

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
November 17, 2016

PRESENT: Eric Wiseman (substitute for Carolyn Copenheaver), Tim Hodge, Steve Kleiber, Omchand Mahdu, Herve Marand, Quinton Nottingham, Andi Ogier, Alex Parrish, Jeff Earley (substitute for Thanassis Rikakis & Ken Smith), Dwight Shelton, John Tedesco, and Benjamin Tracy.

ABSENT: Mateo Carrasco, Henri de Hahn, Susan Marmagas, Randy Penson, Hans Robinson, Jason Soileau, and Linbing Wang

1. CALL TO ORDER

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, called the meeting to order.

2. APPROVAL OF THE OCTOBER 27, 2016 MINUTES

Mr. Hodge stated that the October 27, 2016 minutes were distributed electronically, having received one editing comment, the corrected minutes are approved and have been forwarded to the University Council for posting on the web.

3. UPDATE ON STATE BUDGET

Mr. Hodge gave the council an update on the State budget. The council was reminded that the State is facing a \$1.5B revenue shortfall and while the state exempted Higher Education from the across-the-board 5% reduction in 2016-17, they were likely to be assessed other items. The state has since released that Higher Education will be assessed the following:

- One-time in 2016-17 and 2017-18 for nongeneral fund shares of VRS rate savings from prepayment into retirement system (seeking adjustment to reduce Agency 229 portion)
- Suspension of 208 E&G interest earnings & credit card rebates in 2016-17 & 2017-18 (est. \$400K).
- Higher Education should plan for a 7.5% base budget reduction in 2017-18 (matching requirement in Agency 229 exempted).

Mr. Hodge reviewed Virginia Tech's general strategies for the one-time actions of 2016-17 and the base reduction in 2017-18. A copy of Mr. Hodge's presentation is attached to these minutes.

4. UPDATE ON STUDENT FINANCIAL AID

Mr. Hodge provided an overview of the university's support for student financial aid, which was presented to the Board of Visitors on November 7th. Mr. Hodge described the different forms of student financial aid that are currently offered to the undergraduate students of VT and shared the trends and the total amount of student financial aid. Mr. Hodge reviewed undergraduate grants and scholarships by providing a breakdown of funding sources and how much each funding source contributed to the total amount. Mr. Hodge shared an analysis of the institutional support by major fund source and how it has changed over time.

He also reviewed the Funds for the Future program and the university's enhancements to this program which shelters returning students, in certain income groups, from tuition increases. Mr. Hodge concluded his presentation by sharing the trends in student indebtedness and student need and the plan to increase private philanthropy to enhance future financial aid programs. A copy of this presentation is attached to these minutes.

5. No further business was discussed, and the meeting adjourned at 5:03 p.m.



University Advisory Council on Strategic Budgeting and Planning
State Budget Update

November 17, 2016

Recap

At our October meeting we reviewed:

- \$1.5B state revenue shortfall, compounded by growth in costs.
 - All agencies being asked to plan for reductions.
- Higher Education was *likely* to be assessed:
 - One-time in 2016-17 and 2017-18 for VRS rate savings from prepayment into retirement system.
 - Suspend 208 E&G interest earnings and credit card rebates in 2016-17 and 2017-18.
 - State strategies for remaining 2017-18 structural shortfall unknown but could be between 5% to 8% reduction.

November 2016 Update

This month we learned:

- Higher Education *will* be assessed:
 - One-time in 2016-17 and 2017-18 for nongeneral fund share of VRS rate savings from prepayment into retirement system.
 - Adjustment to reduce Agency 229 portion.
 - Suspension of 208 E&G interest earnings and credit card rebates in 2016-17 and 2017-18. (est \$400K)
 - Higher education should plan for a 7.5% base budget reduction in 2017-18.
 - Matching requirement in Agency 229 exempted.

VT Estimate of One-time VRS Assessment

	208 E&G	229 E&G	Sponsored	Auxiliary	UMA	Total
2016-17	2,943,796	601,049	589,016	567,385	9,997	4,711,242
2017-18	1,962,532	400,699	392,678	378,257	6,664	3,140,830
	4,906,327	1,001,748	981,694	945,642	16,661	7,852,072

 Expect 229 share to be significantly mitigated.

VT Estimate of 7.5% Base General Fund Reduction

	General Fund			Computation of 2017-18 GF Reduction	
	Total	(less) Exemption	Discretionary	%	\$
Agency 208					
E&G	\$163,775,657		\$163,775,657	-7.5%	\$(12,283,174)
UMA	2,284,350	-	2,284,350	-7.5%	(171,326)
SFA	21,272,899	(21,272,899)	-	0%	-
Research	5,388,544	-	5,388,544	-7.5%	(404,141)
	<u>192,721,450</u>	<u>(21,272,899)</u>	<u>171,448,551</u>	<u>-7.5%</u>	<u>(12,858,641)</u>
Agency 229					
E&G	69,405,415	(28,150,000)	41,255,415	-7.5%	(3,094,156) *
Total	<u>\$262,126,865</u>	<u>\$ (49,422,899)</u>	<u>\$212,703,966</u>		<u>\$ (15,952,797)</u>

* would have been \$5.2M.

One-time State Actions

Virginia Tech Strategy for **One-time** actions in 2016-17 and 2017-18

- Distribute across all program fund sources with employees in VRS.
 - 208 E&G, 229 E&G, UMA, Sponsored, Auxiliary
- Leverage one-time resources, reserves, or negotiated fringe rate to fund each programs portion of this VRS cost as appropriate.
- Goal to shelter colleges and units from one-time reductions in current year and next year.
- Allow time for thoughtful planning on base reductions.

2017-18 State Revenue Shortfall

Virginia Tech strategy for **base** reduction in 2017-18

- General Assembly could change reductions or revenues.
- University is exploring strategies to minimize impact on any one area and protect academic programs.
- Limited ability to mitigate reductions through tuition increase.
- Facilitate a process that provides maximum flexibility to the campus.
- Targeted reductions will be considered.
- We will provide additional information as it becomes available.

Planning Timeline

December 2016	Executive Budget
January 2017	General Assembly Session Convened Revenue forecast could be updated 2017-18 appropriations could be modified
Spring 2017	BOV Tuition & Fee decisions
June 2017	BOV approval of annual budget
July 1, 2017	Fiscal Year 2017-18 begins

Questions?