

Operating Budget & Plan 2016-2017

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EXECUTIVE SUMMARY

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This budget document details the relevant components that comprise the University's 2016-2017 Operating Budget and Plan and organizes the information in a format that provides a concise explanation of the budget planning process.

Chapter 1 provides an overview of the strategic planning initiatives, and summarizes the policy and program direction for the development of the 2016-2017 Operating Budget and Plan, and includes relevant comparative data on general funding per FTE student, tuition and fee costs, and expenditures by program for Virginia public higher education institutions.

Chapter 2 describes the actions of the General Assembly during the 2016-18 Biennial Budget Session that impact the 2016-2017 budget year.

Chapter 3 provides the overview of the 2016-2017 Operating Budget and Plan.

Chapter 4 summarizes the program priorities that comprise the Educational and General Program portion of the total budget.

Chapter 5 highlights the program priorities that comprise the Auxiliary Services portion of the total budget.

Chapter 6 contains graphs that depict the sources of revenue for 2016-17.

Chapter 7 graphically represents the expenditures by category and program area for 2016-17.

Through the University-wide strategic planning process, the University developed mission and vision statements, goals, objectives, and action items for the 2014-2019 Strategic Plan. Subsequently, the Board of Visitor's approved the University's Strategic Plan at the December 2014 meeting. The 2016-2017 Operating Budget and Plan is based on the major goals and objectives as outlined in the University's 2014-2019 Strategic Plan:

- Objective 1: Increase Old Dominion University's national and international reputation for research excellence.
- Objective 2: Identify and reward academic program excellence.
- Objective 3: Innovate in academic programs

- Objective 4: Enhance collaboration with the region's military community.
- Objective 5: Increase engagement with the local arts community.
- Objective 6: Fully establish the College of Continuing Education and Professional Development.

Goal 5: Promote an Entrepreneurial Culture

- Objective 1: Implement an entrepreneurial curriculum and co-curriculum for students.
- Objective 2: Foster an entrepreneurial ecosystem for faculty.
- Objective 3: Establish a Center for Enterprise Innovation for the Hampton Roads region.
- Objective 4: Foster a culture of idea commercialization among faculty and students.

PROGRAM, POLICY DIRECTION, BUDGET DRIVERS FOR FY2016-2017

Old Dominion University's long-term financial strategy takes into account the inconsistency in future state funding and more dependency on institutionally generated funding, such as tuition and fees, self-generated auxiliary revenues, private gifts and donations, externally funded grants and a reallocation of existing resources.

The financial strategy remains consistent with the criteria set forth in the University Strategic Plan and the Virginia higher education institutional performance standards as evidenced by the focus upon enrollment and recruitment of undergraduate and transfer students, student success and retention, affordability and access for students from under-represented populations, and emphasis on the STEM-H disciplines.

At the request of the President and under the direction of the Chief Operating Officer, the University developed a Five-Year Financial Planning Model to incorporate institutional priorities from the University's Strategic Plan, established five-year targets and unit cost measures, selected input variables through collaborations with the Vice Presidents, determined resources needed to achieve institutional strategic goals over the next five years, considered state funding, external support and reallocation of existing resources and determined the tuition and fee increases necessary to generate sufficient revenue to accomplish institutional priorities.

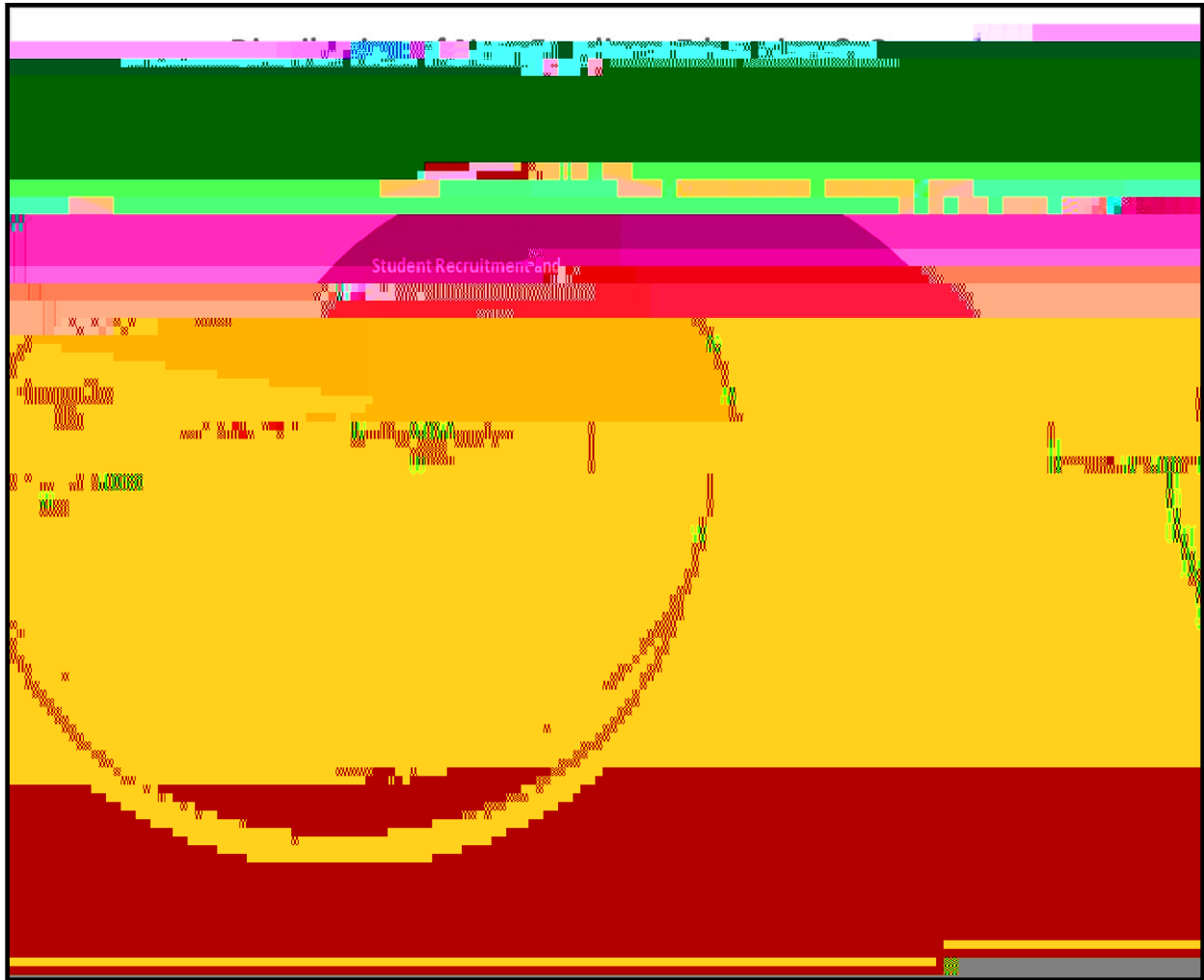
Addressing mandated unavoidable cost increases, such as increases in health insurance costs, faculty tenure and promotion increases, and contractual services cost escalations, and the operation and maintenance of new facilities. Using resources and creating one-time funds by use of position vacancy (attrition) dollars and funds associated with the recruitment of new faculty and staff positions to address faculty and staff

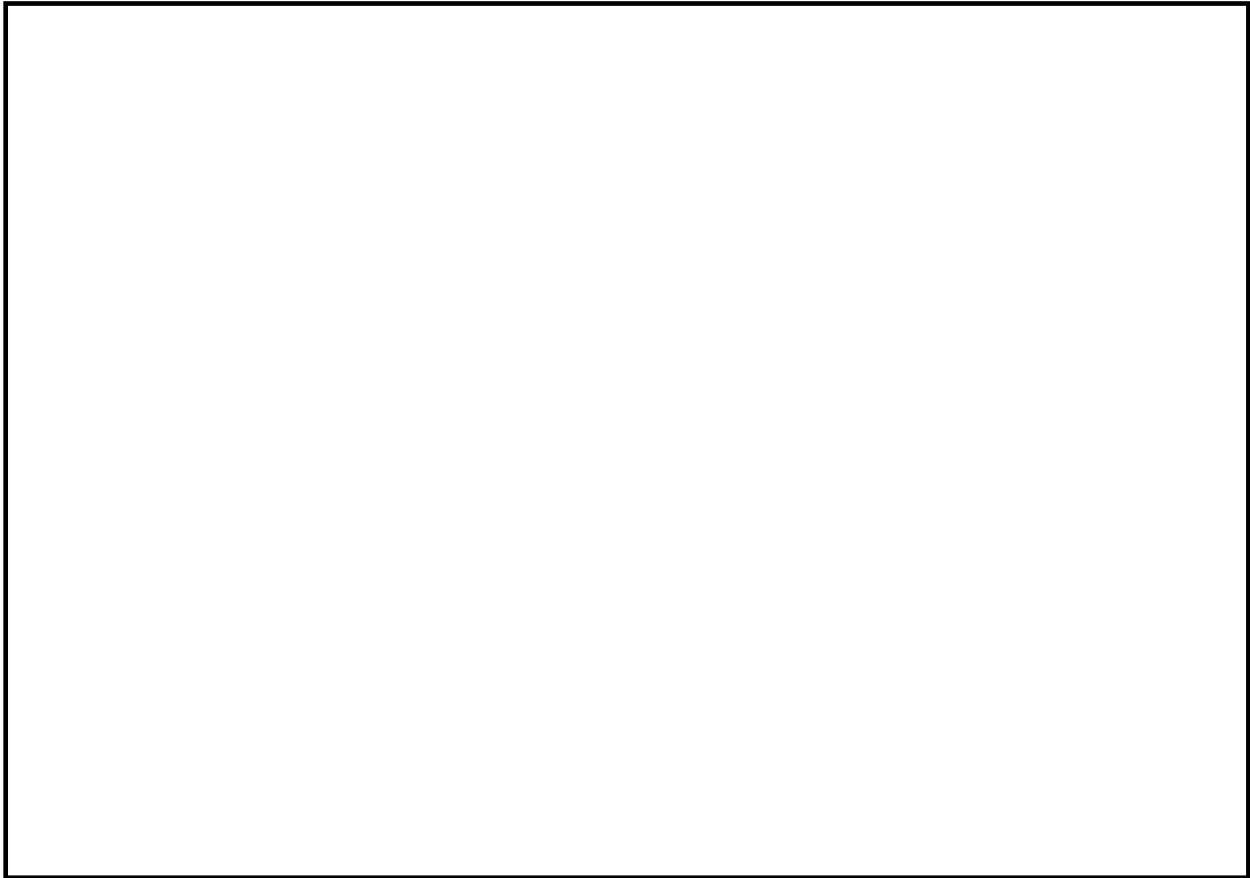
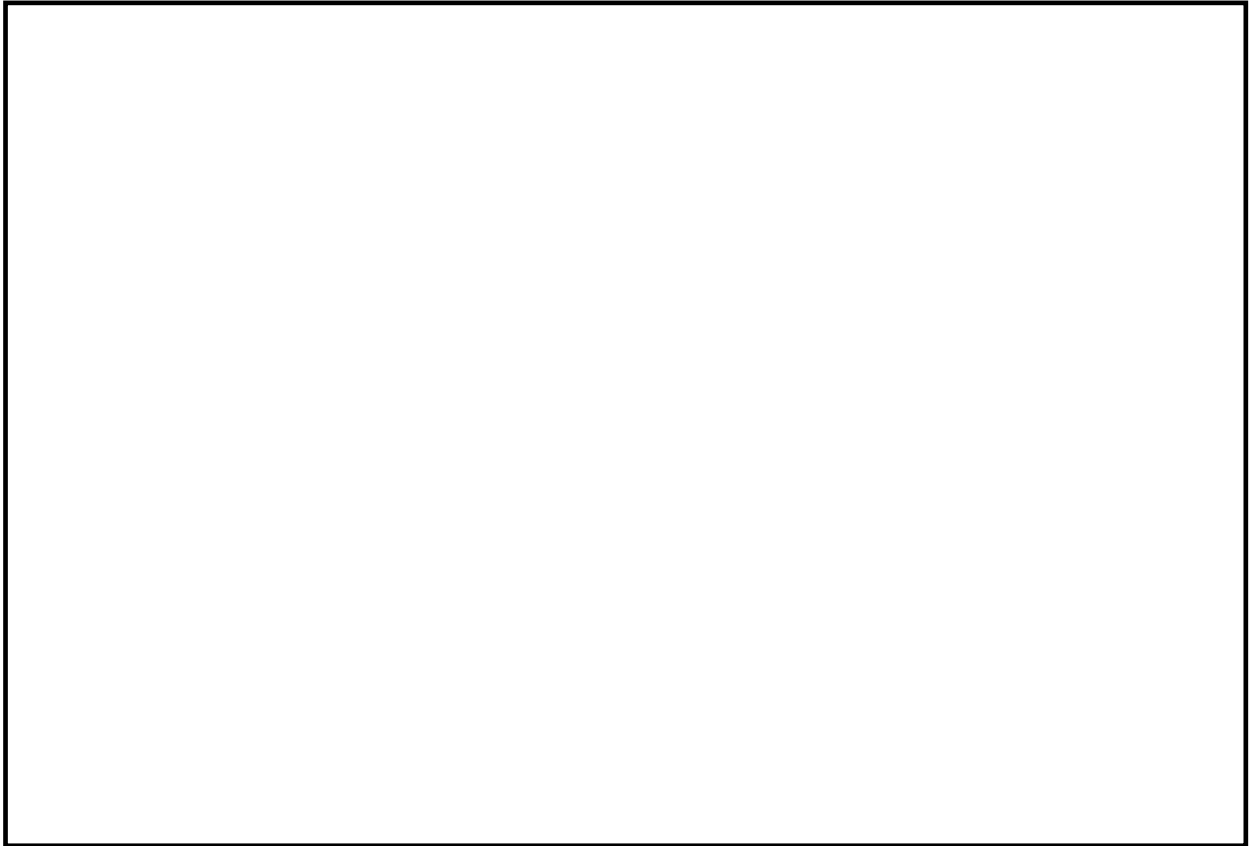
retention and support initiatives that further institutional priorities.
x Increase institutional supported merit and need based financial aid to attract new and retain current student enrollments.

Entering the second year of the five-year planning model, the 2016-2017 Operating and Budget Plan was developed in conjunction with revisiting and validating the assumptions, cost drivers, and strategic focus of the five-year plan. The resulting 2016-2017 Operating and Budget Plan and the associated 2016-2017 Tuition and Fee Recommendations that invests in the future of Old Dominion University and reflects the collective input of the University's leadership team. The new investments were grouped into the following major success critical categories:

1. Academic Enterprise (Instruction, Re

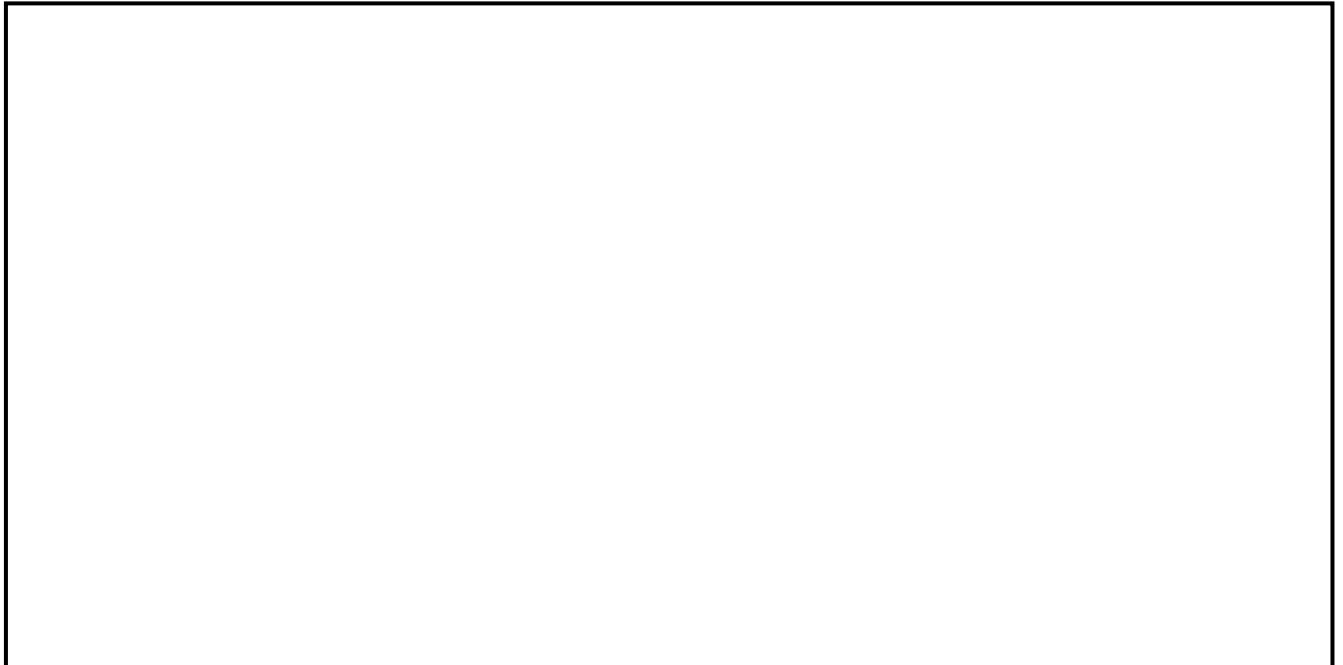
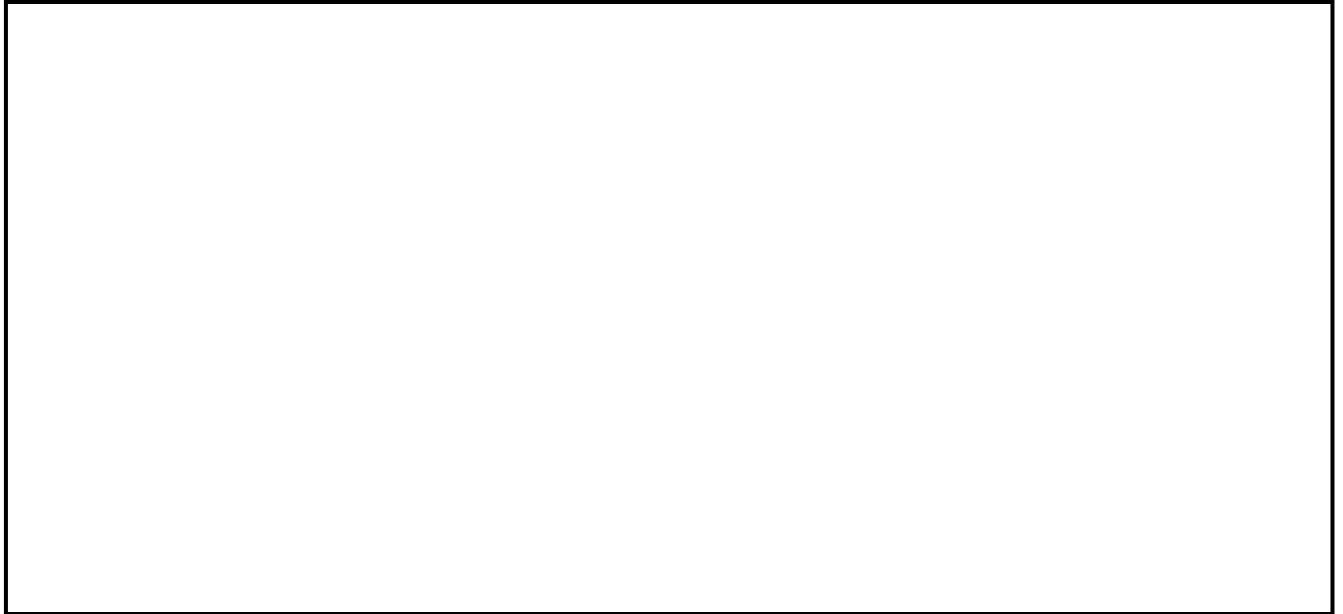
The following chart shows the distribution of new investments within these four major categories.





In comparing the tuition and fee trends over the 2012-2016 period, the following graphs show that Old Dominion University's cumulative increase for both in-state and out-of-state undergraduates was the lowest of all the research and doctoral institutions.

The cumulative increase for Old Dominion University in-state undergraduates over this five-year period was \$2,060 compared to an average of \$3,701 for the doctoral institutions and \$5,360 for Old Dominion University out-of-state undergraduates compared to a \$7,406 average.



Since 2001, the Base Adequacy model has been the Virginia public higher education benchmark to assess each institution's E&G funding in relation to a predictive model integrating numerous variables to determine a calculated resource requirement. Each institution's funding, compared to the predictive model, yields a percentage of base funding adequacy. Understandably, the model generates updates of relative calculated resource need based upon the most current data. The last iteration of the model with projected updates (includes the FY2016-2017 Projected Tuition and Fee Increases for Old Dominion University) can be summarized below and demonstrates how ODU's base funding index continues to be the lowest in the state at 92.5%.

Institution	Calculated Need 1,2	Available Resources 3, 4,5	% of Funding to Guideline
College of William and Mary	153,510,153	191,646,348	124.8%
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The state appropriation included \$4.3M in additional need based financial aid for in-state students. This additional appropriation is shifted to SCHEV in the second year of the biennium, and will be re-distributed by SCHEV upon the recommendations of the Joint Subcommittee on the Future of Competitiveness of Virginia Higher Education. In addition, the university also received \$326,180 in base support for Graduate Student financial assistance in FY2017 and an additional \$146,781 in FY2018.

cooling, and electrical systems. ODU's Maintenance Reserve allocation increased from \$2,076,249 to \$2,232,655 for fiscal year 2017.

The 2016-2018 biennial budget includes approval for construction of the Chemistry Building (\$71M) and approval for planning for the Health Sciences Building (\$74M).

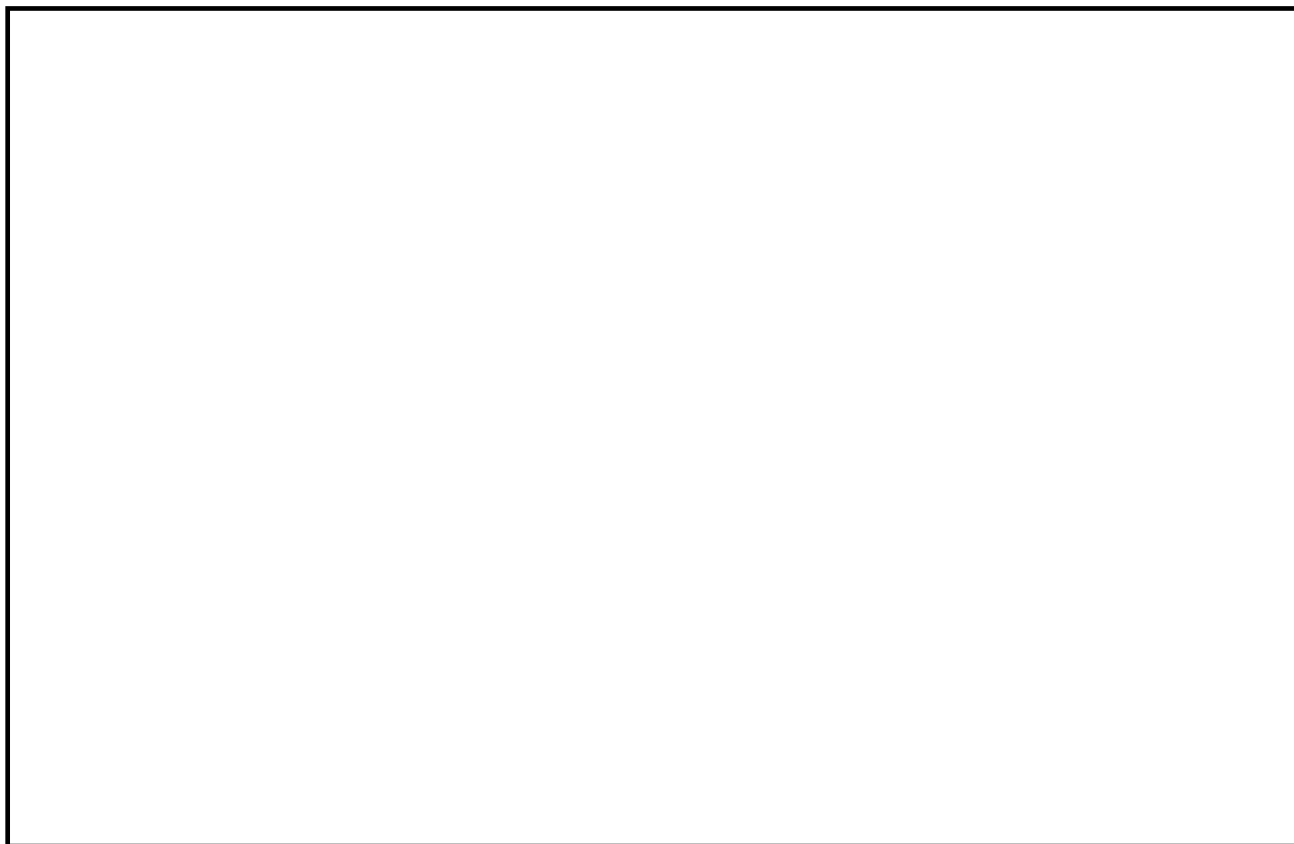
Language was included in the Appropriation Act to provide for improvements to the capital procurement process and the selection of procurement methods for capital projects. While the competitive sealed bid process is the preferred method of construction procurement, the language included guidelines for those public bodies, institutions of higher education and state agencies considering the use of Design Build or Construction Management procurement methods for capital projects.

This section provides an overview of the University's 2016-2017 Operating Budget. Some significant elements in the proposed plan are presented below.

- x The budget is based on conservative assumptions related to enrollment projections, revenue calculations and expenditure estimates as contained in the University's Six-Year Enrollment Plan.
- x The budget balances revenues and expenditures within the University's E&G programs and other operating funds and contributes approximately \$5.6 million to the Auxiliary Capital Reserve. This reserve contribution is consistent with planning for the use of these resources to accomplish future initiatives. Adequate reserves are provided within the budget to address changes in key planning assumptions.
- x The 2016-2017 Budget and Operating Plan assumes the following tuition and fee increases will go into effect with the Fall 2016 semester:

Category	\$ Increase
In-State Undergraduate	\$270
Out-State Undergraduate	\$510
In-State Graduate	\$336
Out-State Graduate	\$840
Health Fee	\$4
Transportation Fee	\$4

The E&G budget revenue mix the last ten years (2006-2007 to 2016-2017) is illustrated in the following chart which shows a dramatic shift in the University's Educational and General revenue from State General Funds to Student Tuition and Fees as a result of the Commonwealth's funding actions.



As noted in the graph, General Fund support for the E&G programs (excluding state student financial aid) increased from \$110.3 million in FY2007 to a high of \$122.5 million in FY2017. Federal stimulus funds were provided in FY2010 and FY2011 to mitigate the loss of state general funds during that time period. For 2016-2017, the General Fund will constitute 43.3 percent of the total E&G Operating Budget while Nongeneral Funds will comprise 57.3 percent.

Student tuition and fee revenue appropriation increased from approximately \$86.2 million in FY2007 to approximately \$160.2 million in FY2017. Based on conservative budget decisions, the revenue generated by Commonwealth General Funds and the tuition and fee increases will provide adequate funding to support the 2016-2017 Operating Budget and Plan as detailed in the next chapter.

The University's 2016-2017 Educational and General Budget is based on the institution's strategic program priorities as approved by the Board of Visitors in December 2014. New central funds appropriated by the General Assembly were specifically earmarked for the general fund share of base compensation & benefit cost increases, the creation of the Center for Recurrent Flooding Resiliency, and to enhance university operation for access and affordability of higher education. The University's tuition and fee increase enabled the maintenance of base mandatory cost increases, investments in faculty, and critical support services, student success and retention. Principally, the University has significantly reallocated existing resources and maximized funding by creating one-time monies from those funds associated with the recruitment cycle of new faculty and staff positions to fund many strategic initiatives.

The major base and one-time funded E&G budget initiatives follow:

Ten (10) new faculty positions will be created in support of critical and high demand academic programs and to further improve the student faculty ratio. Emphasis will continue to be placed on supporting STEM/ H areas (Science, Technology, Engineering, Mathematics, and Health Sciences) with the creation of these new faculty lines.

Strategic reallocations of faculty positions and academic resources \$500,000 will be implemented along with \$332,000 of new base resources to address critical faculty lines and academic support functions.

When faculty members are promoted in academic rank, the individuals receive a salary increase assigned to the new rank. Base funding of \$587,000 will be allocated in the upcoming year for this purpose. In addition, to attract well-qualified faculty \$200,000 in one-time funds will be used to establish start-up packages.

Base funding in the amount of \$500,000 and one (1) position will be established to provide funding in support of core academic support infrastructure and computational research.

A reserve fund has been created to designate with a combination of \$248,000 base and \$25,000 of one-time resources.

Strategic resource reallocations of \$1.9M will be implemented to further the market expansion plan for online course delivery.

General Fund support for the Center for

Area	Description	Base	OneTime	Re Allocations / Reserves
Total Investments		13,488,428	1,854,836	4,232,2
Administration & Finance		1,282,521	150,000	30,96
	International Tax Compliance (1 FTE)	75,405		
	Mandatory Cost Increases r Operatio (Utilities & Leases)	400,600		
	Operations & Maintenance of New Facilities (4 FTE)	306,516		
	Reallocations in support of Operational Priorities			30,967
	Technology Infrastructure to support delivery of 8 Week Courses		150,000	
	Technology Core Academic Support, Infrastructure and Computational Research (1 FTE)	500,000		
Academic Affairs		a - 4,232,236	2 a 188,500	1 122,011



The University's FY2016-2017 Auxiliary Services budget reflects a total addition of \$5.6 million to the Auxiliary Capital Reserve Fund for the next fiscal year. Overall adequate reserves are provided within the auxiliary budget to accomplish the program initiatives for 2016-2017 and beyond. Rate and fee increases were held to a minimum and will be primarily used to address increases in mandatory salary and health care benefit increases for auxiliary services and programs, additional merit-based scholarship funding, reserve for capital investments, intercollegiate athletic scholarships and at the request of the Student Government Association, additional funding for student organizations and clubs. No state funds are received to support auxiliary service operations and no student fees are used to support any Conference USA cost increases.

The student fee component of the comprehensive tuition and fee charge is used to support the following auxiliary programs and operations:

- X Student organizations and clubs
- X Student Leadership Programs
- X Intercollegiate and intramural athletics
- X Webb Center and Student Recreation Center
- X Institutional Scholarships
- X Debt service and maintenance on non-Educational and General facilities

The 2016-2017 Tuition and Fee Proposal includes \$3.83 per credit hour increase in student activity fees, which will be used to support the following student-fee supported expenditures:

FY2016 Student Fee Per Credit Hour	\$110.18	Fee Allocation
Drä s á v w y		
D s ä u u		D w r r á r r r
D s ä s w		D v u s á z s z
D r ä t z		D s r v á r r r
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D r ä r v		D s w á r r r
FY2017 Student Fee per Credit Hour	\$114.01	\$1,437,670
Dollar Increase per Credit Hour	\$3.83	
Annual Increase for Fulltime In State Undergraduate	\$114.90	

The room and board rates were increased by an average of 4 percent or \$378 for 2016-2017. Housing rates increased an average of 4 percent and meal plan rates increased an average of 5 percent. Revenue estimates were based on conservative occupancy rates. The University continues to develop multi-year improvement plans for facilities in order to ensure that residence halls remain competitive with the surrounding area and other state institutions. The housing revenue will cover compensation and benefit increases, additional Residence Hall Director and seven Resident Assistant positions, stipend increase for student members of the Residence Hall Association, expanded coverage to include additional student wage funds for the night desk receptionist and office assistants as well as operating funds for move-in support and communications.

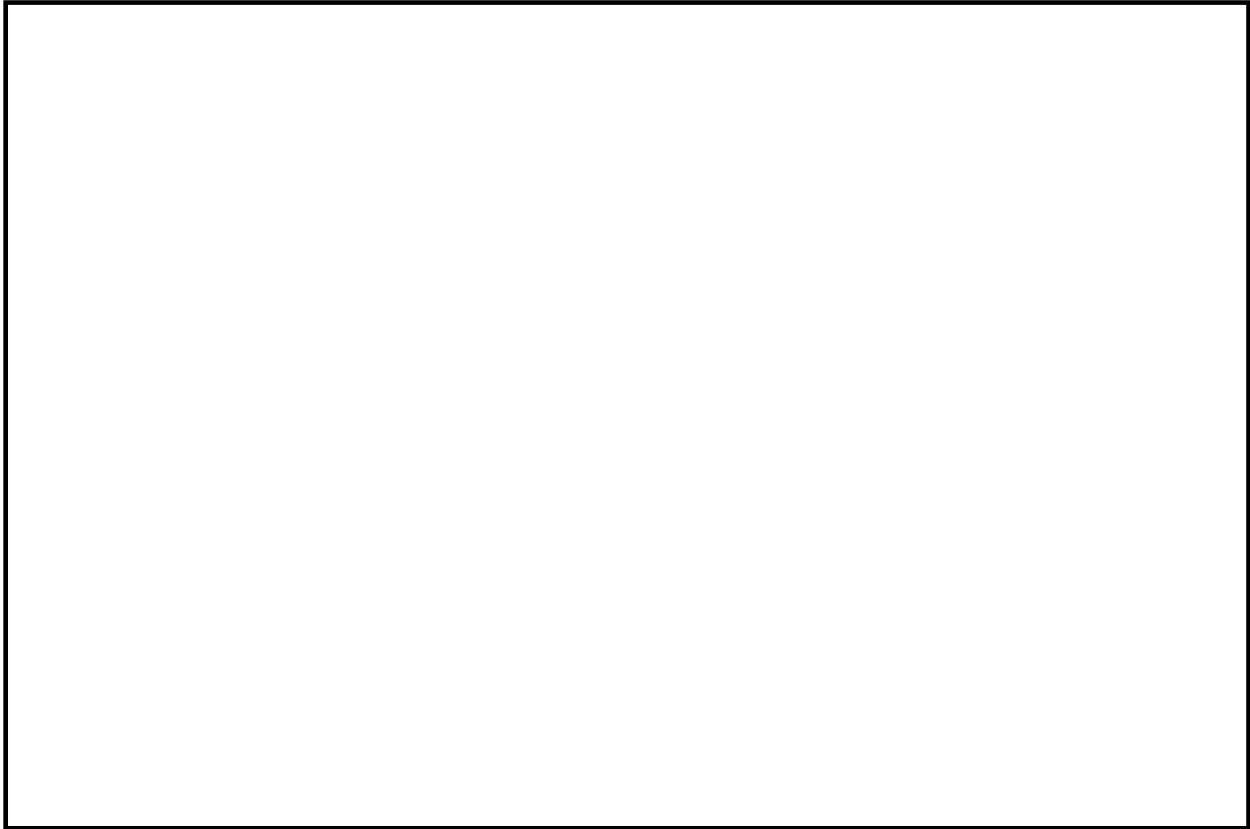
The Auxiliary Capital Reserve established in fiscal year 2013 for the purpose of accumulating funds to implement the Capital Master Plan as it relates to auxiliary facilities, such as residence halls, the WebbCenter Student Union, Student Recreational Center and Intercollegiate Athletic Facilities. As of June 2016, this reserve will have a

The University receives revenue from a variety of sources. The following revenue sources are used in financial planning for higher education:

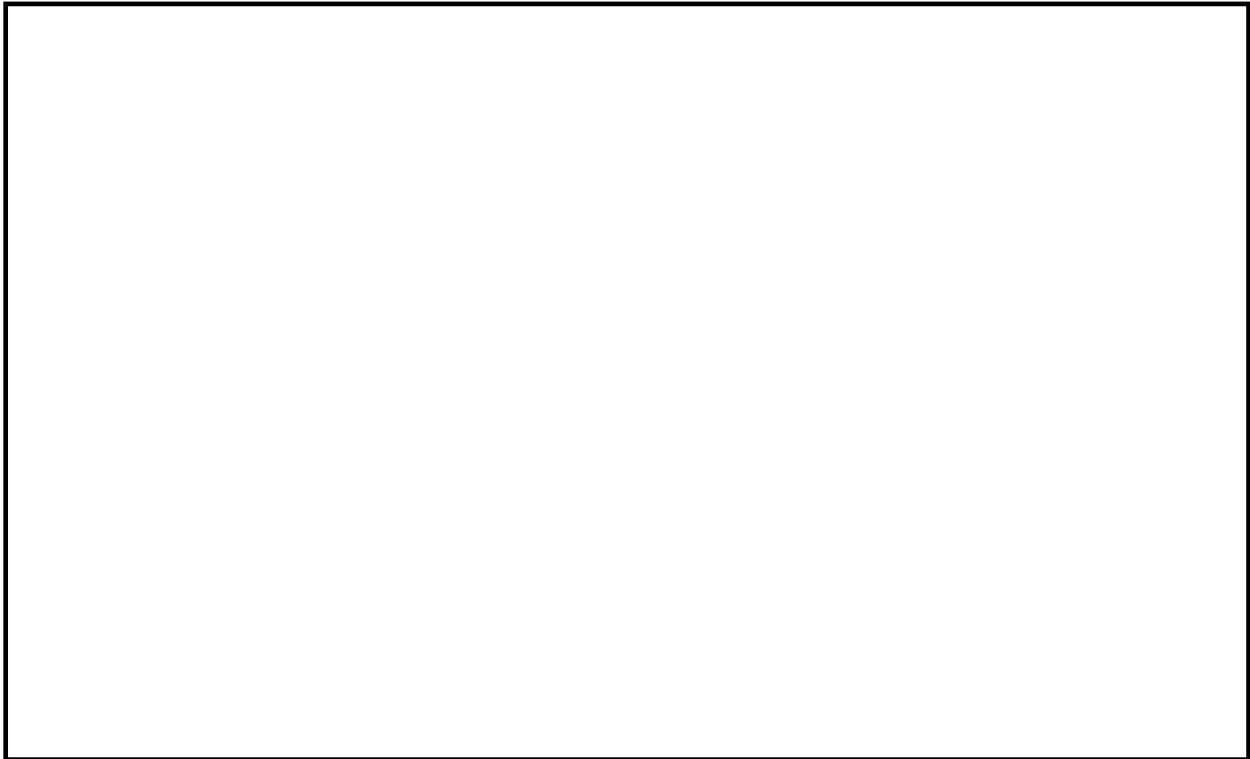
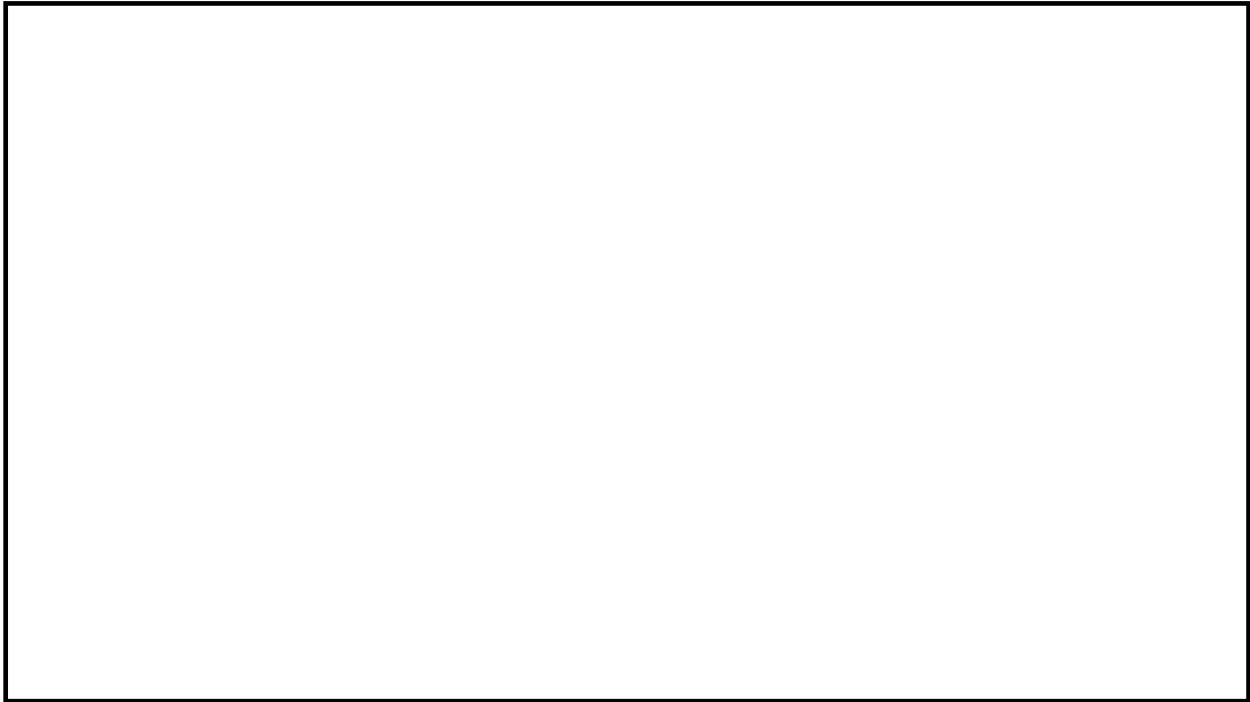
- x Educational and General Tuition and Fees
- x Commonwealth Appropriations
- x Grants/Contracts/Gifts
- x Student Loan Funds
- x Auxiliary Services Revenue

The following graphs summarize the sources of the University's revenue for 2015-2016.

- x Pie graphs comparing 2015-2016 Final Budget to 2016-2017 Proposed Budget by revenue fund source (Educational and General, Auxiliary, Grants/Contracts/Gifts, and Student Loan Funds revenue).
- x Bar graph comparing 2015-2016 Final Budget to 2016-2017 Proposed Budget by major revenue sources
- x Bar graph comparing 2015-2016 Final Budget to 2016-2017 Proposed budget of Auxiliary Services Revenue.

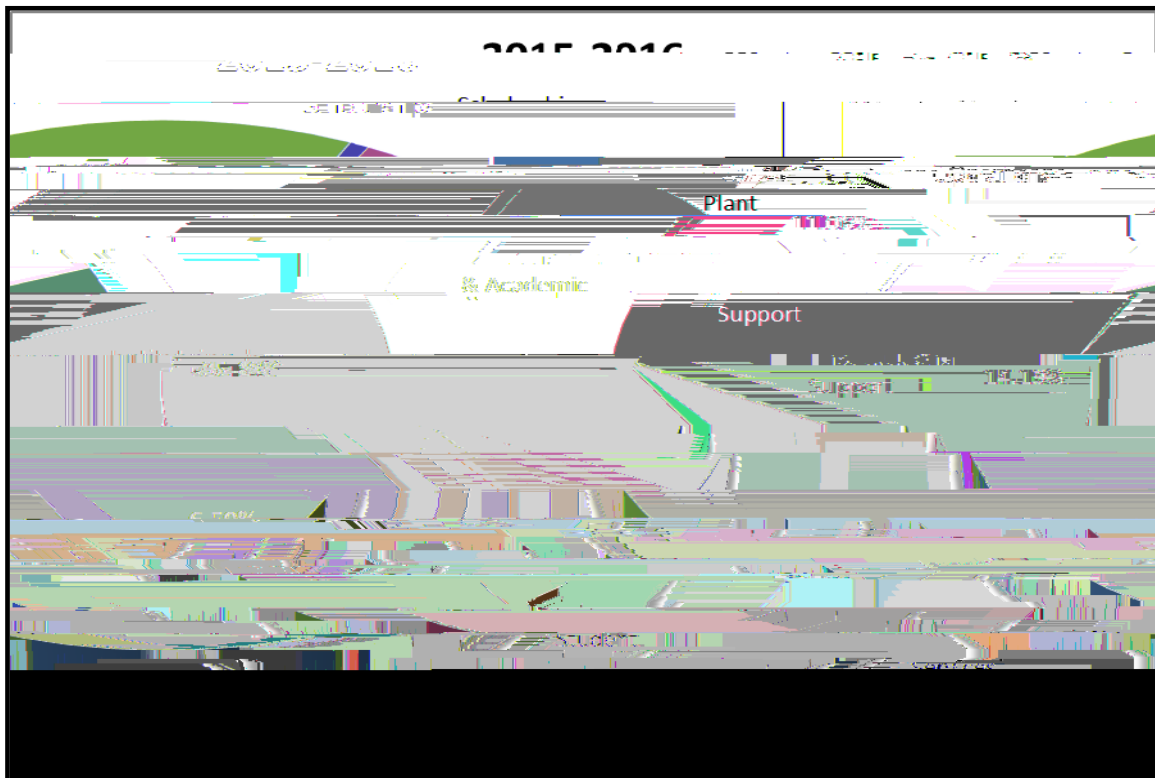
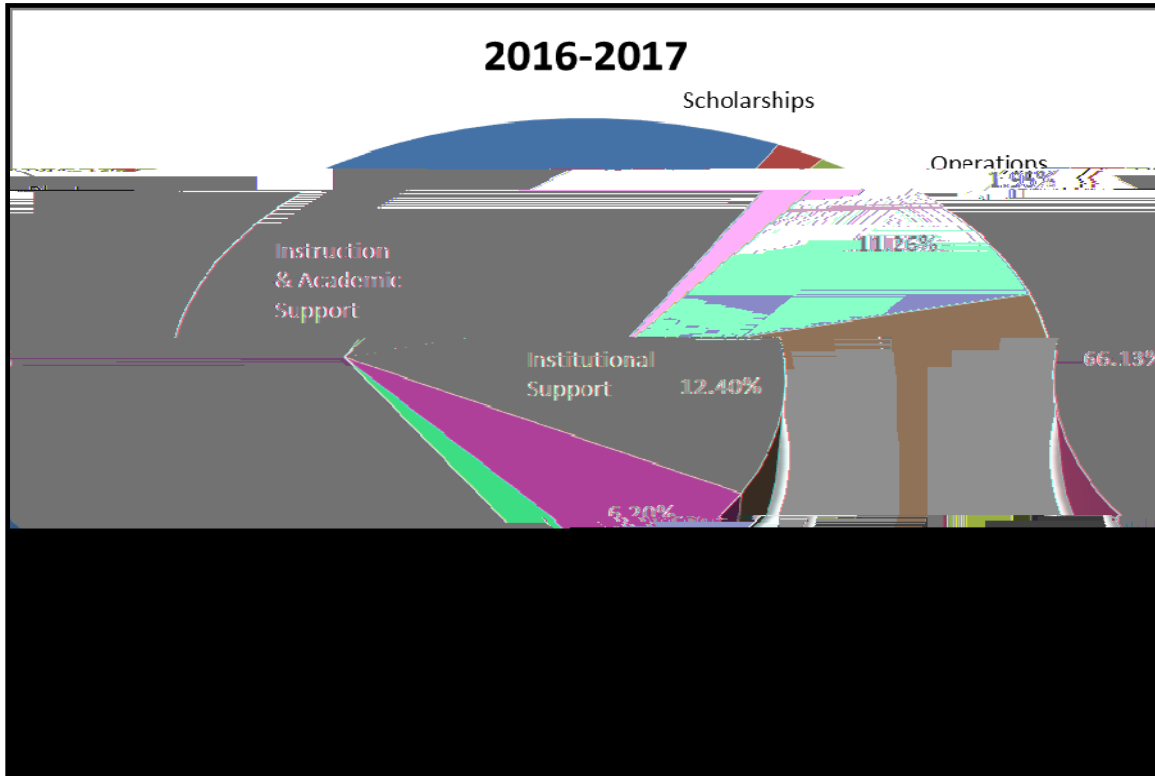


Old Dominion University utilizes the revenue that it receives to fund a variety of activities and programs. The following expenditure classifications used in higher education budgeting fall into the following



E&G EXPENDITURE COMPARISON BY PROGRAM AREA

2016-2017: \$283,122,000
 2015-2016: \$272,915,000



APPENDIX

OLD DOMINION UNIVERSITY

TABLE 1
UNIVERSITY REVENUE SOURCES SUMMARY
(in thousands)

	2015-16 Approved Budget Plan	2016-17 Proposed Budget Plan
REVENUES		
State General Funds	\$ 136,694	\$ 150,612
Nongeneral Funds		
Student Tuition & Fees	\$ 157,877	\$ 160,184
Grants, Contracts, & Gifts, Other	\$ 66,337	\$ 67,140
Auxiliary Enterprises	\$ 113,896	\$ 111,808
Subtotal Nongeneral Funds	\$ 338,110	\$ 339,132
Student Loan Funds	\$ 130,000	\$ 133,000
Total University Revenues	\$ 604,804	\$ 622,744

EXPENDITURES

2015-16

2016-17

OLD DOMINION UNIVERSITY

TABLE 4
SUMMARY OF 2016-17 RESOURCE BY OPERATING AREA AND PROGRAM
(in thousands)

EXPENDITURES	President	Provost & Academic Affairs	VP for Admin & Finance	VP for University Advancement	VP for Student Engagement & Enrollment	VP for Research	VP for Human Resources	Director of Athletics	TOTAL
<u>Education & General</u>									
Instruction	\$ 174	\$ 139,561	\$ -	\$ -	\$ -	\$ 647	\$ -	\$ -	\$ 140,382
Research & Sponsored Programs	\$ -	\$ 911	\$ -	\$ -	\$ -	\$ 4,792	\$ -	\$ -	\$ 5,703
Public Service	\$ -	\$ 110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110
Academic Support	\$ -	\$ 26,767	\$ 18,085	\$ -	\$ 1,998	\$ -	\$ -	\$ -	\$ 46,850
Student Services	\$ 164	\$ 2,113	\$ -	\$ -	\$ 15,275	\$ -	\$ -	\$ -	\$ 17,552
Institutional Support	\$ 8,105	\$ 4,421	\$ 10,120	\$ 5,660	\$ 2,781	\$ 1,685	\$ 2,340	\$ -	\$ 35,112
Operations & Maintenance of Plant	\$ 7,716	\$ -	\$ 24,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,892
Scholarships & Fellowships	\$ -	\$ -	\$ 5,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,521
E&G Subtotal	\$ 16,159	\$ 173,882	\$ 57,902	\$ 5,660	\$ 20,054	\$ 7,124	\$ 2,340	\$ -	\$ 283,122
Auxiliary Enterprises	\$ 0	\$ 3,318	\$ 28,497	\$ 881	\$ 39,247	\$ -	\$ -	\$ 34,293	\$ 106,236
Grants & Contracts	\$ 200	\$ 7,000	\$ 10	\$ 5	\$ 105	\$ 4,455	\$ -	\$ -	\$ 11,775
Gifts & Discretionary	\$ 350	\$ 5,550	\$ 800	\$ 1,600	\$ 100	\$ 1,000	\$ 15	\$ 1,000	\$ 10,415
Scholarships & Fellowships	\$ -	\$ 500	\$ -	\$ -	\$ 67,600	\$ -	\$ -	\$ 4,524	\$ 72,624
Student Loan Funds	0	\$ -	\$ -	\$ -	\$ 133,000	0	0	0	\$ 133,000
Total Expenditures	\$ 16,709	\$ 190,250	\$ 87,209	\$ 8,146	\$ 260,106	\$ 12,579	\$ 2,355	\$ 39,817	\$ 617,172