

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**December 4, 2014**

**PRESENT:** Virginia Buechner-Maxwell, Carolyn Copenheaver, Martin Daniel, Tim Hodge, Susanna Rinehart (for Sarah Karpanty), Steve Kleiber, William Knocke, Herve Marand, Mark McNamee, Quinton Nottingham, Leslie O'Brien, Robert Rodrigues, Dwight Shelton, Ken Smith, Sue Teel

**ABSENT:** Kylie Gilbert, Joseph Guthrie, Andrew McCoy, Jason Soileau, John Tedesco

**1. CALL TO ORDER**

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

**2. APPROVAL OF THE SEPTEMBER 25, 2014 MINUTES**

Mr. Shelton announced that the minutes of the September 25, 2014 meeting have been approved and sent to University Council for posting on the web.

**3. UPDATE ON THE STATE BUDGET**

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, gave an update on the state budget that had evolved since the September Council meeting. As a part of this he shared a PowerPoint slide on the state budget outlook for FY15-17 and provided a handout on the expected budget gap faced by the Commonwealth. The two handouts are attached to these minutes.

In his presentation, Mr. Hodge reported that state revenues dropped during the second half of FY14. Although revenues are starting to rise again, the state is still being cautious for FY15 due to the volatility of sources such as non-withholding and corporate taxes. Mr. Hodge stated that a federal sequestration could have a negative impact on the state since Virginia relies heavily on federal defense spending.

Mr. Hodge touched on key issues for FY16, including a \$332.9 million budget gap. Another concern he noted is a draw on the Rainy Day fund in FY17 which will leave the state budget structurally imbalanced. Mr. Hodge stated that the Governor will present strategies for addressing the budget gap on December 17, 2014. Mr. Hodge will send Council members information from the Governor's presentation around December 20. He noted that the Governor's proposal can be changed by the General Assembly when it meets in January.

Council members asked if any progress had been made in advancing additional energy efficiency savings efforts at Virginia Tech. This topic was brought up at the September meeting. Mr. Hodge stated that he has been working with individuals in University Sustainability, and someone from that department will be speaking at the January Council meeting to provide an update.

**3. FACULTY COMPENSATION UPDATE**

Mr. Hodge gave a presentation which showed how Virginia Tech faculty salaries compare with those of peer institutions. He stated that it has been a long-term goal of the Commonwealth for faculty salaries to be within the 60<sup>th</sup> percentile of other SCHEV approved peer institutions. It was noted that Virginia Tech has never actually reached that goal. In order to reach the 60<sup>th</sup> percentile of peer faculty salaries, the university will need to increase the average salary by 4.3 percent per year over the next four years.

Mr. Hodge stated that faculty salaries are important for the state's funding model for operations which determines the funding needed for all activities and employee types which utilizes the faculty salary amount as an input. He noted, however, that the state does not provide 100 percent of funding for faculty compensation. Universities are responsible for a significant portion of the funding. Mr. Hodge explained the cost-sharing formula that is currently used by the state.

According to Mr. Hodge, Virginia Tech's strategy for reaching faculty compensation goals is to maintain a multi-year plan for faculty salary increases, continue to work for General Fund support each year, increase tuition and fee rates annually at rates that will support the nongeneral fund share of faculty salary increases, and implement the rate supported by nongeneral funds in years when General Fund support is not available to the extent feasible.

Mr. Hodge reminded Council members that the Governor's executive amendments will be announced on December 17. The General Assembly will meet in the spring, and the House and Senate will each provide their changes to the Governor's proposal. The outcomes of the state budget process informs university planning activities.

## 5. OTHER BUSINESS

No further business was discussed, and the meeting adjourned at 4:10 p.m.

Attachments (2)

# State Budget: FY 2015-FY 2017

## FY 15

- VT: One-time strategies utilized to manage \$6.1M GF reduction provide time for thoughtful planning in FY16.
- State: revenues stronger than estimate but in volatile sources

## FY 16

- VT: permanent solution for \$6.1M GF reduction needed
- State: budget for FY16 not balanced, currently \$332.9M short.
  - Governor will present strategies in December, may be changed by General Assembly in January

## FY 17

- State budget structurally imbalanced, \$235M short (from Rainy Day Fund)

# Potential Budget Gap Based on Identified Drivers

\$'s in millions	FY 2015	FY 2016	Biennium
Ch. 3 Unappropriated Balance	\$15.3	(\$12.4)	\$2.9
Undesignated Savings Required in HB 5010	(\$49.8)	(\$272.0)	(\$321.8)
Mandatory/Statutory Spending Drivers	(\$70.3)	(\$115.0)	(\$185.3)
Medicaid Forecast Savings*	\$127.8	\$66.5	\$194.3
<b>Potential Budget Gap</b>	<b>\$23.0</b>	<b>(\$332.9)</b>	<b>(\$309.9)</b>

The Medicaid Forecast figure assumes the Governor's Healthy Virginia Initiative



# **Faculty Compensation Update**

University Advisory Council on Strategic Budgeting and Planning

December 4, 2014

# Faculty Compensation Policy Environment

- Commonwealth has longstanding goal that institutions of higher education reach the 60<sup>th</sup> percentile of SCHEV approved Peer institutions.
  - Just above average
- Peer group negotiation occurs each 10 years
  - Next review will likely occur in 2016-2017

# Faculty Compensation Funding Environment

- While faculty salaries are critical for recruitment and retention, faculty salaries are also **the** key driver of higher education funding in Virginia:
  - Progress to 60<sup>th</sup> percentile of peers is a state goal that drives compensation funding and justification at state level.
  - Faculty salaries are the key input into the state's funding model (base budget adequacy), which in turn drives funding for staff, graduate assistants, and operation costs of the Educational & General program.
- Institutional approach to peer selection

# SCHEV Peers

**University of California, Berkeley**

**University of California, Davis**

**University of Colorado at Boulder**

**Cornell University**

**University of Florida**

**University of Illinois at Urbana-Champaign**

**Iowa State University**

**University of Maryland, College Park**

**University of Michigan, Ann Arbor**

**Michigan State University**

**University of Minnesota-Twin Cities**

**University of Missouri-Columbia**

**North Carolina State University at Raleigh**

**The Ohio State University**

**Pennsylvania State University**

**University of Pittsburgh**

**Purdue University**

**Rutgers, The State University of New Jersey**

**State University of New York at Buffalo**

**University of Southern California**

**Stony Brook University**

**Texas A&M University**

**The University of Texas at Austin**

**The University of Washington - Seattle**

**University of Wisconsin - Madison**



# Compensation Cost Sharing

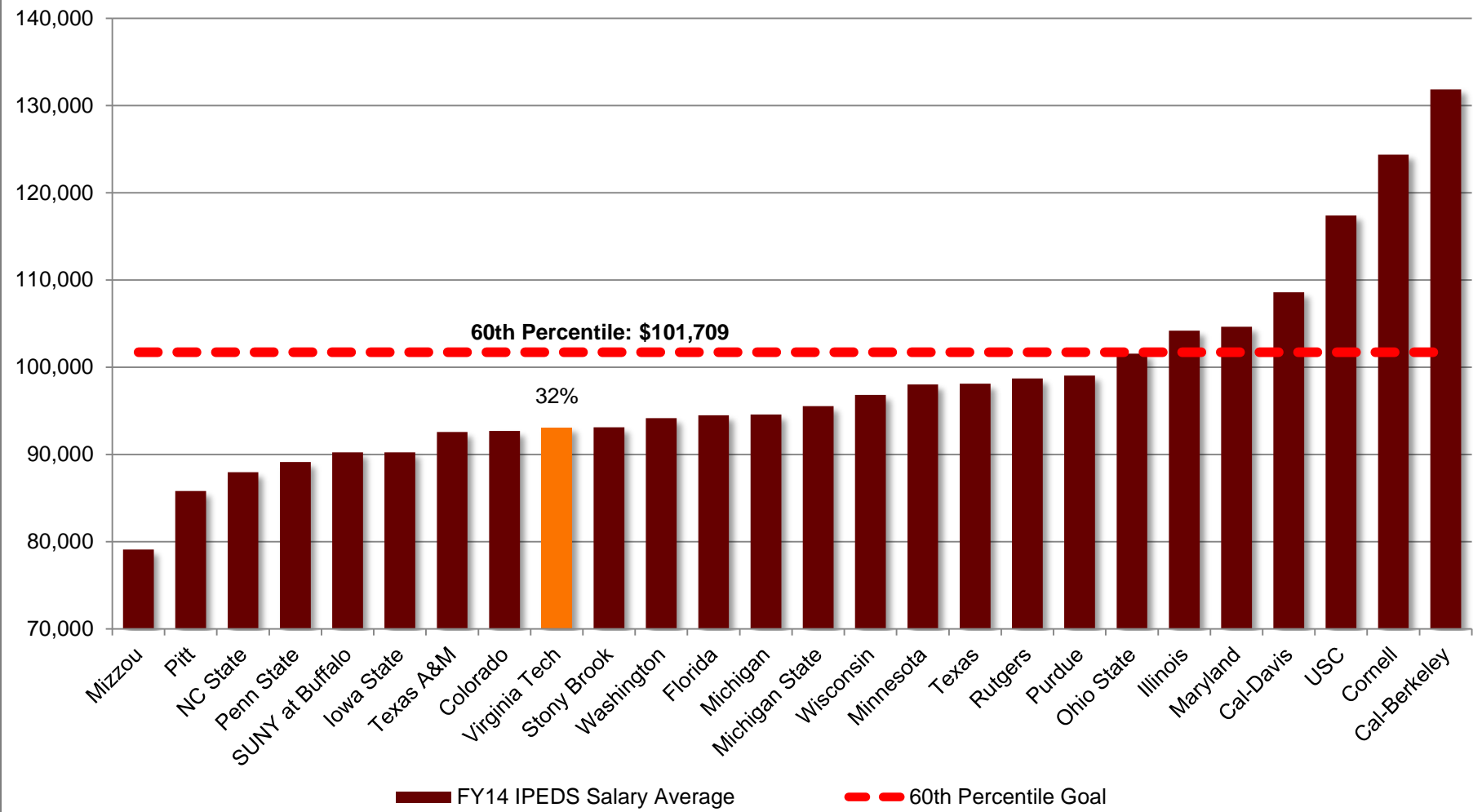
- State cost-sharing formula in Virginia -- *universities are responsible* for a significant portion of compensation programs:

	<u>University Share</u>	
	<u>Statewide program</u>	<u>Institutional program</u>
University Division (E&G)	59%	100%
Coop Ext/Ag Exp Station Division (229)	5%	100%
Sponsored Programs	100%	100%
Auxiliary Enterprises	100%	100%

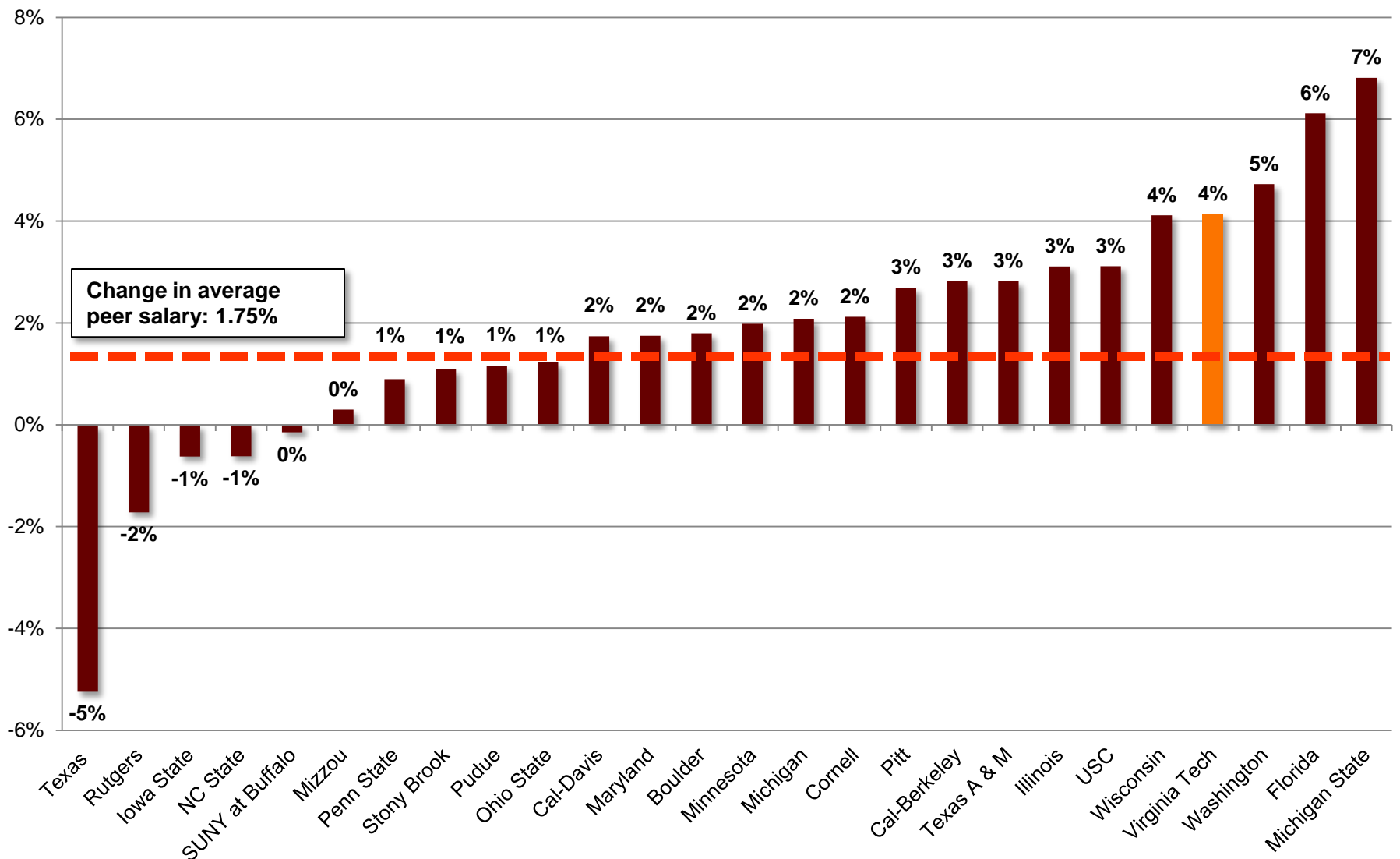
# Assessment

# Peer Faculty Salary Benchmark

## FY14 Salary Benchmarking of National Peer Institutions

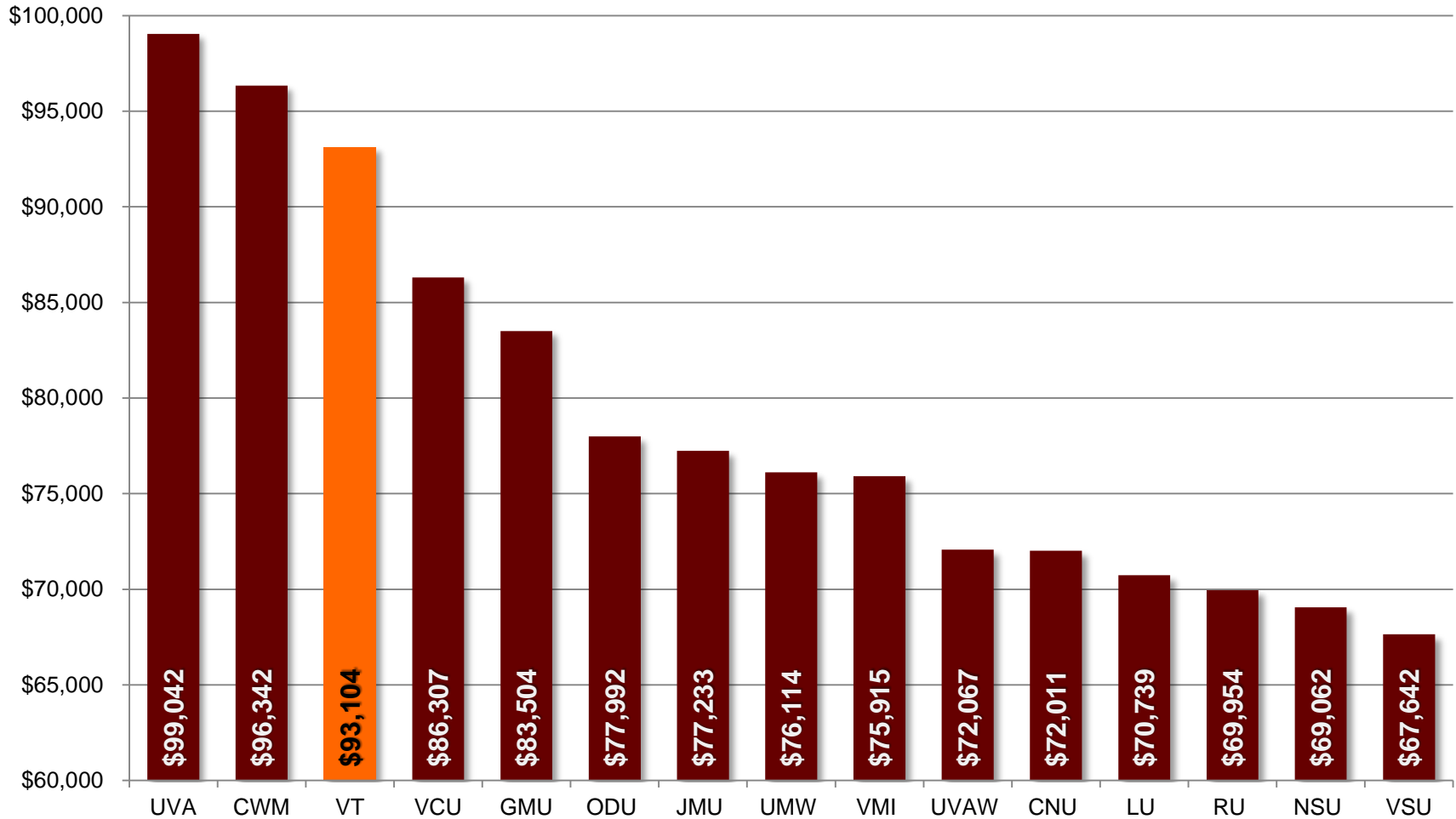


# Peer Average Salary Increase from Fall 2012 to Fall 2013



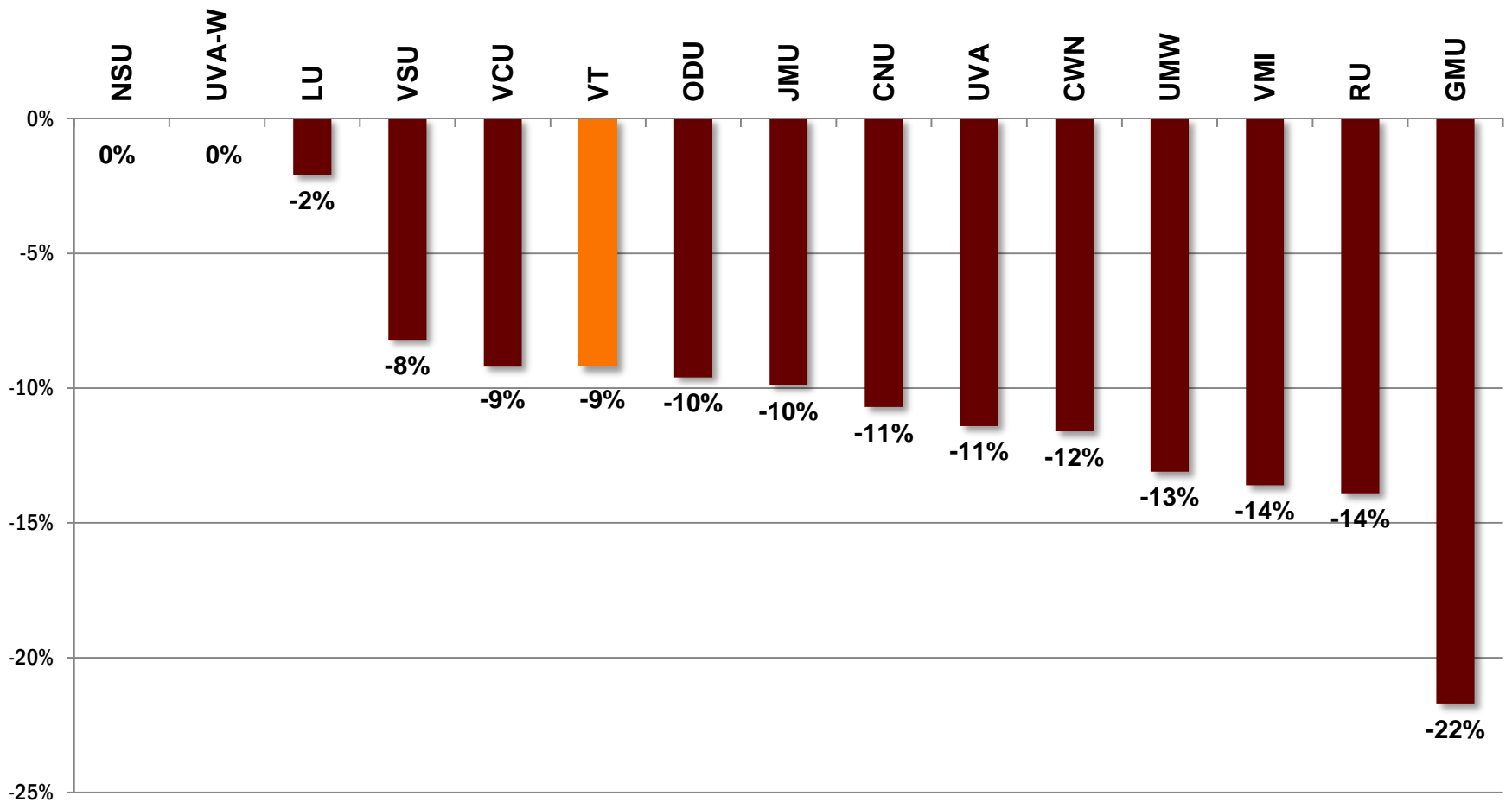
Change in average peer salary: 1.75%

# Virginia Institution Appropriated Average Salary Fall 2013 - SCHEV



# Virginia Institution Appropriated Average Salary Fall 2013 - SCHEV

## Institutional Differences from 60<sup>th</sup> Percentile Goals



Source: SCHEV, September 15, 2014

# Faculty Salaries: Current Events

- June 3, 2014: University implemented a faculty merit-based compensation plan.
  - No state GF support was provided.
  - University allocation based on 2.75% of each Senior Management Area's faculty salary base budget for 2014-15.
    - An additional 0.5% of each senior management area's faculty salary base budget was reallocated to address exceptional merit.
  - Colleges included additional increases for other special circumstances.
  - This resulted in an average faculty salary increase of 3.59%.

# Planning Ahead

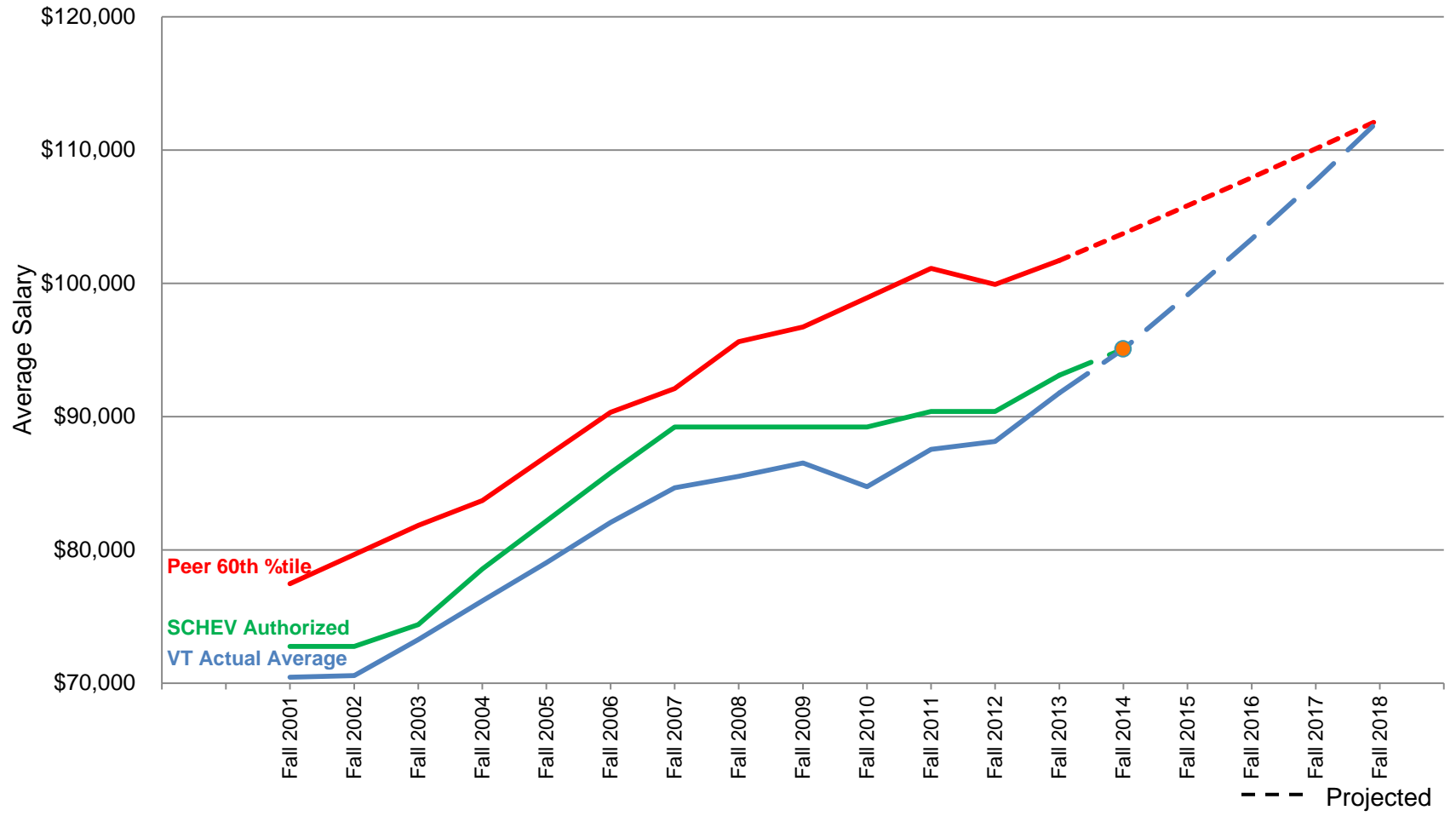


# Faculty Salary Competitiveness

- To reach the 60th percentile of peer faculty salaries, the university will need to increase the average salary by **4.3%** per year over **4** years.
- Continuation of annual merit process is needed to ensure sustained progress towards salary competitiveness
- If the Commonwealth cannot contribute to a faculty salary increase annually, the university has a plan for more modest faculty salary increases based upon the institutional share of the annual progress needed.

# Faculty Salary Progress

## Towards 60<sup>th</sup> Percentile of Peer Group



# Compensation Priorities

- The university is committed to appropriate compensation programs for all university employees
- Faculty Salary competitiveness remains a top priority for the university
- Faculty Salary needs are at the top of our priorities in discussions with state and within university's six-year plan

# Compensation Priorities

As feasible, our strategy is to:

- Maintain a multi-year plan for faculty salary increases,
- Continue to work for General Fund support each year,
- Increase tuition and fee rates annually at rates that will support the nongeneral fund share of faculty salary increases, and
- Implement the rate supported by nongeneral funds in years when General Fund support is not available.

# Upcoming Events

## 2014-16 state budget development

- December 17<sup>th</sup>
  - Executive Amendments (Governor)
  
- Spring 2015
  - General Assembly
    - House
    - Senate

# Questions?