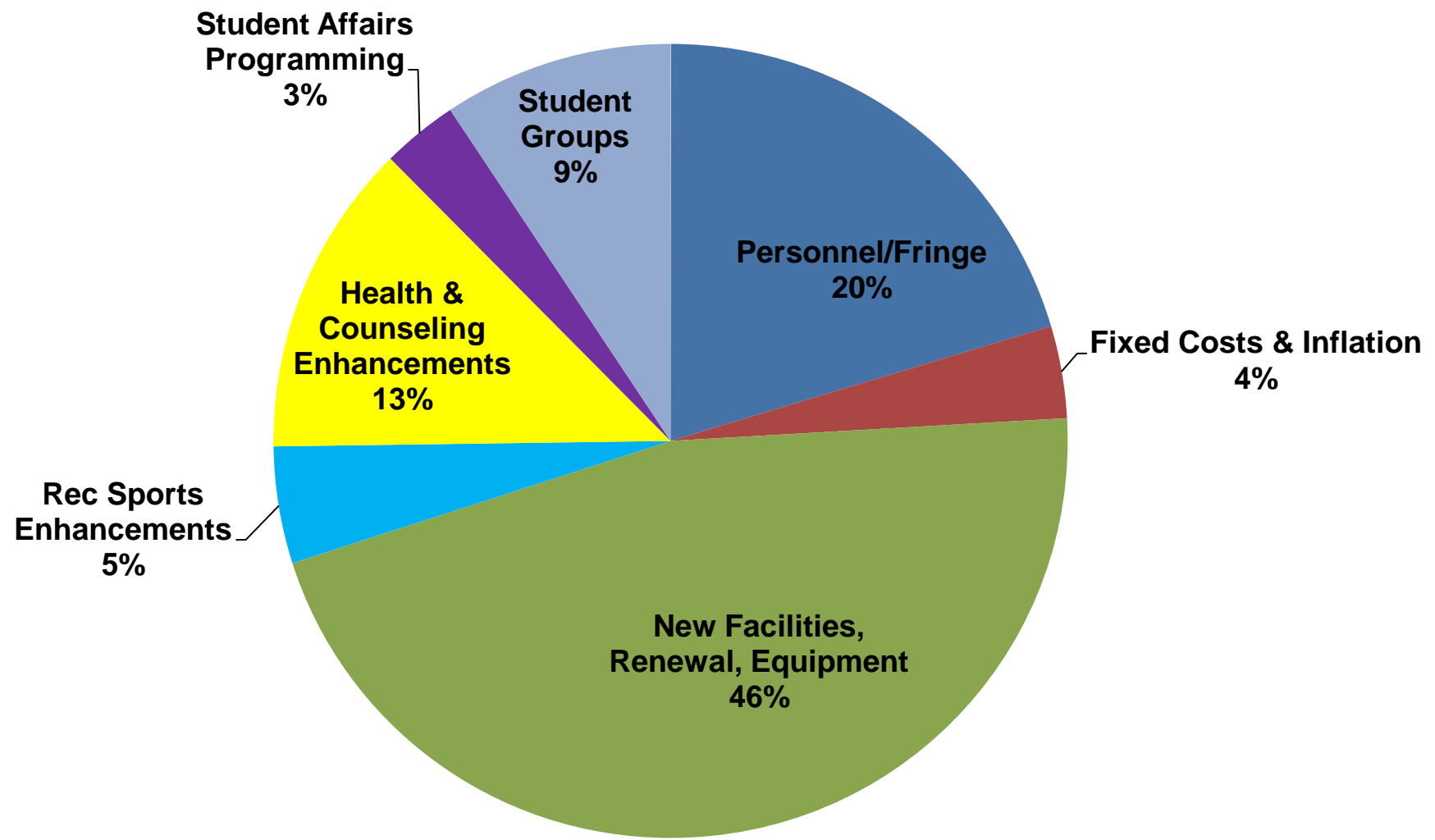
Veterinary Medicine

Total Cost

	<u>2015-16 Charge</u>	<u>Proposed 2016-17</u>	<u>Increase</u>	
			<u>\$</u>	<u>%</u>
Virginia/Maryland Students	\$23,094	\$23,617	\$523	2.3%
Nonresident Students	\$49,646	\$50,753	\$1,107	2.2%

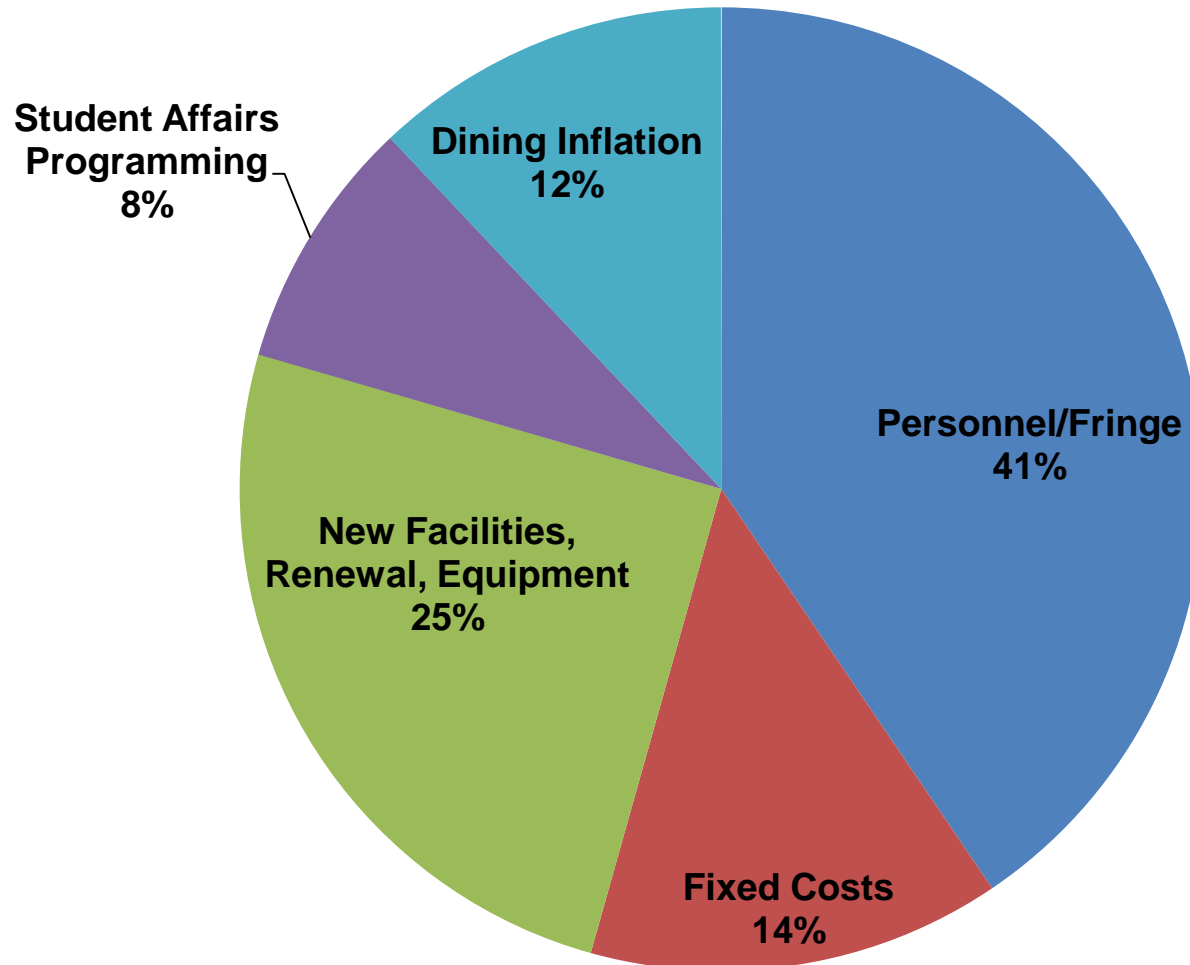
Comprehensive Fee

Proposed increase of 2.9%



Room & Board

Proposed increase of 2.4%



Differential Tuition Charges

Differential Tuition charges are assessed in specific disciplines, providing resources to address unique costs and enhance quality of instruction.

- **Engineering Fee Update:**
 - Undergraduate: \$43.25 per credit hour (9.5% increase)
 - Graduate: \$1,049 per academic year (9.5% increase)

- **Architecture & Design Fee Update:**
 - \$949 per academic year (9.8% increase)

- **Business Fee Continued Implementation:**
 - Undergraduate: \$25 per credit hour
 - Fourth year of a four-year implementation

Other Specialized Fees

- Designed for program-specific costs or to address service delivery costs to students.
 - **Library Fee:** Increase by \$20 to \$80 annually
 - **Technology Service Fee:** Increase by \$2 to \$74 annually