

Review and Approval of the 2020-2026 Six-Year Plan
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

September 25, 2019

Summary

The university received instructions for developing the 2020-2026 Six-Year Plan on May 1, 2019. 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 1, 2019. The university received feedback from the state on August 27, 2019 and submitted its response on October 1, 2019. The final 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.

Changes for 2019

Tuition Predictability Plan: The revised biennial budget approved by the 2019 General Assembly requires institutions to outline the estimated cost of in-state undergraduate tuition and fees for a period of no less than three years. Institutions may submit several scenarios, for example varying the level of state General Fund support, with at least one scenario based on the assumption that the state provides no new General Fund support.

General Fund Requests: The Six-Year Plan template was revised to include a separate section for General Fund requests for the 2020-22 biennium. For example, the university could request state support to lower the aforementioned in-state undergraduate tuition and fee rate, or for support for a new academic or research initiative. The university develops these initiatives in a manner consistent with the university's long-range plan. This information serves as the basis for the university's Executive Budget requests submitted to the administration in the fall.

Institutional Performance Partnership Agreement: The 2019 General Assembly passed new legislation that allows institutions to submit an optional proposal for an Institutional Performance Partnership Agreement (IPPA). These agreements re-envision the traditional relationship between the university and the Commonwealth by identifying and supporting one or more targeted initiatives that leverage the unique strengths and capabilities of each party. Strategies within such an IPPA will be embedded within the Six-Year Plan, demonstrating how both the institution and the Commonwealth can contribute to the partnership. As this state initiative has evolved, the university has considered how such a partnership could support expansion and/or enhancement of university strategic goals.

Planning Assumptions

Academic and Support Service Strategies

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 non-binding placeholders of tuition rates and student financial assistance;
- c) Provide an enrollment projection to assist the State Council on Higher Education for Virginia (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).

University Division

Nongeneral Fund	Dollars in Millions	
	2020-21	2021-22
Academic Initiatives		
Develop "Destination Areas" that differentiate Virginia Tech and advance regional, national, and global impact	\$3.8	\$7.4
Expand access for low and middle-income Virginia families*	1.0	2.0
Expand degree completion, pathway opportunities, VT-shaped transdisciplinary learning, and student advising	0.4	0.8
Be a destination for talented faculty, staff, and students in increasingly competitive markets	0.8	1.6

Support faculty startup packages*	0.7	1.5
Advance institutional excellence through organizational effectiveness and efficiency	1.3	2.5
Increase graduate enrollment in strategic areas	0.7	1.4
Subtotal Academic Initiatives	\$8.7	\$17.2
Operating Initiatives		
Increase faculty salaries	\$10.9	\$22.1
Increase staff salaries	1.5	3.0
Operations & maintenance for new facilities	2.3	4.2
Additional financial aid	0.3	0.6
Nongeneral fund for current operations	4.2	8.5
Subtotal Operating Initiatives	\$19.2	\$38.4

**Component of Institutional Partnership Performance Agreement*

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 2019.

University Division General Fund Requests	2020-21	2021-22
Extend access for low and middle-income families by continuing to expand need-based financial aid to undergraduate students*	\$ 1.0	\$ 2.0
Develop and deploy Scalable Internship Program to expand experiential learning and enhance workforce development*	1.0	2.0
Support faculty startup packages, particularly for new faculty in the STEM-H fields, including equipment and lab renovation*	1.0	2.0
Leverage partnerships to expand research programs in Roanoke*	2.0	4.0
Cultivate groundbreaking university research capabilities	1.5	3.0
Increase support for Unique Military Activities	0.2	0.4
Subtotal	6.7	13.4
Provide inflationary increase to base E&G General Fund Budget*	5.3	10.8

Provide incremental General Fund to moderate in-state undergraduate tuition (from 4.9% to 2.9%)*	4.6	9.5
Provide further incremental General Fund to freeze in-state undergraduate tuition (from 2.9% to 0.0%)*	6.7	13.7
Total University Division General Fund Requests	\$23.3	\$47.4

**Component of Institutional Partnership Performance Agreement*

As part of the annual Six-Year Plan process, the university also submits a Six-Year Plan for the Cooperative Extension and Agricultural Experiment Station (CE/AES) Division, also known as Agency 229. This provides the opportunity for the university to advocate on behalf of the university's land grant component. This separate state agency is primarily supported by General Funds, and has very little opportunity to generate incremental nongeneral funds. Therefore, the CE/AES Division Six-Year Plan is primarily based on incremental General Fund requests, aligned with opportunities to support shared state goals of economic growth and citizen prosperity. These opportunities, summarized in the following table, serve as the basis of the agency's Executive Budget requests submitted in the fall of 2019.

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

CE/AES General Fund Requests	2020-21	2021-22
Expand and Enhance the information technology infrastructure of the agency's facilities across the Commonwealth	\$3.0	\$0.6
Advance Smart Farm Innovation Network Initiative - equipment and technology	4.3	4.5
Advance Smart Farm Innovation Network Initiative - personnel	2.3	4.6
Enhance market competitiveness of Extension Agent compensation	1.7	1.7
Subtotal CE/AES General Fund Requests	\$11.3	\$11.4
Operating Initiatives	2020-21	2021-22
Increase faculty and staff salaries	\$0.1	\$0.2
Operations & maintenance for new facilities	0.7	1.3
Nongeneral fund for current operations	0.5	1.1
Subtotal Operating Initiatives	\$1.3	\$2.6

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 state maintains a codified goal of the 60th percentile of peer salary averages, and the university continues to plan progress towards this goal over a multi-year period. Based upon this long-range goal, and utilizing SCHEV's projected peer increase of 2.8 percent per year, the university projects a needed faculty salary increase of 4.6 percent per year over six years. The university's Six-Year Plan includes the nongeneral fund share of this target (2.8 percent, or approximately \$11 million per year) in both years of the plan, with the expectation that in combination with a state compensation program, the university would make progress towards the 60th percentile of peer institutions over time.

Staff

For planning purposes, the staff compensation process envisions a 2.0 percent salary increase for university staff and a 0.0 percent salary increase for classified staff in each year of the plan. Compensation for classified staff, who represent approximately 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 include maintaining and expanding existing need-based scholarships for undergraduates. The university envisions continued allocations to the Funds for the Future program, which provides relief from tuition increase for students from low and middle-income families and helps students and parents plan for the costs of education over multiple years. The Virginia Tech Grant initiative cohort is growing to include additional first-generation undergraduate Virginia students. Additionally, the university will seek to further reduce the net price for Virginia residents from low to middle-income families.

Enrollment

The university submitted its six-year enrollment plan to SCHEV, known as the 2B, in the spring of 2019. The 2B is the basis for the enrollment figures included in the Six-Year Plan. The university is currently undergoing a multi-year growth strategy, which will include growth in both undergraduate and graduate students. Success in achieving the annual growth targets 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 2019 serves as the basis of this Six-Year Plan, the university expects to submit a revised enrollment plan that recognizes the impact of the fall 2019 enrollment variance and incorporates the final Tech Talent Pipeline enrollment growth initiative.

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%
Targeted Student Financial Aid	0%	100%

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 the Six-Year Plan 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. However, in accordance with Item 143 of Chapter 854 (2019 Acts of Assembly), the university is required to submit the estimated cost of in-state undergraduate tuition

and fees for a period of no less than three years. Multiple scenarios are allowed within the submission.

While increases in tuition and fees for 2020-21 and beyond have not been set by the Board of Visitors, the university utilized the following placeholders to satisfy the plan requirements. A scenario of no new targeted General Fund support is utilized as the default, while additional options are offered in partnership with new targeted state General Fund support.

In-State Undergraduate Tuition and E&G Fee Increase Placeholder				
	2020-21	2021-22	2022-23	2023-24
Scenario 1: No new targeted General Fund	4.9%	4.9%	4.9%	4.9%
Scenario 2: General Funds mitigate increase	2.9%	2.9%	2.9%	2.9%
Scenario 3: General Funds freeze tuition	0.0%	0.0%	0.0%	0.0%

Institutional Partnership Performance Agreement (IPPA)

As shared with the Board at the June 2019 meeting, a new component of the 2019 Six-Year Plan development is the opportunity to include a proposal for enhanced partnership with the state around innovative initiatives that achieve shared goals. Virginia Tech's Six-Year Plan was developed around the foundational strategies of affordability, enrollment management, economic development, efficiency and innovation, and accountability. As such, the submission outlines opportunities for the Commonwealth to partner with the university to make measurable progress in these areas. The university will work with state officials to advance the elements of Virginia Tech's proposed IPPA during the 2020 General Assembly Session.

Next Steps

The university submitted the Six-Year Plan to the Commonwealth on July 1, 2019. 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 2019.

RECOMMENDATION:

That the Board of Visitors approve the revisions to the 2020-2026 Six-Year Plan.

November 18, 2019