

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
April 27, 2017

PRESENT: Susan Bradley (substitute for Steve Kleiber), Tim Hodge, Ken Smith, John Tedesco, Linbing Wang.

ABSENT: Carolyn Copenheaver, Mateo Carrasco, Henri de Hahn, Omchand Mahdu, Susan Marmagas, Herve Marand, Quinton Nottingham, Andi Ogier, Alex Parrish, Randy Penson, Thanassis Rikakis, Hans Robinson, Dwight Shelton, Jason Soileau, Benjamin Tracy.

1. CALL TO ORDER

Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, called the meeting to order at 4:03 p.m.

2. APPROVAL OF THE MARCH 23, 2017 MINUTES

Mr. Hodge stated that the March 23, 2017 minutes have been approved and forwarded to the University Council for posting on the web.

3. UPDATE ON UNIVERSITY BUDGET DEVELOPMENT

Mr. Hodge updated the council on the current budget development, focusing on the University Division (208) E&G \$683.5 million budget. Mr. Hodge reminded the Council that 70% of the E&G budget is generated by Tuition & Fee (T&F) dollars, and informed them of several factors that are considered in the budget and T&F development, such as level of state support, known cost drivers, University budget priorities, market considerations and State guidance. The University prepared several T&F scenarios and the T&F proposal taken to the March BOV meeting included a 3.7% increase for in-state undergraduates and a 3.5% increase for out-of-state undergraduates. Ultimately, the BOV voted on an increase of 2.9% for in-state undergraduate's, which resulted in \$1.9M less funding. Mr. Hodge reminded the Council of the general fund shortfall of \$8.6 million assigned by the state, causing a campus-wide reduction exercise in the form of a 1% reduction target for E&G funds (Library and Police were exempt). As the University continues to develop the 2017-18 budget, the initial revenue budget required a downward adjustment of \$1.9M in expenditures due to the final 2.9% tuition rate decision. Current recommendations to address this adjustment are to slightly reduce the National Distinction Pool from 1.0% to 0.75% and delay \$1.1M of the \$4.4M Destination Area investment to a subsequent time period. The remainder budget/investment plan remains intact, which includes a compensation plan for faculty & staff, significant support for new academic initiatives, \$7.7M for enrollment growth, \$3.3M for destination areas, and \$3.7M of new investments into institutional student financial aid. Mr. Hodge concluded his presentation reminding the Council of future opportunities and strategies of the University through enrollment growth, exploring differential tuition, full PIBB implementation by 2018-19, philanthropy and partnerships.

4. The meeting adjourned at 4:57 p.m.



2017-18 Budget Development

University Advisory Council on Strategic Budget and Planning
April 27, 2017

2016-17 University Budget

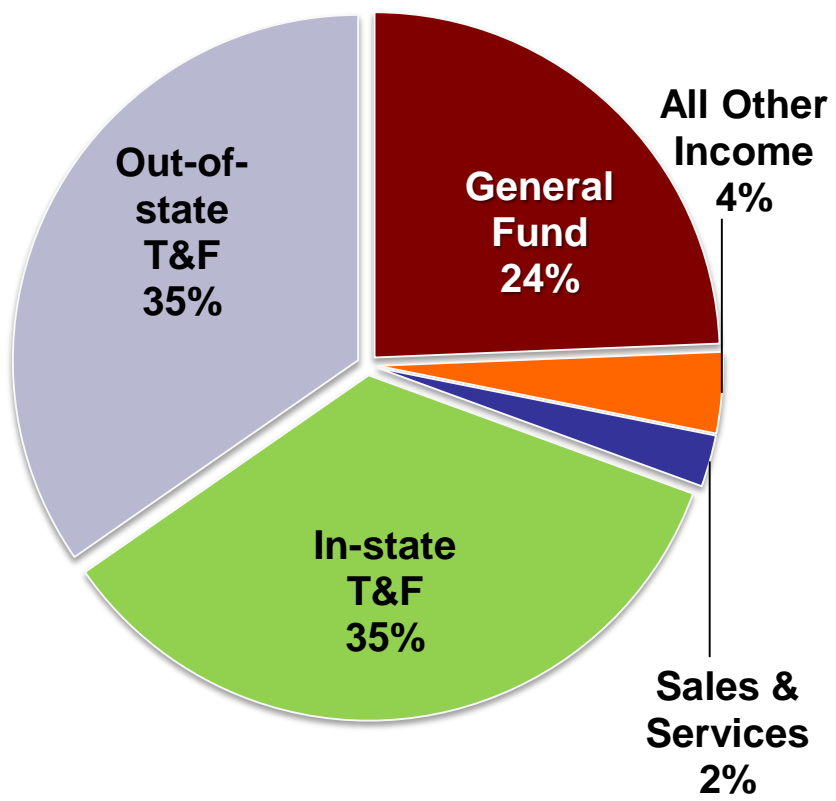
(\$ in Millions)

	Total	%
208 E&G	\$683.5	47%
229 E&G	86.0	6%
Auxiliary	320.8	22%
Sponsored	342.0	23%
SFA	23.2	2%
Other	6.8	0%
Total	\$1,462.3	100%

University Division Revenue Sources

Educational & General Program

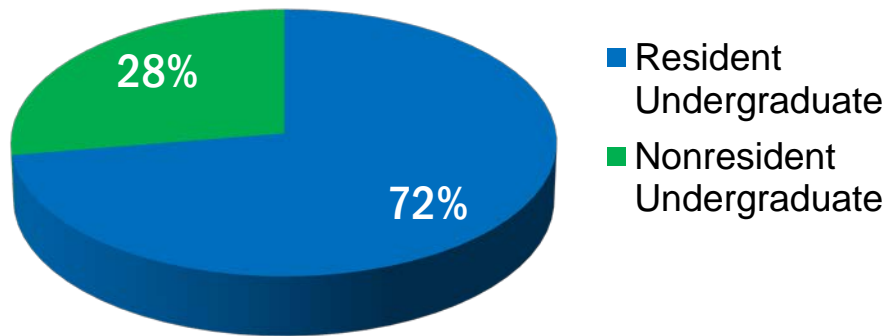
2016-17



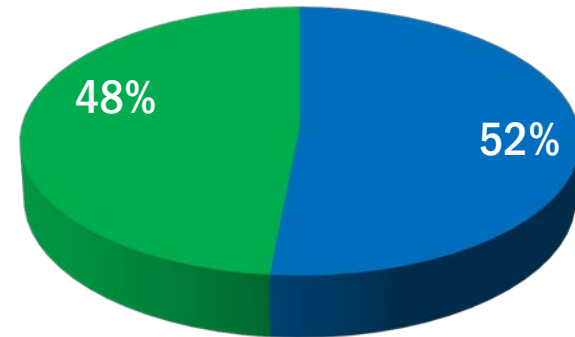
Components	\$ Millions	%
In-state T&F	\$237.7	35%
Out-of-state T&F	236.8	35%
General Fund	166.5	24%
All Other Income	25.9	4%
Sales & Services	16.6	2%
Total	\$683.5	100%

Nonresident Undergraduates

Fall 2016 Enrollment



2016-17 Net Tuition Revenue



- Though only **28%** of undergraduate enrollment, nonresidents provide **48%** of net undergraduate tuition revenue.



Factors Considered in Budget and Tuition & Fee Planning

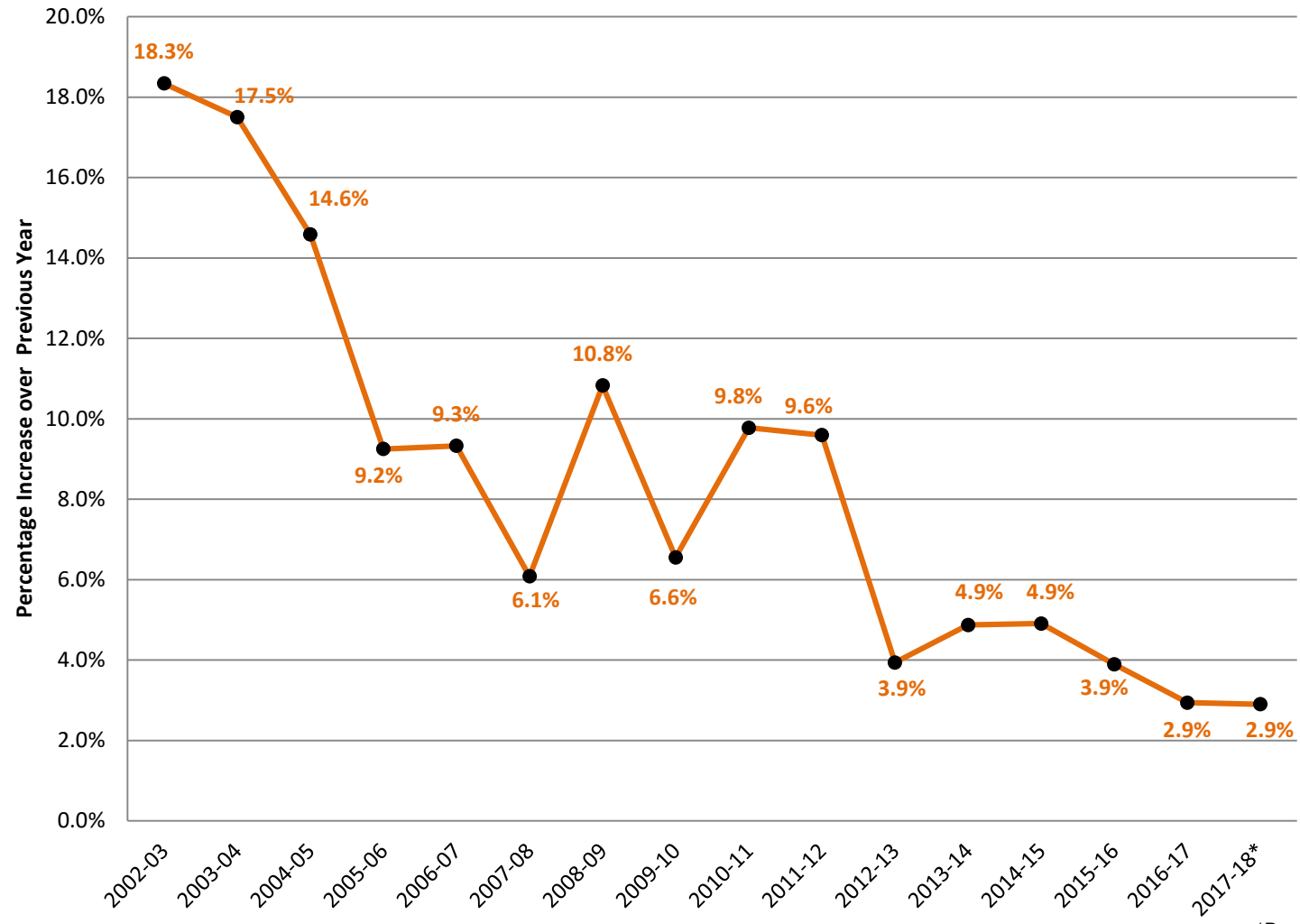
- **Level of state General Fund Support**
 - General Fund reduction of \$8.6 million for 2017-18
 - Increased costs related to health, compensation, etc.
- **2017-18 Known Cost Drivers**
 - Compensation, health insurance, student financial aid
 - Other Costs (fixed costs, utilities, health & safety)
- **University Budget Priorities**
 - Enhanced Student Financial Aid to help Low- to Middle-Income families
 - Enrollment Growth
 - Strategic Initiatives
- **Market Considerations**
 - Benchmarking & Studies
- **State Guidance**
 - Appropriation Act language
 - Six-Year Plan feedback

Tuition & Fee Development

- **Range of tuition actions considered by leadership**
 - Scenarios ranged from 2.9% to 3.9% for Virginia undergraduates
- **Proposal taken to March BOV meeting**
 - 3.7% for in-state undergraduates
 - 3.5% for out-of-state undergraduates
- **Board reiterated sensitivity to access and affordability, and challenged university to reduce proposed increase**
- **Ultimately, 2.9% in-state undergraduate increase was approved.**
 - This resulted in \$1.9M of less funding than original proposal

Virginia Undergraduate Tuition and Fee Increase History

2017-18 continues the trend of slowing increases.



2017-18

Tuition and Mandatory Fees

	2016-17 Charge	Proposed 2017-18	Increase	
			\$	%
Resident Undergraduate	\$ 12,852	\$ 13,230	\$ 378	2.9%
Nonresident Undergraduate	\$ 29,975	\$ 31,014	\$ 1,039	3.5%
Resident Graduate	\$ 14,532	\$ 15,072	\$ 540	3.7%
Nonresident Graduate	\$ 27,764	\$ 28,810	\$ 1,046	3.8%
VA/MD Vet Med	\$ 23,617	\$ 24,197	\$ 580	2.5%
Nonresident Vet Med	\$ 50,753	\$ 51,996	\$ 1,243	2.4%

Resident Undergraduate Total Cost

	2016-17	Proposed	Increase	
	Charge	2017-18	\$	%
Tuition	\$10,787	\$11,093	\$306	2.8%
E&G Fees	154	170	16	10.4%
<i>Tuition & E&G Fees</i>	10,941	11,263	322	2.9%
Comprehensive Fee	1,911	1,967	56	2.9%
<i>Tuition & Mandatory Fees</i>	12,852	13,230	378	2.9%
<i>Room and Board</i>	8,424	8,690	266	3.2%
<i>Total Cost</i>	\$21,276	\$21,920	\$644	3.0%

Nonresident Undergraduates Total Cost

	2016-17	Proposed	Increase	
	Charge	2017-18	\$	%
Tuition	\$27,306	\$28,273	\$967	3.5%
E&G Fees	758	774	16	2.1%
<i>Tuition & E&G Fees</i>	28,064	29,047	983	3.5%
Comprehensive Fee	1,911	1,967	56	2.9%
<i>Tuition & Mandatory Fees</i>	29,975	31,014	1,039	3.5%
<i>Room and Board</i>	8,424	8,690	266	3.2%
<i>Total Cost</i>	\$38,399	\$39,704	\$1,305	3.4%

Projected Market Impact of 2017-18 Tuition and Mandatory Fees

- Based upon recent market trends and the university's estimate of 2017-18 increases, the 2017-18 tuition and fee adjustments will maintain the university's current market position.

	2016-17	2017-18
In-state Undergraduate		
Public SCHEV Peers	10 out of 24	10 out of 24
Virginia Institutions	6 out of 15	6 out of 15
Out-of-state Undergraduate		
Public SCHEV Peers	14 out of 24	15 out of 24
Virginia Institutions	6 out of 15	6 out of 15

2017-18 Budget Planning

2017-18 E&G Cost Drivers

(\$s in millions)

Compensation

	Fund Split		
	Total	State	University
Statewide 2% Faculty Merit Increase	\$ 6.4	\$ 1.9	\$ 4.5
Statewide 3% Staff Salary Increase	2.7	1.1	1.6
National Distinction*/Promotion&Tenure	2.7	-	2.7
Total	\$ 11.8	\$ 3.0	\$8.8

* Proposed revision

2017-18 E&G Cost Drivers

(\$s in millions)

Mandatory and/or Unavoidable Costs

	Total	Fund Split	
		State	University
Employee Health Insurance Increase	\$ 4.0	\$ 1.6	\$ 2.4
Graduate Assistant Health Insurance Increase	0.6	-	0.6
Health & Safety	0.3	-	0.3
Fixed Costs	1.3	-	1.3
Operation & Maintenance of Facilities	0.1	-	0.1
Financial Aid – Prior Commitments	1.3	-	1.3
Total	\$ 7.6	\$ 1.6	\$ 6.0

2017-18 E&G Cost Drivers

(\$s in millions)

Institutional Priorities

Fund Split

	Total	State	University
Enrollment Growth Support	\$ 7.7	\$ 3.7	\$ 4.0
Destination Area Investments* (New Faculty)	3.3	-	3.3
Student Financial Aid Enhancements	2.4	-	2.4
Library	0.6	-	0.6
Critical Needs	1.3	-	1.3
Prior Commitments	0.6	-	0.6
Total	\$ 15.9	\$ 3.7	\$ 12.2

2017-18 E&G Cost Drivers

(\$s in millions)

Total Cost Drivers

	Total	Fund Split	
		State	University
Compensation	\$ 11.8	\$ 3.0	\$ 8.8
Unavoidable and/or Mandatory Costs	7.6	1.6	6.0
Institutional Priorities	15.9	3.7	12.2
Total	\$ 35.3	\$8.3	\$ 27.0

Resourcing the Institution

(\$s in Millions)

	<u>2017-18</u>
Previously Identified Known Costs	\$ 35.3
<u>Resource Plan</u>	
Incremental Operating General Fund Support	3.7
State Support for Fringe Rate and Compensation Increases	4.6
General Fund Budget Reduction	(8.6)
Reallocation of Existing Resources	5.9
Auxiliary Direct Assistance	1.0
Alternative Revenue Strategies (Library Fee)	0.6
Enrollment Growth	14.6
BOV Approved Tuition Rate Increase	13.5
Subtotal	<u>35.3</u>
Remaining Surplus/(Deficit)	<u>\$ -</u>

General Fund shortfall of \$8.6 million assigned by state

- \$1.7m through new nongeneral fund resources
- \$1.0m Auxiliary Enterprise support for student financial aid
- \$1.9m in central reallocation strategies (payoff of loans, energy savings)
- This leaves \$4.0m to be managed through campus-wide reduction exercise

- \$4.0m of state General Fund reduction will need to be managed through campus actions
 - Academic and Administrative units have received reduction planning instructions
- 1% reduction target for 208 E&G
 - Exempt Library and Police
 - Fringe savings count towards this target
 - 24% salary variable, 1.00 FTE=\$12,200 Health Ins
 - Lowers effective impact

- University is still developing 2017-18 budget

- As compared to our initial revenue budget development, the final tuition rate decisions require a downward adjustment of \$1.9m in expenditures.

- Current recommendations to address this are to scale back:
 - National Distinction pool from 1.0% to 0.75%
 - Destination Area investment from \$4.4m to \$3.3m

- Remainder of budget/investment plan remain intact
 - Compensation increases for Faculty and Staff
 - Significant support for new academic initiatives
 - Enrollment Growth
 - Destination Areas
 - \$3.7m of new investments into institutional student financial aid

Next Steps

- Complete academic and administrative budget development processes
 - Reductions and investments
- Communicate final allocations
 - Authorized Budget Document
- July 1, 2017 begin new fiscal year

Future Opportunities

- Enrollment Growth
 - Regular session ~\$14M in FY18
 - Summer & winter sessions
 - Professional Masters Programs
- Tuition rate of 2.9% ~ \$14M
- Explore differential tuition for STEM-H programs due to higher cost

Future Opportunities

- State General Fund Support Funding Strategies
 - Compensation
 - Enrollment Growth
 - Research
 - Student Financial Aid
 - Capital Outlay

Future Opportunities

- Enhanced resource generation strategies
 - Full PIBB implementation by 2018-19
 - Philanthropy
 - Partnerships

Questions?