

**MINUTES**  
**UNIVERSITY ADVISORY COUNCIL ON**  
**STRATEGIC BUDGETING AND PLANNING**  
**February 23, 2012**

PRESENT: Stephen Martin (for Greg Boardman), Amy Brunner, Martin Daniel, Mike Ellerbrock, Erik Ervin, Wendy Herdman, Tim Hodge, Hugh Latimer, Maxine Lyons, , Andrew McCoy, Mark McNamee, Allante Nelson, Jeff Kuhn (for John Phillips), Ken Smith, Connie Stovall

ABSENT: Tom Caceci, Elizabeth Fine, Quinton Nottingham, Dwight Shelton

GUEST: Bruce Pencek

1. CALL TO ORDER

Dr. Mark McNamee, Senior Vice President and Provost, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE JANUARY 26, 2012 MINUTES

Dr. McNamee announced that the minutes of the January 26, 2012 meeting have been approved and sent to University Council for posting on the web.

3. UPDATE ON THE 2012 GENERAL ASSEMBLY SESSION: REVIEW OF MONEY COMMITTEES REPORTS

Mr. Tim Hodge, Assistant Vice President of Budget and Financial Planning, provided a review of the proposed 2012-14 biennium House and Senate budgets at crossover as of February 22, 2012 compared to the proposed Governor's Executive Budget that was presented to the General Assembly in December, 2011. A detailed informational handout was provided to council members and is attached to these minutes.

The General Assembly is scheduled to adjourn on March 10, with a one day Reconvened Session scheduled on April 18, 2012. A review of the final regular session legislative actions will be provided to council members at the next meeting scheduled in March.

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

**PROPOSED BUDGETS AT CROSSOVER  
2012-14  
AS OF FEBRUARY 22, 2012**

	<b>GOVERNOR</b>	<b>HOUSE</b>	<b>SENATE</b>
<b>Agency 208 Operating Support</b>	<p>The Executive Budget increases support in each year for the E&amp;G program by:</p> <ul style="list-style-type: none"> <li>• \$5,108,229 GF for HEOA Support from: <ul style="list-style-type: none"> <li>• \$2,218,990 GF for BBA</li> <li>• \$2,606,989 GF for Degree Incentives</li> <li>• \$283,250 GF for Enrollment Growth (Item #223)</li> </ul> </li> </ul>	<p>The House increases support in each year for the E&amp;G program by:</p> <ul style="list-style-type: none"> <li>• \$4,290,074 GF as follows: <ul style="list-style-type: none"> <li>○ \$1,477,102 GF for base operating support</li> <li>○ \$924,163 GF each year for access.</li> <li>○ \$1,292,809 GF for 6-year plan</li> </ul> </li> </ul> <p style="text-align: center;"><i>Note the following are earmarks:</i></p> <ul style="list-style-type: none"> <li>○ \$300,000 GF for the Virginia Space Grant Consortium internship program.</li> <li>○ \$296,000 GF to support the Vital Information for Education and Work (VIEW) program. (previously under DOE) (Item 223 #2h)</li> </ul>	<p>The Senate increases support in each year for the E&amp;G program by:</p> <ul style="list-style-type: none"> <li>• \$3,480,486 GF as follows: <ul style="list-style-type: none"> <li>○ \$2,218,990 GF for BBA</li> <li>○ \$978,246 GF for Degree Incentives funding. (Item 223 #4s)</li> <li>○ \$283,250 GF for Enrollment Growth</li> </ul> </li> </ul>
<b>Instate Enrollment Growth Agreement</b>	<p>No incremental funding awarded to support additional 50 student enrollment agreed to in 2011 General Assembly.</p>	<p>House include language in aforementioned appropriation for access that included “increase in access for in-state undergraduate students begun in the 2011 Session, address the growth in transfer students and support efforts to improve retention and graduation through enhanced student advising services.” (Item 223 #2h)</p>	<p>No change.</p>
<b>Agency 229 Operating Support</b>	<p>No change.</p>	<p>House proposes an additional \$500,000 GF in each year to support new agriculture and natural resources and 4H extension agents. (Item 228 #1h)</p>	<p>The Senate proposes increasing operating support for Agency 229 by \$500,000 GF in each year to support critical staffing. (Item 228 #1s)</p>

<b>Reallocation</b>		Agency 208: Reallocate approximately 3% in first year and 5% in second year of existing educational and general fund appropriations to initiatives in support of the HEOA. <ul style="list-style-type: none"> <li>• FY13: \$4,847,100</li> <li>• FY14: \$8,080,252 (Item #223.L)</li> </ul>	The House recommends reallocation of 1% in each year towards HEOC and 6-Year plan initiatives. <ul style="list-style-type: none"> <li>• FY13: \$1,326,349</li> <li>• FY14: \$1,326,349 (Item 223 #2h)</li> </ul>	Reallocation of 1% in first year and 2% in second year towards HEOA and 6-Year plan initiatives. New targets are: <ul style="list-style-type: none"> <li>• FY13: \$1,615,700</li> <li>• FY14: \$3,232,101 (Item 223 #2s)</li> </ul>
<b>Tuition Authority</b>		No change. However, Governor publicly stated that additional GF support in Executive Budget should help mitigate the need for institutional tuition increases.	No change.	No change.
<b>Research</b>		Executive Budget proposes \$1.5 million GF in each year for brain disorder research. (Item #225)	House eliminated VT appropriation of \$1.5 million for brain disorder research. House notes that "research funding is coordinated by the Innovation and Entrepreneurship Investment Authority through the research roadmap established under Chapter 816, 2011 Acts of the Assembly. (Item 225 #1h)  <i>*amendment 2-23 \$750K*</i>	Senate reduces introduced budget by (\$750,000) GF in each year for brain disorder research at VT. (Item 225 #1s)
<b>Student Financial Aid</b>	<b>Undergraduate</b>	Executive Budget proposes \$339,277 GF in each year to support the objectives of the HEOA of low and middle-income aid. (Item #224)	House eliminates incremental support for undergraduate student financial aid provided in the Executive Budget. (\$339,277 GF) (Item 224 #1h)	Senate recommends increasing support for undergraduate financial aid by an additional \$305,349 GF in each year. (Item 224 #2s).
	<b>Graduate</b>	No change.	No change.	Senate recommends increasing graduate financial aid by \$268,136 GF in the second year. (Item 224 #1s)
<b>Unique Military Activities</b>		No change.	House recommends increasing UMA support by \$300,000 GF in each year. (Item 226 #1h)	No change.
<b>Eminent Scholar Program</b>		Program funding is eliminated. This is a reduction of \$3.4 million GF system-wide and a loss of \$163,947 GF for Virginia Tech.	No change.	No change.
<b>Equipment Trust Fund</b>		Funding continued at current levels: \$10,623,077 GF comprised of \$8,328,077GF of traditional allocation and \$2,295,000 GF for research.	No change.	Senate increases support for research allocation of HEETF by \$3,966,621 GF in the first year. (Item 254 #2s)

<b>Auxiliary Balance Interest Earnings</b>	The Executive Budget maintained prohibition of the allocation of interest on auxiliary enterprise balances for the biennium.	Statewide: House recommends restoration of Auxiliary interest earnings of approximately \$10.4 million over the biennium. (Item 3-3.03 #2h)  VT is estimated to be \$188K.	Senate recommends restoration of Auxiliary interest earnings for institutions of higher education totaling approximately \$10.5 million over the biennium. (Item 3.03 #1s)  VT is estimated to be \$188K.
<b>OOS Capital Fee</b>	No change.	House recommends increasing the Out-of-state Capital and Equipment fee by \$1.50 per credit hour, capturing “savings”. This results in an estimated \$45 per year student increase, and an increase of \$320,580 NGF for the university. (Item 280 #3h)  House also updated FY12 debt service payments for the out-of-state capital fee, increasing the current year assessment to VT by \$151,470. (Item 271 #1h, HB29)	No change.
<b>Financial Aid Authority</b>	New language in the Executive Budget limits the use of tuition for financial aid purposes. <i>“The amount of tuition and fee revenue generated from in-state students that is used to support financial aid shall remain at the levels appropriated for this purpose in the 2012-14 biennium. The Higher Education Advisory Council shall evaluate the appropriate use of tuition and fee revenue generated from in-state students that is used to support financial aid with the goal of enhancing affordability for low-income and middle-income in-state students and their families”.</i> (Item #4-2.01b.11)	No change to Executive Budget language. Verbal clue received that House desires additional conversation on topic.	Senate recommends removal of “the language in the introduced budget that would have limited the ability of the higher education institutions to set their own parameters regarding the use of tuition revenue for financial aid. (Item 4-2.01 #1s)
<b>Compensation</b>	<b>Faculty and Staff Base Compensation (Agency 208)</b>	The executive budget does not include a pay increase for staff or faculty in either year of the coming biennium.	In the second year of the biennium, the House also provides: <ul style="list-style-type: none"> <li>• \$1,672,419 for a 2% faculty and staff salary increase. This appears to be a 25% fund split. (Item 223 #2h)</li> </ul> In the second year of the biennium, The Senate also provides: <ul style="list-style-type: none"> <li>• \$2,121,069 GF and \$3,039,683 NGF in second year for 2% faculty salary increase. (41/59 fund split) This includes T&amp;R, AP, PT, and GTA salaries. (Item 223 #3s)</li> </ul>

		<p>Statewide: House recommends 2% base increase in second year:</p> <ul style="list-style-type: none"> <li>• Effective July 10, 2013</li> <li>• Cost of the action will be covered within the appropriation provided to individual institutions.</li> <li>• Contingent upon statewide revenue target. (Item 468.10 #1h)</li> </ul>	<p>Statewide: Senate recommends an up to 2% base salary increase for all full-time state employees receiving at least “contributor” status or equal level on their most recent evaluation. The increase would be effective on June 25, 2013. Wage employee costs would fall to the agency. (Item 468 #4s)</p>
<b>Faculty and Staff Base Compensation (Agency 229)</b>	No change.	House is unclear as to exactly where funding to support the 2% salary increase in the second year of the biennium	Senate provides \$755,742 GF and \$39,776 NGF in the second year for 2% faculty salary increase. (Item 228 #2s)
<b>Bonus</b>	Executive Budget included bonus opportunity of 3% in December, 2012, contingent on agency savings of twice the GF cost of the bonus in FY12. (Item 468.N)	House eliminates bonus in introduced budget. (Item 468 #3h)	<p>Senate recommends bonus of 3% on December 1, 2012, contingent on revenue surplus for FY12.</p> <ul style="list-style-type: none"> <li>• For all employed on April 1, 2012 and remaining until November 24, 2012.</li> <li>• Contingent on FY12 surplus of \$77.2 million statewide.</li> <li>• Reserve fund of \$61.8 million created for FY13 to “back-fill” any shortage in funds for bonus.</li> <li>• If surplus and reserve fund fall short of the cost of the bonus, it will be prorated “to a percent of the general fund payroll that equates to the amount of total general fund resources provided.” (Item 268 #3s)</li> </ul>
<b>Retirement/ Fringe Rates</b>	<p>VRS Employer contribution is increased from 6.58% to 8.76%. (Item #468.G.2)</p> <p>Health Insurance Credit: 1.00% (from 0.99%)  VSDP: 0.47% (from 0.66%)  State Employee Life Insurance: 1.19% (from 1.02%)</p> <p>Health insurance +12%</p>	No change.	No change.

<b>Maintenance Reserve Funding</b>	The total state-wide program is \$200M including \$17.3M for Virginia Tech. Of the \$17.3 million, \$6M is earmarked to address fire alarm systems and access. Thus, the true Maintenance Reserve power is \$11.3M. Several agencies and institutions have the same treatment.	The repair and infrastructure items included in the original Maintenance Reserve program are eliminated and the budget of the \$200M total program reduced accordingly. For Virginia Tech, the result is the elimination of the Fire Alarms item and its \$6M budget value. The university retains the largest funding portion of the remaining Maintenance Reserve program at \$11.298M for the biennium. For Virginia Tech, this funding level reflects a continued reduction from the approximately \$17M of funding prior to the recession.	Effectively the same as the House with one exception. The Senate and House adjustments to the total program are \$3M different because of treatment differences among some non-higher education agencies. The Senate reduced the \$200M total program by \$99M.
<b>Capital Repair and Infrastructure Pool</b>	NA	As an offset to the reduction of the Maintenance Reserve program, a select list of 15 repair and infrastructure items eliminated from the Maintenance Reserve program is funded in this new \$27.5M pool. Of the \$96M of items removed from the Maintenance Reserve program, the selection criteria for these \$27.5M of projects are not clear. The Virginia Tech Fire Alarms item is not included in the list.	As an offset to the reduction of the Maintenance Reserve program, a n extensive list of repair and infrastructure items eliminated from the Maintenance Reserve program is funded in this new pool. The pool size is \$140M which is much larger than the \$99M amount the Senate reduced from the Maintenance Reserve program; thus, a substantial amount of new items have been added. The Virginia Tech Fire Alarms item is included in the list.
<b>Capital</b>	\$250,000 pre-planning authorization for Classroom Building and Chiller Plant, Phase 2	Establishes two pools of projects for detail planning. The first pool is funded with \$31.172M for 29 projects listed by title and with specific dollar amounts. The second pool lists 31 projects by title only and without specific dollar amounts or a dollar amount for the total pool. Both pools split costs 50-50 with the universities. The second pool is to be funded when the first pool is reimbursed by construction funding. Universities may use nongeneral funds to advance projects to working drawings. Pool One (detailed planning) includes the Classroom Building. Pool Two includes the Academic Renewal project and the Kentland Facilities project.	Establishes three pools of planning projects. The first pool includes six detail planning projects with \$7.363M of state funding to support all planning costs. No projects for Virginia Tech are listed. The second pool includes 12 detail planning projects for universities with \$31.307M of nongeneral fund support for all planning costs. The Classroom building is in this list. The third pool includes 53 pre-planning projects with \$14M of state funding to support all planning costs. The list includes four Virginia Tech projects. The pools list projects by title only and without specific dollar amounts. The pools include no language to advance the projects beyond the detail planning phase.

<p><b>Higher Education Funding Guidelines</b></p>	<p>Language delineating the funding elements for implementing the Virginia Higher Education Opportunity Act of 2011 is provided for current and future years:</p> <ul style="list-style-type: none"> <li>• Enrollment Growth: per-student amount based on TAG award amount for enrollment growth over two most recent years</li> <li>• Base and Incentive Funding <ul style="list-style-type: none"> <li>○ 40% for base operations support</li> <li>○ 10% for financial aid</li> <li>○ 32% for incentive funding</li> <li>○ 10% for research activities</li> <li>○ 8% for other activities and initiatives (Item #4-10.00)</li> </ul> </li> </ul>	<p>House eliminated funding pool language. (Item 4-10.01 #1h)</p>	<p>Senate strikes introduced language and recommends:</p> <p>a. ENROLLMENT GROWTH: Consistent with the provisions of the Virginia Higher Education Opportunity Act of 2011 (TJ21), each institution of higher education shall receive an amount per student associated with enrollment growth of Virginians. The difference in enrollment between the two most recent years for which there is final actual enrollment data shall be used to calculate enrollment growth.</p> <p>b. BASE AND INCENTIVE FUNDING:</p> <ol style="list-style-type: none"> <li>1. General fund support will be allocated toward achieving the goals and objectives of TJ21. This funding may include allocations in base operations support, financial aid, incentive funding, research activities, and other initiatives.</li> <li>2. For financial aid funding, the intent is to enhance affordability for both low-income and middle-income students and their families. Financial aid funding shall be spread among the institutions of higher education based on the State Council of Higher Education for Virginia's Partnership Model. For purposes of this funding, the Advisory Committee recommended the use of the federal percent-of-poverty index to define income bands for use in defining low and middle income families. Low income would fall below 200 percent and middle-income would be in the range of 200 to 400 percent. Institutions shall report annually on their implementation of this policy via the six-year planning process established under TJ21.</li> <li>3. For research activities and other initiatives, funding may be directed towards efforts identified by institutions of higher education in their six-year plans that best meet the goals and objectives of the TJ21 legislation.</li> <li>4. Pursuant to TJ21 and its provisions promoting partnership between public and private institutions in the achievement of stated policy goals, the Commonwealth's higher education investment strategy and funding policy may include the provision of financial incentives to private non-profit institutions of higher education where such incentives will support the goals of economic growth, reform-based investment and affordable access specified in TJ21. The Secretary of Education shall consult with the Attorney General and the Secretary of Finance to identify appropriate methods for the provision of such incentives and may make recommendations to the Higher Education Advisory Committee related thereto on or before October 1, 2012.</li> </ol>
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<b>CISCO 4VA</b>		Language removed, funding rolled into base.	House inserts the following language in the VT line item: "M. The 4-VA, a public-private partnership among George Mason University, James Madison University, the University of Virginia, Virginia Tech and CISCO Systems, Inc., was established to utilize emerging technologies to promote collaboration and resource sharing to increase access, reduce time to graduation and reduce unit cost while maintaining and enhancing quality. Instructional talent across the four institutions will be leveraged in the delivery of programs in foreign languages, science, technology, engineering and mathematics. It is expected that funding will be pooled by the management board as required to support continuing efforts of the 4-VA priorities and projects." (Item 223 #1h)	Senate inserts the following language in the VT line item: "M. The 4-VA, a public-private partnership among George Mason University, James Madison University, the University of Virginia, Virginia Tech, and CISCO Systems, Inc., was established to utilize emerging technologies to promote collaboration and resource sharing to increase access, reduce time to graduation and reduce unit cost while maintaining and enhancing quality. Instructional talent across the four institutions will be leveraged in the delivery of programs in foreign languages, science, technology, engineering, and mathematics. It is expected that funding will be pooled by the management board as required to support continuing efforts of the 4-VA priorities and projects." (Item 223 #1s)
<b>Operation and Maintenance of New Facilities</b>		No GF support provided.	House TJ21 language included O&M as one of many purposes of the new GF support. (Item 223 #2h)	No change.
<b>Language</b>	<b>NGF Reporting Requirements</b>	N/A	House recommends requiring that the "Secretary of Finance and Secretary of Education, in collaboration with the Director, Department of Planning and Budget, shall report quarterly to the Chairmen of the House Appropriations and Senate Finance Committees on adjustments made to higher education operating funds in the Educational and General Programs (10000) items for each public college and university contained in this budget. The report shall include adjustments which increase nongeneral funds or adjustments that transfer nongeneral funds to other items within the institution. The report shall provide the justification for the increase or transfer and the relative impact on student groups." (Item 4-8.01 #1h)	N/A
	<b>Level II</b>	N/A	House recommends allowing negotiation	



	<b>Restructuring</b>		for additional operational authority for a third and separate functional area provided the institution can meet specific criteria. (Item #4-9.03 #1h)	
	<b>Space Utilization and Reporting</b>	No change.	Projects, public colleges and universities, with multi-campus operations in population-dense areas, shall report to the Chairmen of the House Appropriations and Senate Finance Committees on the efficacy of utilizing space across all its campuses as a means of meeting service demands in lieu of new construction, renovation or other capital improvements. They shall also provide the fiscal impact of providing capital outlay contract management services on-site and having capital outlay contract management personnel available within 50 miles of the project worksite." (Item C-0 #1h)	No change.
	<b>Student Loan Paper Reduction</b>	No change.	House recommends the "State Treasurer to work universities and the community colleges to reduce the use of paper checks when providing reimbursements for student loan balances." (Item 227 #1h)	
	<b>Administrative Efficiencies</b>	N/A	House recommends withholding \$13 million GF statewide in each year, representing state agency savings from administrative efficiencies. (Item 471 #1h)	N/A
<b>Central Pools</b>	<b>VIVA (virtual library of Virginia)</b>	Executive Budget includes \$2.8m in each year for the Virtual Library of Virginia to benefit students and faculty of higher education institutions, including expanded use of e-books.	House eliminates half of the proposed additional funding for VIVA, retaining an increase of \$1.4 million GF in each year. (Item 146 #3h)	Senate eliminates proposed \$2.8 million additional funding for VIVA in the first year of the biennium. (Item 146 #3s)
	<b>Higher Education Reversion Pool</b>	\$10 million reversion pool is eliminated.	No change.	No change.
	<b>National Guard</b>	No change.	No change.	Statewide: \$485,000 GF per year

<b>Member</b>			increase to the Department of Military Affairs to administer a tuition differential award program for eligible students in the Virginia National Guard. (Item 411 #1s)
<b>Two-Year Transfer Grant</b>	No change.	No change.	Senate recommends increasing eligibility of the transfer grant by adjusting income qualifications, and provides \$1.3 million GF in each year of the biennium. (Item 144 #1s)
<b>Higher Education Research initiative</b>		House recommends “redirecting & deferring” new research funding, resulting in a reduction of (\$9.1 million) GF in each year to HERI appropriations. (Item 253 #1h)	Senate reduces HERI proposals at Hampton, UVA, VCU, and the grant pool by a total of \$6,600,639 GF in each year. (Item 253 #1s)
<b>Life Sciences Research Initiative</b>	Executive Budget proposes creation of a Life Sciences Research Consortium, funded with a \$5.0 million GF matching pool per year for VCU, VT, GMU, and EVMS to contract with private entities, foundations, and other governmental sources to perform research in the biosciences. (Item 105.N.1)	House eliminates proposed Life Sciences research pool. (Item 105 #2h)	Senate eliminates proposed Life Sciences research pool. (Item 105 #2s)
<b>Cyber Security and Modeling &amp; Simulation</b>	Executive Budget proposes \$1.0 million GF in the first year and \$1.28 million GF in the second year to fund cyber security and modeling & simulation initiatives. (Item 423.K)	House removed incremental funding of (\$1.0 million) GF in the first year and (\$1.28 million) GF in the second year, and provides that these activities may be funded from the research commercialization program funding in Item 105.M. (Item 423 #2h, #3h)	Senate removes incremental funding of (\$1.0 million) GF in the first year and (\$1.28 million) GF in the second year, and provides that these activities may be funded from the research commercialization program funding in Item 105.M. (Item 423 #1s)