

Virginia Tech Board of Visitors Meeting

Information Session

Sunday, June 4, 2017

1:30 – 4:00 p.m.

The Inn at Virginia Tech, Latham Ballrooms D/E/F

- 1:30 - 2:30 p.m.** **Review of Operating and Capital Budgets for 2017-2018 and Review of Six-Year Plan for 2018-2024**
- Mr. M. Dwight Shelton, Jr., Vice President for Finance and Chief Financial Officer
- 2:30 – 2:45 p.m.** **Update on Branding Initiative**
- Ms. Tracy Vosburgh, Senior Associate Vice President for University Relations
- 2:45 – 3:15 p.m.** **Update on BOV Task Force on Board Structure and Governance**
- Mr. Dennis Treacy, Task Force Chair
- 3:15 – 3:30 p.m.** **Break**
- 3:30 – 4:00 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, President of Staff Senate
 - Dr. Monty Abbas, President of Faculty Senate



2017-18 Operating and Capital Budgets

M. Dwight Shelton, Jr.

June 4, 2017

2017-18 Operating & Capital Budgets

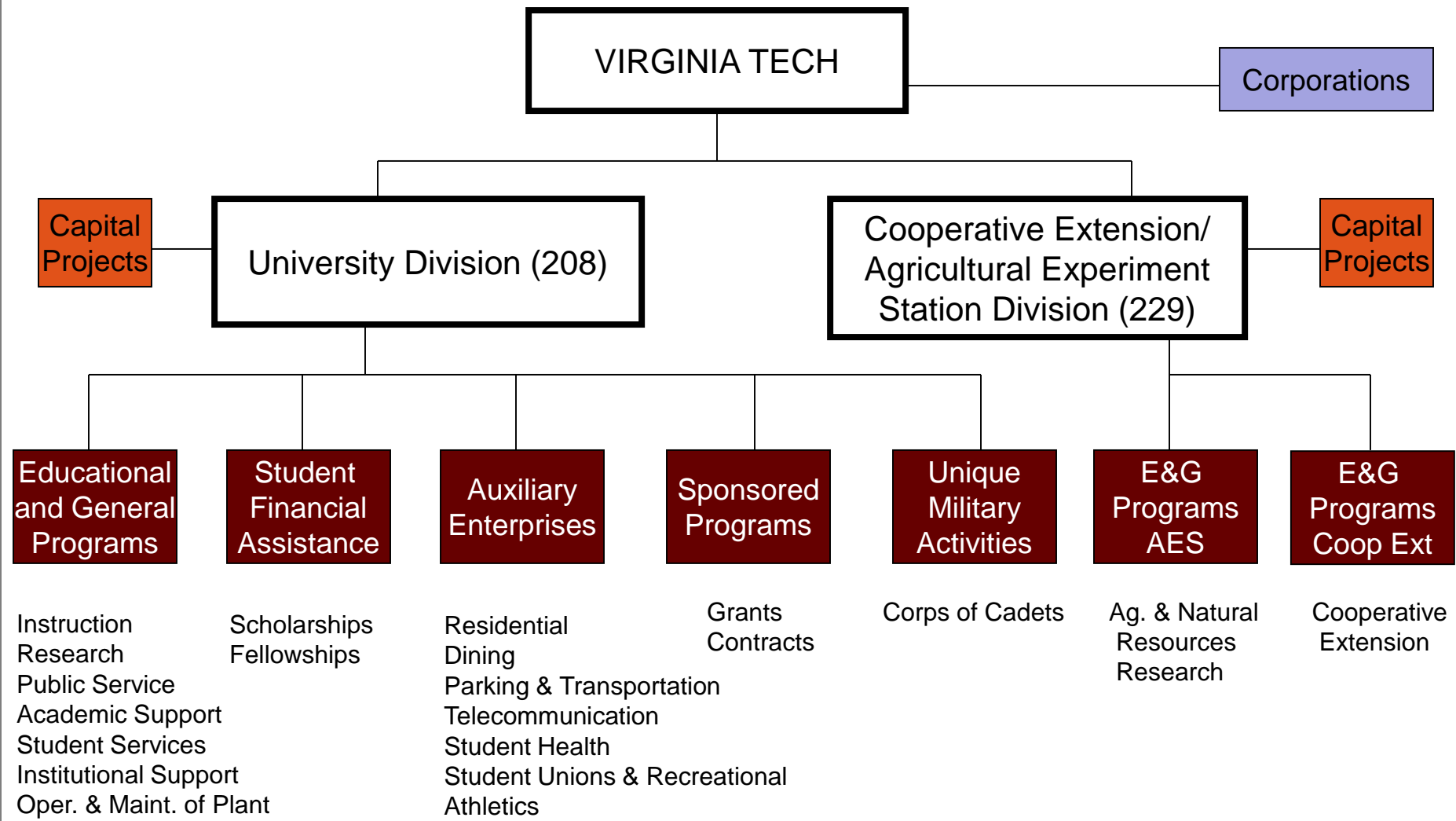
- Budget Development Overview
- Summary of Budget Components
- Revenue Trends
- Capital Budget Development
- Next Steps

Budget Development Overview

Budget Development Overview

- **Fall/Spring** – state budget process determines General Fund support, nongeneral fund assessments & cost assignments, guidance, and costs
- **Spring** – BOV establishes tuition & fee rates
- **May-June** – finalize budget to advance strategic plan and address critical needs
- **July 1** – start of new fiscal year

Program Structure



Summary of Budget Components

2017-18 Operating Budget

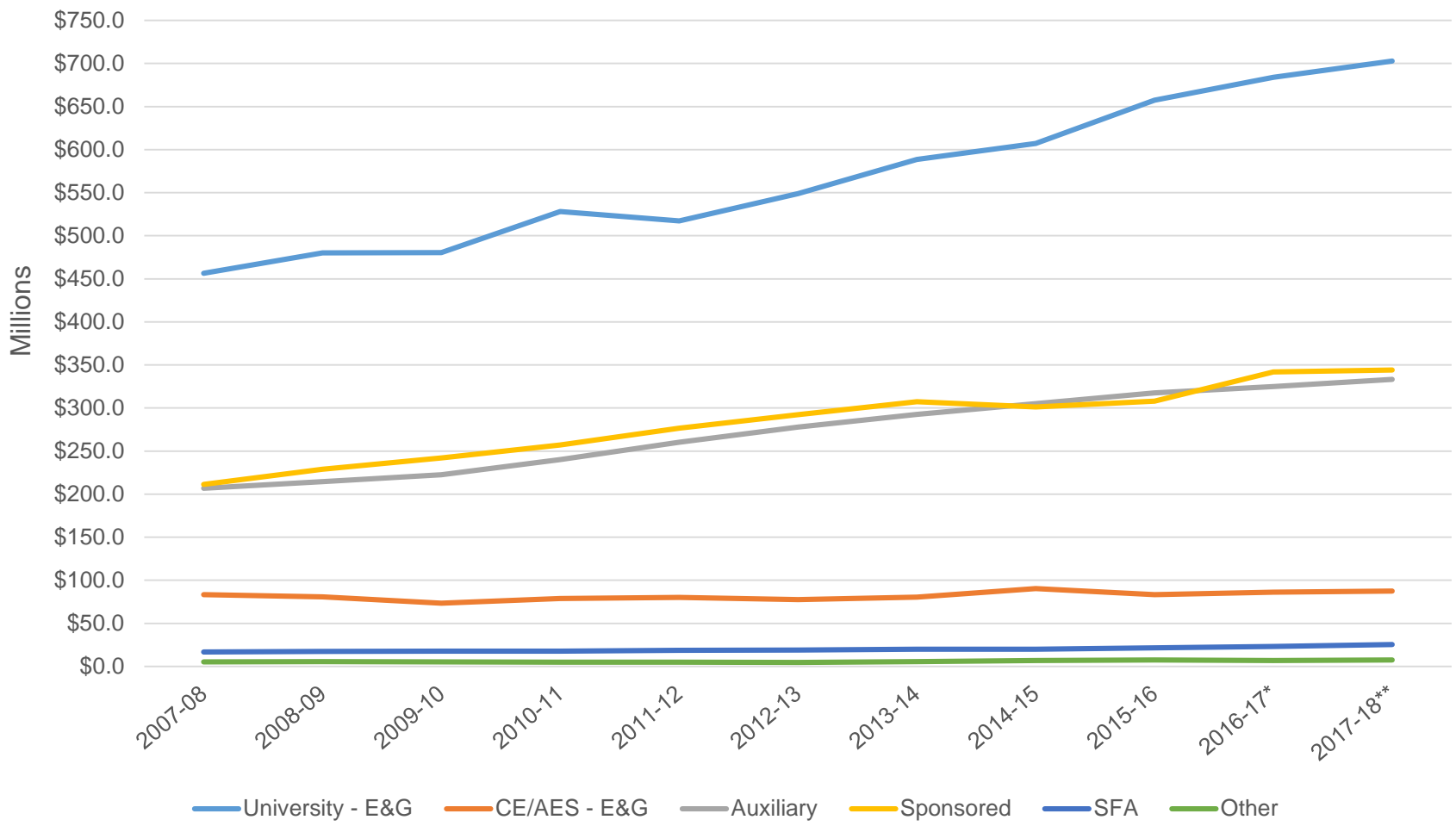
(\$ in Millions)

	2016-17	2017-18	Change	
	Adjusted Budget	Proposed Budget	\$	%
University - E&G	\$684.1	\$703.0	\$18.9	2.8%
CE/AES - E&G	86.1	87.5	1.4	1.6%
Auxiliary	325.0	333.3	8.3	2.6%
Sponsored	342.0	344.2	2.2	0.6%
SFA	23.3	25.5	2.2	9.5%
UMA* and Other Activities	6.8	7.4	0.6	8.6%
Total	\$1,467.3	\$1,500.9	\$33.6	2.3%

* Unique Military Activities

2017-18 Operating Budget Trend by Component

(\$ in Millions)



* Based on adjusted budget
 ** Based on proposed budget

2017-18

General Fund Support %

(\$ in Millions)

	GF	Total	% GF
University - E&G	\$161.7	\$703.0	23.0%
CE/AES * - E&G	70.9	87.5	81.0%
Auxiliary	-	333.3	0.0%
Sponsored	5.4	344.2	1.6%
SFA #	21.3	25.5	83.4%
Other	2.3	7.4	31.0%
Total	\$261.6	\$1,500.9	17.4%

* Cooperative Extension/Agricultural Experiment Station

Student Financial Aid

Summary of Budget Components

E&G Budget

2017-18 E&G Budget

(\$ in Millions)

	2016-17 Adjusted Budget	2017-18 Proposed Budget	Change	
			\$	%
University Division (208)	\$ 684.1	\$ 703.0	\$ 18.9	2.8%
CE/AES Division (229)	86.1	87.5	1.4	1.6%
Total	\$ 770.2	\$ 790.5	\$ 20.3	2.6%

Incremental General Fund

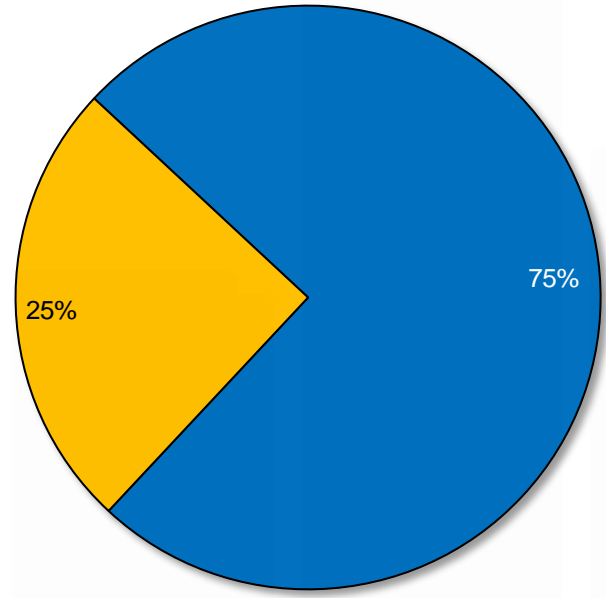
(\$ in Millions)

	<u>2017-18</u>
<u>University Division E&G (Agency 208)</u>	
General Fund Reduction	(\$8.6)
Access, Affordability, Quality and Increase Degrees	2.4
2017-18 Compensation Program	3.0 *
Fringe Rate Changes	1.5 *
<i>Subtotal University Division E&G</i>	<u>(1.7)</u>
<u>CE/AES Division (Agency 229)</u>	
2017-18 Compensation Program	0.9 *
Fringe Rate Changes	0.5 *
Annualize O&M of New Facilities	0.1
<i>Subtotal CE/AES Division</i>	<u>1.5</u>
University Total	<u>(0.2)</u>

*Estimate. These items are funded centrally by the state at a later date.

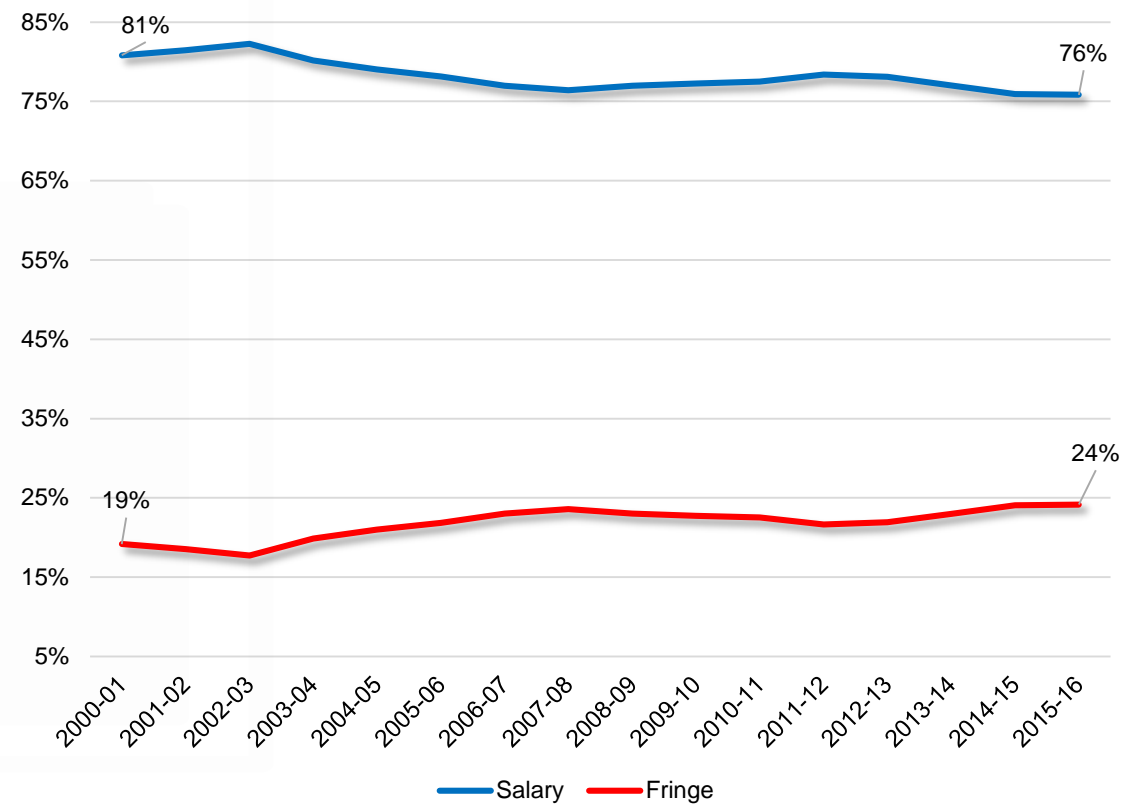
University Division E&G Expense Category Proportion

2015-16
208 E&G Expense Categories



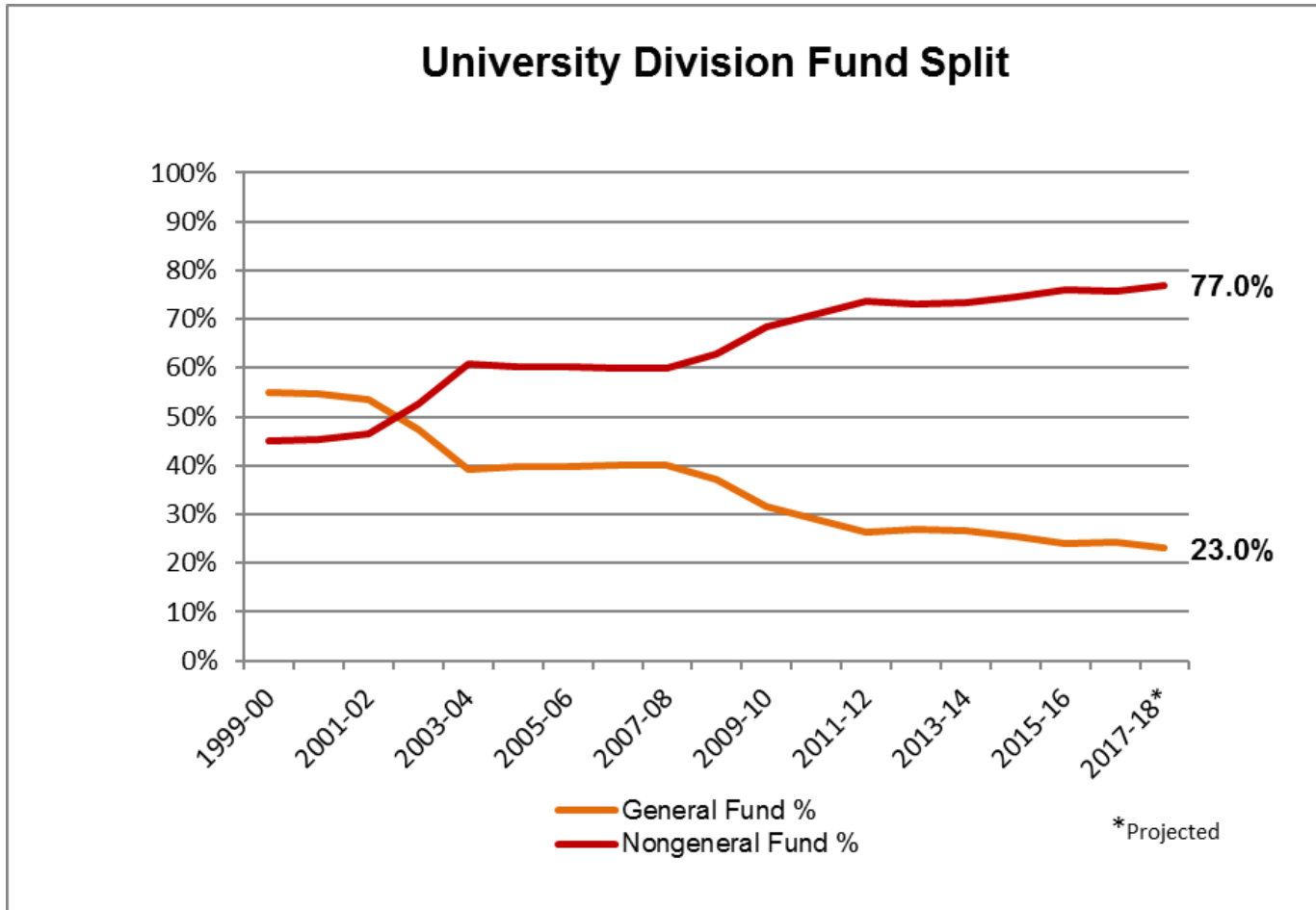
■ Personnel Expenses
 ■ Operating

Personnel Expenses: Salary and Fringe Split



While Personnel Expenses (Salary and Fringe) hold a relatively stable share of the overall E&G budget (75-80%), Fringe costs consume a larger portion of Personnel Expenses over time.

E&G Program Fund Split



Reduction/Reallocation Strategy

General Fund shortfall of \$8.6M assigned by state. To manage, the university is planning:

- \$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 reductions

Reduction/Reallocation Strategy

- \$4.0M portion of state General Fund reduction will need to be managed through campus actions
- 1% reduction target for 208 E&G
 - Exempt Library, Internal Audit, and Police
 - Fringe benefits savings count towards target
- Academic and Administrative units have received reduction planning instructions
- The campus was asked to submit plans for strategic and targeted actions
- Academic Units are to target low priority items and protect strategic priorities in their plans
- Administrative Areas are developing plans for review

Developments Since April Meeting

- University is in the process of developing the 2017-18 budget
- As compared to initial revenue budget development, the final tuition rate decisions require a downward adjustment of \$1.9M in expenditures
- Recommendations to address this are to scale back:
 - National Distinction pool from 1.0% to 0.75% (\$0.8M)
 - Destination Area investment from \$4.4M to \$3.3M (\$1.1M)

Budget Highlights

- 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**

Compensation Plan

- Consistent with the Commonwealth's 2017-18 compensation program, the university is planning the following compensation actions to be effective on July 10, 2017:
 - A 2.0% compensation program for T&R and A/P Faculty
 - A 3.0% compensation program for Classified and University Staff
- Recognition of National Distinction
 - 208 E&G allocation of 0.75% of faculty salaries
 - Effective November 25, 2017

Summary of Budget Components

Auxiliary Budget

2017-18

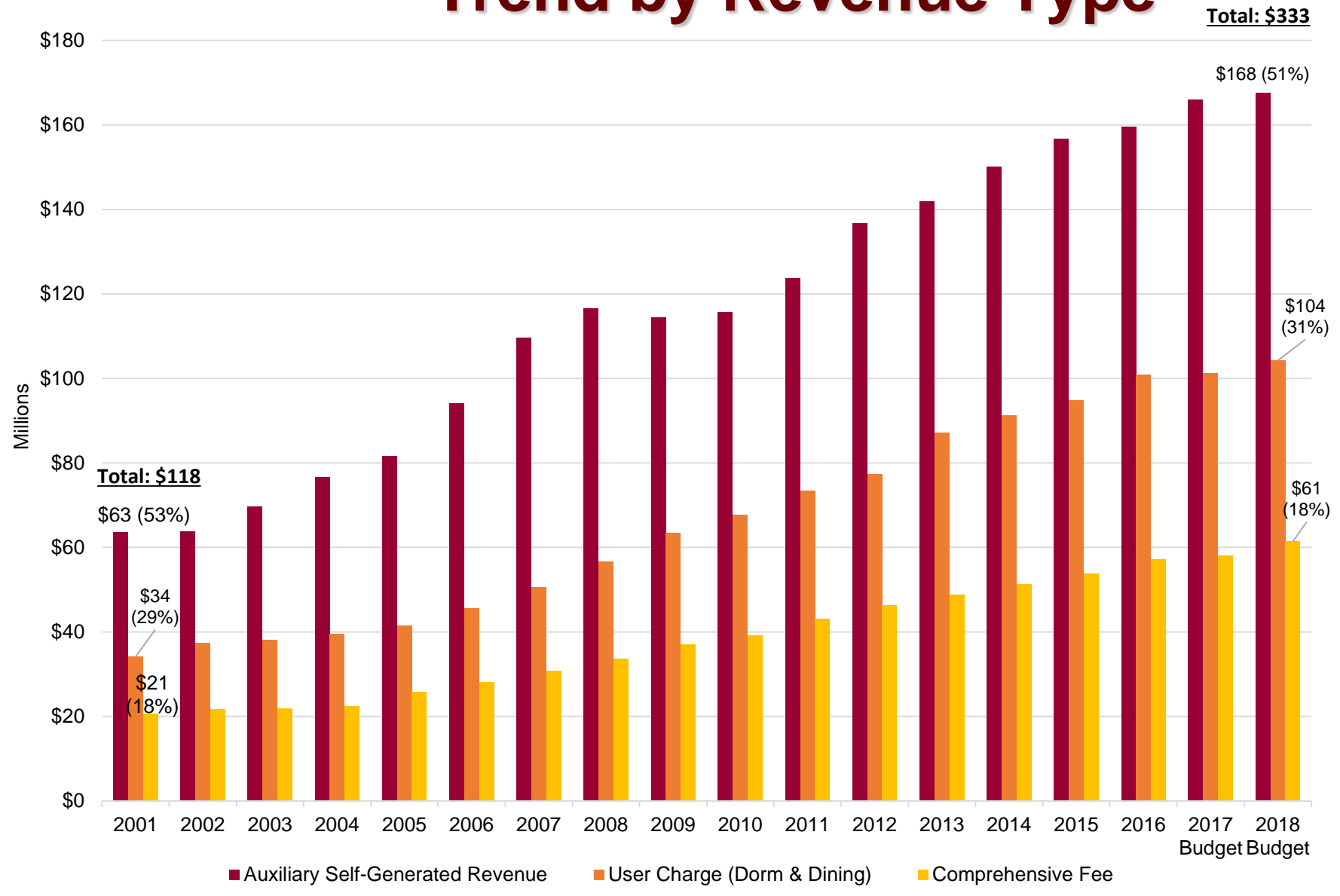
Auxiliary Revenue Sources

(\$ in Millions)

	<u>Amount</u>	<u>Proportion</u>
Room Charges	\$50.1	15.0%
Board Charges	54.2	16.3%
Comprehensive Fee*	61.4	18.4%
Self-generated	167.6	50.3%
Total	\$333.3	100.0%

*Comprehensive Fee supports Student Activities, Health Services, Intercollegiate Athletics, Transportation Services, Recreational Sports, Student Services, and Student Cultural Activities.

Auxiliary Enterprise Revenue Trend by Revenue Type

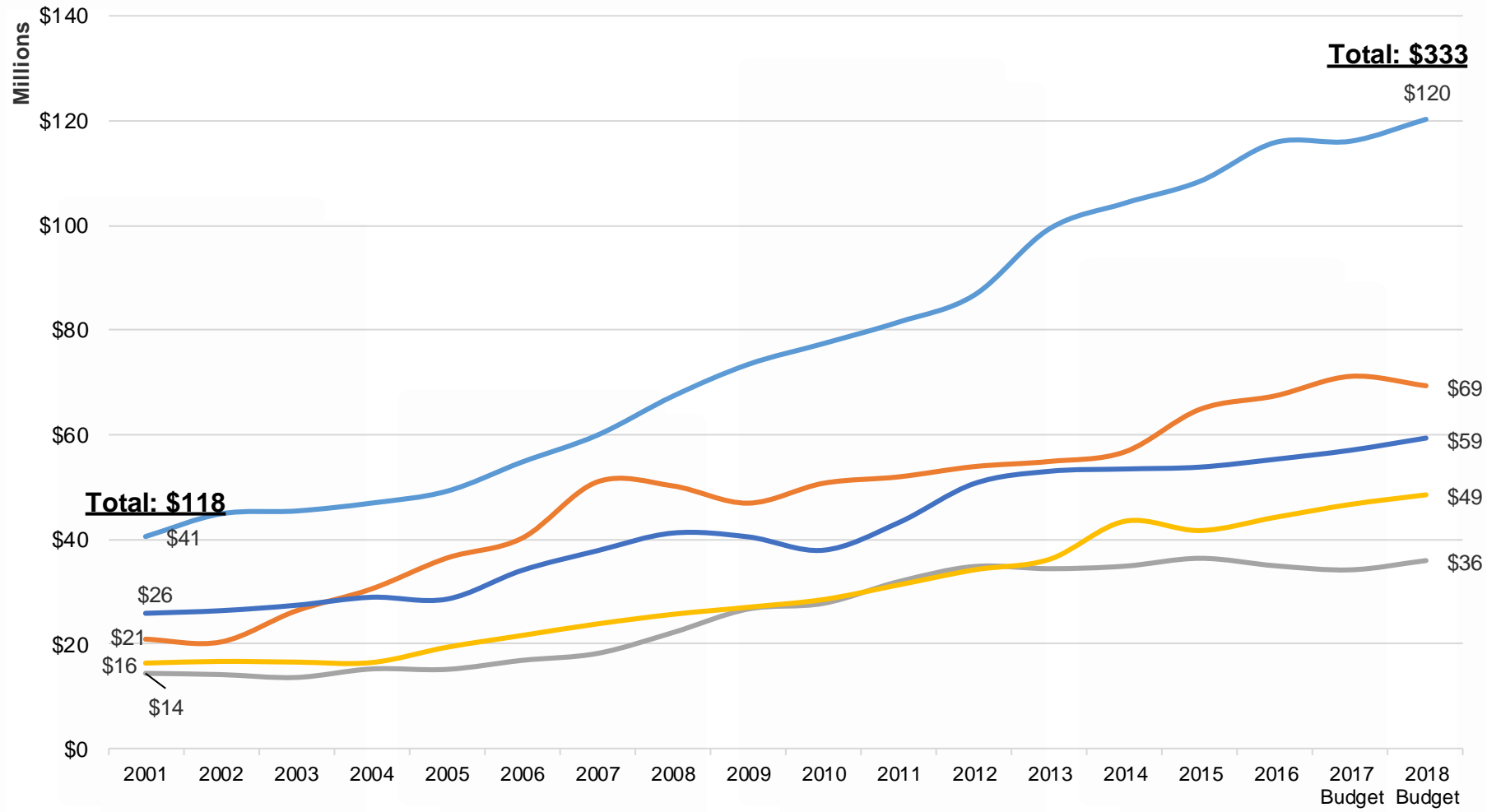


2017-18 Auxiliary Budget

(\$ in Millions)

	2016-17	2017-18	Change	
	Adjusted Budget	Proposed Budget	\$	%
Dorm & Dining System	\$116.0	\$120.2	\$4.2	3.6%
Univ. Services System	46.7	48.5	1.8	3.9%
Athletics System	71.1	69.3	(1.8)	-2.5%
Electric Service System	34.3	36.1	1.8	5.2%
Parking & Transportation	13.6	13.7	0.1	0.7%
Telecommunications	20.8	22.0	1.2	5.8%
Inn at Virginia Tech	11.7	11.9	0.2	1.7%
Other	10.8	11.6	0.8	7.4%
Total	\$325.0	\$333.3	\$8.3	2.6%

Auxiliary Enterprise Revenue Trend by Unit



Other includes: Hotel & Conference Center, Software Sales, Parking, Photocopy, Printing, Tailor Shop, Licensing, Pouring Rights, Telecommunications, Hokie Passport Office, Fleet Services.

Summary of Budget Components

Sponsored Programs Budget

2017-18 Sponsored Programs Budget

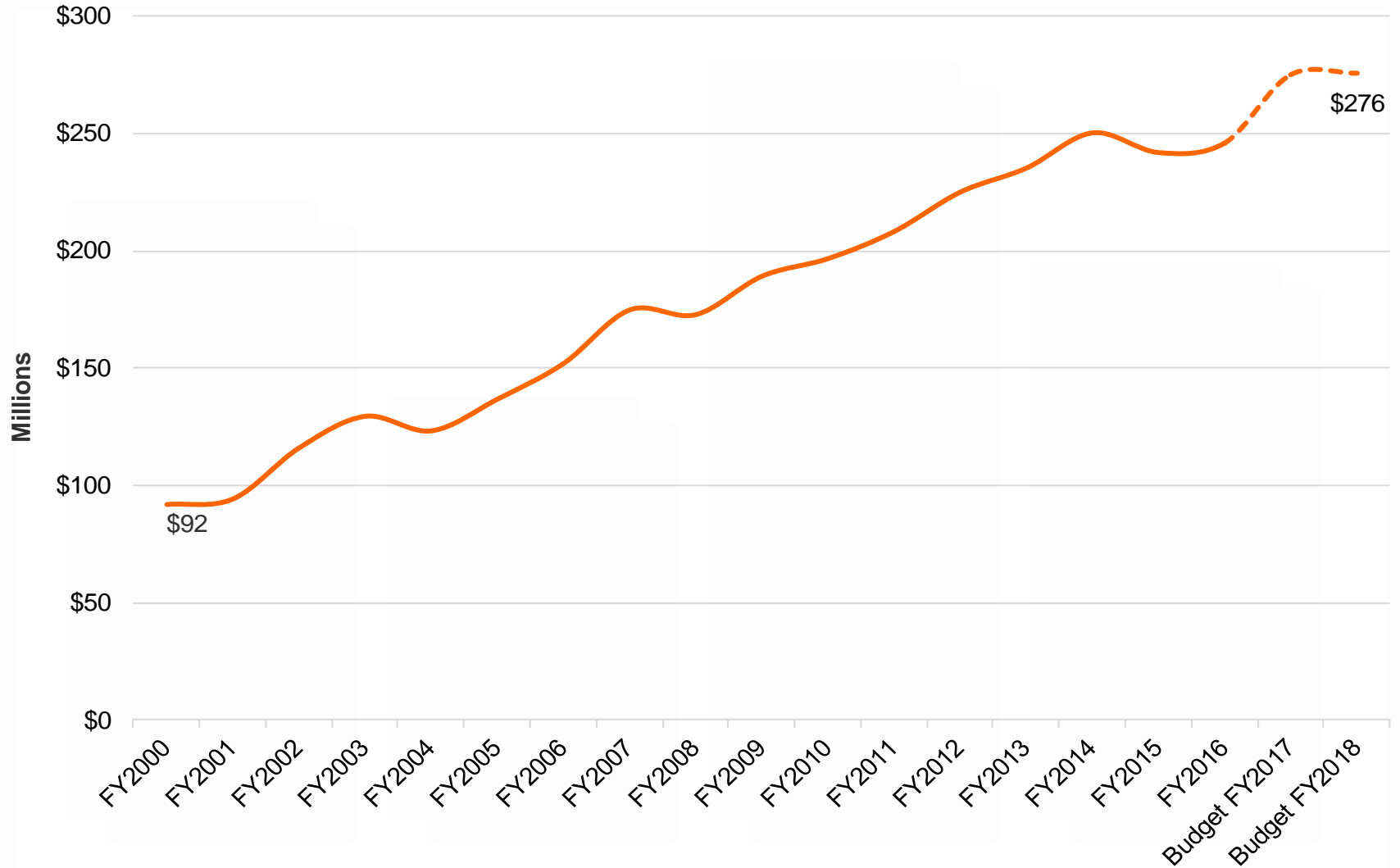
(\$ in Millions)

	2016-17	2017-18	Change	
	Adjusted Budget	Proposed Budget	\$	%
Grants & Contracts	\$ 275.1	\$ 275.8	\$ 0.7	0.3%
Indirect Cost	56.6	57.2	0.6	1.1%
Other*	10.2	11.2	1.0	9.5%
Total	\$ 341.9	\$ 344.2	\$ 2.3	0.7%

*Other includes Eminent Scholars, Institute for Distance and Distributed Learning (IDDL), Royalty Funds, and Research Ancillaries

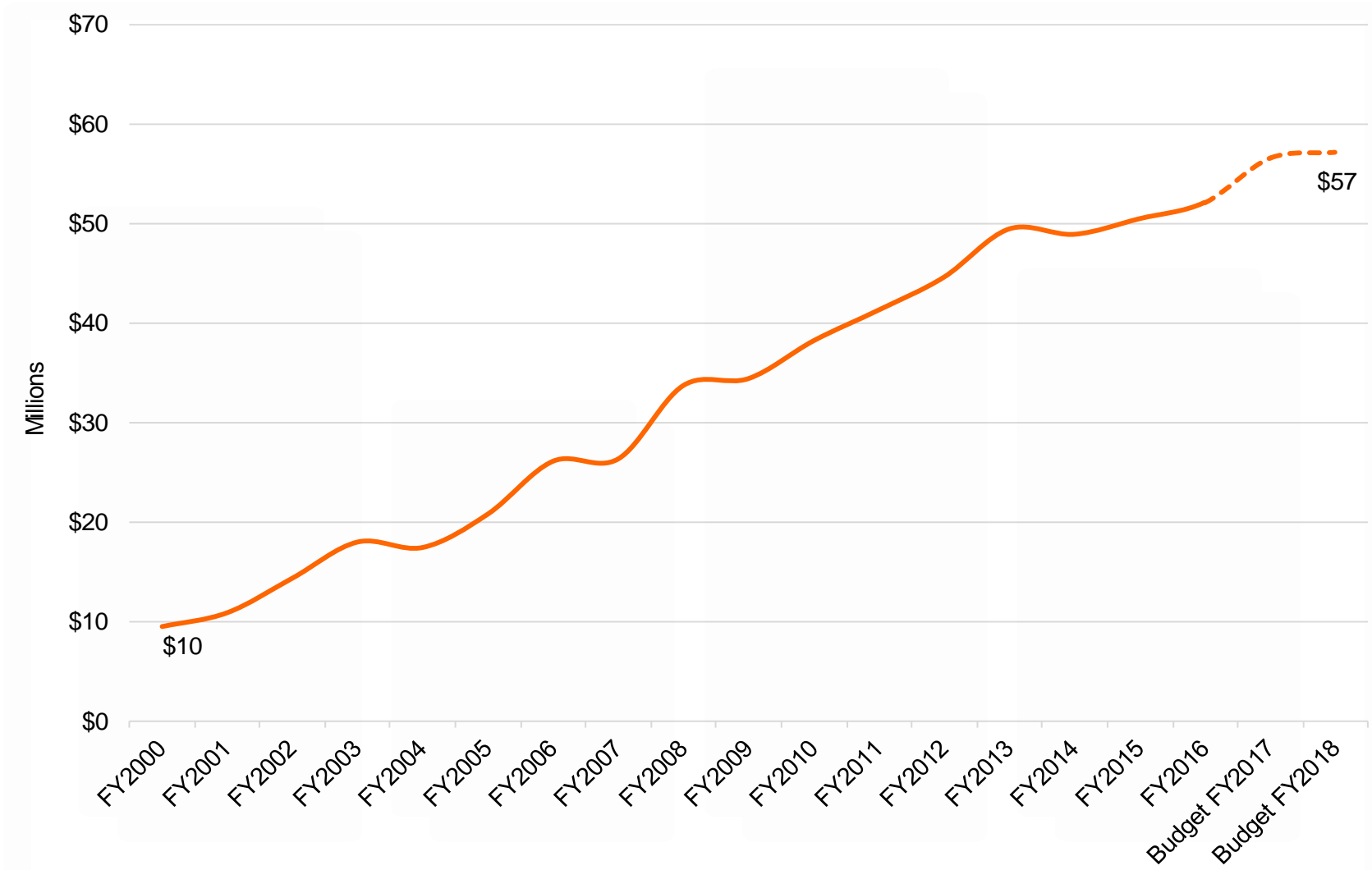
Research Revenue Trends

Direct Expenditures



Research Revenue Trends

Indirect Cost (Overhead)



Summary of Budget Components

Student Financial Aid Budget

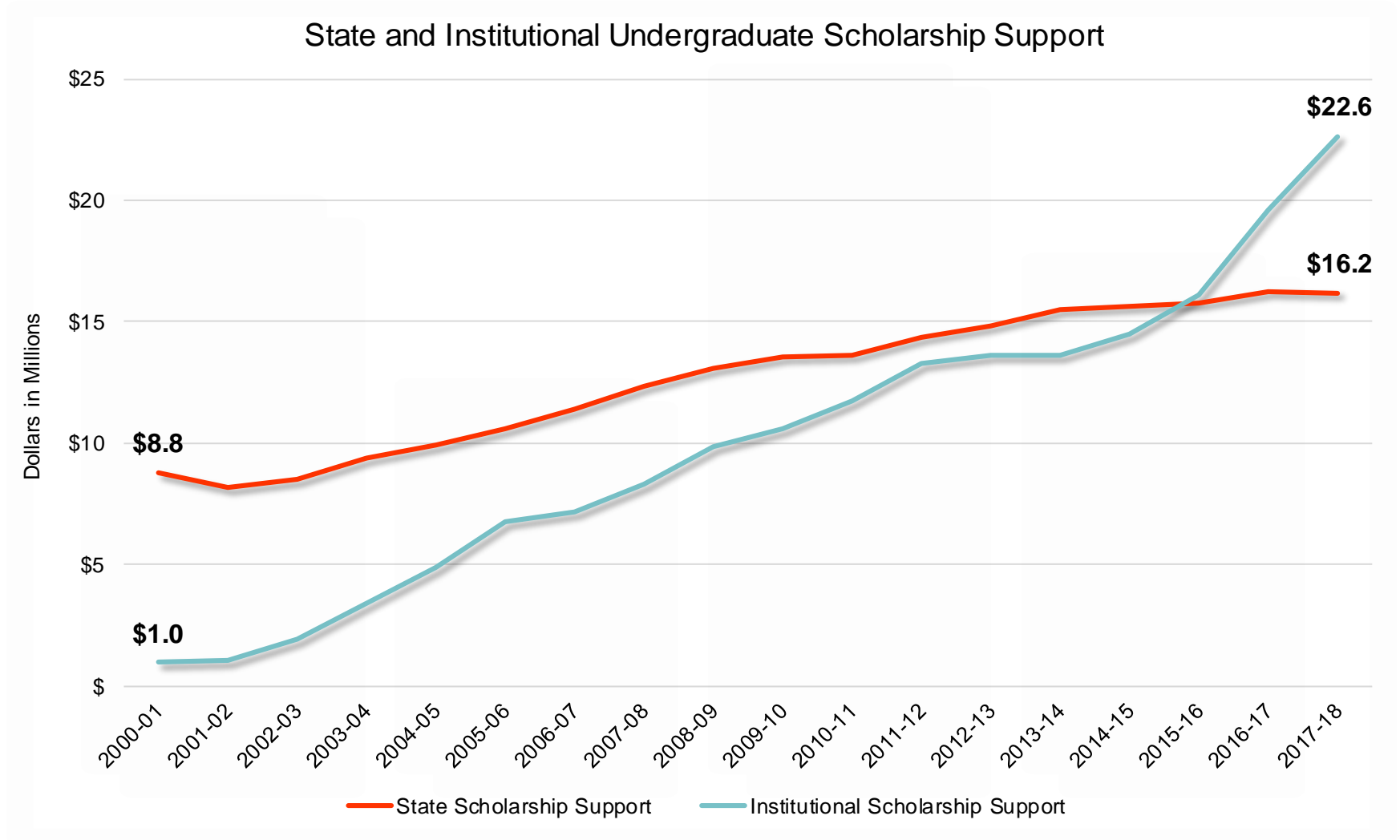
2017-18 Student Financial Aid

Budget

(\$ in Millions)

	2016-17 Adjusted Budget	2017-18 Proposed Budget	Change	
			\$	%
<u>State Funded</u>				
Undergraduate	\$15.9	\$16.3	\$0.4	2.5%
Graduate	4.9	5.1	0.2	4.1%
Subtotal	20.8	21.4	0.6	2.9%
<u>University Funded</u>				
Undergraduate	19.6	22.6	3.0	15.4%
Graduate	20.5	21.3	0.8	3.9%
Subtotal	40.2	44.0	3.8	9.5%
Total	<u>\$61.0</u>	<u>\$65.4</u>	<u>\$4.4</u>	<u>7.3%</u>

Undergraduate Student Financial Aid



Summary of Budget Components

All Other Programs Budget

2017-18 All Other Programs

Budget

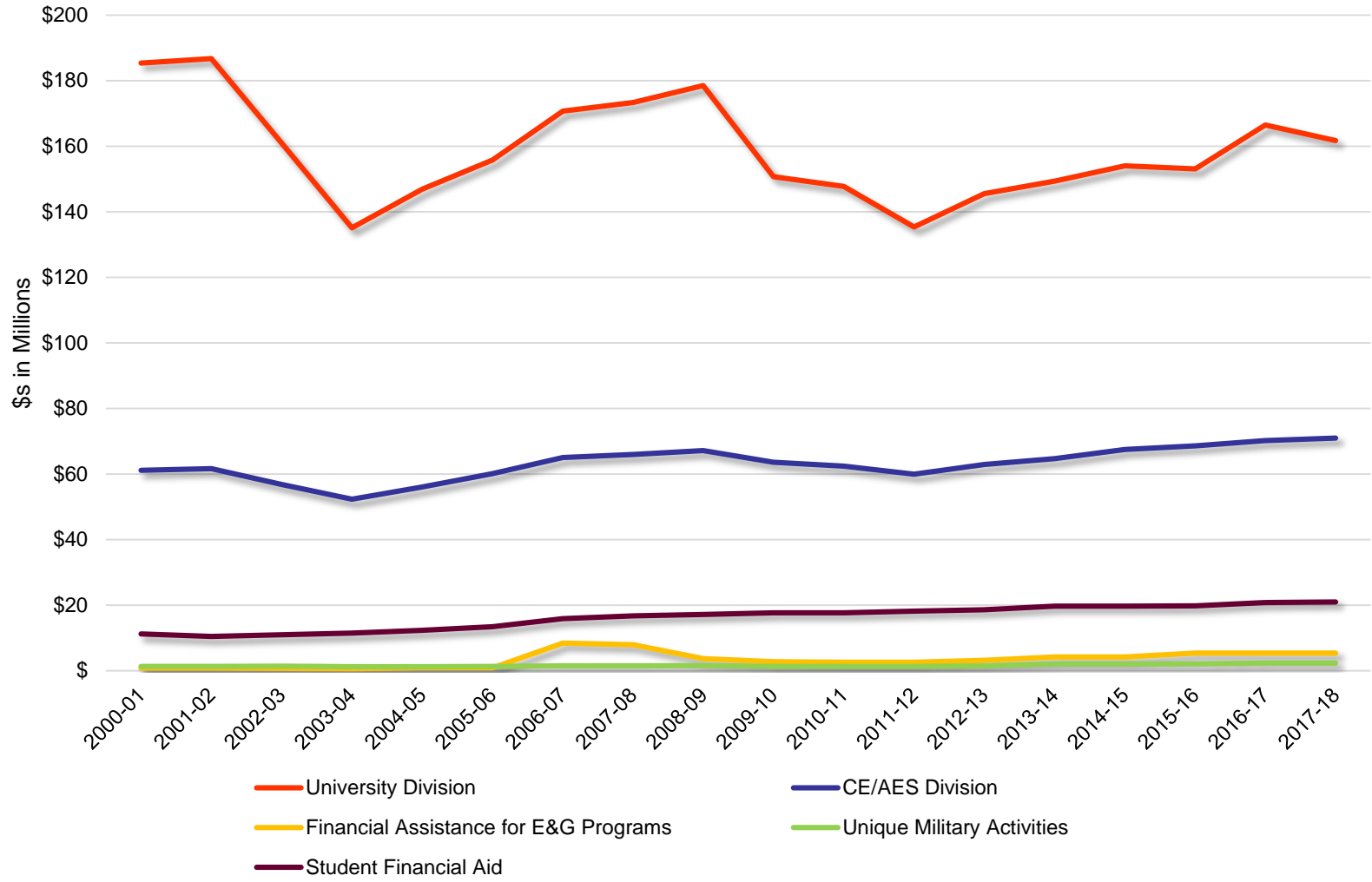
(\$ in Millions)

	2016-17	2017-18	Change	
	Adjusted Budget	Proposed Budget	\$	%
Unique Military Activities	\$ 2.3	\$ 2.3	\$ -	0.0%
Surplus Property	0.8	0.8	-	0.0%
Federal Work Study	0.7	0.8	0.1	14.3%
Student Financial Aid	0.7	0.8	0.1	14.3%
Other	2.3	2.7	0.4	17.4%
Total	\$ 6.8	\$ 7.4	\$ 0.6	8.8%

Revenue Trends

General Fund

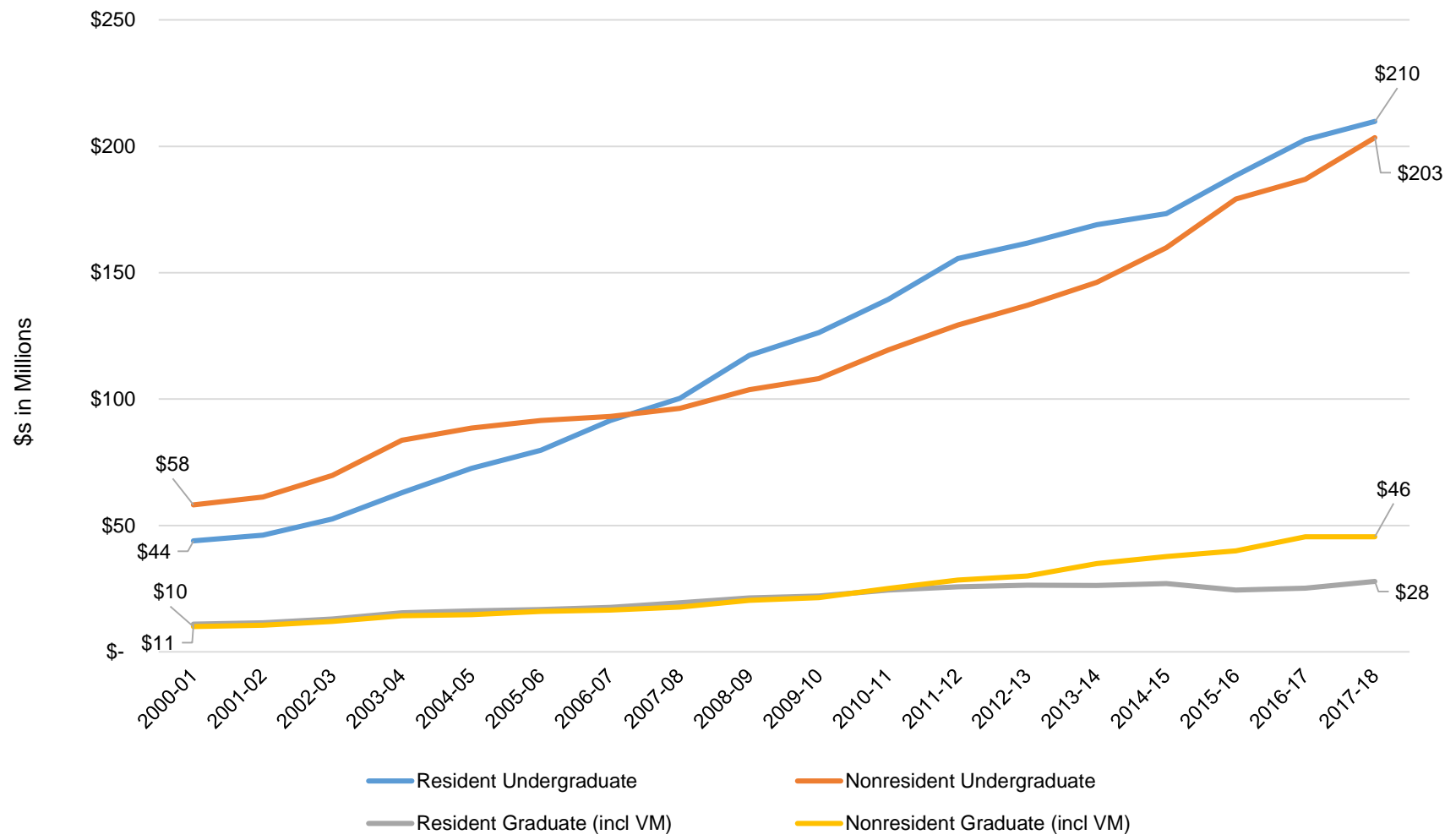
General Fund Support by Program



Revenue Trends

Tuition

Net Tuition and E&G Fee Revenue Trend by Student Group



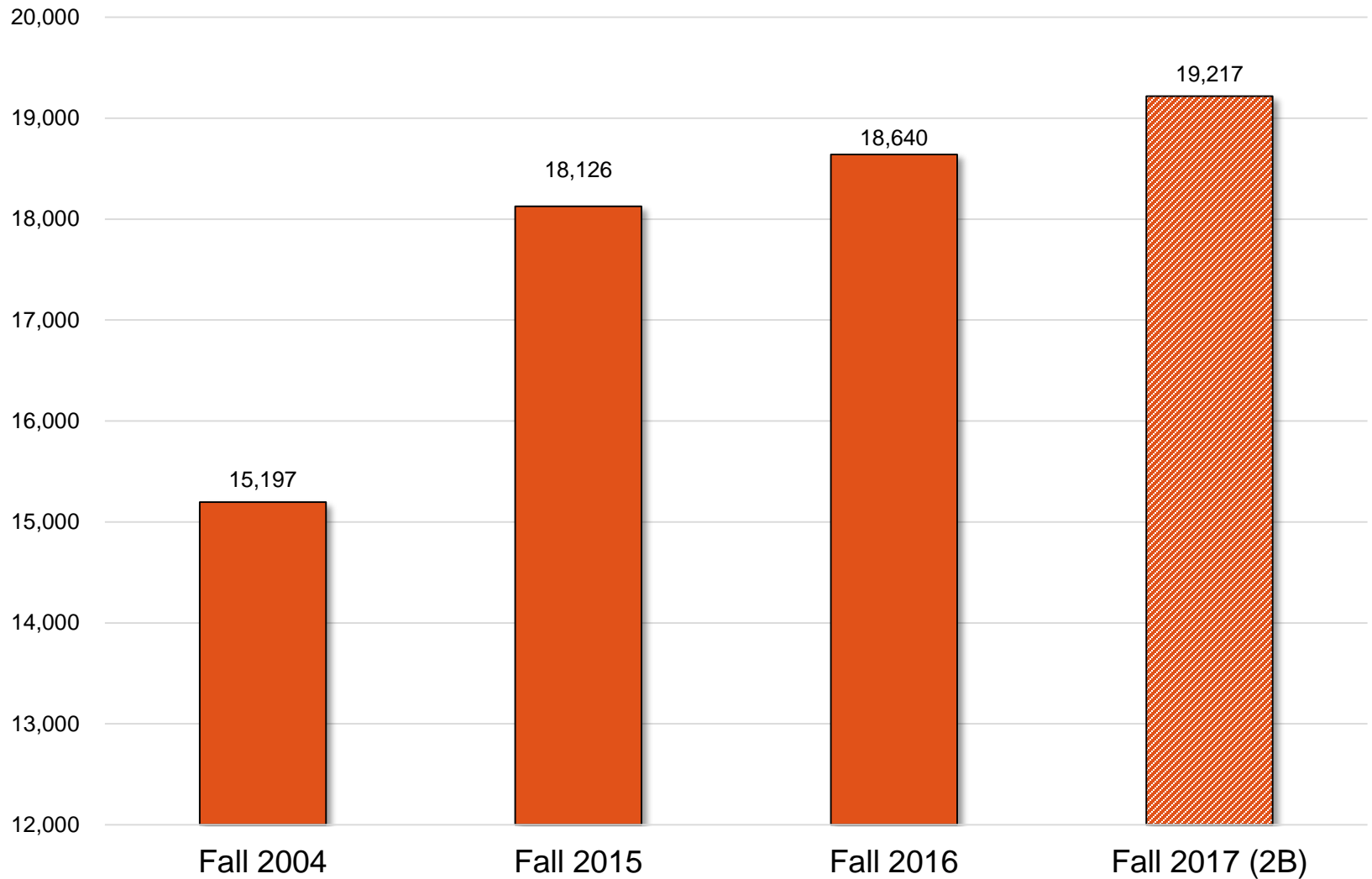
Enrollment

	Fall 2016 Actual	Fall 2017 2B Plan	Change	
			#	%
Undergraduate	25,791	26,739	948	3.7% ⁽¹⁾
Graduate	6,890	7,199	309	4.5%
Vet Med	489	480	(9)	-1.8%
Total	33,170	34,418	1,248	3.8%

(1) Undergraduate growth consists of 393 additional freshmen and 555 additional continuing students.

Enrollment Growth

In-State Undergraduate Students



Capital Budget Development

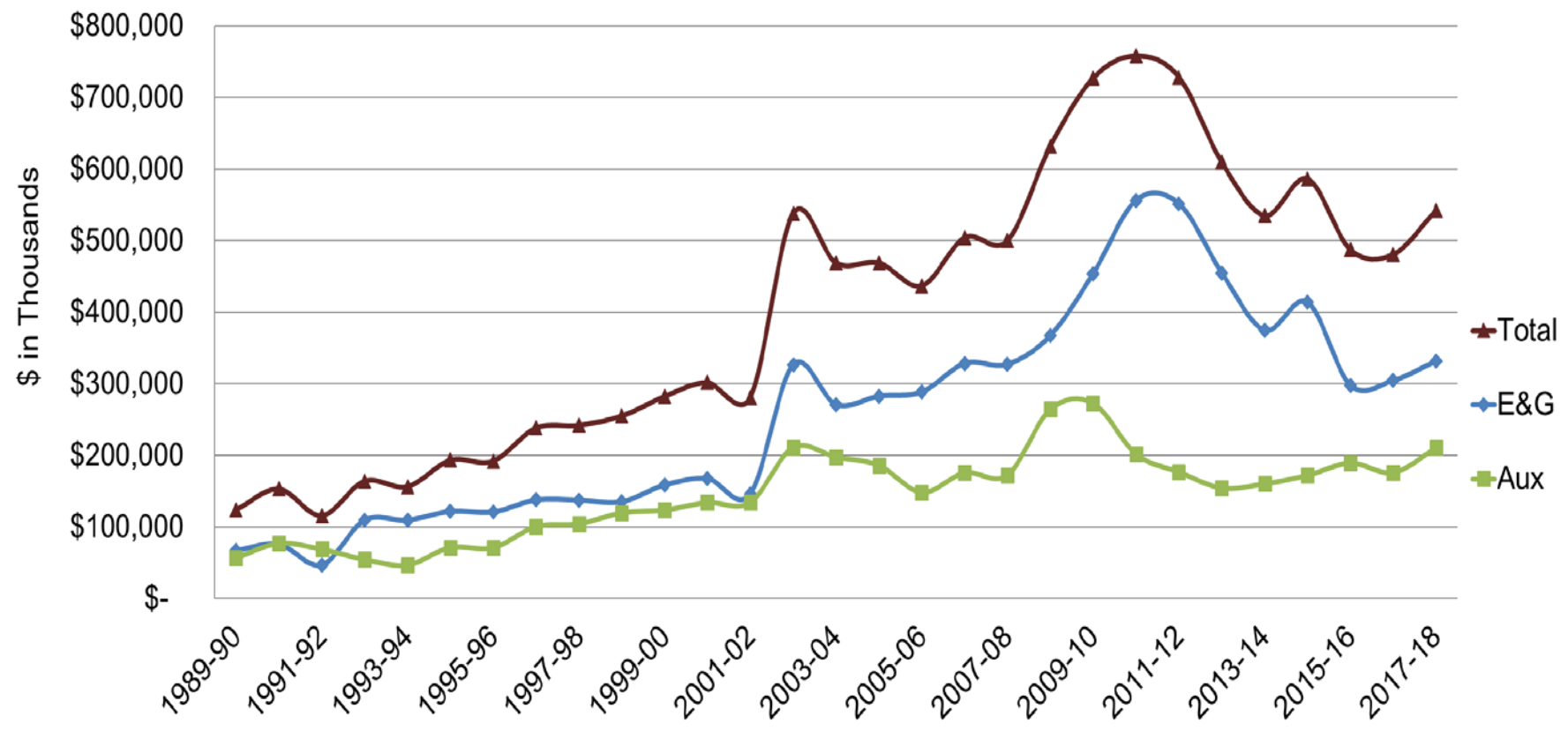
2017-18 Capital Budget

The capital outlay program for fiscal year 2018 includes 27 projects in various phases of design, construction, and close-out (\$ in thousands):

Total Capital Outlay Authorization	\$576,414
Estimated Total Capital Expenses as of 6/30/2017	<u>183,547</u>
Remaining Capital Authorization	392,867
Estimated Capital Expenditures for FY2018	125,140
Projected Remaining Capital Authorization as of 6/30/2018	267,726

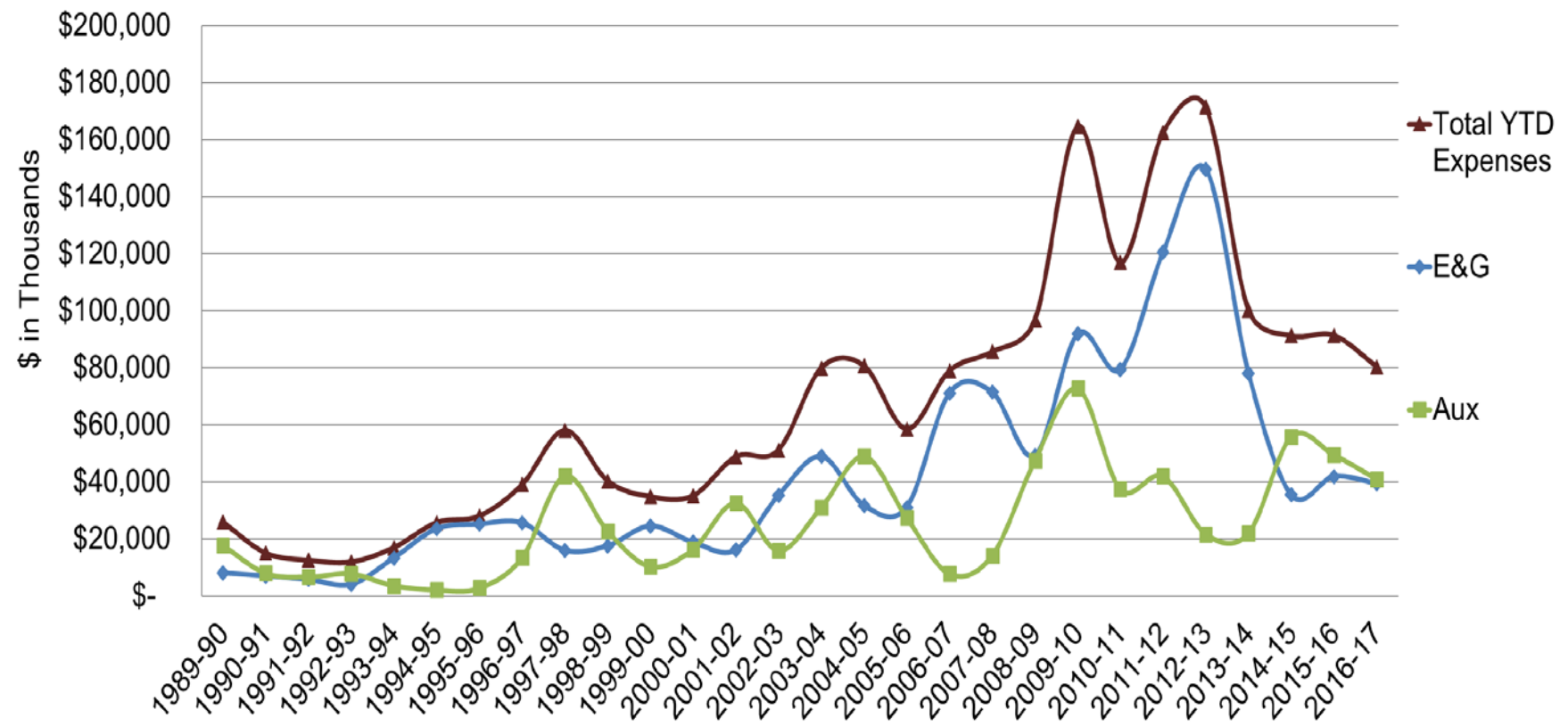
Trend of Total Capital Program Budget

CAPITAL PROGRAM TOTAL BUDGET
Total Budget Level of Active Projects
 Fiscal Year 1990 - Fiscal Year 2018



Trend of Capital Program Expenses

CAPITAL PROGRAM EXPENDITURE TREND
Total Annual Expenditures for Active Capital Projects
 Fiscal Year 1990 - Fiscal Year 2017



Next Steps

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

Questions?



Development of the 2018-2024 Six-Year Plan

June 4, 2017

M. Dwight Shelton, Jr., VP for Finance and
Chief Financial Officer

Background

Background

- **Six-Year Plan is a requirement of the Higher Education Opportunity Act of 2011 (HEOA)**
- **Based on the Commonwealth's goals and objectives for higher education**
- **Focuses on four key areas:**
 - Financial Aid for low and middle-income families
 - Optimal year-round use of facilities
 - Instructional resource sharing program with other institutions of higher education in Virginia
 - Enrollment growth and degree completion

Components of Six-Year Plan

1. Academic plan

- Contains strategies that advance the university's strategic plan
- Provides support for the state's objectives in the HEOA

2. Financial Plan

- Estimated costs of academic strategies and other institutional cost drivers
- Identifies potential revenues and reallocations to resource the plan

3. Enrollment Plan

- SCHEV "2B" 6-year enrollment plan

Six-Year Planning Process

- Six-Year plans aid state officials in understanding institutional resource needs
 - Board approval of initial submission at June meeting
 - Due to the State on July 1st
 - Serves as starting point for Executive Budget development
- July/August review by:
 - Secretaries of Education and Finance
 - Directors of Department of Planning and Budget (DPB) and SCHEV
 - Staff of House Appropriations and Senate Finance Committees
- September/October:
 - Suggestions from State and opportunity for university response
- November:
 - If necessary, final plan may be brought to November BOV meeting

Six-Year Planning Process

- **Plans are to be approved by the Boards of Visitors**

- Requirement in Code of Virginia, § 23-1-306:

A. The governing board of each public institution of higher education shall (i) develop and adopt biennially and amend or affirm annually a six-year plan for the institution; (ii) submit such plan to the Council, the General Assembly, the Governor, and the Chairmen of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance no later than July 1 of each odd-numbered year; and (iii) submit amendments to or an affirmation of that plan no later than July 1 of each even-numbered year or at any other time permitted by the Governor or General Assembly to the Council, the General Assembly, the Governor, and the Chairmen of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance. Each such plan and amendment to or affirmation of such plan shall include a report of the institution's active contributions to efforts to stimulate the economic development of the Commonwealth, the area in which the institution is located, and, for those institutions subject to a management agreement set forth in Article 4 (§ 23.1-1004 et seq.) of Chapter 10, the areas that lag behind the Commonwealth in terms of income, employment, and other factors.

B. The Secretary of Finance, the Secretary of Education, the Director of the Department of Planning and Budget, the Director of the Council, the Staff Director of the House Committee on Appropriations, and the Staff Director of the Senate Committee on Finance, or their designees, shall review each institution's plan or amendments and provide comments to the institution on such plan or amendments by September 1 of the relevant year. Each institution shall respond to any such comments by October 1 of that year.

- SCHEV has provided guidance that Board approval of plans can be done at the earliest possible Fall meeting

2018-24 Academic Plan and Financial & Operating Plan

University Division

Basis of University Plan

- Focuses initiatives to reflect university priorities
- Reflects enrollment growth plan
- Continues the state's traditional salary competitiveness program
- Plans for increased affordability through additional student financial aid
- Operating Budgets: reflects projected 2018-2020 state cost assignments, unavoidable cost increases, and fringe benefits

Enrollment Plan

Six-Year Enrollment Plan Submitted to SCHEV in May 2017

Headcount On/Off Campus

Student Group	<i>Actual</i>	<i>-----Projected-----</i>					
	Fall 2016	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022
Entering In-State Undergraduates	4,291	4,165	4,165	4,165	4,165	4,165	4,165
Entering Out-of-State Undergraduates	1,581	2,100	2,100	2,100	2,100	2,100	2,100
Continuing and Transfer Undergraduates	19,919	20,474	21,284	21,516	21,903	22,006	22,014
Total Undergraduate	25,791	26,739	27,549	27,781	28,168	28,271	28,279
Masters and Doctoral	6,890	7,199	7,473	7,724	7,949	8,181	8,453
Veterinary Medicine	489	480	480	480	480	480	480
School of Medicine	0	0	168	168	168	168	168
Total Graduate	7,379	7,679	8,121	8,372	8,597	8,829	9,101
Total Enrollment	33,170	34,418	35,670	36,153	36,765	37,100	37,380

University Division -

Academic Strategies

(\$ in millions)

<u>Academic Initiatives</u>	2018-19	2019-20*
Increase Access for Virginia Undergraduates and Support the Production of STEM-H Degrees in the Commonwealth	\$ 8.3	\$ 11.0
Develop Destination Areas of Market-Centered Instruction and Research Clusters	3.6	7.4
Advance Strategic Research Opportunities and Enhance Entrepreneurial and Innovation Ecosystem	5.0	10.0
Support Faculty Startup Packages	2.0	4.0
Ensure Access for Low and Middle-Income Families	2.1	4.1
Expand Access and Completion through K-12 Pathways, Instructional Sharing, Student Advising, and Summer Session Student Financial Aid	1.7	1.8
Increase Graduate Enrollment in Strategic Areas	2.9	3.3
Integrate Virginia Tech-Carilion School of Medicine as Ninth College of Virginia Tech	14.1	14.3
Increase Support for Unique Military Activities	0.4	0.4
Advance Institutional Efficiencies and Effectiveness	2.0	3.0
Subtotal Academic Initiatives	\$ 42.1	\$ 59.3

*2019-20 is cumulative of 2018-19 costs.

2018-20 Financial and Operating Costs

(\$ in millions)

Finance & Operating Initiatives	2018-19	2019-20
Increase Faculty Salaries	\$ 4.6	\$ 13.3
Increase Staff Salaries	0.6	1.5
Increase Number of Full-Time Faculty	-	0.5
Library Inflation	0.2	0.2
O&M for New Facilities	0.8	2.4
Fixed Cost Increases	0.9	1.7
Fringe/Health Insurance Increases	3.4	5.7
Additional Financial Aid for In-State Students	0.2	0.3
Annualization of Prior Year Costs	0.8	0.8
Subtotal Financial and Operating Initiatives	\$ 11.5	\$ 26.4

University Division - Summary

\$ in millions

	2018-19	2019-20
Academic Initiatives*	\$ 42.1	\$ 59.3
Financial and Operating Initiatives	\$ 11.5	\$ 26.4

- Represent total cost of all initiatives supported by either General Fund, Nongeneral Funds, or reallocations.
- Larger than previous plan due to integration of the Virginia Tech Carilion School of Medicine and its offsetting resources.

University Division - Nongeneral Fund Revenue Estimate

- Key components are tuition and fee revenue estimates by degree level and residency for first biennium of plan
- Based on official “2B” enrollment plan submitted to state
- Six-Year plan does not recommend or commit to specific set of rates. Tuition and fee rates remain authority of Board of Visitors
- Tuition and Fee figures are **planning placeholders** that begin a discussion about how the university and commonwealth can partner to advance goals

University Division - Nongeneral Fund Revenue Estimate

Tuition % Increase Placeholder

	<u>2018-19</u>		<u>2019-20</u>	
	<u>Resident</u>	<u>Nonresident</u>	<u>Resident</u>	<u>Nonresident</u>
Undergraduate	2.9	2.9	2.9	2.9
Graduate	2.9	2.9	2.9	2.9
Vet Med	2.0	2.0	2.0	2.0
Medicine	N/A	N/A	3.5	3.5

University Division Financial Plan Summary

(\$s in millions)

- Plan is not balanced
 - Projected expenses exceed projected NGF revenue
 - State General Fund support needed to fully implement all envisioned strategies

Uses	2018-19	2019-20
Academic Initiatives	\$ 42.1	\$59.3
Operating Need	11.5	26.4
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Total	\$ 53.6	\$ 85.7
 Sources		
NGF Revenue Estimate	\$ 41.7	60.6
Internal Reallocations	0.7	3.9
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Implicit GF Request	\$11.2	\$21.2

**Virginia Cooperative Extension &
Virginia Agricultural Experiment Station
Division (VCE/VAES)**



Virginia Cooperative Extension & Virginia Agricultural Experiment Station

- Major cost drivers in plan include:
 - Investing in statewide Agricultural & Natural Resources Initiative
 - Enhancing the compensation competitiveness of Cooperative Extension Agents
- State General Fund support is required to fully implement any planned strategies
- Agency has limited ability to increase NGF revenues
 - **Federal and local funding environments** will continue to be very challenging
 - **No tuition revenue** to supplant General Fund support

Virginia Cooperative Extension & Virginia Agricultural Experiment Station

Academic Strategies
(\$ in millions)

Academic Initiatives	2018-19	2019-20
Advance the Commonwealth's Agricultural & Natural Resources Competitiveness	\$ 2.5	\$ 5.0
Enhance the Compensation Competitiveness of Extension Agents	0.8	1.7
Subtotal Academic Initiatives	\$ 3.3	\$ 6.7

Financial and Operating Initiatives	2018-19	2019-20
Increase Faculty and Staff Salaries	0.1	0.1
O&M of New Facilities	0.8	1.3
Utility Cost Increases	0.5	1.1
Fringe/Health Insurance Increases	0.1	0.1
Subtotal Financial and Operating Initiatives	\$ 1.5	\$ 2.6

**2019-20 is cumulative of 2018-19 costs.*

CE/AES Division

Financial Plan Summary

(\$ in millions)

- Virginia Cooperative Extension & Virginia Agricultural Experiment Station division's plan is not balanced – projected expenses exceed projected NGF revenue.
- State General Fund support needed to fully implement all envisioned strategies.

Uses	2018-19	2019-20
Academic Initiatives	\$ 3.3	\$ 6.7
Operating Need	1.5	2.6
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Total	\$ 4.8	\$ 9.3
 Sources		
NGF Revenue Estimate	\$ 0.0	\$ 0.0
Internal Reallocations	0.0	0.0
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Implicit GF Request	\$ 4.8	\$ 9.3

University Summary

- **Increasing access**, degrees, and research in Destination Areas are the primary academic goals of the university.
- In order to accomplish these goals, the university will:
 - **Attract and retain the best and brightest faculty**, requiring competitive compensation that rewards performance
 - **Work with state officials to increase support for university priorities** that enhance the economic opportunities of Virginia and leverage the capabilities of the university
 - **Identify reallocation and cost containment opportunities and operating support** to address increasing costs and academic plan implementation
 - **Enhance access and affordability**, especially for lower income Virginians

Next Steps

June

- Board Review and Approval the Six-Year Plan

July 1

- Plans due to the state

August

- University presents plan to “Op-Six” group

September/October

- Receive feedback from state
- University responds to state suggestions

November

- If necessary, plan will return to Board for review

Questions ?