Virginia Tech Board of Visitors Meeting

Information Session

Sunday, August 28, 2016
1:30 - 3:30 p.m.

The Inn—Solitude Room
Virginia Tech Campus

1:30 – 2:15 p.m. **The Health Sciences and Technology Innovation District**

- Dr. Timothy D. Sands, President
- Dr. Mike J. Friedlander, VP for Health Sciences and Technology
- Dr. Thanassis Rikakis, Executive Vice President and Provost

2:15 – 3:00 p.m. **The New Incentive-Based Budget Model**

- Dr. Thanassis Rikakis, Executive Vice President and Provost
- Mr. Tim Hodge, Assistant VP for Budget and Financial Planning
- Dr. Ken Smith, Vice Provost, Resource Management and Institutional Effectiveness

3:00 – 3:10 p.m. **U.S. Department of Labor: Changes to the Fair Labor Standards Act**

- Ms. Kay Heidbreder, University Legal Counsel
- Mr. Kirk Wehner, Director, Compensation and Performance Management

3:10-3:30 p.m. **Constituent Reports – (No action required)**

- Mr. Gabe Cohen, Undergraduate Student Representative to the Board
- Ms. Tara Reel, Graduate Student Representative to the Board
- Mr. Alex Parrish, Staff Representative to the Board
- Dr. Monty Abbas, Faculty Representative to the Board

Virginia Tech Carilion Partnership

Virginia Tech Carilion Health Sciences and Technology Campus in the Roanoke Innovation Corridor

Thanassis Rikakis, Executive Vice President and Provost
Mike Friedlander, Vice President for Health Sciences and Technology
Cynda Johnson, Dean Virginia Tech Carilion School of Medicine
Don Halliwill, Chief Financial Officer, Carilion Clinic

Virginia Tech Board of Visitors August 29, 2016

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Virginia Tech Carilion Health Sciences and Technology Campus in the Roanoke Innovation Corridor

Virginia Tech Carilion Partnership

Acquisition and Integration of the Virginia Tech Carilion School of Medicine into Virginia Tech

- Expand Virginia Tech Carilion Health Sciences and Technology campus
- Role of Virginia Tech Carilion Research Institute (VTCRI) in Health Sciences and Technology portfolio
- Virginia Tech Carilion School of Medicine (VTCSOM) – currently independent
- Integrate VTCSOM into Virginia Tech as ninth college
- Future structure of the VTCSOM and VTCRI
- Programmatic focus areas for development in the health sciences
- New Health Sciences and Technology research building

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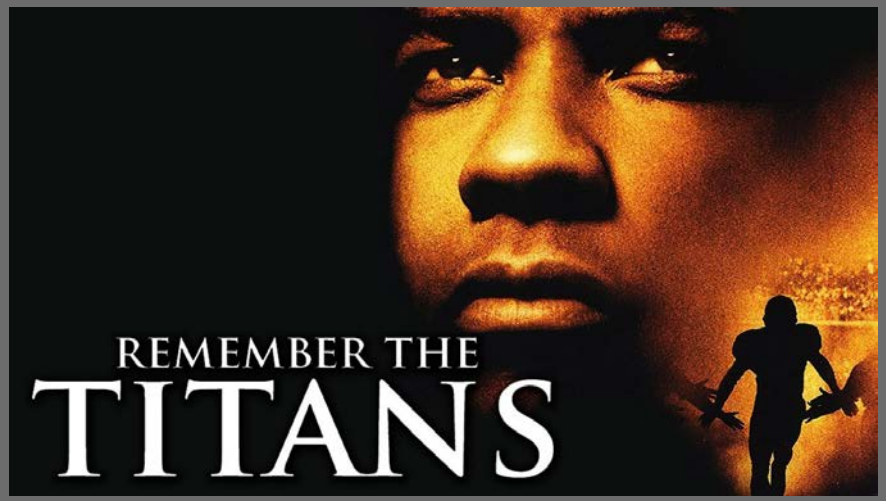
South Roanoke Then



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South Roanoke Now

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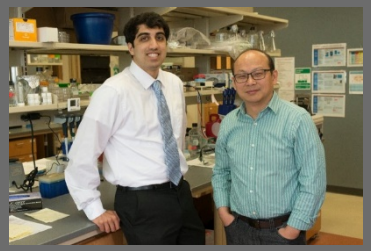
Development of the Virginia Tech Carilion Health Sciences and Technology Campus

- Enhance Virginia Tech Carilion partnership: growth of footprint in the health sciences and in Roanoke, ties to the university's Destination Areas and academic programs
- Establish of Health Sciences and Technology Executive Committee and working groups
- Identification of geographical area and development plans in Roanoke – involvement of Virginia Tech, Carilion Clinic, city leaders, business community and Virginia Tech's master planning group
- New research building planning teams (with representation from all partners)
- Housing
- Industry/start up spaces
- Growth of student populations in Health Science and Technology (graduate, medical, and undergraduate) – enhanced experiential learning opportunities and spaces for undergraduate and graduate students



Virginia Tech Carilion School of Medicine
Virginia Tech's Ninth College

- Integration Plan: Executive Committee, Steering Committee, 12 working groups
  - Participants – Virginia Tech, Carilion Clinic, VTCSOM
  - Faculty handbook, faculty appointment guidelines, and faculty roles of Carilion Clinic physicians
- New Memorandum of Understanding (MOU): Virginia Tech and Carilion Clinic
- Integration date: July 1, 2018
- Approval: Liaison Committee on Medical Education (LCME) and Southern Association of Colleges and Schools Commission on Colleges (SACSCOC)
- Continued support by Carilion Clinic and Virginia Tech
- Departments
  - Current Biomedical Science becomes Basic Science Education
  - New Department of Biomedical Research (DBR)

5,000 applicants for 42 positions

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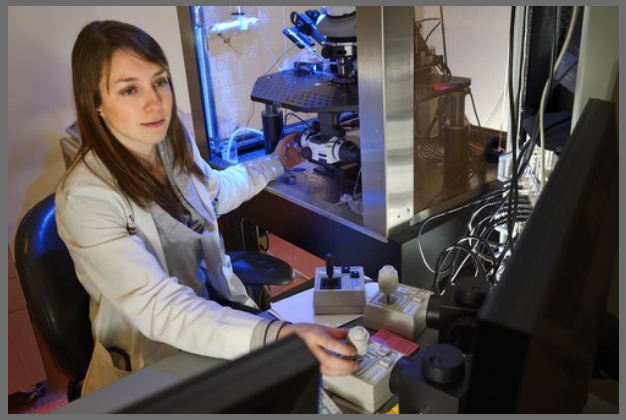
Virginia Tech Carilion School of Medicine
Six Years of Achievements and Success

- Matriculation: Seven classes, students from 94 universities
- Graduation: Three classes
- Applicants: 4,600 applications for 42 slots: current students from UC Berkeley, Johns Hopkins, UVa, Virginia Tech, William and Mary
- Accredited: LCME and SACSCOC
- Boards: all students passed step 1 and step 2 boards on first take with outstanding scores
- Residency: 100% residency match rate for all classes
- Research Focus: all students complete hypothesis-driven projects, present nationally, and publish in peer-reviewed journals



Virginia Tech Carilion Research Institute
Six Years of Accomplishments and Success

- Nationally acclaimed brain research - autism, addiction, brain injury, cancer, computational psychiatry, development, repair - cardiovascular and wound healing
- 25 research teams; faculty appointments in five departments, three colleges
- 315 personnel; 149 students (50 undergraduates, 48 graduate; 51 medical)
- $68M current active research grants (90% NIH); over $300M economic impact
- 551 peer reviewed publications; 30 patents filed; several companies started
- Over 101,000 citations from the 8 senior faculty; Google scholar h-index = 53
- Collaborative multi-PI grants with faculty in colleges and Carilion Clinic physicians

Neurorehabilitation
cerebal palsy research

Antarctic extreme temperature
brain research

Virginia Tech's Health Sciences and Technology Portfolio
Role of the VTCRI

- VTCRI remains a thematic research institute with a focus on biomedical and health sciences
- Additional roles for the VTCRI:
  - Facilitate increased connectivity between the Virginia Tech Carilion Research Institute, the Virginia Tech Carilion School of Medicine, and Carilion Clinic
  - Facilitate connectivity to health sciences-related research activities at Virginia Tech
  - Serve as nucleus of new Department of Biomedical Research in the Virginia Tech Carilion School of Medicine to advance nationally benchmarked biomedical and health sciences research

Organizational Structure
VTCSOM and VTCRI

- Naming/branding: remains the same for VTCSOM and VTCRI
- Coordination, as appropriate, of communications
- Separate activities, as appropriate
- VTCSOM dean reports to Virginia Tech Executive Vice President and Provost (same as all college deans)
- Executive director of VTCRI reports to Vice President for Health Sciences and Technology
- Most VTCRI tenure track and tenured faculty lines move to VTCSOM Department of Biomedical Research
  - Maintain existing affiliations with other departments, colleges
- Some VTCRI tenure track and tenured faculty maintain line in existing department
- VTCRI maintains independent research budget through Virginia Tech's Office of the Vice President for Research and Innovation

Carilion Clinic

ENHANCED RESEARCH

INNOVATIVE EDUCATION/TRAINING

Virginia Tech

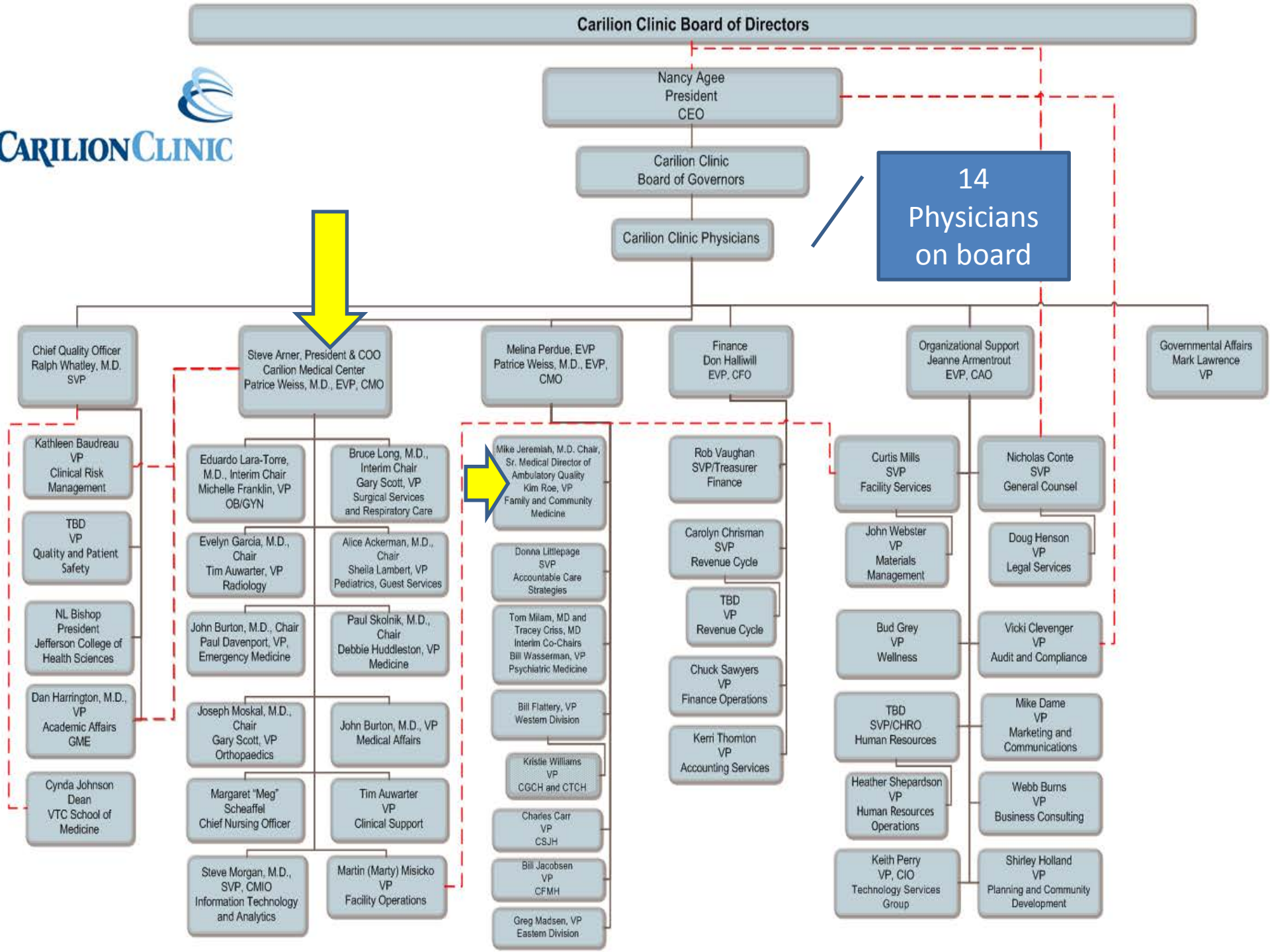
Clinical departments of emergency medicine, family & community medicine, internal medicine, obstetrics/gynecology, orthopedic surgery, pediatrics, psychiatry and behavioral medicine, radiology, surgery

(Clinical Enterprise)

Colleges – CALS, CAUS, COE, COS, CVM,CNRE, CLAHS, PCB

VTCSOM and VTCRI

Department of Biomedical Research & Department of Basic Science Education


Carilion Clinic Board of Directors
Nancy Agee
President
CEO
Carilion Clinic
Board of Governors
Carilion Clinic Physicians
14
Physicians
on board
Chief Quality Officer
Ralph Whatley, M.D.
SVP
Steve Arner, President & COO
Carilion Medical Center
Patrice Weiss, M.D., EVP, CMO
Melina Perdue, EVP
Patrice Weiss, M.D., EVP,
CMO
Finance
Don Halliwill
EVP, CFO
Organizational Support
Jeanne Armentrout
EVP, CAO
Governmental Affairs
Mark Lawrence
VP
Kathleen Baudreau
VP
Clinical Risk
Management
TBD
VP
Quality and Patient
Safety
NL Bishop
President
Jefferson College of
Health Sciences
Dan Harrington, M.D.,
VP
Academic Affairs
GME
Cynda Johnson
Dean
VTC School of
Medicine
Eduardo Lara-Torre,
M.D., Interim Chair
Michelle Franklin, VP
OB/GYN
Bruce Long, M.D.,
Interim Chair
Gary Scott, VP
Surgical Services
and Respiratory Care
Evelyn Garcia, M.D.,
Chair
Tim Auwarter, VP
Radiology
Alice Ackerman, M.D.,
Chair
Sheila Lambert, VP
Pediatrics, Guest Services
John Burton, M.D., Chair
Paul Davenport, VP,
Emergency Medicine
Paul Skolnik, M.D.,
Chair
Debbie Huddleston, VP
Medicine
Joseph Moskal, M.D.,
Chair
Gary Scott, VP
Orthopaedics
John Burton, M.D., VP
Medical Affairs
Margaret "Meg"
Scheaffel
Chief Nursing Officer
Tim Auwarter
VP
Clinical Support
Steve Morgan, M.D.,
SVP, CMIO
Information Technology
and Analytics
Martin (Marty) Misicko
VP
Facility Operations
Mike Jeremiah, M.D. Chair,
Sr. Medical Director of
Ambulatory Quality
Kim Roe, VP
Family and Community
Medicine
Donna Littlepage
SVP
Accountable Care
Strategies
Tom Milam, MD and
Tracey Criss, MD
Interim Co-Chairs
Bill Wasserman, VP
Psychiatric Medicine
Bill Flattery, VP
Western Division
Kristie Williams
VP
CGCH and CTCH
Charles Carr
VP
CSJH
Bill Jacobsen
VP
CFMH
Greg Madsen, VP
Eastern Division
Rob Vaughan
SVP/Treasurer
Finance
Carolyn Chrisman
SVP
Revenue Cycle
TBD
VP
Revenue Cycle
Chuck Sawyers
VP
Finance Operations
Kerri Thornton
VP
Accounting Services
Curtis Mills
SVP
Facility Services
Nicholas Conte
SVP
General Counsel
John Webster
VP
Materials
Management
Doug Henson
VP
Legal Services
Bud Grey
VP
Wellness
Vicki Clevenger
VP
Audit and Compliance
TBD
SVP/CHRO
Human Resources
Mike Dame
VP
Marketing and
Communications
Heather Shepardson
VP
Human Resources
Operations
Webb Burns
VP
Business Consulting
Keith Perry
VP, CIO
Technology Services
Group
Shirley Holland
VP
Planning and Community
Development

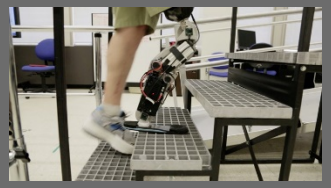
Health Science and Technology Growth

- Involve stakeholders: Meetings with deans, chairs, VTCSOM, VTCRI, Carilion Clinic, Virginia Tech and Carilion Clinic leadership
- Criteria: build on unique strengths, identify gaps, national/global and local/regional needs and synergies between Virginia Tech and Carilion Clinic in research, educational/training and clinical domains, existing talent pool, possibilities for attracting new talent in targeted areas, infrastructure, scientific opportunity, funding availability including philanthropy
- Opportunity to recruit new teams of leading biomedical/health science researchers, including physician scientists
- Major opportunity to grow Virginia Tech's extramural funding market share in focused areas of the health sciences

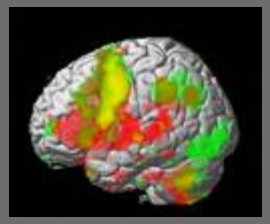
Five High-Level Focus Areas Supported Across Virginia Tech and Carilion Clinic

These five areas address:

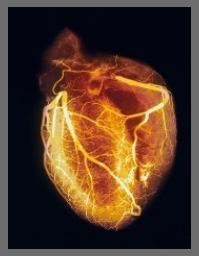
- Considerable strengths and successes that coordinate with philanthropic efforts
- Local and national health needs
- Research that has unique attributes and recognized excellence
- Considerable growth/impact are likely with strategic investments and targeted program/infrastructure/talent development



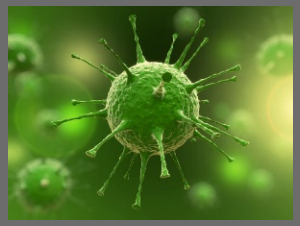
Biomaterials - body-device interfaces



brain health and disease



cardiovascular science



infectious disease/ immunity

metabolism/ obesity

Animal-human nexus
Bioengineering
Data/analytics/informatics
Genomics
Healthy lives and health care delivery
Lifespan – (development and aging)
Precision medicine
Public health
Regenerative medicine and repair
Rehabilitation

Health Sciences and Technology Research Building Planning and Implementation

- Funding: awarded through state bond
- Plan: to be submitted to Virginia Tech BOV in March 2017
- Layout: organized around five major research themes, experiential learning spaces and opportunities
- Planning teams: representation from the nine colleges, thematic content experts from colleges, VTCRI, Carilion Clinic
- Planning space utilization: core facility/infrastructure needs, specialized features and general flow
- Site selection: in process

Thank you
Questions?

Partnership for an Incentive Based Budget

Thanasis Rikakis, Executive Vice President and Provost
Tim Hodge, Assistant Vice President for Budget and Financial Planning
Ken Smith, Vice Provost for Resource Management and Institutional Effectiveness

Board of Visitors
August 28, 2016

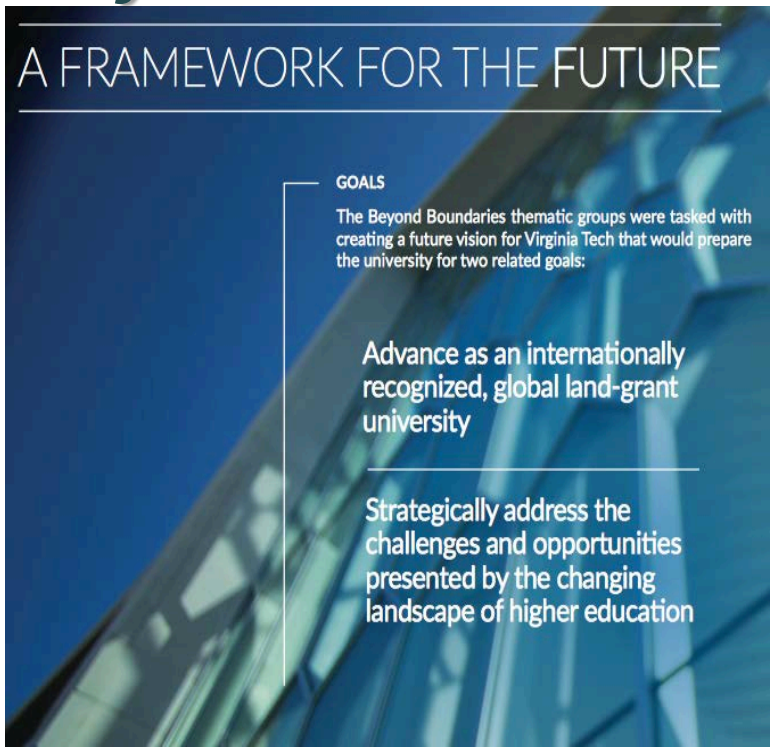
Overview

- Strategic Setting – Thanassis Rikakis
- Current Budget Development Environment and the Opportunities of Growth – Tim Hodge
- College Performance Model – Ken Smith

Strategic Setting

Virginia Tech is well aligned to excel through integrated education and research to promote economic development.

Beyond Boundaries



- We are Virginia's leading university in research expenditures
- We are a national leading land-grant institution
- We aspire to be recognized as a distinguished global university

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Strategic Setting

Virginia Tech will integrate and expand its efforts to prepare students to succeed in the jobs of the 21st century.

- Virginia Tech was recently ranked the 9th best public college in *Money Magazine*.
- Early career earnings of graduates - $55,300

Strategic Setting

The future presents both challenges and opportunities.

Challenges

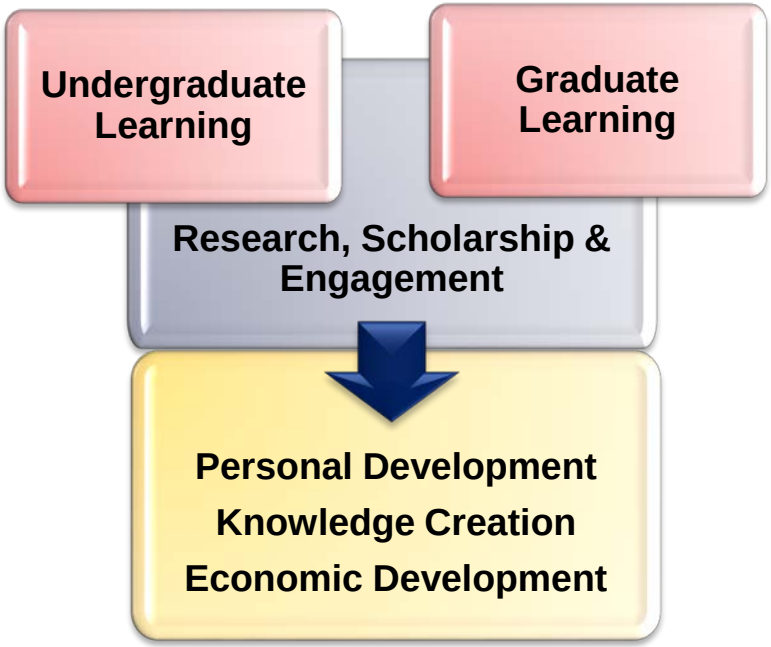
- Tuition Tipping Point
- Increasing Competition
- Inter-connected, Rapidly Changing Global Landscape
- Global Competition for Talent
- Expanding Expectations

Opportunities

- Leveraging Strengths
- Focusing Efforts
- Differentiating VT
- Attracting and Retaining Talent
- Being where the Action Is ***(BB/ROA/NCR)***
- Achieving Scale
- Continuous Improvement

Strategic Setting

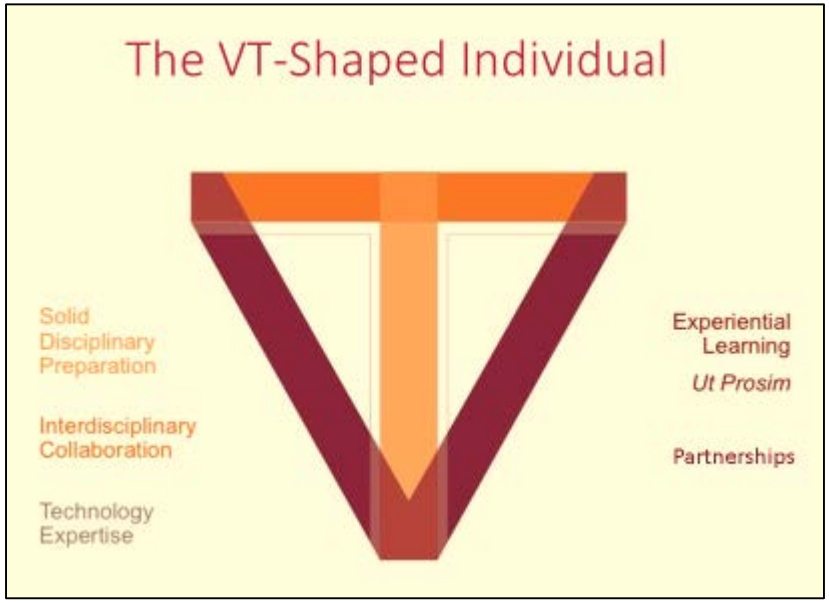
21st Century impact for a leading land grant requires integration of the undergraduate and graduate instruction with the research success and engagement of the institution in order to achieve personal development, knowledge creation and economic development.



- Leveraging the research of faculty and training of students to create and fill 21st century jobs
- Increasing public and private partnerships through sponsored research and philanthropy
- Bringing funds into the Commonwealth to create new jobs, fund student training, and expand the local and state economy.

Strategic Setting

We will achieve national and global prominence through differentiation. The VT shaped individual is a distinguishing characteristic for Virginia Tech.



- Builds on the university's strengths and traditions
- Allows the university to tackle the complexity of 21st century research and education in a unique manner
- Facilitates recruitment of talented students and faculty
- Graduates prepared to enter the 21st century work force
- Advances the development of partnerships
- Diversifies financial portfolio

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Implementation of the new budget model will institutionalize the seamless integration of VT shaped dimensions. This Beyond Boundaries approach is needed for the future.

The budget model will:

- Support and promote VT shaped research and education
- Be outcome-based with national benchmarks
- Be supported by data systems that are transparent
- Be adaptive and integrative
- Informs and incentivizes continuous improvement

CURRENT BUDGET DEVELOPMENT ENVIRONMENT AND OPPORTUNITIES OF GROWTH

Current Environment and the Opportunities of Growth

The university currently employs four basic approaches to budgeting.

- **Revenue Centers** – teaching hospitals, enterprise fund programs, and ancillary and auxiliary operations which are primarily volume driven
- **Project Budgets** – sponsored projects and capital projects
- **Marginal/Incremental Budgets** – university division, AES/VCE, and student fee funded auxiliaries
- **Formula Budgets** – enrollment support, equipment trust funds, and Summer Session

Current Environment and the Opportunities of Growth

Colleges and departments need flexibility to take advantage of rapidly developing opportunities.

- Current budget models have evolved over time to adapt to changing circumstances.
- Marginal/Incremental budgeting has many strengths but does not automatically adapt to rapidly changing environments.
- Complexity requires participatory budgeting/management.
- Marginal budgeting does not automatically empower:
  - Recognition of enrollment opportunities and new curriculum that requires cooperation across departments
  - Emerging synergies in space and research

Current Environment and the Opportunities of Growth

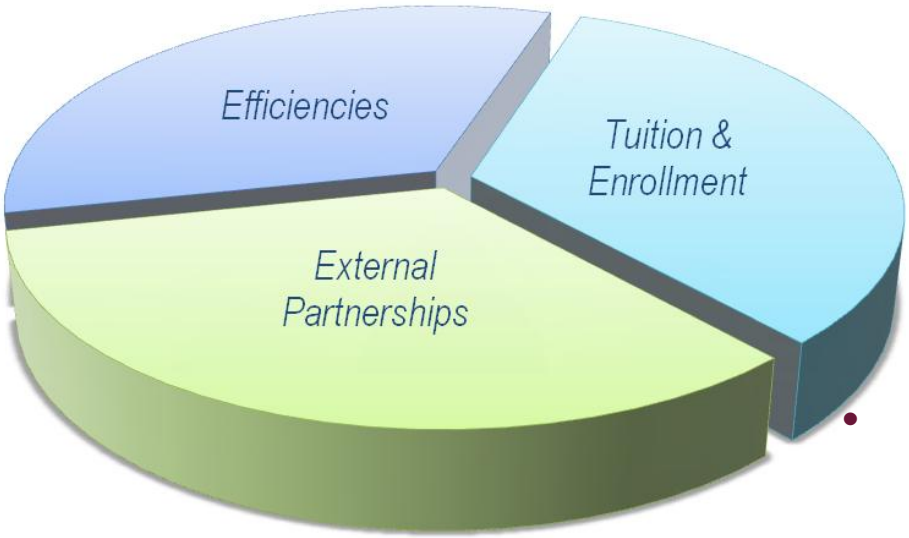
The university has entered a period of significant growth in resources.

This growth is aligned with four major activities:

- Instruction – enrollment growth, plus constrained tuition growth, plus estimate state General Funds growth
- Research – sponsored research
- Private Fundraising
- Industry Partnerships/Corporate Relations

Current Environment and the Opportunities of Growth

Growth in funding and redirection of existing resources through the achievement of efficiencies contribute to the resources capacity of the institution.

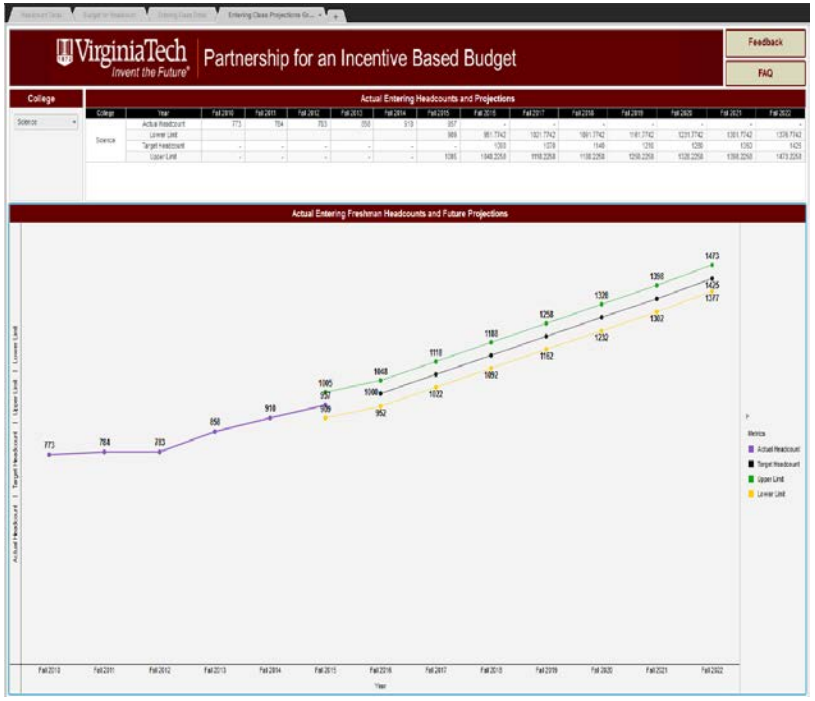


- As resources grow, the budget strategy is to:
  - Align distribution of actual growth in resources with the units that contribute to the growth
  - Incentivize strategic reallocation of existing resources to achieve shared goals.
  - Continue to ensure and enhance quality
- The changes being piloted with the colleges will be the basis for a broader performance budget approach across the academic enterprise.

COLLEGE PERFORMANCE MODEL – PARTNERSHIP FOR AN INCENTIVE BASED BUDGET

Partnership for an Incentive Based Budget

We have adopted the name Partnership for an Incentive Based Budget and the acronym (PIBB) to describe both the process and the decision support system that will accompany the process.



- **Partnership** refers to shared goal setting and decision making.
  - Department to College to University Wide
  - Aligned strategic plans at all levels
- **Incentive** refers to the linkage of resources to the achievement of agreed upon goals and outcomes.

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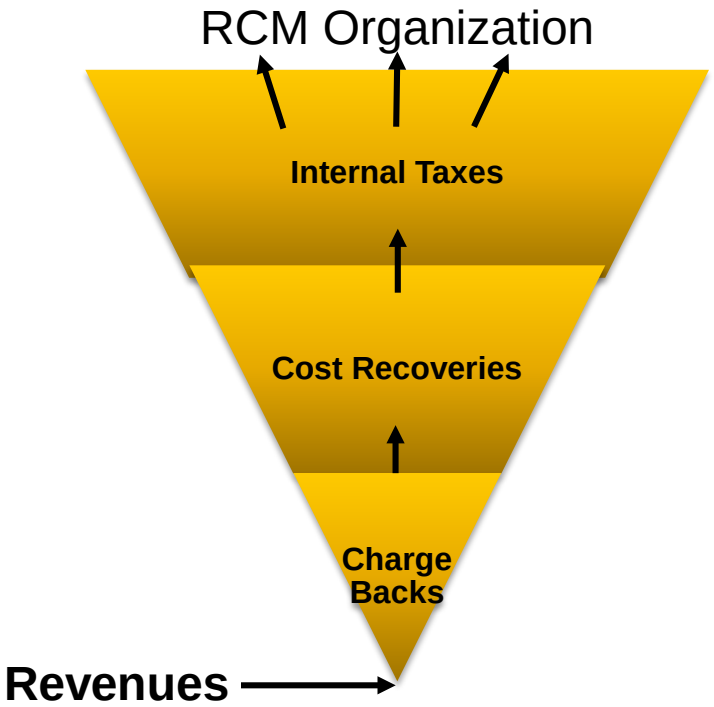
Partnership for an Incentive Based Budget

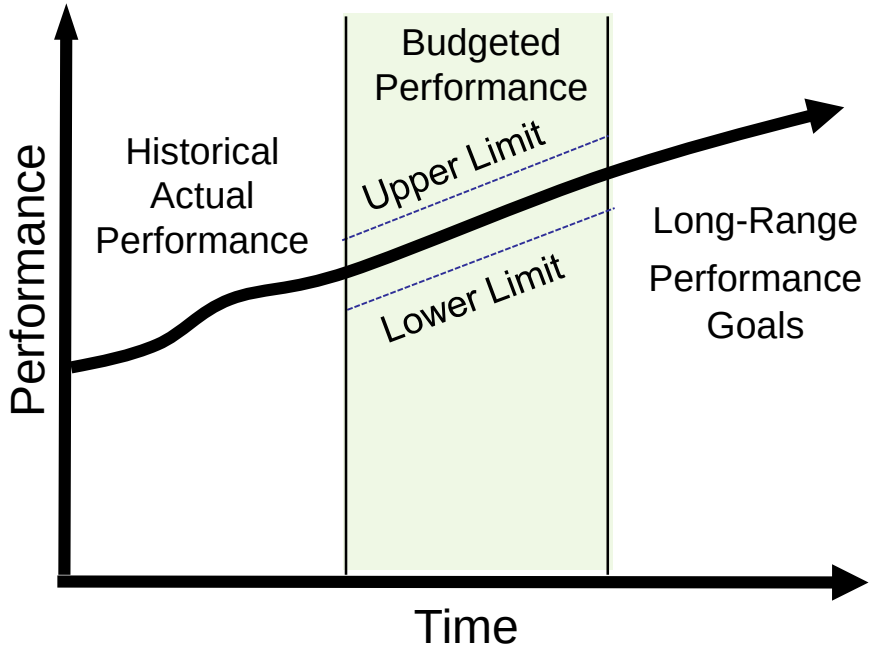
Many large institutions are adopting more decentralized budget models to move decision making closer to where the impacts of activities occur.



- Responsibility Center Management (RCM) is one particular method of achieving broad decentralization
- Virginia Tech **is not** adopting RCM as its decentralization approach.
- We are expanding our limited application of performance budgeting to achieve greater decentralization.

Partnership for An Incentive Based Budget

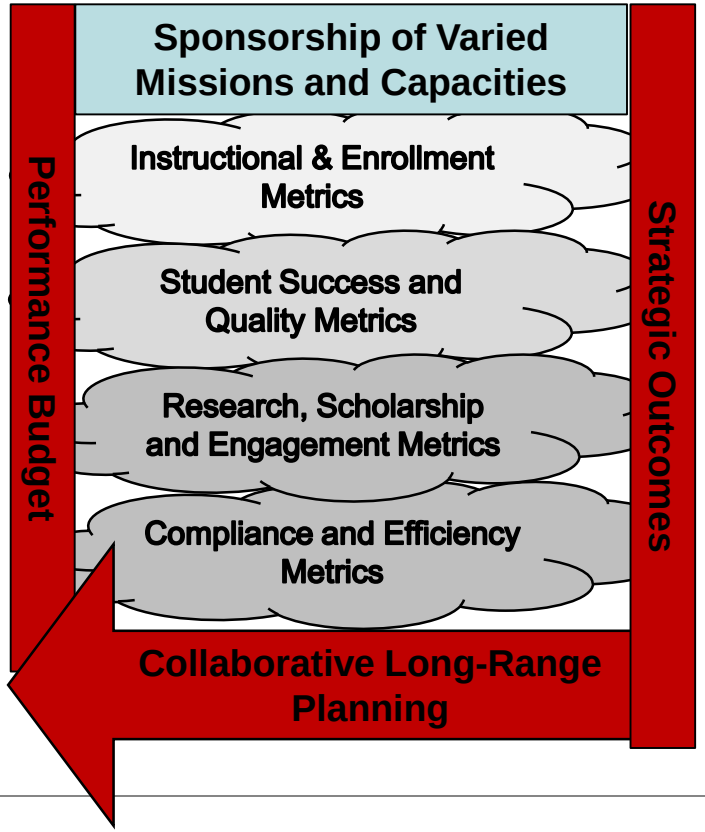
Virginia Tech is expanding its application of performance budgeting to achieve greater decentralization.



- A performance model allocates existing budgets based on actual achievement of agreed upon outputs and outcomes.
- Linking allocations to commitments for actual outcomes prevents “overleveraging” of the institution as growth precedes the allocation of new resources.
- Performance budgeting moves the annual resource planning conversation from inputs to the more strategic topic of outcomes.

Partnership for an Incentive Based Budget

The model will use integrated, multi-dimensional metrics to promote balanced goal setting and activity.



- Goal setting will be in the context of historical trends.
- Interconnections between related metrics will promote balanced goal setting and activity.
- The model will promote bottom up strategic planning through:
  - Shared Projections
  - Shared Data and Monitoring of Progress
  - Shared Discussion of Future Goals & Directions

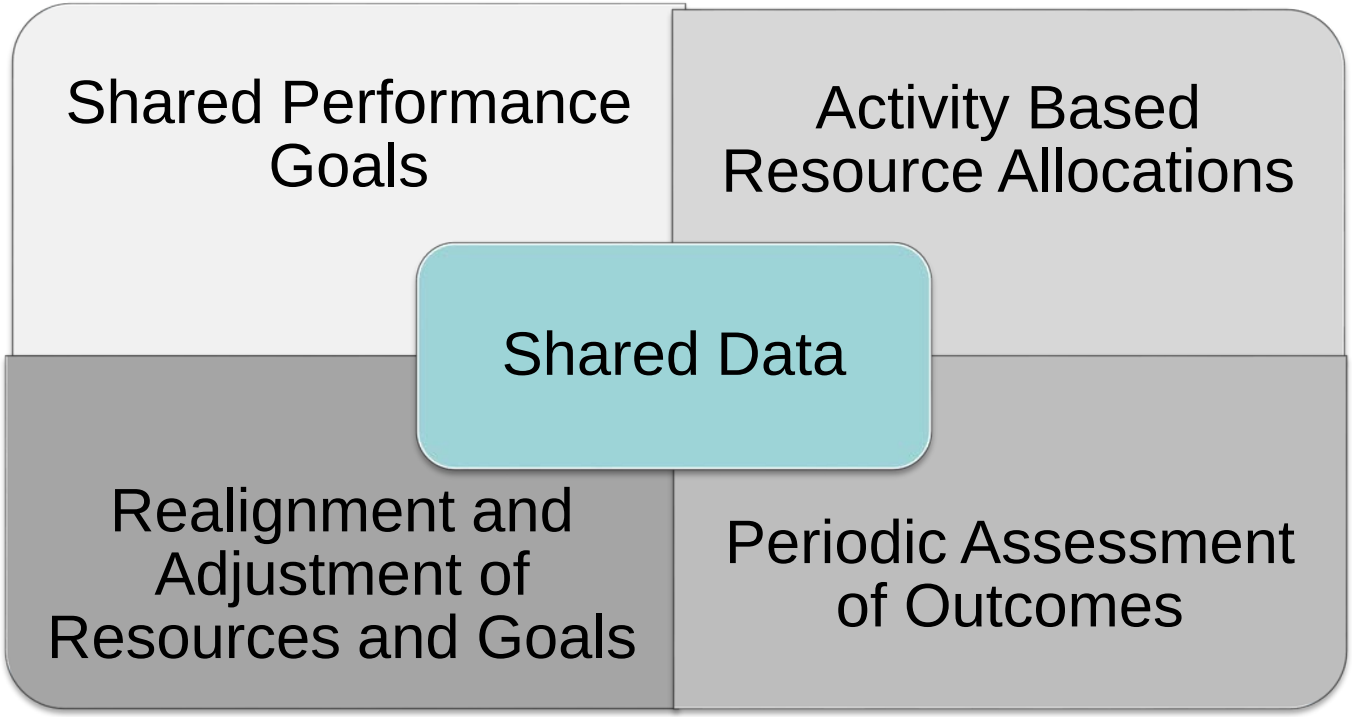
Partnership for an Incentive Based Budget

The Virginia Tech performance model will adapt components seen in other national models of decentralization.

- Valuing of credit hours and majors to promote all types of Beyond Boundaries activity and to promote quality of disciplinary experience.
- Managed growth to avoid unproductive competition.
- Incentives for cooperation across departments and colleges
  - Emphasis on student credit hours
  - Premiums for VT shaped education and research and large scale collaboration.
- Recognition of variation in college missions and resource capacities to strengthen all rather than undermine some to benefit others.
- Recognition of the importance of scholarship quality
- Qualitative consideration of quantitative outcomes – “The numbers are the beginning of the conversation; not the end.”

Partnership for an Incentive Based Budget

The budget model will consist of four major components all supported by a shared decision support system.



Partnership for an Incentive Based Budget

Two types of metrics will be employed, unit allocations and performance scorecards.

Unit Allocations

- One output/outcome results in one unit of value
  - Credit Hours
  - Majors
  - Funded Research
  - Fundraising
- Premiums Applied for Units Meeting Additional Desired Quality or Strategic Criteria

Performance Scorecards

- Faculty Profile
  - Scholarship
  - Diversity
  - Teaching load
- Student Profile
  - Recruitment
  - Student Success
  - Diversity
- Administrative Compliance and Efficiency

Partnership for an Incentive Based Budget

Timeline

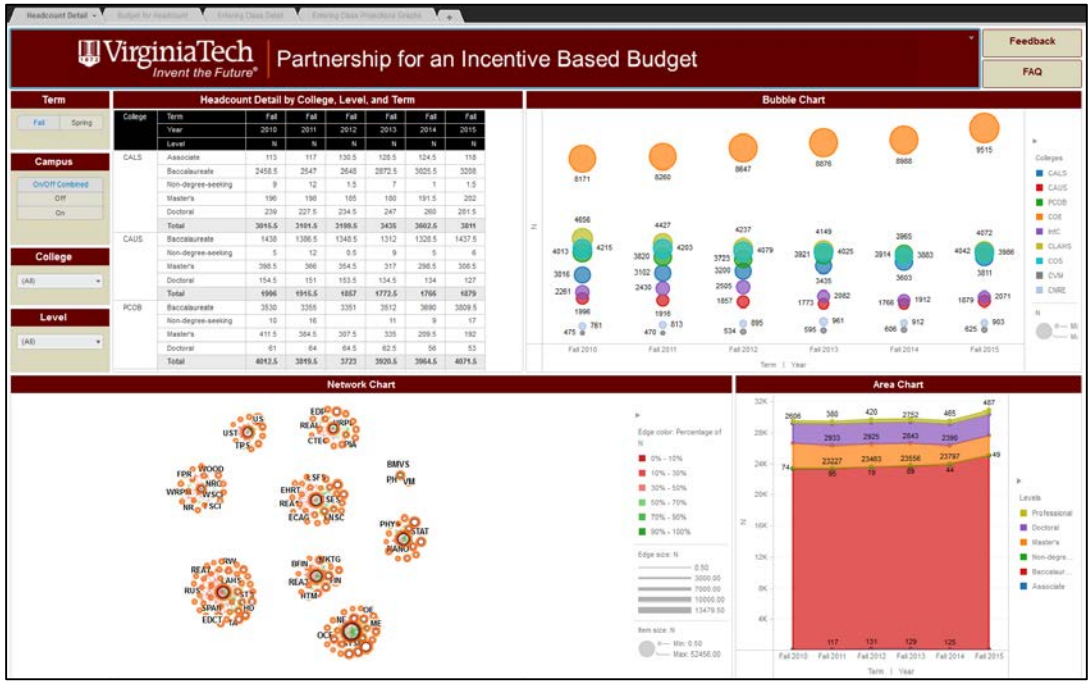
2016-17
- Model Development
- Parallel Calculations for Colleges

2017-18
- Model Refinement
- Implement for Colleges
- Parallel Calculations for Academic VPs

2018-19
- Phased Implementation Across Academic Division Continues

2019-20
- Full Implementation with a Few Remaining Phase-In Elements

Information System Development



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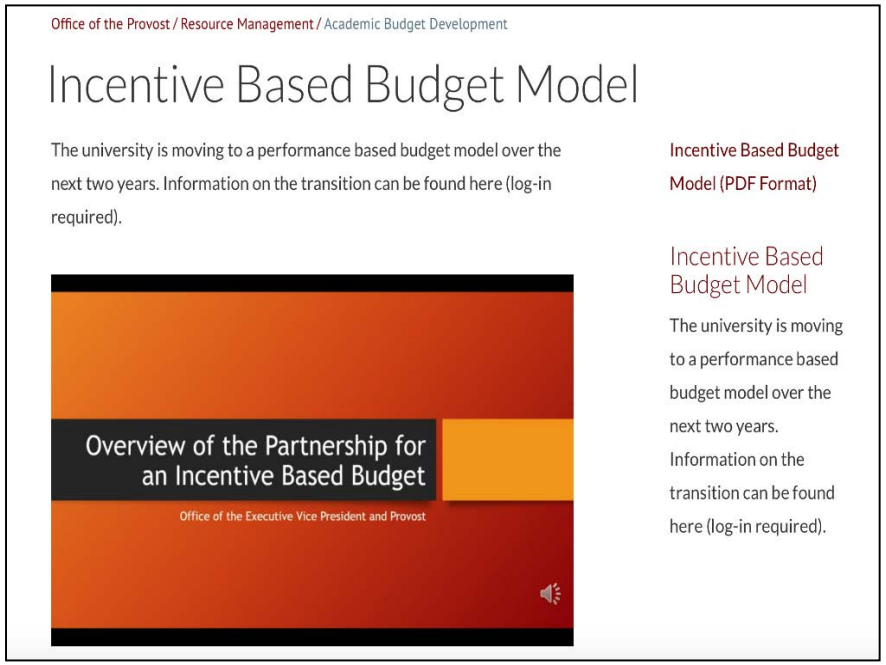
Partnership for an Incentive Based Budget

Communication of the plan has been on-going since the spring and will continue to inform and solicit input through the coming year.



- Provost website with latest information
- Engagement of users in specification and development of data systems
- Training on how to understand and use the shared data system
- Development of faculty and student scorecard components

QUESTIONS AND DISCUSSION

Department of Labor
Changes to the Fair Labor Standards Act




Recent Changes to the Fair Labor Standards Act (FLSA)

- The salary test for determining exempt vs. non-exempt status has increased from $455/week to $913/week **($47,476 per year).**
- The salary threshold will be adjusted every 3 years to maintain the level at the 40th percentile of full-time salaried workers in the lowest-wage Census region.
- Highly Compensated Employee (HCE) Exemption increased from $100,000 to $134,004 per year.
- Up to 10% of the salary can come from bonuses or commissions .

Exemptions for higher education institutions:

- Anyone whose primary job duty is **instruction**. This applies equally to adjuncts or employees instructing outside the classroom based on their job duties, not just to those on tenure track.
- **Coaches and assistant coaches** "if their primary duty is teaching," which may include instructing athletes in how to perform their sport. They are differentiated from coaches whose primary duty is recruiting and who would not be exempt.
- Certain **academic administrative employees** can be paid a salary below the threshold if the salary is at least as high as that paid to entry-level teachers.

Groups of employees that will be impacted at Virginia Tech:

- Research Faculty including Post Docs, Project & Research Associates, etc.
- Extension Agents – awaiting written DOL ruling to determine qualification for teaching exemption.
- Other AP Faculty particularly in Student Affairs, Athletics and the Provost office.
- Staff in pay bands 4 and above.

University Action Plan

- Established working committee to develop recommendations for approval by the President, Provost, and Chief Financial Officer by November 1.
- Continuing to seek clarification and work with other higher education institutions to ensure consistency in established practices.
- Final plan to be in place no later than December 1.