

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
January 24, 2013

PRESENT: Tyler Arthur, Martin Daniel, Wendy Herdman, Tim Hodge, Sarah Karpanty, Quinton Nottingham, Ken Smith, Jason Soileau, Sue Teel, Theresa Pancotto, Connie Stovall

ABSENT: Greg Boardman, Amy Brunner, Balu Guduri Elizabeth Fine, Joseph Guthrie, Andrew McCoy, Mark McNamee, Dwight Shelton, Zhaomin Yang

1. CALL TO ORDER

Tim Hodge, Assistant Vice President for Budget and Financial Planning, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE SEPTEMBER 27, 2012 MINUTES

Mr. Hodge announced that the minutes of the September 27, 2012 meeting have been approved electronically and sent to University Council for posting on the web.

3. UPDATE ON BUDGET AMENDMENTS

Tim Hodge, Assistant Vice President for Budget and Financial Planning, distributed a summary of the budget amendments issued by Governor McDonnell to the 2012-14 biennial budget and described how these proposals impact the university. These proposals are currently under review by the General Assembly and are subject to change before final passage of the budget. The handout of the Executive Budget amendment summary is attached.

4. REVIEW OF GENERAL ASSEMBLY SESSION TIMELINE AND PROCESS

Mr. Hodge distributed a handout of the General Assembly external operating budget timeline for the 2013 session. He also described where we are in the process and what the next steps will be. The House and Senate will each work on their own set of amendments. The handout of the timeline is attached.

5. UNIVERSITY INITIATIVES AND OTHER ITEMS OF INTEREST TO HIGHER EDUCATION OCCURRING IN THE GENERAL ASSEMBLY SESSION.

Mr. Hodge reviewed the background leading up to the session and provided a summary of the university's request for additional support in three targeted areas. He also included information providing a sense of the legislative issues affecting higher education in Virginia and described several others. The handout regarding these items is attached.

6. OTHER BUSINESS

There being no further business, the meeting adjourned at 3:45 p.m.

2013 Session Executive Budget Amendments

On December 17th, 2012 Governor McDonnell issued several budget amendments to the 2012-14 biennial budget that impact the university. These proposals are now under review by the 2013 General Assembly and subject to change before final passage of the budget. The following is a summary of the proposals that impact Virginia Tech.

University Division (208)

- **Operating Budget Support:** The Executive Budget amendments propose an additional \$1,271,672 in General Fund (GF) in 2013-14 to support the goals of the Virginia Higher Education Opportunity Act of 2011 and Virginia Tech's Six-year strategic plan. This amount includes distributions based on performance in enrollment growth and degree incentives.
- **Reallocation:** Consistent with a recent communication from the state, the university's required internal reallocation target increased from \$2,652,698 (2%) to \$6,631,744 (5%) for 2013-14 to support the goals of the Higher Education Opportunity Act and institutional Six-year plan.
- **Research:** An additional \$972,883 GF is proposed for 2013-14 to support research in the area of brain disorders.
- **Student Financial Aid:** An additional \$186,087 GF for undergraduate scholarships is proposed for 2013-14.
- **Unique Military Activities:** To support enrollment growth of the university's Corps of Cadets, an additional \$600,000 GF is proposed for 2013-14.

VCE/AES Division (229)

- **Reallocation:** Requires \$1,799,753 (3%) reallocation in 2013-14 to support the goals of the Higher Education Opportunity Act and institutional Six-year plan.
- **Operating Budget Support:** No changes were made to the current General Fund support of operating costs, including the operation & maintenance of new facilities, for VCE/AES in the Executive Budget amendments.

Compensation

- **Faculty and Staff Salaries:** The planned 2% salary increase for 2013-14 remains contingent on 2012-13 revenue performance.
- **Health Care:** The cost of health insurance is expected to increase significantly in 2013-14, though details are not yet available from state officials. The potential share that the university will be responsible for is not yet known.
- **State Response to the Affordable Care Act:** To respond to the federal Affordable Care Act, language is added in the Executive Budget stating that any employee who works 30 or more hours per week on average per month is considered to be, for health benefits purposes only, a full-time employee eligible to participate in the health benefits plan for state employees with the standard contribution. This also creates a new policy that wage employees may not work more than 29 hours per week on average per month.

Statewide Issues

- **Higher Education Restructuring:** Language is proposed that would weaken existing institutional autonomy over IT projects for various institutions of higher education in Virginia, allowing the Governor and Secretary of Technology to exercise additional oversight of information technology projects with individual costs of less than \$1 million if the project has high risk or complexity, is critical to the immediate security or safety of the Commonwealth's citizens, is a component of a large IT program, or the Governor has requested additional oversight of the project. It is not clear at this point whether this language will impact institutions covered under a management agreement, including Virginia Tech.
- **Graduate Engineering Telecommunications Project:** New language eliminates the need to submit an annual report on the operating activities of this long-standing program.
- **Administrative Efficiency Savings/Across the Board Budget Reduction:** The 2012-14 biennial budget passed in 2012 included an across the board budget reduction to all state agencies that resulted in a budget reduction to the University Division in the amount of \$629,163 in each year of the biennium and to the Cooperative Extension and Agricultural Experiment Station of \$209,909 in each year of the biennium. No changes were proposed in the Executive Budget to restore this reduction.

Language

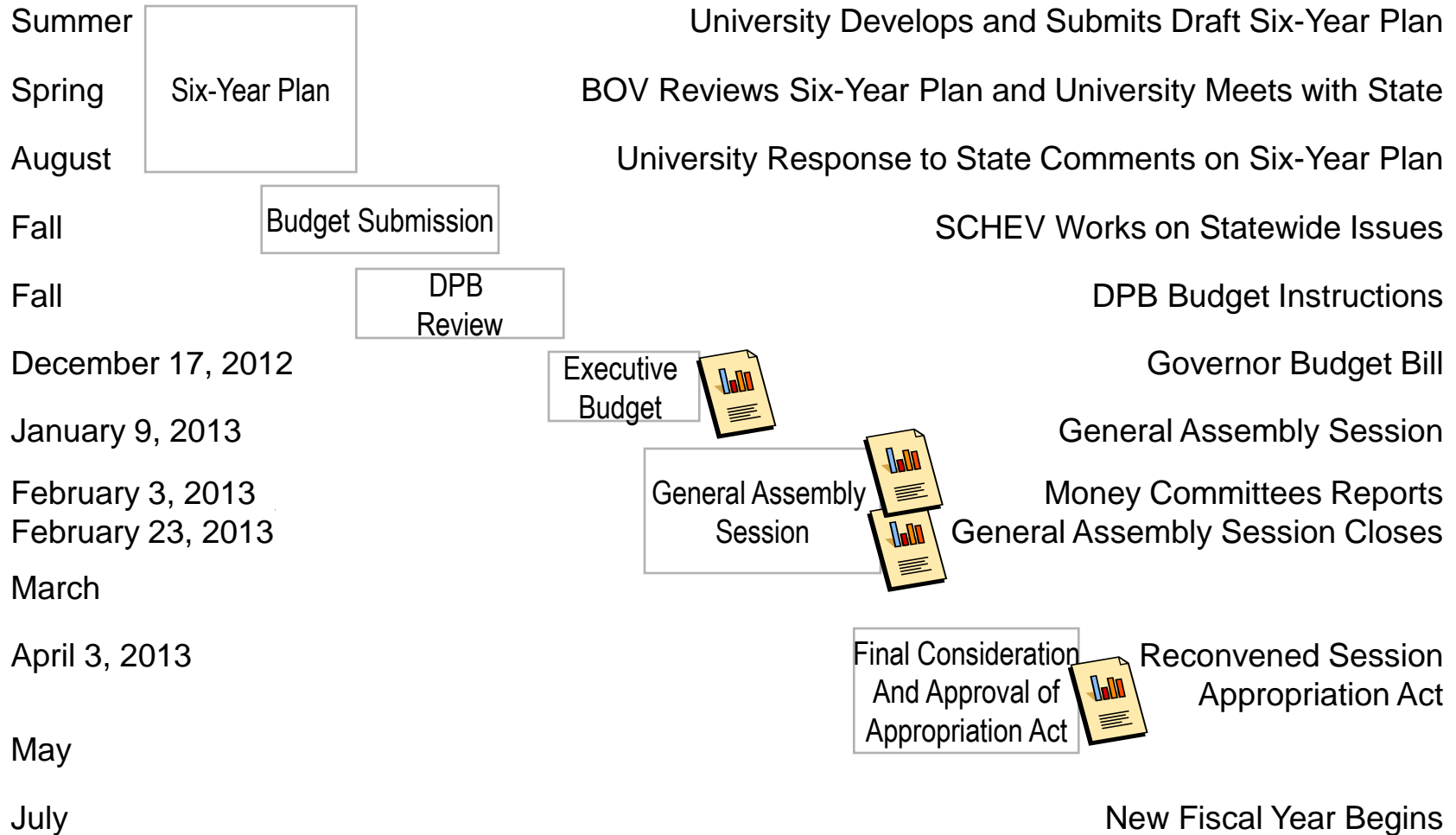
- **Tuition Authority:** No new language restricting or regulating the Board of Visitor's tuition-setting authority was proposed.
- **Financial Aid / Work Study:** Language is proposed that would allow institutions to use appropriations for the purpose of supporting work study programs.
- **Higher Education Funding:** Language added stating that future funding should be provided to institutions based on the following methodology:
 - 30% Base operating costs
 - 10% Financial Aid
 - 16% Degree Incentives
 - 24% Enrollment Growth
 - 20% Initiatives/Research
- **Funding Model:** The Secretary of Education, in consultation with the Higher Education Advisory Committee, Secretary of Finance, Director of the Department of Planning and Budget, Executive Director of the State Council of Higher Education for Virginia, Staff Director of the House Committee on Appropriations, and Staff Director of the Senate Committee on Finance, or their designees, is called on to present to the Governor and the Chairmen of House Appropriations and Senate Finance Committees, no later than September 15, 2013, a long-term funding policy for higher education in Virginia consistent with the goals and guidelines set forth in the Virginia Higher Education Opportunity Act of 2011.

Capital Budget

- **Construction Funding – Classroom Building:** The budget amendments include approximately \$263 million of state debt support for construction of previously authorized preplanning projects, which have an estimated total General Fund value of approximately \$842 million. This construction pool includes the Classroom Building. Obtaining construction funds requires completing criteria established by the 2008 General Assembly. Thus, completing preliminary designs with a DGS approved cost review prior to exhaustion of the \$263 million construction pool is critical.
- **Maintenance Reserve:** No change to 2012 Appropriation Act.

External Operating Budget Timeline

2013 Session



Six-Year Plan

Budget Submission

DPB Review

Executive Budget



General Assembly Session



Final Consideration And Approval of Appropriation Act



University Initiatives

The university develops an annual 6-year plan to engage the Commonwealth and provide an opportunity for the Administration and the General Assembly to partner in the strategic academic and research initiatives of the university. This is the first and primary opportunity for the university to request state support for initiatives and activities planned for the upcoming year. The Executive Budget Amendments included funding to support, in part, the university's overarching plan. Because of the positive treatment of higher education in the Executive Budget Amendments, and the limited incremental resources projected by the Commonwealth for the second year of the biennium, additional institutional requests were limited to targeted strategic areas that demand additional advocacy through the General Assembly process. While the university appreciates the incremental funding provided in the Executive Budget, we are also working with the 2013 General Assembly to advocate for the following three specific needs of the university:

Operating Initiatives

- **Health Sciences Research** \$900,000 GF
Building upon existing investment, this additional support would provide stable funding at the institution and position the university to compete effectively for large scale multi-year federal research grants and contracts and enable the institution to address matching requirements of funding agencies, particularly in the area of brain research. Additional funding would support research programs, including equipment and infrastructure, to attract research and position the Commonwealth for growth.
- **Operations Support for HAABI Facility** \$670,000 GF
This request provides operation and maintenance support for the HABBI facility that will come on-line in February 2014 in Agency 229. The operation of this facility will expand upon the creation and dissemination of quality applied research and positive economic impact to residents across the Commonwealth of Virginia.

Capital Projects

- **Improve Kentland Facilities** \$7,600,000 GF
This project calls for replacing six existing dairy science research facilities with three modern facilities that meet the needs of research that supports industry and government. The total project cost estimate is \$7.6 million, and the agency is ready to move forward with planning.

Legislative Issues Affecting Higher Education in Virginia

The university annually monitors proposed legislation and budget amendments affecting the higher education operating environment in the Commonwealth. The list below is a summary of issues before the 2013 General Assembly Session that the university is following:

- **Compensation**
 - Salaries: Competitive compensation is a priority of the university, and all proposed actions will be closely monitored as they are debated.
 - Retirement: No changes to individual benefits are proposed. A technical issue that would require the university to contribute to VRS on behalf of employees opting OUT of VRS is being addressed.
- **Enrollment Management**
 - Proposals are being considered that would impact the university's autonomy to recruit and enroll students, primarily through required ratios of resident enrollment at public institutions in the Commonwealth.
 - The university is currently working with the 2013 General Assembly to fund the third year of a 4 year deal to provide the state's share of General Fund support for 50 new resident undergraduate enrollment.
- **Restructured Autonomy**
 - Tuition: Legislation has been proposed to limit tuition increases to the rate of increase of the Consumer Price Index (CPI). Additional language is proposed that would provide additional discounted tuition to senior citizens, veterans, dependents of military personnel, and otherwise adjust residency requirements for certain groups.
 - Information Technology: The Executive Budget included language allowing VITA and Executive oversight into agency IT projects and purchases when a significant state interest is at stake.

Next Steps

The 2013 General Assembly is schedule to adjourn on Saturday, February 23rd, 2013. The Governor will then review final legislation and the 2012-14 biennial budget, presenting any Executive vetoes for consideration by the General Assembly at the reconvened session on April 3rd, 2013. The university will continue to work with the Governor and members of the General Assembly to advocate for the university's needs throughout the remainder of the legislative session.