

Review and Approval of the 2022-2028 Six-Year Plan
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 11, 2022

Summary

The university received instructions for revising the 2022-2028 Six-Year Plan on April 30, 2022. In June, the university reviewed with the Board the primary elements utilized to develop the plan. An initial submission of the plan was provided to the state on July 11, 2022. The university received feedback from the state on September 11, 2022 and submitted its response on October 11, 2022. The final revised Six-Year Plan, consistent with the elements presented to the Board in June, is now offered for approval.

Background

The Higher Education Opportunity Act of 2011 codified a set of goals and objectives for higher education in Virginia, and outlined an annual planning process. This process requires submission of academic, financial, and enrollment plans for the future three biennia or six years. The focus of the plan, submitted each odd-year, is the first biennium of the planning period. Even-year submissions may revise these plans as necessary. The Six-Year Plan submission begins a discussion with the Commonwealth about the university's planned progress towards the goals of the state's Virginia Plan for Higher Education, and how the university can partner with the state to advance shared outcomes. Separate plans are submitted for both the University Division (Agency 208) and the Cooperative Extension & Agricultural Experiment Station Division (Agency 229). This process is also an important step in positioning the university to seek state support during the Executive Budget development process each fall.

Planning Assumptions

Academic and Support Service Strategies

The Six-Year Plan focuses on the institutional priorities of the upcoming biennium (fiscal years 2023 and 2024). The primary goals of the Six-Year Plan are to:

- a) Summarize major strategies that impact academic, student support, research, and operations areas;
- b) Project financial resources needed to support these initiatives in the first biennium, including the projection of tuition rates and student financial assistance; and
- c) Provide an enrollment projection to assist the SCHEV in its planning and reporting responsibilities.

The university develops the academic initiatives and General Fund requests in a manner consistent with the university's long-range plan. A summary of the strategies envisioned

in the plans for the University Division and the Cooperative Extension and Agricultural Experiment Station Division is provided in the tables below. The second year of the plan is cumulative (includes costs of the first year of the plan). The tables below display both the original submission of 2021 and the revisions submitted in 2022. Revisions include technical adjustments and the incorporation of new state initiatives and compensation programs.

University Division

	Dollars in Millions			
	Original		Revised	
Academic Initiatives	2022-23	2023-24	2022-23	2023-24
Advance regional, national, and global impact	\$4.0	\$5.2	\$4.0	\$5.2
Elevate the Ut Prosim difference	3.0	5.5	1.7	4.2
Be a destination for talent	2.3	2.7	2.3	2.8
Ensure institutional excellence	1.3	1.8	1.4	1.8
Subtotal Academic Initiatives	10.6	15.2	9.4	14.0
Operating Initiatives				
Increase faculty salaries	12.1	24.6	23.3	47.3
Increase staff salaries	1.5	3.1	5.2	10.5
One-time bonus for State Employees	-	-	5.3	-
Operations & maintenance for new facilities	2.1	6.0	2.2	5.1
Additional financial aid	2.1	4.2	9.1	4.6
Nongeneral fund for current operations	2.0	3.8	6.5	7.8
Subtotal Operating Initiatives	19.8	41.7	51.6	75.3
Total University Division Initiatives	\$30.4	\$56.9	\$61.0	\$89.3

In addition to the academic and operating priorities of the university, the Six-Year Plan identifies opportunities for the state to support Virginia Tech through the allocation of incremental General Funds. These opportunities, summarized in the following table, serve as the basis of the university's Executive Budget requests submitted in the fall of 2022.

University Division General Fund Requests	Original		Revised	
	2022-23	2023-24	2022-23	2023-24
Mitigate/avoid in-state tuition increases	\$4.6	\$9.6	-	\$12.2
Increase need-based student financial aid for Virginia undergraduates	1.0	2.0	-	20.7
Improve affordable access to medical education (VTCSOM)	-	-	-	26.4
Advance research frontiers	3.8	7.5	-	3.8
Equalize support for Unique Military Activities	0.4	0.8	-	-
Support growth in VMSDEP waivers	-	-	6.0	7.2
Provide operations & maintenance funding for projects coming on-line	-	-	-	1.0
Total University Division General Fund Requests	\$9.8	\$19.9	\$6.0	\$ 71.3

Cooperative Extension and Agricultural Experiment Station Division (CE/AES)

As part of the annual Six-Year Plan process, the university also submits a plan for the Cooperative Extension and Agricultural Experiment Station (CE/AES) Division (Agency 229). This separate state agency is primarily supported by General Funds and has very little opportunity to generate nongeneral funds. Therefore, the CE/AES Division plan is primarily based on incremental General Fund requests aligned with opportunities to support shared state goals of economic growth and citizen prosperity.

Operating Initiatives	Original		Revised	
	2022-23	2023-24	2022-23	2023-24
Increase faculty and staff salaries	\$0.1	\$0.2	\$ 3.3	\$ 6.8
One-time bonus for State Employees	-	-	0.8	-
Operations & maintenance for new facilities	0.7	0.8	0.7	0.8
Nongeneral fund for current operations	0.3	0.7	0.5	1.0
Total CE/AES Initiatives	\$1.1	\$1.7	\$ 5.3	\$ 8.6

In addition to these operating costs, the division plans to request state General Fund support for the following initiatives. This is in addition to existing phased-in support for the agency's "Building Resilience" initiative funded by the 2022 General Assembly.

	Original		Revised	
	2022-23	2023-24	2022-23	2023-24
CE/AES General Fund Requests				
Mitigate Impact of Inflationary Cost Increases on Agency Operations	\$0.9	\$1.2	-	1.0

Compensation

Faculty

A strategic goal of the university is to recruit and retain world-class faculty by ensuring faculty salary competitiveness with peer institutions. The university maintains a multi-year goal of achieving competitive salaries as compared to peers. The university's revised Six-Year Plan includes the nongeneral fund share of the 5.0% state compensation program approved for each year of the biennium.

Staff

For planning purposes, the university's revised Six-Year Plan includes the nongeneral fund share of the 5.0% state compensation program approved for each year of the biennium. Compensation for classified staff, who represent less than one quarter of the overall staff population, is subject to the authorization of the General Assembly.

Access and Affordability

Included in the academic initiatives above, the university's student financial aid goals center around reducing the net price for Virginians in low- to middle-income families. Strategies include maintaining and expanding existing need-based scholarships for undergraduates including the Funds for the Future program to mitigate tuition increases and the Virginia Tech Grant to reduce unmet need. Expanding programs geared towards attracting and retaining underrepresented and first-generation Virginia undergraduates including the Presidential Scholarship Initiative will contribute to the aforementioned goals while also promoting talent and diversity. The university plans to address these needs through a combination of E&G revenue, state General Funds, and philanthropic support.

Enrollment

The university submitted its six-year enrollment plan to SCHEV, known as the 2B, in the spring of 2021. The 2B is the basis for the enrollment figures included in the Six-Year Plan. The university is currently reviewing the recent multi-year growth strategy and assessing potential future enrollment levels. Therefore, undergraduate enrollment is relatively flat in this projection. Annual enrollment levels will inform future enrollment decisions, and may require adjustments to enrollment assumptions. State support will be important for growth in Virginia undergraduates. Though the enrollment plan submitted in

May of 2021 serves as the basis of this Six-Year Plan, the university will adjust future submissions as enrollment decisions evolve.

Funding and Cost Containment

The Commonwealth's process discourages initiatives funded solely through incremental General Fund support, except in limited initiatives such as research or public service. This process is designed to focus on goals, costs, and the use of university nongeneral fund resources, allowing General Fund support to be determined later through the state budget process. This approach displays the university's nongeneral fund support allocated to each initiative in the Six-Year Plan. However, the university assumes the traditional state share of costs consistent with long-standing and codified funding principles. The university is planning for the nongeneral fund share of these costs in accordance with state policies, as summarized in the table below:

<i>Fund Split Methodology</i>	State Share (GF)	University Share (NGF)
University Division E&G	38%	62%
Cooperative Extension E&G	95%	5%
Research	100%	0%
Public Service	100%	0%
Unique Military Activities	100%	0%

In addition to the deployment of incremental revenue, the university also seeks to implement efficiencies that allow the repurposing of resources. To ensure sensitivity to overall cost, the university projects some reallocation of existing resources to help advance top priorities while mitigating the pressure on tuition.

Tuition and E&G Fee Revenue

A key part of the Six-Year Plan submission is a discussion with the Commonwealth regarding resources for the university's instructional division. As designed by the state, the Six-Year Plan format requires that university self-generated nongeneral fund resources support the core operations and proposed academic initiatives. General Fund requests can be submitted that support further progress towards strategic goals beyond that level are supported by university resources. This ensures that the plan is balanced, and identifies opportunities for the state and university to partner to expand the impact of initiatives that advance shared strategic priorities. Limited progress can be made with university resources alone. The initiatives envisioned in the plan include both state General Fund support and nongeneral fund self-generated revenue. This partnership utilized traditional state and university fund split methodologies.

It is important to recognize that the university is not recommending nor committing to a specific set of tuition rates through this submission. Establishment of tuition and fee rates for future years remains under the purview of the Board of Visitors and will be informed through an annual discussion of needs, the state budget process, and market capacity.

While increases in tuition and fees for 2023-24 and beyond have not been set by the Board of Visitors, the university utilized the following placeholders to satisfy the plan requirements. An assumption of no new targeted General Fund support serves as the basis of these placeholders in accordance with SCHEV's instructions for this submission.

Tuition and Fee Increase Placeholders	2023-24
Tuition & E&G Fees	
In-state Undergraduate	4.9%
Out-of-state Undergraduate	3.9%
In-state Graduate	2.9%
Out-of-state Graduate	2.9%
Mandatory Non-E&G Fees (Comprehensive Fee)	3.9%

Next Steps

The university submitted the Six-Year Plan to the Commonwealth on July 11, 2022. The submission began an iterative review process that culminated with a state review and response from the university. The Six-Year Plan served as a guide for the university's budget submissions for the Executive Budget development process in the fall of 2022 and will inform the university's state funding advocacy during the 2023 General Assembly session.

RECOMMENDATION:

That the Board of Visitors approve the revised 2022-2028 Six-Year Plan.

November 14, 2022