

**BOARD OF VISITORS**  
**Finance Committee**  
**Friday, March 19, 2010**  
**Board of Visitors Conference Room**

**MINUTES**

Mr. Howard P. Kern called the meeting to order at 9:28 a.m. Roll call indicated that the following Committee members were in attendance and a quorum was present:

Committee Members Present:

Mr. Stanley Green, Jr.  
Mr. Henry D. Light  
Mr. Wade W. Perry, Jr.

Board of Visitors Members present:

Mr. Edward L. Hamm, Rector  
Ms. Virginia M. Board, Secretary  
Mr. Willie Brown  
Mr. Bobby N. Vassar

Members of NSU Staff Present:

Dr. Carolyn W. Meyers, President  
Dr. Kim Luckes, Assistant to the President and Assistant to the Board of Visitors  
Dr. Yatish T. Shah, Provost  
Mr. Earlie P. Horsey, Special Assistant to the President for Policy  
Mr. Ralph W. Johnson, Vice President, Finance and Business  
Mr. Ernest M. Ellis, Director, Internal Audit  
Mrs. Sharon B. Lowe, Vice President for Student Affairs  
Mrs. Terricita Sass, Interim Executive Director, Enrollment Management  
Mrs. Sharon Hoggard, Interim Executive Director, Communications and Marketing  
Dr. William Ward, Legislative Liaison  
Ms. Paula C. Thompson, Legislative and Community Liaison  
Ms. Michelle D. Martin, University Controller  
Mrs. Davida Harrell-Williams, Director, Auxiliary Services  
Mr. Anthony Cannon, Director, Procurement Services  
Mrs. Shelia Jones, Budget Director, Planning and Budget  
Mrs. Karen Barrett, Director, Facilities Management  
Dr. V. R. Dondeti, Associate Professor  
Mrs. April T. Allbritton, Office Manager, Board Liaison  
Ms. Tanya S. White, Executive Assistant to Vice President for Finance and Business

Other:

Mrs. Shelvee Osborne,  
Ms. Denise Batts, Reporter, Virginian Pilot

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### 1. Discussion Items

#### a. Budget Update on Reduction to Commonwealth

Mr. Johnson discussed the comparison of Governor's Kaine's introduced budget and conference report. He discussed the following items with the Board:

##### **Amended 2008-10 Budgets**

- *FY10 Budget Cut Adjustments for Base Operations*- Restore \$150.1 million September reduction in order to meet the ARRA funding requirements, making the total FY10 higher education general fund support greater than the FY06 level
- *American Recovery and Reinvestment Act (ARRA)*- Reduce total ARRA funding from \$126.7 million to \$75 million due to the partial restoration of the September general fund budget cuts
- *Auxiliary Savings*- Transfer auxiliary furlough savings of \$0.7 million in FY10 to general fund; transfer auxiliary VRS/benefit holiday savings of \$2.3 million in FY10 to general fund
- *Interest on Auxiliary Balances*- Transfer \$5.4 million interest earnings in FY10 to general fund
- *Deferred Compensation Cash Match Program*- Eliminate suspension of deferred compensation program
- *Furlough*- One day furlough in FY10, Higher Education institutions are granted flexibility to achieve the required savings through alternative means. Mr. Hamm asked when institutions were able to take furlough and Mr. Johnson responded anytime before June 30 and the majority of the University would take it on May 28, 2010. Mr. Johnson said that if we could provide the State the funds through some alternative means other than the furlough than we would do so.
- *Tuition Assistance Grant (TAG)* - Allow students at Carilion School of Medicine entering in fall 2010 to participate in TAG.

##### **2010-12 Biennium Budgets that affects Higher Education**

- *Base Operations*- Continue FY10 \$46.7 million general fund cut in FY11; reduce general fund support by \$196.8 million in FY12. By FY12, the total state support for the system would be just slightly higher than it was in FY04
- *Faculty Salary*- No salary increase in either year of the biennium
- *Eminent Scholars Program*- Reduce funding by \$1.7 million in each year over the FY10 level
- *Tuition Assistance Grant (TAG)* - Reduce funding by \$5 million each year; correct TAG transfer to EVMS in the introduced budget by reducing \$193,210 each year; allow students at Carilion School of Medicine entering in fall 2010 to participate in TAG
- *Undergraduate Student Financial Aid*- No change in funding; SCHEV is tasked to review the funding methodology and alternatives. SCHEV shall report the results to chairmen of the House Appropriations and the Senate Finance Committees and DPB director by 10/1/2010

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- *Auxiliary Cash Balances* - Eliminate the fund transfer in FY2011 as proposed by Governor Kaine
- *Interest on Auxiliary Balances*- Transfer \$7.2 million interest earnings to general fund annually in FY11 and FY12
- *Capital Fee*- Increase out-of-state student charge from \$10 to \$15 per credit hour per student
- *Transfer Grant*- Reduce funding by \$1.1 million each year; move the grant administration to SCHEV
- *HEETF*- Redistribute allocation to reflect SCHEV recommendations; provide additional funding of \$6 million for research equipment initiatives; remove \$8.3 million debt service in FY2012
- *Virginia Retirement System (VRS)* - No requirement for current state employees to make retirement contributions
- *Optional Retirement Plan (ORP)* - Employees hired on and after July 1, 2010 are required to make 5% contributions and ORP rate is lowered
- *Furlough* - No furlough days proposed for the biennium
- *Revenue Enhancement* - Continue the car tax subsidy
- *Deferred Compensation Cash Match Program* - Partial restoration of \$10 per pay period in FY2011, and Full restoration of \$20 per pay period in FY2012
- *Employee Bonus* - 3% bonus in FY2010 if FY10 revenue collections exceed the official revenue estimate by at least \$82 million. If excess revenue is less than \$82 million, the bonus shall be prorated to a percent that equates to the amount of excess revenue collected
- *Central Account Adjustments* - Reduce \$39.4 million in total due to rate changes in contributions to retirement, group life, disability and health credit etc.
- *Interest Earnings and Credit Card Rebates* - Continue current year estimate of \$8.4 million for FY11
- *Tuition and Fee Policy* - No restriction on tuition and fee increases
- *Graduate Financial Aid Language* - Section 4-5.01 b.3.d is modified that only graduate students not meeting the criteria of Section 4-2.01 b.6 would qualify for financial aid under this criterion
- *Higher Education Reversion Clearing Account* - Creates a \$10 million higher education funding reduction clearing account for FY2012; the distribution of reduction will be determined in FY2011
- *Auxiliary Facilities at Two-Year Colleges* - SCHEV shall develop guidelines for construction of auxiliary facilities by two-year colleges by 10/1/2010

Mr. Johnson said that the earliest that the Governor could sign the budget is April 15 and if there are additional amendments then there would be a veto session and April 21 is the date for the final budget.

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Mr. Johnson stated that in regards to actual numbers for the 2010 to 2011 fiscal years we are looking at reductions in the operating budget of \$1.2 million and central account fund account adjustments of \$500,132. He said that he thinks that fiscal year 2011 will be manageable for the University. Mr. Johnson said that for fiscal year 2012 that we will still have central account reductions but the general fund reduction increases to \$5.2 million. He said that the stimulus money runs out in FY12 and the State also will continue reductions in that year and will be a big challenge for the University. Mr. Johnson stated that over the total biennium that we will have reductions of \$7.4 million.

Mr. Johnson said to prepare for the reductions we will manage the budget cuts over a two year period, about \$4 million per year. He said our enrollment would need to increase substantially and in addition, it would mean possible increase of our tuition and fees. Mr. Johnson said he also wanted to make the Board aware that our portion of the stimulus money had not been distributed to any colleges or universities as of yet. Mr. Johnson stated that in order to go forward that the University had established three possible plans that were being focused on to get the \$4 million per year that was broken up into three strategies. He said that the strategies would be discussed with a committee with deans and vice presidents to determine where the reductions would be made.

Mr. Kern asked in area of cuts to be made, where we were in cutting the quality of education versus administration and support and the impact. Mr. Johnson responded that we had absorbed all of the reductions at this point outside of the academic area so as not to affect the quality of education. He said that as we move deeper into the strategies we have for the reductions, that there may be some affect. He said that the deans and vice president committee would review if we had to move into that direction. Mr. Kern asked when we would know if it was required to move to plans b or c in the strategies. Mr. Johnson stated that we receive weekly updates in regards to the enrollment levels and we may know before we move to the new fiscal year.

### **b. Preliminary Operating Budget**

Mr. Johnson stated that for FY 2011 that the budget proposed was \$146 million for revenues and the change was the \$4 million in stimulus funds. He said that estimated expenditures would also be \$146 million which would be distributed among educational and general, student financial aid, auxiliary enterprises and sponsored grants. Mr. Johnson said that the Educational and General Revenues were \$82 million and expected expenses would be \$76 million. He also stated that for Auxiliary Enterprises revenues and expenses were expected to be \$33 million in mandatory fees, athletic events, food fees and other sales and service.

He said that for fiscal year 2011 that we were looking at \$77 million for educational and general total funding sources. He said compared to fiscal year 2012 the number would drop to \$70 million which were the affects of the stimulus money and continued

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reductions that the state would be implementing. Mr. Johnson said that for fiscal year 2011 there will be \$146 million whereas for fiscal year 2012 the revenue drops to \$140

million and this is the challenge to prepare for and that the information had been discussed all across campus so everyone is aware of what we have to face. Mr. Johnson said that the total includes the \$250,000 received by the University in the consensus report approved for the Ph.D. program in Material Science program.

### **c. Tuition and Fees**

Mr. Johnson stated that he wanted to discuss a possible tuition and fee scenario. He said that possible enrollments for the fall had been discussed and it would increase tuition and fees by approximately seven percent. He referred the Finance Committee to the information included in the Board book for last year's rates and this year's rates. Mr. Johnson said that the format kept mandatory auxiliary fees flat at about five percent. He said when averaged out it comes to an increase of slightly overall of six percent when you account for tuition, fees and mandatory auxiliary fees. Mr. Johnson said that it would turn into about \$177 increase per semester for in-state undergraduate students. He said that the same number was used for in-state graduates, out-of-state undergraduates and graduate students.

Mr. Johnson stated that there was a four percent increase in room and board charges. He said that based on which residential hall and the size of the room that the student lived in that the rates would vary. Mr. Johnson reviewed the estimated cost per semester and annually for FY 2010 and FY 2011 to include tuition and fees and room and board for in-state and out-of-state students.

Mr. Light asked if we had flat enrollment what type of revenue would be generated. Mr. Johnson responded about \$1 million would be generated if we increased the tuition by seven percent with flat enrollment numbers.

Mr. Green asked did we know where we compared with other similar colleges and universities because we used to be in the middle. Mr. Johnson responded that the other schools were not reviewing their tuition and fees at this time until the April or May timeframe. Mr. Johnson stated that most colleges were looking at higher than average tuition and fee increases. He said that some universities and colleges implemented mid-year tuition and fee increases in January and Norfolk State did not. Mr. Johnson said that he would not be surprised if community colleges implemented double digit tuition and fee increases because they are bursting at the seams in regards to enrollment. Mr. Johnson said more than likely there will be higher than five percent increases.

Mr. Kern stated that with the presentation of this information that he understands that the Finance committee is to take it under advisement but not approve it today. Mr. Johnson said that was correct. Mr. Kern said that the Rector wanted to know if we should move

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on approval for this meeting or defer because we approved at the May meeting last year. Mr. Johnson responded that we want to get an idea of where we may be in tuition increases based on the other peer colleges and universities. Also he said that we wanted to make sure that the decisions in the General Assembly are final and not have to face other challenges in the immediate year if changes are made. Mr. Kern is there any question regarding the stimulus money that has not been released yet. Mr. Johnson said that it has been a question at each meeting but no real responses. Mr. Green asked would

we have time during March and May to finalize the tuition and fee changes. Mr. Johnson said that it would be presented for approval in May and information was disseminated to students in May this year right after the May Board meeting. Mr. Light stated that we should wait until after the State budget was approved and completed. Mr. Perry concurred with Mr. Light. Mr. Hamm stated that his concern was that as we recruit new students, we needed to be able to inform them of the cost to attend Norfolk State. Mr. Hamm also said that we could use this information as a preliminary indication of the cost. Mrs. Sass responded that we had been doing that and packaged students with financial aid and it can be changed.

### **2. *Closed Session – pursuant to §2.2-3711A.1, Code of Virginia*** ***a. Internal Audit's Report***

Mr. Kern requested a motion to convene into closed session to receive a report from the Internal Auditor.

Mr. Light motioned, and seconded by Mr. Green, and unanimously approved by the Finance Committee to move to adjourn and reconvene in Closed Session as permitted by 2.2-3711.A.3, Code of Virginia, for specific purpose of discussing the Internal and State Audit Reports.

The Finance Committee reconvened in Open Session at 10:20 a.m.

The Norfolk State University Finance Committee having reconvened in open session, took a roll call vote on certification that (i) only public business matters lawfully exempted from open meeting requirements, and (ii) only such public business matters as were identified in the motion by which the Finance Committee closed meeting was convened were heard, discussed or considered in the meeting by the Finance Committee. Any member of the Finance Committee who believed that there was a departure from the requirements as stated above, was asked to so state prior to the vote, indicating the substance of the departure that in his or her judgment has taken place.

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A roll call was taken for Board members who certified the motion:

Green..... yes

Kern.....yes

Light.....yes

Perry ..... yes

**3. Adjournment**

Mr. Kern asked if there was any other business and for adjournment. There being no further business, the meeting adjourned at approximately 10:22 a.m.

Respectfully submitted,

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Ralph W. Johnson, Vice President for  
Finance and Business

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Howard P. Kern, Chairperson  
Finance Committee