

September 30, 2007

MEMORANDUM

TO: Vice Presidents, Vice Provosts, and Deans

FROM: M. Dwight Shelton, Jr.

SUBJECT: Instructions for September 2007 E&G Budget Reduction Planning

We have received targets for preparing the budget reduction plans from the Office of the Secretary of Education. As referenced in the September 21, 2007 letter from Mark G. McNamee and James A. Hyatt, the purpose of this memorandum is to provide information on the process, timetable, strategies, and format for the University's planning for these reductions.

Process – The University is utilizing a two phase process to minimize the initial impact and to provide maximum time for planning.

Phase I will be a *one-time* cash assessment of 2.5% during fiscal year 2007-08; no plan or submission is required for this action. The Office of Budget and Financial Planning will communicate the 2.5% cash assessment targets to each senior management area and collect the assessment during the winter or spring so that resources may be remitted to the state. The assessment to E&G units will be processed as a one-time budget reduction to the senior management budget pool. This applies to both agencies, 208 and 229.

Phase II is to plan for various scenarios of *base* reductions for fiscal 2008-09. For agency 208, a plan should be developed for a 3.5% reduction, along with a separate contingency plan for a 5% reduction. For agency 229, plan should be developed for a 4% reduction, along with a separate contingency plan for a 5% reduction (as you know, agency 229 has a greater dependence on state General Fund support). The Office of Budget and Financial Planning will provide the reduction planning targets to each senior manager and fiscal officer. Plans should be developed to describe how the reduction can be accomplished and the impact of the reduction.

Timing –the following calendar is being established for internal due dates:

October 1 – November 2, 2007	Colleges and administrative areas prepare budget reduction plans
November 2 – November 26	Review and analysis of plans
November 26 – December 2007	Discussion of plans with Vice Presidents, Vice Provosts, and Deans.

The goal is to provide adequate time and maximum flexibility in planning for and managing this reduction. The University is committed to minimizing the impact of the budget reductions on the quality of our programs. As a result, we are looking at available options for administrative efficiencies in all academic and support units, the identification of alternative funding sources, and revenue enhancements to minimize any reduction scenario.

Strategies – As the Provost and Executive Vice President have stated, we plan to provide senior management areas with maximum flexibility in developing budget reduction plans. We need to take every step possible to keep faculty in the classroom.

There is no state buyout of any sort or any early retirement program at this time. For Virginia Tech, part of the purpose of this planning exercise is to determine the level of interest in various tools to achieve reductions targets. The University currently does not have an operational Alternative Severance Option (ASO) program. Implementation of such a program will depend on the level of interest and the determination that the implications of the plans make the ASO an acceptable strategy. As a result, these plans are an important gauge of the interest in having the university reopen such a program. Please remember that the University's use of such tools need to be careful, surgical, and in relation to the university's strategic goals and objectives.

We anticipate that you may want to propose some or all of the following strategies to reduce the number of positions: eliminate vacant positions, use the ASO program for faculty positions, reduce staff, abolish positions through issuing non-reappointment letters, etc. When considering such strategies, it is important to plan for the associated costs.

As described in the detailed instructions, specific reduction strategies must be identified. It is very important that the impact of each strategy be shared.

The positions reported on the budget reduction plans should represent positions that will be eliminated; these positions could be currently filled or vacant positions that are being proposed for elimination in order to meet the budget reduction targets. If a strategy involves replacing a senior faculty with a junior faculty and using the difference in salary as part of the budget reduction plan, then you would not report that position allocation on this form but would display the resulting savings in personnel costs.

Format and Instructions – The forms for the budget reduction planning process and definitions are similar to those utilized in prior planning exercises. The detailed instructions for completing the budget reduction forms and a set of the forms are attached. The forms will also be accessible on the Budget Office website at www.obfp.vt.edu.

Questions about preparing the budget reduction forms can be directed to Cindy Spangler at 1-6419.

Submission – Please submit your budget reduction plans and position schedules by November 2. The materials should be sent to Cortney Hagerman (crclay@vt.edu) in the Office of Budget and Financial Planning with a copy to the Provost or Executive Vice President as appropriate.

If you have questions or comments about the process please feel free to contact Tim Hodge at 1-6419 or me at 1-8775.

cc: Charles W. Steger
Mark G. McNamee
James A. Hyatt
Timothy L. Hodge
Fiscal Officers