Budget Update
Staff Senate

August 16, 2018

TIM HODGE,
ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL PLANNING
Budget Process
Two Parallel Budgets

- Internal budget
  - Pursues the development of the university’s budget with a focus on the university’s goals and critical needs
  - Seeks to generate sufficient resources through state support and nongeneral funds, such as tuition and fees, to allow the university to pursue those goals

- External budget
  - Addresses the development of the university’s budget within the state government process
  - Focuses on the acquisition of additional resources
External Budget

- Follows the State budget process
  - Requires significant interaction with the Department of Planning and Budget (DPB) and the Secretary of Finance
  - Also includes, SCHEV and the Secretary of Education
  - Leads to our annual work with the General Assembly members and legislative staff
  - Major focus is on the Educational and General budget, with emphasis on student financial aid and research
  - Goal is to generate funding for both operating and capital priorities

- Biennial Budget Format
  - Two-year budget starting in even years
  - Second year budget is an amendment to the biennial budget
External Budget Timeline

Summer
- University Develops and Submits Draft Six-Year Plan to State
- Six-Year Plan

October
- University Responds to State Comments on Six-Year Plan
- Six-Year Plan

September
- BOV Reviews Final Six-Year Plan
- Budget Amendment Submission

Fall
- SCHEV Works on Statewide Issues
- DPB Reviews Agency Submissions
- DPB Review

December
- Governor’s Executive Budget Proposal
- Executive Budget Amendments

January
- General Assembly Session
- General Assembly Session Closes

February
- Money Committees Reports
- General Assembly Session

March
- Reconvened Session
- Final Consideration and Approval of Amendments to Appropriation Act

April
- Appropriation Act

May
- New Fiscal Year Begins

July
- 7/1/18 9/1/18 11/1/18 12/17/18 1/1/19 4/1/19 5/1/19 7/1/19
University Budget Development

- Multi-year planning strategy
  - accomplish strategic objectives

- Annual changes
  - Fringe rates, compensation programs
  - General Fund support
  - State authority/directives
  - Board of Visitors consider tuition & fees
  - Annual Budget Call to hear campus needs which cannot be met with existing resources
Budget Development Timeline

- **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
Funding Models

- Incremental Budget Model
  - VP areas & auxiliary enterprises
  - Budget call to hear needs
  - Strategic plan frames decision making

- Partnership for Incentive-Based Budgeting (PIBB) Model
  - Colleges
  - Shift from incremental to performance based budgeting
  - Links budget to accomplishments of goals
  - Allows resources to more closely follow activity
    - Allocate resources for enrollment growth & shared goals (e.g. quality)
Sources of Funding
## Public & Private Resources

**2018-19 Budget ($ in Millions)**

<table>
<thead>
<tr>
<th></th>
<th>In-State</th>
<th>Out-of-State</th>
<th>Self-Generated</th>
<th>Private</th>
<th>Total</th>
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<tr>
<td><strong>208 E&amp;G</strong></td>
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<td>$264.3</td>
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<td>$45.1</td>
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<td><strong>229 E&amp;G</strong></td>
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<td>43.2</td>
<td>22.8</td>
<td>282.4</td>
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<td>348.4</td>
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<td><strong>Sponsored Programs</strong></td>
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<td>316.7</td>
<td>322.1</td>
<td></td>
<td></td>
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<tr>
<td><strong>All Other Programs (UMA)</strong></td>
<td>2.3</td>
<td>5.2</td>
<td></td>
<td></td>
<td>7.5</td>
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<tr>
<td><strong>Subtotal Public Resources</strong></td>
<td>266.2</td>
<td>307.5</td>
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<td>674.2</td>
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<td><strong>Virginia Tech Foundation</strong></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Other University-Related Entities</strong></td>
<td></td>
<td></td>
<td></td>
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</table>

**Total**

<table>
<thead>
<tr>
<th><strong>Total</strong></th>
<th>$266.1</th>
<th>$307.5</th>
<th>$310.9</th>
<th>$674.2</th>
<th>$196.0</th>
<th>$1,755.0</th>
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<tbody>
<tr>
<td><strong>% of total</strong></td>
<td>15%</td>
<td>18%</td>
<td>18%</td>
<td>38%</td>
<td>11%</td>
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</table>
# 2018-19 Operating Budget

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>2017-18 Adjusted Budget</th>
<th>2018-19 Proposed Budget</th>
<th>Change</th>
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<td><strong>Educational and General</strong></td>
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<tr>
<td>University Division</td>
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<td>Coop Ext/Ag Experiment</td>
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<td><strong>Subtotal</strong></td>
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<td><strong>Auxiliary Enterprises</strong></td>
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<td>Sponsored Programs</td>
<td>344.9</td>
<td>322.1</td>
<td>(22.8)</td>
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<td>Financial Aid (Appropriated)</td>
<td>26.6</td>
<td>30.2</td>
<td>3.6</td>
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<td>UMA and Other Activities</td>
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<td>(2.1)</td>
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<td><strong>Total</strong></td>
<td>$1,525.8</td>
<td>$1,559.0</td>
<td>$33.2</td>
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Summary of Budget Changes
### 2018-20 State Budget Highlights

*Incremental General Fund - $s in Millions*

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<tr>
<th>Division</th>
<th>2018-19</th>
<th>2019-20</th>
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<tr>
<td><strong>University Division</strong></td>
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<td>Degree Growth</td>
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<td>Undergraduate Student Financial Aid</td>
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<td>Unique Military Activities</td>
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<tr>
<td><strong>Cooperative Extension &amp; Agricultural Experiment Station Division</strong></td>
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<tr>
<td>Soil Scientist Assistance Program</td>
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<tr>
<td>Operations &amp; Maintenance of New Facilities</td>
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<td><strong>Statewide Actions</strong></td>
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<td>Cyber Initiative - Capital Improvements</td>
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<td>Cyber Initiative - Hub (VT) Operations</td>
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<tr>
<td>Cyber Initiative - Hub &amp; Spoke Initiatives</td>
<td>-</td>
<td>10.0</td>
</tr>
</tbody>
</table>
Budget Highlights

- Fringe benefit rate increases (health insurance +6.1%)
- Fixed costs, utilities, O&M new facilities, etc.
- Enrollment Growth
- Student Financial Aid
- Strategic Initiatives
  - Faculty startup, Destination Areas, Inclusive VT, Business Engagement
  - School of Medicine
- Critical needs identified in budget call
- Compensation
University Compensation Plan

- The state of Virginia did not authorize a compensation program for 2018-19 (state did for 2019-20, contingent on state revenue)

- The university is planning the following compensation programs to be effective on September 10, 2018:
  - 2.0% merit program for T&R and A/P Faculty
  - 2.0% merit program for University Staff
    - Classified Staff (compensation is regulated by the State) have the opportunity to convert to University Staff, if desired

- Enhance the competitiveness of entering salaries in pay bands 1-3 in the staff structure by $0.50 per hour, effective May 25th, 2018.
Questions