

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING

April 22, 2010

- PRESENT:** Gilles Divoux, Kyrille Goldbeck, Dennis Blodgett (for Bill Huckle), Hugh Latimer (for Scott Hurst), Lonnie Johnson, Patricia Lavender, Steve McMullin, Dwight Shelton, Ken Smith, Tom Tucker
- ABSENT:** Martin Daniel, Erik Ervin, Muhammad Hajj, Ben Johnson, Gary Long, Mark McNamee, Don Rimstidt, Linda Tegarden, Joey Zakutney
- GUEST:** Tim Hodge

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 MARCH 25, 2010 MINUTES

Mr. Shelton announced that the minutes of the March 25, 2010 meeting have been approved and sent to University Council for posting on the web.

3. REPORT ON FINAL BUDGET ACTIONS FROM APRIL 21, 2010 GENERAL ASSEMBLY VETO SESSION

Mr. Shelton provided a report on the final budget actions of the General Assembly in its April 21, 2010 reconvened veto session. The General Assembly was able to protect higher education from reductions beyond those presented in former Gov. Tim Kaine's introduced budget, and also to provide some good news for state employees with respect to furloughs, benefits, and compensation.

The new budget for fiscal years 2010-12 calls for no furloughs for state employees. The one day furlough recommended by Gov. Kaine for the current fiscal year is still in place; however, institutions of higher education will be permitted to find alternative means to achieve the same funding reduction without furloughing employees. In addition, existing employees will not be required to contribute to the Virginia Retirement System or optional retirement programs, but new employees will have to contribute 5 percent of their retirement benefit beginning July 1, 2010.

Also, if state revenues increase by \$82 million above the current projection, a 3 percent bonus for state employees in December 2010 will be provided; if the revenue increase is less, the amount of the bonus will be prorated accordingly. Finally, the deferred compensation cash match program is restored for 2009-10, and will be continued in 2010-11 at one-half the current rate (\$10 per pay period versus \$20), and fully restored for 2011-12.

For university operations, the budget remains as recommended by Gov. Kaine, with a base reduction of \$5.2 million in 2011 and \$21.8 million in 2012. In 2011, however, the budget contains \$20.9 million of stimulus (American Recovery and Reinvestment Act) funds for the University Division. No language concerning restrictions on tuition increases was written into Appropriations Act.

The capital fee paid by out-of-state students was increased from \$10 per credit hour to \$15 per credit hour. This means that non-resident students carrying an average course load will pay about \$150-175 additionally per year for an approximate total of \$560 per year over and above traditional tuition and fees. Any additional fees greatly reduce university tuition flexibility with respect to out-of-state students. Capital fees are sent to the state and not retained in the university. The General Assembly dropped the proposal to levy a capital fee on in-state students.

The approved budget for the Cooperative Extension/Agricultural Experiment Station imposes an additional \$1 million reduction in 2012 above the \$4.5 million in the introduced budget. For 2011, the base budget reduction for the CE/AES Division is \$1.1 million, which is offset by \$4.8 million in stimulus funding. Additionally, the university was granted the authority to decide on the closing of a number of local offices and elimination of certain programs in Extension based on the university's strategic planning process currently underway.

Maintenance Reserve will be continued for 2011 at \$5.6 million, a loss of \$3.1 million over the prior year. A new formula will be established for 2012. The Equipment Trust Fund, which is funded through debt, will only be continued after an assessment of the state's debt capacity. If the capacity is found to be adequate, the university will receive \$8.3 million each year, as well as \$2.3 million each year for research equipment. This represents a significant increase in equipment funding, if and when it becomes available.

4. TWO GOVERNOR'S COMMISSIONS FOR 2010

a. Governor's Commission on Higher Education Reform, Innovation and Investment

Mr. Shelton provided an overview of Governor McDonnell's Executive Order 9 (2010) which establishes the Governor's Commission on Higher Education Reform, Innovation and Investment. The Commission is charged with considering the current state of public and private higher education in Virginia and the best practices in other states and countries and preparing a report setting forth "a comprehensive strategy for increased educational attainment, skills development, and lifelong learning that will equip Virginians to succeed at the highest levels of global economic competition." The report will be due to the Governor by September 30, 2010 and its findings and recommendations could potentially impact the development of the Executive Budget. The complete text of the Executive Order is accessible at <http://www.governor.virginia.gov/Issues/ExecutiveOrders/2010/EO-9.cfm> .

b. Governor's Commission on Government Reform and Restructuring

Mr. Shelton provided an overview of Governor McDonnell's Executive Order 2 (2010) which establishes the Governor's Commission on Government Reform and Restructuring. To ensure that Virginia is providing core public services utilizing the most cost effective methods available, the Governor has created the Commission on Government Reform and Restructuring "to conduct a comprehensive, systematic and ongoing evaluation of the effectiveness and need for the state's existing agencies, governing bodies, programs and services. This comprehensive review will make certain that duplicative, outdated, unnecessary and ineffective services and service delivery methods are eliminated and that state revenues are dedicated to the core functions of government." The Commission's reports of its findings and recommendations will be due to the Governor by July 16, 2010. The complete text of the Executive Order is accessible at <http://www.governor.virginia.gov/Issues/ExecutiveOrders/2010/EO-2.cfm> .

5. DISCUSSION OF SUGGESTIONS/QUESTIONS REGARDING BUDGET REDUCTION ACTIONS WITHIN THE UNIVERSITY

Now that the General Assembly has finalized the budget, the University will prepare the proposed 2010-11 operating and capital budgets for presentation to the Board of Visitors for approval at the June meeting. Mr. Shelton will provide the Council with a report on the university's final plans to address budget reductions at its next meeting in May.

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