Open Session Agenda
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Electronic Meeting
4:00 p.m.
May 7, 2020

Agenda Item

1. Welcome and Opening Remarks

2. Consent Agenda
   a. Approval of Minutes of the November 18, 2019 Meeting
   b. Adjustment to the VTT, LLC Loan

3. Report on the 2020 Legislative Session

♦ 4. Update on 2020-21 Tuition and Fee Rate Development
   a. Comments from Undergraduate and Graduate Student Representatives to the Board of Visitors
   b. Discussion of Tuition and Fee Rates
   c. Budget Development Overview
   d. Discussion of Compensation for Graduate Assistants

5. University’s Annual Financial Statements

6. Intercollegiate Athletics Programs Report for Year Ended June 30, 2019

7. Closing Remarks

* Requires full Board approval.
♦ Discusses Enterprise Risk Management topic(s).
Open Session

1. Welcome and Opening Remarks

2. Consent Agenda: The Committee will consider for approval the items listed on the Consent Agenda.

   a. Approval of Minutes of the November 18, 2019 Meeting: The Committee will review and approve the minutes of the November 18, 2019 meeting.

   b. Adjustment to the VTT, LLC Loan: The Committee will review the adjustment to the VTT, LLC Loan. The Board of Visitors passed a resolution on September 10, 2012 authorizing the university to underwrite a $4 million loan, from nongeneral fund sources, to VTT, LLC to finance the acquisition of the equipment and leasehold improvements and to support the initial startup and operations of a new National Tire Research Center. This report provides the Finance and Resource Management Committee with an update on the university’s restructuring of the loan under the authority granted by the existing resolution.

3. Report on the 2020 Legislative Session: The Committee will receive a report on the results of the 2020 Legislative Session, including the Governor’s Executive Budget presented on December 17, 2019. The General Assembly opened on January 8, 2020, adjourned on March 7, 2020, and reconvened on April 22, 2020. This report presents the major elements of the Executive Budget Amendments and General Assembly actions for the 2020-2022 biennium. However, the impact of COVID-19 on the budget for the 2020-2022 biennium remains unclear.

4. Update on 2020-21 Tuition and Fee Rate Development: The Committee will receive an update on the development of tuition and fee rates for 2020-21. This update will include comments from the Undergraduate and Graduate Student Representatives to the Board of Visitors, an update on budget development under the uncertainty due to COVID-19, and discussions of potential tuition and fee rates and the associated compensation for Graduate Assistants.

* Requires full Board approval.
♦ Discusses Enterprise Risk Management topic(s)
5. **University’s Annual Financial Statements:** The Committee will receive an overview of the university’s annual financial statements for the fiscal year ending June 30, 2019.

The financial statements have been prepared in accordance with generally accepted accounting principles, and the Auditor of Public Accounts (APA) issued an unmodified (or clean) opinion. The APA reported one written audit comment for improperly identifying employees required to complete a statement of economic interest and conflict of interest training. The university is in the process of implementing a corrective action plan to address the audit comment.

At June 30, 2019, the university had total net position of approximately $1.4 billion, an increase of $131.0 million or 10.4 percent since fiscal year 2018. Total unrestricted net assets increased by $75.7 million or 33.4 percent to negative $150.7 million. The increase in the unrestricted net position is due to growth in returned overhead balances, increases in the unrestricted portion of the auxiliary system funds, and an overall decrease in the actuarially determined pension and Other Post-Employment Benefits expenses.

Total revenues for fiscal year 2019 were $1.6 billion, an increase of $83.2 million or 5.5 percent over fiscal year 2018. This increase was due to student population growth and the rise in tuition and fee rates, growth in auxiliary enterprise revenues, and an increase in sponsored grants and contracts. Total operating expenses for fiscal year 2019 were $1.5 billion, an increase of $44.5 million or 3.1 percent. The increase was primarily in the compensation and benefits category, with an increase of $19.9 million.

6. **Intercollegiate Athletics Programs Report for Year Ended June 30, 2019:** The Committee will receive a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics Program review for fiscal year 2019. The APA performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Program for fiscal year ended June 30, 2019, is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. During the APA review, no matters were brought to the APA’s attention that would lead them to believe the amounts on the Schedule of Revenues and Expenses should be adjusted. This review does not constitute an audit and therefore no opinion is issued. Revenues exceeded expenses resulting in a net operating income of $2.8 million for fiscal year 2019.

7. **Closing Remarks**

* Requires full Board approval.
◆ Discusses Enterprise Risk Management topic(s).
Welcome and Opening Remarks

TISH LONG
CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Consent Agenda

a. Approval of Minutes of the November 18, 2019 Meeting
b. Adjustment to the VTT, LLC Loan

*Requires full Board approval
Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Solitude Room, The Inn at Virginia Tech
November 17-18, 2019

Joint Open Session with the Buildings and Grounds Committee

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, John Ferris – Faculty Representative, Greta Harris, C.T. Hill, Anna James, Ryan King – Graduate Student Representative, Tish Long, Melissa Nelson, Chris Petersen, Mehul Sanghani, Tamarah Smith – Staff Representative, Dennis Treacy, Horacio Valeiras, Jeff Veatch, Preston White

Virginia Tech Staff: Kim Akers, Bob Broyden, Cyril Clarke, Van Coble, Denny Cochrane, Al Cooper, Joe Crane, John Cusimano, Karen DePauw, Jon Deskins, John Dooley, Alisha Ebert, Kevin Foust, Lance Franklin, Ron Fricker, Elaine Gall, Bryan Garey, Mark Gess, Alan Grant, Rebekah Gunn, Kay Heidbreder, Pat Hilt, Tim Hodge, Nathan King, Chris Kiwus, Brian Kubecki, Sharon Kurek, Jamie Lau, Rob Mann, Steve McKnight, Nancy Meacham, Scott Midkiff, Ken Miller, Liza Morris, Sally Morton, Saied Mostaghimi, Heidi Myers, April Myers, Justin Noble, Kim O’Rourke, Mark Owczarski, Patty Perillo, Charlie Phlegar, Dwayne Pinkney, Ellen Plummer, Menah Pratt-Clarke, Frank Shushok, Kayla Smith, Ken Smith, Don Taylor, Dwyn Taylor, Jon Clark Teglas, Tracy Vosburgh, Lisa Wilkes, Paul Winistorfer

* 1. Approval of Resolution for the Athletics Weight Room Renovation and Expansion: The Committees reviewed for approval a Resolution for the Athletics Weight Room Renovation and Expansion. This project is an important element for student-athlete recruitment and enhancement of the student-athlete experience with state-of-the-art spaces for weight training, team meeting space, and an updated graphics package. The project scope includes approximately 22,520 gross square feet with a 17,640 gross square foot renovation of the first two floors of the Merryman Center and a 4,880 gross square foot expansion of the second floor team meeting rooms.

The estimated construction value is $3.31 million plus associated soft costs for design, administration, and inspection. The total project budget is $4.5 million. A funding plan has been developed to support the entire expected cost of the project which calls for private gifts restricted or designated for the project. Athletics has obtained commitments sufficient to cover the entire expected costs of the project.
The university is ready to move forward with this project, with expected construction bids occurring in December 2019 and occupancy expected in August 2020.

This request is for authorization to move forward with the Athletics Weight Room Renovation and Expansion project with an expected construction value of $3.31 million renovation and expansion plus associated soft costs, including existing design expenditures, for a total project budget not to exceed $4.5 million.

The Committees recommended the Resolution for the Athletics Weight Room Renovation and Expansion to the full Board for approval.

There being no further business, the meeting adjourned at 5:29 p.m.

Closed Session

Board Members Present: Ed Baine, Anna James, Tish Long, Melissa Nelson, Horacio Valeiras, Preston White

Virginia Tech Staff: Kay Heidbreder, Nancy Meacham, Ken Miller, Charlie Phlegar, Dwayne Pinkney, Tim Sands

1. **Motion for Closed Session**: Motion to begin closed session.

2. **Ratification of Personnel Changes Report**: The Committee met in closed session to review and ratify the quarterly Personnel Changes Report. The report included new faculty appointments and adjustments in salaries for select faculty through the quarter ending September 30, 2019.

   The Committee recommended the Personnel Changes Report to the full Board for approval.

Open Session

Board Members Present: Ed Baine, Shelley Barlow, John Ferris – Faculty Representative, Anna James, Tish Long, Melissa Nelson, Madelynn Todd – Undergraduate Student Representative, Dennis Treacy, Horacio Valeiras, Preston White
1. **Motion to Reconvene in Open Session**: Motion to begin open session.

2. **Opening Remarks**

3. **Consent Agenda**: The Committee considered for approval and acceptance the items listed on the Consent Agenda.

   a. Approval of Items Discussed in Closed Session

   b. Approval of Minutes of the August 26, 2019 Meeting

   c. Annual Write-off of Delinquent Accounts: As of June 30, 2019, the amount of write-offs of delinquent accounts totaled $384,279 which represents 0.03 percent of the 2018 annual operating revenues of $1.01 billion. The current year write-off is consistent with the total write-off amounts in recent years.

   * d. Approval of Pratt Fund Program and Expenditures Report: The Pratt Fund provides funding for programs in both the College of Engineering and Department of Animal Nutrition in the College of Agriculture and Life Sciences. For fiscal year 2018-19, the College of Engineering had total expenditures of $997,259 and the Animal Nutrition had total expenditures of $925,088.

   * e. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission: The resolution seeks approval to appoint the Senior Vice President and Chief Business Officer as a representative of the university on the Hotel Roanoke Conference Center Commission.

   The Committee approved the items on the Consent Agenda and recommended the Pratt Fund Program and Expenditures Report and the Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission to the full Board for approval.

4. **Annual Report on Research**: The Committee received an annual report on research which provided an in-depth review of research expenditures including a
breakdown of extramural research expenditures from different perspectives. The presentation also provided trends in licensing revenue and expenditures and long-term strategies for Virginia Tech to achieve research growth.

5. **Update on Advancement:** University Advancement provided a quarterly report on their fundraising efforts including an update on the Boundless Impact campaign that was officially announced during the October kick-off with two goals of $1.5 billion and alumni engagement of 22% by 2022.

Over the next year there will be eight regional campaign kick-off events with the first being in the greater D.C metro area on Dec. 4 and the remaining seven completed by June 30, 2020. Advancement will provide the event locations and schedule and requests Board participation to regional events near your home base. The sesquicentennial will start in September 2021 and run through September 2022.

6. **Annual Report on Investments and Quasi-Endowments:** The Committee received a report on university investments, investment performance and related benchmarks, estimated payouts for fiscal year 2020, and planned use of such funds. The university has two investment pools: a short to intermediate-term pool managed within the university and a long-term pool managed by the Virginia Tech Foundation, Inc. The report shows the purposeful growth of funds invested in the endowment pool managed by the foundation to increase investment balances.

As of June 30, 2019, the market value of university funds invested in the short to intermediate-term pool was $381.5 million and in the foundation was $382.2 million. The short-term university investment income for fiscal year 2020 is estimated to be approximately $7.4 million and the long-term university investment income for fiscal year 2020 is estimated to be approximately $16.2 million. The university’s investment income is budgeted for restricted and unrestricted purposes to support scholarships, professorships, graduate student assistantships, auxiliary enterprises, and the Virginia Tech Carilion School of Medicine, one-time or limited recurring commitments for strategic institutional goals and initiatives, and building adequate operating reserves (including the strategic plan milestone of growing net assets by $20 million per year).

7. **Annual Report on the University’s Student Financial Aid Resources:** The Committee received a comprehensive report on the university’s scholarship and financial aid program. The university continues to work proactively to ensure access and affordability. The amount of total student financial aid awarded increased $25.5 million in fiscal year 2018 to $511.9 million in fiscal year 2019.
8. **Financial Overview of Enrollment Variance Fall 2019**: The Committee received an overview of the financial impact of the Fall 2019 enrollment variance. The total enrollment variance for Fall 2019 resulted in an actual net increase of 479 students over the original budgeted amount. This net increase in undergraduate enrollment resulted in a $0.8 million variance in the Educational and General Budget, after netting additional expenditures against the additional revenues. Similarly, additional expenditures to obtain housing contracts from the Inn at Virginia Tech and the local Holiday Inn, plus additional other expenditures to support student counseling, resulted in auxiliary expenditures exceeding the additional revenues achieved from enrollment growth by $4.6 million. This current year drawdown of auxiliary reserves will be repaid in future years.

* 9. **Approval of Increase to Authorized Commercial Paper Program**: The Committee reviewed for approval an increase to the Authorized Commercial Paper Program from $50 million to $120 million. The increase is needed given the size and scope of the university’s strategic initiatives in the greater Washington, D.C. metro area, Roanoke, and Blacksburg.

The Committee recommended the Increase to Authorized Commercial Paper Program to the full Board for approval.

10. **Annual Report on University Debt Ratio and Debt Capacity**: The Committee received for acceptance a report on the university’s debt ratio and debt capacity. At the conclusion of fiscal year 2018-19, outstanding long-term debt of the university totaled $478 million with a debt ratio of 3.44 percent. The university proposed the continuation of the five percent cap on the debt ratio for future years and the Committee affirmed its support for continuation of the five percent internal debt ratio target.

* 11. **Review and Approval of the 2020-2029 Six-Year Plan**: The Committee reviewed for approval the 2020-2026 Six-Year Plan. The focus of the plan, submitted each odd-year, is the first biennium of the planning period, and even-year submissions may revise these plans as necessary.

The plan includes tuition and fee increase placeholders for multiple scenarios based on various levels of General Fund support by the Commonwealth, reflecting the university’s continued moderation of rate increases. While the plan includes these placeholders for planning purposes, it does not commit to a rate at this time; the Board retains the authority for approving the final tuition and fee rates.

A new component of the 2019 Six-Year Plan development process is the opportunity to include a proposal for enhanced partnership with the state around innovative initiatives that achieve shared goals, or Institutional Partnership
Performance Agreement (IPPA). The university’s Six-Year Plan was developed around the foundational strategies of affordability, enrollment management, economic development, efficiency and innovation, and accountability.

The Six-Year Plan process is an important step in positioning the university to seek state support during the Executive Budget development process each fall.

The Committee recommended the 2020-26 Six-Year Plan to the full Board for approval.

* 12. Approval of Year-to-Date Financial Performance Report (July 1, 2019 – September 30, 2019): The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2019 – September 30, 2019. For the first quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The budget was increased $9.3 million to recognize a larger freshman class. Revenues and expenses are lower than originally anticipated due to actual enrollments being lower than the expected estimated enrollment totals used to build the budgets. A second quarter adjustment is anticipated for other related items.

For the quarter ending September 30, 2019, $30 million was expended for Educational and General capital projects, and $14.2 million was expended on Auxiliary Enterprises capital projects. Capital outlay expenditures for the quarter ending September 30, 2019 totaled $44.2 million.

The Committee recommended the Year-to-Date Financial Performance Report to the full Board for approval.

13. Discussion of Future Agenda Topics and Closing Remarks: The Committee discussed possible topics for future meetings and other topics as needed.

There being no further business, the meeting adjourned at 11:48 a.m.

* Requires full Board approval.
Adjustment to the VTT, LLC Loan

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 21, 2020

The Board of Visitors passed a resolution on September 10, 2012 authorizing the university to underwrite a $4 million loan, from nongeneral fund sources, to VTT, LLC to finance the acquisition of the equipment and leasehold improvements and to support the initial startup and operations of a new National Tire Research Center (NTRC) (see Attachment A for the resolution). While VTT, LLC has been successful, due to evolving nature of activities at the NTRC, VTT, LLC has requested that the university refinance the loan to VTT, LLC which will strengthen their financial position. This report provides the Finance and Resource Management Committee of the Board of Visitors with an update on the university’s restructuring of the loan under the authority granted by the existing resolution. NTRC also does business as Global Center for Automotive Simulation (GCAPS), Southern Virginia Vehicle Motion Laboratory (SoVa Motion), and Virtual Design and Integration Laboratory (VDIL).

This initiative began approximately ten years ago when the Virginia Tech Transportation Institute (VTI) brought forward an opportunity to expand the educational, research, and economic development capabilities of the university in the field of automotive tires. The proposal included the creation of the NTRC which would own and operate unique equipment to perform applied and basic research and tire testing. Because of the planned extensive business interaction with commercial entities such as General Motors, NASCAR, and tire manufacturers, and the unique nature and potential business risks associated with these activities, a committee was established to evaluate if the NTRC could function effectively within the university environment or if a separate affiliated organization would serve as a more appropriate corporate structure. After extensive deliberations and consultations by the committee, the university determined that the NTRC would best operate under a newly created separate affiliated organization, VTT, LLC.

During fiscal year 2013, the VTT, LLC operated as a subsidiary of the Virginia Tech Foundation. After this start-up period, the university transferred the VTT, LLC to the Virginia Tech Innovations Corporation (VTIC) for ownership purposes and for ongoing operational oversight. The university established VTIC, which is intended to serve as a catalyst for developing uses for emerging technologies resulting from or supporting university research. A primary role for VTIC is to serve as an administrative oversight organization that would hold current and future separate entities established to pursue specific elements of the university’s expanding research programs.

The NTRC operates under the auspices of VTT, LLC and developed a state-of-the-art vehicle dynamics complex designed to provide Virginia Tech, customers, and strategic industry partners with one-stop research and testing expertise that bridges the gap
between virtual modeling and the open road. In addition to collaborating with commercial entities, the NTRC has garnered sponsored research projects from the automotive and tire industries and the federal government, developed novel educational programs and tutorials to impact education of local workforce, provided advanced courses at the graduate level, and impacted economic development through direct hiring in the Tobacco Commission geographic footprint and through services provided to its industrial customers. NTRC operates in conjunction with Virginia Tech Transportation Institute and is located at the Virginia International Raceway Motorsports Technologies Park in Southern Virginia.

The key instrument of the NTRC is a Flat-Trac Force and Moment Machine, which is a one-of-a-kind testing equipment asset. The machine, which cost over $11 million to construct and deliver to Virginia Tech, is crucial to the research and development and testing of tires. The NTRC developed an innovative and multi-source funding strategy for the acquisition of the machine. NTRC received an economic development grant of $5 million from the Virginia Tobacco Indemnification and Community Revitalization Commission to assist in the purchase and installation of the tire machine in an economically depressed region of the state. The Tobacco Commission retained a security interest in the tire machine as a way to exercise appropriate expenditure oversight and to ensure that at least 15 new jobs are added and remain in the Tobacco Commission geographic footprint for a minimum of seven years. An additional $5 million commitment was obtained from General Motors (GM). GM agreed to advance these funds to support the acquisition of the machine. In return for this commitment, GM was granted extensive use of the machine during the first two years of operation. GM also provided a letter of commitment to use the NTRC facilities for ongoing tire research and testing for a period not to exceed twenty years.

During the initial stages of the development of the NTRC concept, the VTTI developed a business model to analyze and support the financial and business viability of the NTRC proposal. The business model has continued to evolve along with the operational plans for the VTT, LLC. The model is expected to be viable for the foreseeable future, but with risk of business fluctuations. Over the past year, VTT, LLC’s major customer for tire testing, GM, experienced a workforce strike and globally lower demand for new vehicle models. This has impacted revenue expectations and fiscal year 2020 is expected to be down over $1 million from the prior year, while incurring high fixed costs related to facilities and the one-of-a-kind tire testing machine.

VTT, LLC is actively working to achieve breakeven operations by reducing costs and pursuing a structural cost reduction model. Workforce reductions and terminating the lease of one of the buildings are planned, but the savings associated with these reductions will not be realized until fiscal year 2021. In addition, VTT, LLC has committed to building a reserve as a tool to help mitigate the risk of business cycles.

Due to the evolving nature of NTRC, the university has agreed to update the terms of the $4 million loan previously authorized by the Board of Visitors. The university has agreed to advance VTT, LLC an additional loan of up to $0.5 million for operational needs (increasing the outstanding balance from $3.47 million to a revised outstanding balance of $3.97 million) and extend the payment terms twenty years to December 2039 (see
Attachment B for the effect of the loan on VTT, LLC’s debt service ratio and Attachment C for loan terms and conditions).

The Senior Vice President and Chief Business Officer is responsible for finalizing the terms and may alter the terms as needed in the future to achieve the objectives of this research initiative.
RESOLUTION FOR AUTHORITY TO EXECUTE AGREEMENTS TO LOAN FUNDS TO VTT LLC

WHEREAS, the university’s vision to expand research and development through initiatives fostered by the Virginia Tech Transportation Institute is a key strategic initiative for the future of the institution; and

WHEREAS, the university has established a specialized tire research initiative known as the National Tire Research Center (NTRC) to support fulfilling this goal; and

WHEREAS, the Center anticipates extensive collaboration with commercial entities through operation of unique equipment to perform applied and basic research and testing of tires; and,

WHEREAS, the Center additionally expects to garner sponsored research projects from the automotive and tire industries and the federal government, develop novel educational programs and tutorials to impact education of local workforce, provide advanced courses at the graduate level, and impact economic development through direct hiring in the Tobacco Commission geographic footprint and through services provided to its industrial customers; and

WHEREAS, the committee formed to evaluate the structure for NTRC recommends that the Center should operate as an affiliated organization due to the Center’s extensive interaction with commercial entities and tire manufacturers, and due to the unique nature and potential business risks related to its activities; and

WHEREAS, VTT LLC, a single member non-stock entity has been established to own and operate tire testing equipment of the NTRC in support of the instructional, research and economic development missions of the university; and

WHEREAS, the university has obtained $10 million of external support from General Motors and the Virginia Tobacco Indemnification and Community Revitalization Commission to provide most of the funding needed to purchase the tire testing equipment needed for the NTRC research, development and testing programs; and

WHEREAS, the university desires to support this project through the provision of funding from nongeneral fund sources of up to $4 million in loans to VTT LLC to finance the acquisition of the equipment and leasehold improvements and to support the initial operations of the NTRC; and
WHEREAS, a business plan has been developed that provides for repayment of the loan; and

WHEREAS, under section 23-38.101 of Restructured Higher Education Financial and Administrative Operations Act of the Code of Virginia the Board of Visitors has the authority to authorize such transactions;

NOW, THEREFORE BE IT RESOLVED, that the Board of Visitors authorizes, at the President’s discretion, the negotiation and execution of a line of credit and the related promissory notes and loan agreements for start-up financing from the university to VTT LLC for up to $4 million from nongeneral fund sources to be repaid by VTT LLC in accordance with terms to be established by the Vice President for Finance and Chief Financial Officer.

RECOMMENDATION:

That the resolution authorizing, at the President’s discretion, the negotiation and execution of a line of credit and the related promissory notes and loan agreements for start-up financing from the university to VTT LLC for up to $4 million from nongeneral fund sources to be repaid by VTT LLC in accordance with terms to be established by the Vice President for Finance and Chief Financial Officer, be approved.

September 10, 2012
Effect of VT Loan on VTT LLC’s Debt Service Ratio

- FY16: $3,661,779, 10.50%
- FY17: $4,079,885, 10.24%
- FY18: $4,043,500, 13.93%
- FY19: $4,153,653, 13.69%

Legend:
- Debt Service (% of Op. Exp.)
- Net Assets
The loan is made in accordance with established university procedures, is underwritten by the university’s research overhead funds, and includes a contingency repayment plan if repayment is not available from the VTT, LLC.

* Updated each time an advance is made to reflect the outstanding amount borrowed and repayment schedule.
LEGISLATIVE UPDATE

DWAYNE PINKNEY, SENIOR VICE PRESIDENT AND CHIEF BUSINESS OFFICER

ELIZABETH HOOPER, DIRECTOR OF STATE GOVERNMENT RELATIONS

CHRIS YIANILOS, EXECUTIVE DIRECTOR OF GOVERNMENT RELATIONS

MAY 7, 2020
GENERAL ASSEMBLY

LEGISLATIVE UPDATE

ELIZABETH HOOPER, DIRECTOR OF STATE GOVERNMENT RELATIONS
### General Assembly Legislative Update

Legislation that PASSED included:

<table>
<thead>
<tr>
<th>Bill Numbers</th>
<th>Description</th>
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<tbody>
<tr>
<td>HB4/SB36</td>
<td>Authorizes casino gaming in the Commonwealth</td>
</tr>
<tr>
<td>HB103</td>
<td>Requires policy on transcript expungement</td>
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<tr>
<td>HB510/SB140</td>
<td>Donor identity exemptions under FOIA</td>
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<tr>
<td>HB611</td>
<td>BOV member training requirements after two years</td>
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<tr>
<td>HB896/SB384</td>
<td>Regulating online sports betting in the Commonwealth</td>
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<tr>
<td>HB1547, HB1179</td>
<td>In-state tuition for DACA students, refugees</td>
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<tr>
<td>HB1223</td>
<td>Annual report on Foundation expenses</td>
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<tr>
<td>HB1017</td>
<td>Establishment of Virginia Innovation Partnership Authority (VIPA)</td>
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<tr>
<td>HB1529</td>
<td>Policy for acceptance of terms and conditions of Foundation gifts</td>
</tr>
<tr>
<td>HB395/SB7</td>
<td>Minimum Wage yearly increases until 2026</td>
</tr>
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**General Assembly Legislative Update**

Legislation that **FAILED** to pass included:

<table>
<thead>
<tr>
<th>Bill Numbers</th>
<th>Description</th>
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<tbody>
<tr>
<td>HB300/SB464</td>
<td>Compensation and representation for student athletes</td>
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<tr>
<td>HB1322/SB99</td>
<td>Criminal history requirements for admissions applications</td>
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<tr>
<td>HB1095/SB895</td>
<td>Inclusion of pricing structure and discounting in Six-Year Plan</td>
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<tr>
<td>SB669</td>
<td>Dog or cat purpose breeding for offspring</td>
</tr>
<tr>
<td>HB499</td>
<td>SCHEV to study and create performance funding formula</td>
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<tr>
<td>HB1157</td>
<td>Student voting member required on BOV</td>
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<tr>
<td>HB1584</td>
<td>SCHEV business advisory committee for degree approval</td>
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<tr>
<td>HB803</td>
<td>Student referendum on activity fee increase</td>
</tr>
<tr>
<td>SB146</td>
<td>Student vote and approval on tuition and fees increase</td>
</tr>
</tbody>
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FEDERAL FUNDING UPDATE

CHRIS YIANILOS, EXECUTIVE DIRECTOR OF GOVERNMENT RELATIONS
Federal Stimulus Funding Overview

Coronavirus Preparedness And Response Supplemental Appropriations Act
- $8.3 billion
- R&D for vaccines, therapeutics, and diagnostics, small business assistance, and state and local government response efforts

Coronavirus Aid, Relief, and Economic Security (CARES) Act
- $2.2 trillion
- Coronavirus Relief Fund, Education Stabilization Fund, funding for hospitals and veterans health care, FEMA Disaster Relief Fund, and CDC

Families First Coronavirus Response Act
- $100 billion
- Coverage for coronavirus testing, paid leave tax credits, Unemployment Insurance, Medicaid funding, and food security initiatives

Paycheck Protection Program and Health Care Enhancement Act
- $484 billion
- Paycheck Protection Program, economic injury disaster loans, health care provider funding, and testing capabilities
State and Local Relief and Funding for Testing

**Coronavirus Relief Fund**
- $150 Billion
- Direct aid to states, territories, tribal governments, and eligible localities
- Virginia Allocation: $3.3 Billion

**Public Health & Social Services Emergency Fund**
- $25 billion for coronavirus testing
- $75 billion for healthcare providers
- $11 billion to states and localities
DISCRETIONARY BUDGET
(in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Defense</th>
<th>Nondefense</th>
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<tbody>
<tr>
<td>FY18</td>
<td>$629</td>
<td>$579</td>
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<tr>
<td>FY19</td>
<td>$647</td>
<td>$597</td>
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<tr>
<td>FY20</td>
<td>$695</td>
<td>$690</td>
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Legend:
- **Defense**
- **Nondefense**
FEDERAL RESEARCH FUNDING
(in millions)

National Science Foundation
- FY18: $7,767
- FY19: $8,075
- FY20: $8,280

National Institutes of Health
- FY18: $37,084
- FY19: $39,084
- FY20: $41,700
AGRICULTURE
(in millions)

Agriculture and Food Research Initiative
- FY18: $400
- FY19: $415
- FY20: $425

Hatch Act
- FY18: $244
- FY19: $259
- FY20: $259

Smith Lever 3(b) and (c)
- FY18: $300
- FY19: $315
- FY20: $315
STUDENT FINANCIAL AID AND OUTREACH (in millions)

- Supplemental Educational Opportunity Grant
  - FY18: $840
  - FY19: $840
  - FY20: $865

- Federal Work Study
  - FY18: $1,130
  - FY19: $1,130
  - FY20: $1,180

- TRIO Programs
  - FY18: $1,010
  - FY19: $1,060
  - FY20: $1,090
STATE BUDGET UPDATE

DWAYNE PINKNEY, SENIOR VICE PRESIDENT AND CHIEF BUSINESS OFFICER
State Budget Update
COVID-19 Shift

Regular Session Adjournment
(March 12)
- Most major revenue sources ahead of forecast
- Continued prioritization on increasing state revenue reserves
- Discussion on state debt capacity
- Net increase of $284.5 million statewide over the 2020-22 biennium for higher education

Reconvened Session
(April 22)
- Secretary of Finance estimates $1 billion loss in the fourth quarter of FY20 and $2 billion over the new biennium
- Revenue reforecast required when tax collections fall by 1% or more below previous forecast
- Continued uncertainty prevents accurate reforecast at this time
State Budget Update
COVID-19 Shift

Conference Budget

- $1.6 million in each year for undergraduate student financial aid
- $285 thousand (FY21) and $427 thousand (FY22) for graduate student financial aid
- $50 thousand/year for new Extension Agent
- $54.8 million statewide for tuition moderation in FY21
  - $2.7 million for VT [Optional]
- 3% bonus for all full-time employees (Dec. 1, 2020) and 3% salary increase (June 1, 2021)

Reconvened Session

- Due to revenue uncertainty, most new spending has been ‘unallotted’ or suspended
- New spending will remain on hold until adoption of revised revenue forecast
- Special session likely in August
Other Significant Budget Actions Not Yet Impacted

- Tech Talent Investment Program
  - $31.8 million in each year of the biennium; increase of $15.2 million over 2019-20 level

- Commonwealth Cyber Initiative
  - Hub operations allocated $7.5 million ($2.5 million less than 2019-20 level)
  - Node/Hub programmatic funding maintained at $10 million per year
  - Oversight of CCI absorbed into newly created Virginia Innovation Partnership Authority

- Enrollment Management Flexibility:
  - Allows growth of nonresident enrollment to support state workforce demands
  - Fall 2018 in-state enrollment level must be maintained
  - Nonresident proportion cannot increase more than one percent per year
Impact of COVID-19 on the timing of the state capital program is uncertain at this time.

---

## State Support for Capital Projects

*(State Support in millions)*

<table>
<thead>
<tr>
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<th>Conference</th>
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<tbody>
<tr>
<td>Maintenance Reserve</td>
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<tr>
<td>Address Life, Health, Safety and Code Compliance</td>
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<tr>
<td>Fralin Biomedical Research Institute Equipment</td>
<td>18.1</td>
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<tr>
<td>Renovate Holden Hall FF&amp;E</td>
<td>5.1</td>
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<tr>
<td>Planning Randolph Hall (NGF)</td>
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<tr>
<td>System-wide AREC Improvements (229)</td>
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<tr>
<td>Livestock &amp; Poultry Research Facilities, Phase 1 FF&amp;E (229)</td>
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</table>

**Total Capital Projects Funding**

$65.3
Discussion
Comments from Undergraduate and Graduate Student Representatives to the Board of Visitors
Tuition and Mandatory Fee Development

MAY 7, 2020
Tuition Development Framework

- **Pre-COVID-19**
  - Framed by the Six-Year planning process
  - Consideration of:
    - Level of state support
    - Mandated cost increases
    - Tuition mitigation strategies

- **Post-COVID-19**
  - Health and safety of students and community
  - Increased sensitivity to economic challenges created by pandemic
  - Revenue uncertainty
  - Maintain quality and strategic focus
Tuition

- Six-Year Plan included increases of up to 4.9% for residents and 2.9% for other groups.
- In response to the economic challenges resulting from the pandemic, an additional scenario has been created:

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<tr>
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<tbody>
<tr>
<td>Resident Undergraduate</td>
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<tr>
<td>Nonresident Undergraduate</td>
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</tr>
<tr>
<td>Resident Graduate</td>
<td>2.9%</td>
<td>0%</td>
</tr>
<tr>
<td>Nonresident Graduate</td>
<td>2.9%</td>
<td>0%</td>
</tr>
<tr>
<td>Revenue</td>
<td>$19.3</td>
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### Preliminary Revenue and Cost Comparison for 2020-21

($s in Millions)

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<tr>
<td>Tuition Increase Revenue</td>
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<tr>
<td>(less) Known Costs</td>
<td>(18.8)</td>
<td>(18.8)</td>
</tr>
<tr>
<td>Capacity/(Shortfall)</td>
<td>0.5</td>
<td>(18.8)</td>
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</tbody>
</table>

COVID-19 Impacts Not Yet Known

- Enrollment Variance: TBD
- General Fund Variance: TBD
- Health and Safety Enhancements: TBD

Comparison of E&G Revenue and Costs
## Comprehensive Fee

### Range of Comprehensive Fee Scenarios for 2020-21

($s$ in Millions)

<table>
<thead>
<tr>
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<th>6-Year Plan</th>
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<tbody>
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<tr>
<td>(less) Known Costs</td>
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<td>Capacity/(Shortfall)</td>
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</table>

COVID-19 Impacts Not Yet Known

- Enrollment Variance: TBD
- Health and Safety Enhancements: TBD
Next Steps

• Finalize Tuition & Fees
2020-21 Budget Development

MAY 7, 2020
Environment

- **Pre-COVID-19**
  - Multi-year planning (Six-Year Plan) to achieve strategic goals
  - Planned enrollment growth

- **Post-COVID-19**
  - Dynamic/uncertain environment
  - New risks to manage
  - Amplified focus on navigating shorter-term issues
  - Maintain quality and strategic focus
  - Range of operating assumptions
Uncertainties Resulting from COVID-19

- Operational model of society
- Fall Semester operating model
  - Associated costs and impacts
- Fall 2020 enrollment
  - Expect differential impacts on various segments
- Level of self-generated revenues
- Level of state support
  - State revenue will be reforecast at later date
    - Federal funding will temporarily help the commonwealth
  - Level of state support for higher education
- Timing of when information will become known
Risk Management Strategies

- Assessment/planning
  - Campus workgroups on academic and operational strategies
- Enrollment management
- Enhanced health and safety measures
- Expectation of constrained resources
  - Limit hiring and spending to essential
  - Campus undergoing budget reduction planning scenarios of 5% and 10%
- One-time strategies
  - Federal government CARES Act: direct institutional support ($19.4 million for VT):
    - $9.7 million students - emergency financial aid grants to students
    - $9.7 million for disruption of university services
  - Other institutional actions
Known Cost Drivers and Commitments

- $18.8 million: E&G cost drivers
  - Fringe benefit rate increases (VRS and OPEBs)
  - Student financial aid
  - Fixed costs (utilities, insurance, leases, safety/security, O&M of facilities, contracts)
  - Prior commitments
  - Capacity for critical needs
- $3.4 million: cost drivers in Auxiliary Enterprises funded by the Comprehensive Fee
  - Similar to E&G list but includes program-specific needs such as additional counselors
- COVID-19: New costs and potential revenue impacts
  - $23.5 million in dorm and dining from spring and summer (federal support may help)
  - Fall: TBD
  - Health and safety measures: TBD
Timeline

• Develop budgets in stages
  • Start with preliminary budget
  • Update as information becomes available
DISCUSSION
Discussion of Compensation for Graduate Assistants
Graduate Assistants provide valuable services to the university, including teaching and support of scholarly and research activities.

Successful recruitment of high-quality graduate students requires the university to offer competitive compensation packages.

**Components of Total Compensation Package**

1. Stipend
2. Tuition assistance
3. Health insurance benefit
Stipend

1. Base stipend scale provides a range of stipend amounts reflective of differing levels of responsibility
   - Current stipend scale has 50 pay ranges to ensure flexibility to the university programs

2. Fixed $400 supplement (established in 2011-12 to help offset university assigned costs such as the health fee component of the Comprehensive Fee)

As of January 2020, the current average monthly stipend for full-time graduate assistants is $2,156 per month.
Funded by sources appropriate for the nature of the activity:
1. General Fund appropriation for graduate assistance
2. Tuition remissions* in the Educational and General budget
3. Tuition payments planned in the budgets of externally sponsored grants and contracts
4. Private funds

*Includes remission of tuition, mandatory E&G fees, and non-executive graduate program fees
Health Insurance

- Health insurance for graduate students on assistantships was established in 2001
- To qualify, full-time graduate students must have a 50 percent or greater assistantship appointment
- In 2019-20, the university provided 88 percent of the $3,173 annual premium cost to 2,118 graduate students
  - The 88 percent subsidy matches the university’s share of other employee health insurance programs
- Graduate students may decline coverage
Net stipend reflects the gross stipend less any university charges for tuition, fees, health insurance, and other university services.

This approach results in a normalized comparison of the total compensation package.

Source: Respondents to a Virginia Tech survey of Peer Institutions for FY18.
Graduate Assistant Compensation Considerations for 2020-21

1. Consistency with state compensation program
   • State does not currently have a compensation program for 2020-21

2. Sensitive to increase in university cost
   • Enhance the total stipend by increasing the $400 AY supplement by any increase in the Comprehensive Fee

3. Consistency with the university’s share of other employee health insurance programs
   • Continue the university share of health insurance coverage of 88 percent

4. Continue the tuition remission program
   • Enhance program to offset any increase in tuition
Discussion
To: The Board of Visitors of Virginia Tech

March 22, 2020

This letter will serve as the official statement regarding the increase in tuition and fees for Virginia Tech from the 2019-2020 Graduate Student Assembly Executive Board.

We understand that government funding for higher education is at an all-time low and is decreasing every year, but we want the BOV to understand how this increase in tuition and fees will negatively impact graduate students, the research environment at Virginia Tech, and will hinder Virginia Tech’s achievement of many of the proposed milestones in the Advancing Beyond Boundaries initiative.

Graduate students fulfill many missions and goals of the university via assistantships; serving both as students and employees of the university. These assistantships can be, for example, teaching a course for a department, or as a teaching assistant (Graduate Teaching Assistant; GTA), working for a professor to carry out research on a grant (Graduate Research Assistant; GRA), or working in a university administrative office (Graduate Assistant; GA). There is a stipend associated with these assistantships which the university views as salaried employment (as opposed to a scholarship). Assistantship stipends are subject to local/federal taxes and on top of taxes, graduate students pay mandatory comprehensive fees from their respective paychecks. Increases in tuition and fees negatively impact both the assistantship sponsor and the student, and can have a detrimental effect on our ability to advance the goals of the university. Currently, the average annual stipend (pre-tax and pre-comprehensive fee) at Virginia Tech is $17,500.

**Advancing Beyond Boundaries** presented a number of strategic goals deemed essential to advancing the university’s reputation, increasing enrollment, and increasing scholarship, with the intent of positioning the university for its next decade. Of the goals cited in the strategic vision, a number are directly dependent on the activities and work of graduate students, and in particular, of the GTAs, GRAs, and the GAs.

**Graduate Teaching Assistants**

When departments offer undergraduate courses, the GTAs provide the bulk of the educational presence in the classrooms and labs. Furthermore, the same GTA is tasked to grade the assignments and tests and sometimes the same GTAs are the instructor of record. Due to constrained financial resources, academic departments already struggle to fulfill adequate GTAs for the department’s course load and we anticipate this tuition increase will further constrict academic departments at Virginia Tech resulting in the overall educational experience to suffer.

One of the core factors that drive university rankings is the quality of instruction received in the classroom. A lower number of GTAs will impact the instructor to student ratio which will lead to poorer results in the undergraduate learning experience and will be detrimental to undergraduate recruitment. Mitigating for the reduced GTA count, tenure-track faculty will have to divert their attention to more coursework, which will ultimately impair their ability to focus on their grant-writing/publishing, and not being able to secure additional extramural funds for Virginia Tech.
An increase in tuition/fees for the university will impair the university’s ability to achieve these metrics in a timely fashion:

- Achieve Top 13 U.S. land-grant (THE World University Rankings) by 2024;
- Achieve Top 10 U.S. public land-grant (WSJ/ THE U.S. College Rankings) by 2024
- Ensure 100% of academic majors have a required experiential learning component by 2024
- Achieve Top 1/3rd (66th percentile) of internationally and nationally recognized faculty publications and citations by 2022
- Increase extramural research expenditures to $480M by 2024
- Reach 30,000 undergraduate students by 2023

**Graduate Research Assistants**

When faculty secure an external grant, some of that money is used to fund tuition and stipends for a limited number of GRAs. Many of the academic professionals at Virginia Tech receive extramural support from agencies such as the National Science Foundation, the National Institutes of Health, the United States Department of Agriculture, etc. and the support received from these agencies operates under a “fixed budget” model. With increases in tuition and fees, there is less financial power given to academic departments and professionals to support research (and graduate students) at Virginia Tech. Simply, the more expensive the tuition, the less they can pay each GRA, and the fewer researchers that can be sponsored on the grant. Additionally, the faculty’s research productivity related to the grant suffers.

With fewer GRAs out of each grant, this places a greater burden on a reduced number of individuals to achieve the same high quality work. Ultimately, this impairs faculty’s ability to publish, cite (especially in high impact journals), and secure more funding. Furthermore, as the undergraduate population grows, undergraduate wishing to participate in research as part of their degree’s *experiential learning requirement* needs to be advised. GRAs are the primary advisors to the undergraduate students at Virginia Tech. An increase in tuition and fees undermines our ability to pursue these metrics proposed in the strategic mission:

- Top 1/3rd of internationally and nationally recognized faculty publications and citations by 2022
- Increase extramural research expenditures to $480M by 2024
- Ensure 100% of academic majors have a required experiential learning component by 2024 (GRAs to advise UG researchers, GTA’s & GA’s for service learning)
- Achieve Top 13 U.S. land-grant (THE World University Rankings) by 2024;
- Achieve Top 10 U.S. public land-grant (WSJ/ THE U.S. College Rankings) by 2024

**Graduate Assistants**

Graduate Assistant stipends and tuition function similarly to those of the GRAs, but are funded by a sponsoring university office rather than through a research grant. GAs perform a variety of support functions within the university, providing assistance to the university communities, advising undergraduate students, supporting mission critical tasks in administrative offices, and performing duties that allow the sponsoring department to avoid hiring additional headcount, thus preserving
budget and financial goals. Without these services, achieving the strategic goals listed below will not be possible.

Graduate Assistants are often the student-facing component of the university’s administrative and academic offices. Without their efforts, additional staff will need to be hired, or existing staff will be faced with the demands associated with meeting the needs of an ever-growing undergraduate population, which will hinder the university’s efforts to recruit and retain top student talent. This support is critical for the support of underrepresented minorities both at the undergraduate and graduate levels, since today we ask those students to fulfill those mentorship roles. We all act as informal ambassadors for the university at industry and professional conferences, conventions and events, bringing awareness to Virginia Tech’s offerings and benefits.

The impacts of their efforts directly influence the following strategic goals:

- Reach 30,000 undergraduate students by 2023
- Recruiting talent (increase in 10% in the next 5yrs)
- Achieve 20% representation of underrepresented minority graduate and minority professional students by 2024
- Increase graduate student enrollment to 22% of undergraduate enrollment by 2024 (includes Innovation Campus Master Degree Students)
- Ensure 100% of academic majors have a required experiential learning component by 2024

We understand and recognize that the strategic mission of Virginia Tech is bold and needs to be funded from somewhere. Our ask is two-fold:

First, we ask that the stipend rates be made to grow at the same rate as comprehensive fees, at minimum. This year’s increase of mandatory comprehensive fees of $103/year corresponds to approximately a 5% increase relative to the average, but graduate stipend raises have historically matched faculty and staff raises at approximately 2% each year. The comprehensive fees thus occupy an ever-increasing proportion of our stipend.

Secondly, we ask that the strategic budgeting and planning process take into account the opportunity cost of increasing graduate tuition and fees for the university. The overwhelming majority of graduate students in Blacksburg and Roanoke are supported by these employment contracts. Thus, any increase in expenditures (tuition, fees, etc.) negatively impacts academic colleges and departments, administrative offices, graduate students, and faculty to carry out the strategic mission set out by Virginia Tech’s Beyond Boundaries Initiative.

Thank you very much for the opportunity to comment, and for considering our requests as the Graduate Student Assembly. We’re proud to continue our contribution to Virginia Tech’s mission, we simply ask to be able to afford to continue to do so.
Sincerely,

Graduate Student Assembly Executive Board (2019-2020)

Hani Awni (President)

Alexis Hruby (Vice President)

Sharon Stidham (Director of Programs)

Cortney Steele (Director of Events)

Martina Svyantek (Director of Communications)

Maruf Hoque (Director of Finance)
Dear members of the Board of Visitors,

It is an unfortunate case to learn that our BoV is looking to increase the fees for graduate (and undergraduate) students, especially now in a time of crisis that is striking the financial stability of many students and families.

I hoped to share a small part of my experiences as I chose to come to VT to become an expert in my field, and help develop technology that could be utilized in many industrial applications (I am an electrical engineer). One of the major considerations that I factored while comparing various universities included the stipends, comprehensive fees, cost of medical insurance, and cost of living. Right now Blacksburg is having a spike in increase of cost of living which is caused by the expansion of the University population. In addition, this expansion is causing an increase in our fees. If I look back and was considering to come to VT over other institutions...I would have serious pause to recognize that the comprehensive fees have increased numerous times over the past few years while stipends have not matched this increase.

While I am very fortunate to attend this institution, and to learn from my advisers and educators around me, I am burdened financially by the overall "grad tax" that these fees represent. I try to do my best to represent my lab and VT to the greater community and my professional field, but it is difficult to feel a sense of support if that community is asking for more and more from me without providing additional support- I have had opportunities to work in multiple national laboratories and present my work at top tier conferences nationally and internationally. As of right now, the graduate comprehensive fees are about 10% of my overall income and general livelihood. So, I find myself with serious decisions each month after paying my comprehensive fee.

With all the issues that have been raised and recognized by the University in the past year, especially food security for students, as well as now the impact that the COVID-19 outbreak is adding to already stressed students, I hope the BoV looks for solutions that will add support to the graduate student population. Recognizing the issues that graduate students face and providing gestures of support will reverberate throughout the university as we make up much of the foundation of success - we support students as teaching assistance, we mentor students in research initiatives, and we conduct cutting edge research in the laboratories.

We graduate students chose to attend VT because of the community and sense of UT Prosim that reverberates across campus. We want to be successful and speak of the great experiences we have had attending games at Lane stadium, walking around the duck pond, and presenting our work at conferences; and so I hope that you hear our voices and our stories with regards that the continued financial stress of the comprehensive fees bring. While this increase in fees might be necessary, the overall lack of support experienced in the graduate community will echo into future years of research, teaching, recruitment, and retention.

I thank you all for your consideration and patience to all graduate student stories, as well as your service and dedication to ensure VT remains a premier institution.
Best regards,
Joseph Kozak

Ph.D. Candidate | WBGen Graduate Research Fellow 
Center for Power Electronics Systems (CPES)
The Bradley Department of Electrical and Computer Engineering 
Virginia Polytechnic Institute and State University
Kasey Stanton, kjstanton@vt.edu, Faculty/Staff
If at all possible, I hope that increases in fees and tuition costs can be avoided. I realize that universities are under tremendous pressure for coordinating budgets and addressing rising costs, but I am worried this will negatively impact graduate students especially. For example, many graduate students in my Department receive a stipend ranging from 17,000-20,000 for a 12-month period. Graduate students already are paying over $2,000 out of this stipend in fees ($2,000 is equivalent to roughly 12% of their overall income), and I worry that increasing the fee rates will make it even more difficult to recruit, retain, and provide a decent quality of life for graduate students. They already are being paid at a rate that is at best barely livable while working for our university as teaching assistants, leading research teams, etc., even though many of them have advanced degrees and already are making contributions to our university and to their respective disciplines. So, I hope that these issues and their impact will be taken into consideration when making decisions.

Ariel Heminger, arielrh@vt.edu, Student
Dear BOV, I understand the importance of providing funds for the university, especially student health services, counseling services, transit services, and wireless network. I do agree that a fee increase should be considered, however, I think that increasing the fees by $103 would be too much for graduate students as well as the undergraduate population. As a graduate student stipends only increased by 3.8% which is just barely enough to keep up with the ever-increasing rent prices in Blacksburg/Christiansburg area, some of which have increased between $50 to $100 per month and with the inflation of groceries, utilities, and basic necessities. May graduate students are already strained financially and increases in student fees and tuition along with the rapidly increasing price of rent in Blacksburg may act as a barrier for students wanting to enter the university and may cause stress for other students struggling to afford tuition. Thank you for your time and consideration.

C. M., Student
I speak from the perspective of a graduate student, and raising the fees graduate students have to pay would be ill-advised, especially considering the graduate student pay lately (e.g. UCSC). Virginia Tech already has one of the highest total combined student fees in comparison with other R1 graduate schools, and raising the rates even higher is a deterrent to recruiting future graduate students. Currently, almost 20% of my paycheck from the University during the semester already goes towards fees, an already impractical amount. Additionally, graduate students are already required to pay fees that do not have any clear benefit to us, and basically go straight to undergraduate students. It is also very unclear what the graduate specific fees even go towards, and just as difficult to get a clear answer on where the money is going. Lastly, there are countless studies that point out the exponential increase in tuition and fees for universities outpaces the inflation rate. In short, there is no justification for increasing fees that graduate students, one of the key factors of bringing research money/grants to the University, are required to pay. If there must be an increase in graduate fees, we should be allowed an opportunity to opt out of fees that do not pertain to us to balance the loss we will see from our stipends to maintain a livable income.

Melissa Burt, melissaburt@vt.edu, Student
A tuition/fee increase for a graduate student is effectively a pay decrease. Will tuition/fee increases get balanced with a raise in graduate student stipends? As a parent of two this proposed tuition/pay
increase puts an extra burden on my family when the current graduate school fees are already hard enough to afford each semester.

Kregg Quarles, kreggq1@vt.edu, Student
Graduate students with GA just received a small raise that still barely covers living expenses. Another increase in tuition and fees positions us right back where we were before our small raise. We should not have to pay more.

Abigail Cooper, Abcooper@vt.edu, Student
Seeing as VT is a public school and receives funding I don’t see why it is necessary to charge more on tuition when we have to pay for so many extra things like books, game tickets, and Rec sports. We already pay gym, bus, library, and athletic fees even if they are unused just to name a few. There are so many current issues with the school that need to be addressed before tuition should be raised. There is no parking, there is a giant housing crisis in Blacksburg as well as on campus, and for regular athletic tickets everyone who has continuously been loyal and given generous donations in the past is now being price gauged. Virginia Tech should not be charging more on tuition because everything is so expensive anyways. I encourage whoever reads this to look at housing prices at JMU versus Tech as a case study. I love Virginia Tech but this is absolutely unfair and should not happen.

Student
The proposed changes to Tuition and Fees range from 0 to 4.9%, but are guaranteed to go up for on campus graduate students along with non-resident undergraduates by at least 2.9%. Currently, the inflation rate is closer to 2%, so why is the increase greater than inflation? Additionally, what factors are contributing to the rise in fees?

Noah McNeill, Student
Student fees already represent a cost that is already over 10% of a graduate student’s salary. These fees are already some the highest in the nation. Graduate students, who educate large numbers of undergraduates, are particularly harmed by these fees. Please reconsider the increase.

Ardavan, ardavanmh93@vt.edu, Student
Currently, graduate students are paying for comprehensive fees which are quite high considering how much they earn on their assistantships. Will the comprehensive fee increase as well?

None
The timing of such increase, due to novel COVID-19 and its impact on the economy and well-being, is a burden on students and families. The Board if Visitors should consider not to increase tuition and fees.

Bradley Sutliff, bpsut@vt.edu, Student
Please do not increase fees. If you must, increase tuition and use it for the same things. Many fellowships and scholarships will pay tuition but will not pay fees so you hurt a lot of students by increasing fees instead of tuition.
Olivia Wood, Whokie21@vt.edu, Student
I would be pleased to see a tuition freeze. I find it crazy to not freeze tuition when state lawmakers just recently passed a law that would allow it.

Connor Mulligan, cmull@vt.edu, Student
Hi! I would please request that you do everything possible to freeze tuition next year, university is nearly unreachable as it is. Increasing costs year after year would mean that by the time I have kids who want to go to school VT would be impossible to afford!

Cynthia Dunham, Cmdunham@vt.edu, Student
I left my full time job to come here to VT to continue my education. It is important to me that I get an education in a field that I have a passion for. The tuition and fees at VT are already very high, and for people like me, who are relying on high-interest loans to pay for it, that makes it very difficult and ensures a lifetime of debt. In addition to this, raising tuition and fees makes an education more inaccessible to less advantaged people. I advocate not only for NOT raising the tuition, but for lowering it.

Megan Garrick, 5406567220, Student
Tuition/fees should most definitely not go up at all next year. The money being saved by the university closing during this pandemic should more than make up for any tuition raise that had been planned. Freeze tuition!

Oliver Gates Breeden, gatesb@vt.edu, Student
Please do not raise tuition and make Virginia Tech even more unaffordable!!

Student
The fees are ridiculous for Grad students. I am literally *paying* to work at Virginia Tech (not to mention parking fees).

Cailean Pritchard, Student
The proposed Tuition and Fee increases would hinder the performance of graduate students at Virginia Tech. Graduate students typically receive a 2% annual stipend increase which does not match the proposed increases to tuition and fees in conjunction with rising cost of living expenses. As a result, graduate students will effectively receive a pay cut, putting additional stress on graduate life, especially, with drastically increasing housing rates around campus (due primarily to the universities over-enrollment of undergraduate students). Ensuring graduate students receive proportional stipend raises to cover increases in tuition and fees as well as cost of living expenses, would constitute a bare minimum policy for the university to support its graduate students so that they may continue to aid the university in acquiring funding in the form of research grants and produce quality publications which support the status of the university.

Alaina Weinheimer, Student, alainarw@vt.edu
I understand the Board of Visitors has the best interests of students in mind at all times. However, there is no benefit to graduate students by raising the fees. The current fees already have led students to seek
additional sources of income, which take away time and effort for teaching undergraduates and working on their research which provide Virginia Tech its stellar academic reputation. If anything, the fees need to be reduced for graduate students. Their services to the university extend far beyond current stipends. The fees, in addition to reducing graduate student quality of services to the university and their quality of life, will reduce the quality of prospective graduate students. The only reason I chose VT over other offers was because I received a scholarship for $33k/year. Otherwise, I would have made $23k - $2 = $21k/year, which is absurdly low relative to other R1 universities and not competitive. VT will be attracting lower quality graduate students by increasing fees. That is not debatable. I know the services of graduate students (teaching assistants, tutors, mentors to undergrads and producers of cutting edge science) are often under the radar by many, but these are the services that make VT a stellar educational institution. By decreasing the quality of services from current graduate students and the quality of incoming graduate students, VT will suffer.

Kylie Ryan, Student, kylier@vt.edu
Dear Board of Visitors, Hello. You are considering increasing student fees for graduate students. Please consider how little we are paid and how an increase in fees impacts us. In fact, I request that you considering reducing fees for graduate students. After the removal of comprehensive fees (not including my payment for health insurance), I receive $750 every two weeks. I work approximately 50 - 60 hours a week. This is a very small amount to be paid for someone that cannot depend on parents to pay for other expenses. Please do not increase the amount of money that is removed from graduate student paychecks. Sincerely, Kylie Ryan

Student
The increase of fees will severely impact the grad student population. Compared to the fees that fellow grad students pay in other public or private colleges, the fees we pay at Virginia Tech are substantially higher. It is a burden to afford the cost of living in Blacksburg (rent, utilities, food) and these fees on top of it. As a note, the rent in Blacksburg continues to rise every year, but more so in the last year when the number of accepted undergraduates rose sharply. Therefore, the most affected group of students by this increase in fees would be the graduate population. Hope you consider these remarks in your future decisions!

Kristen Bretz, Student, kabretz@vt.edu
Please consider not raising graduate student fees. Graduate students live on very thin financial margins considering the work we do, in terms of complex roles we play within the academic community as both students, researchers, staff, and teachers depending on the time of day. Having to pay fees twice a year already essentially amounts to me not getting paid 2 months out of the year, which is a tremendous hardship. I also feel that as a graduate student, I do not get the value out of these fees that I pay into, i.e., they go to services I do not use. Raising fees sends the message that VT does not care about the financial sacrifices we already make by being graduate students: being in a system that does not fairly compensate us; living in a town where there is not enough affordable housing because of choices by the administration.
Floricel Gonzalez, Student, floric1@vt.edu
Dear Board of Visitors, The proposed increase in graduate comprehensive fees will negatively impact graduate students by taking away income that is needed to pay for room and board. As graduate students at Virginia Tech, we already pay one of the highest fees in the country. Other comparable and higher prestige institutions waive these fees for their graduate students as they understand that this can present unnecessary financial hardship. In Blacksburg, housing prices have risen as the overall number of students has increased. This has left many students with very few economically viable options for housing. Thus, the increase will only continue to place additional financial strain on graduate students as they make housing decisions. Apart from effects on current students, high fees could be detrimental to recruiting prospective students who receive numerous offers from other institutions who a) have lower comprehensive fees or b) waive these fees for their students. Thus, I implore you to please reconsider this increase in comprehensive fees and help keep graduate students feeling valued and supported at Virginia Tech. I assure you that not having to worry about how to make ends meet will result in increased research productivity and bring more research dollars and quality students to Virginia Tech which is a win-win for everyone. All the best, Floricel

Ellen Garcia, Student, ebgarcia@vt.edu
I am commenting as a graduate student on the proposition to raise tuition and fees. My financial situation has been insecure and stressful for the whole duration of my time at Virginia Tech. I have taken multiple student loans out just to pay the comprehensive fees, and currently have the fees taken out of each of my paychecks, resulting in a total monthly income of less than $1500. As a result of so little money every month, my credit card debt has risen beyond what I can routinely pay off and I have no savings. A further spike in fees without an increase in graduate stipend pay would drastically impact my quality of life. Additionally, an increase in tuition would put more financial strain on my advisor and would result in less funding for research and further increase financial and interpersonal stresses within the lab.

Student
Y’all aren’t even issuing refunds for fees for services that can’t even be used for 1/2 the semester nor are you pro-rating tuition for switching to only classes. You’ve put all students out of on-campus jobs with no way to even pay the current tuition and yet have the audacity to propose another tuition increase? Yeah, definitely going to receive a lot of backlash over this if it passes

Zachary Johnson, Student, zaustinj@vt.edu
Hello, I am writing to the Board regarding the increase in fees for graduate students. I understand that fees are a vital source of income for the university, and that they provide a great set of services to us graduate students as well as undergraduates, faculty, and staff. However, I hope the board has taken the time to understand the living wage of a graduate student, and how an increase of $103/year in fees, on top of being one of the highest fee schemes in the US, will impact those already living in extremely stressful conditions.

1) As of right now, an average graduate student in Blacksburg will take home $1900 per month, -$336 for current fees leaving $1,564 to pay for rent, food, health insurance, dental insurance, a phone plan, medical expenses, and food. A fee increase of $8.50 per month may not seem like much to the
board, however this is the current cost of Netflix, which is often the only entertainment a student can afford to purchase.

2) Graduate students do not have the flexibility of finding supplemental income to compensate for sudden cost increases. Graduate students are expected to work (between GRA and GTA duties) 40-60 hours per week, and sometimes more. Often this is NOT time spent progressing on thesis material, but simply performing GRA and GTA tasks which are necessary to supplement our funding.

3) Graduate students funding is inconsistent, and cannot be assumed as uniform among students. While some students are "well-off" on higher tier stipends, most are not. Consider Student A. Student A is funded by a GTA at the lowest tier, $25,000. That means Student A takes home only $1600 per month, even after tax exemptions, leaving only $1,264 for life expenses. Assuming low estimates of $500 for rent, $150 for food, A is left with $614 per month, not including any personal bills, child support, car loans, or anything else an independent adult living in the US needs to survive. $8.50 is taking away Netflix from graduate students, one of the most stressful, over-worked, underpaid jobs an adult can have. Do you think this is a wise trade for a 2% increase in fees?

Lara Dahora, Student, ldahora@vt.edu
Dear BOV, I wanted to submit for consideration a comment on the tuition and fee increases for graduate students. As graduate students we already make little money and are not offered either dental or vision insurance. An increase in tuition may not affect all graduate students similarly, as many of us are given tuition remission as part of our assistantships. However, an increase in fees is likely to affect most graduate students and both increases should be considered in the context of how they may affect students. While an increase of $100 or so may seem a small price to pay for those making significantly more sums of money, it is not for us. Please consider the additional hardship this increase may confer on us, especially without a commensurate increase in our stipends to account for this additional expense and COL increases. I hope that you will seriously consider my concerns and those of other students regarding this and decide with the wellbeing of your students in mind. Thank you, Lara

Katrina Colucci, Student, kcolucc2@vt.edu
As a student who lives in Blacksburg and works in Roanoke a lot of the amenities in Blacksburg are not accessible to me because of my work hours. Therefore, I feel like you are increasing the rates for amenities that I barely use. Also, not just thinking about me but international students, they come to virginia tech with a set budget to live. By increasing the tuition and fees it is essentially decreasing the amount of money for personal business.

Amber Kelly, Student, amberlk2015@yahoo.com
Tuition is already so high. Do not raise it and cause students to struggle even more. Think of your students that are homeless, single parents, or like me and working multiple jobs. As the coronavirus spreads fear, we need support, not more debt.

Juan Carlos Bedoya, Student, Bedojuan@vt.edu
Please stop charging tuition for Ph.D. students in Candidacy status.

Ivan zuidhoek, Student, 5509155269
Please don’t. Graduate students are already broke. Thank you
Sina Taheri, Student, sinataheri@vt.edu
Hello all, The graduate students are in a pinned point of a disadvantage when it comes to increasing housing and living expense in Blacksburg. Our paychecks increase by about 50-70 dollars each year which in no way catches up to the increasing prices. For example, my rent has increased by 132 a month for next year. Especially in the case of international grad students, they cannot have any other source of income due to the limitations of a student visa and have no option but to reduce their quality of life to make up for the increase. Graduate students love VT and are proud of being in grad school in VT but increasing life expenses makes the experience a lot less fun and productive. Thank you for considering this point.

Shourya Mukherjee, Student, shouryam@vt.edu, Phone: +1 (540) 449-3609
I have an assistantship which takes care of my tuition fee, but increase in comprehensive fees might affect me since I have to pay that, and I only live on my stipend to pay my bills and rent. An increase of around $50-80 might be bearable still, yet I would rather prefer comprehensive fees stays the same.

Nigel Wright, Student, Nigelg@vt.edu
I am opposed to raising grad student comprehensive fees. This takes away from my funding and impacts my ability to feed, house, and provide for myself while completing my graduate degree.

Jian Liu, Student, jianl@vt.edu
The increase of mandatory fees will make it harder for PhD student to live with the low salary. I think this increased fee should be optional rather than mandatory.

Christopher Jelesnianski, Student, bielsk1@vt.edu
As you may know grad students live, and depend on, their Teaching Assistantships and Research Assistantships, (GRAs/GTAs). I am graduate student continuing my studies from undergrad and do not have much saved up. So these TA/RAs I receive each semester are my sole source of income. Currently, I feel these sources of income are barely adequate, and not luxurious by any means. Research is time consuming. Office hours are time consuming. In reality graduate students do not really have the extra time in our schedules to afford a second job. Therefore, any increase in comprehensive fees cuts into our finances and gives us less to take care of ourselves. From personal experience of the university, I feel student health services, counseling services, transit services, and wireless network are more than outstanding, and greatly oppose this increase in Tuition/Fees.

Ali Hassani, Student, Ahassani@vt.edu
Hi I am a grad student at VT. I am writing this comment to show my opposition to increase of comprehensive fee for students in up coming semesters. ($103 as mandatory fee) The living cost in blacksburg is so high in compare of many other places, especially the housing cost. The number of admitted students are so more than the rental places and the owners are increasing the rents dramatically. The current comprehensive fee is one of the highest in nation. VT does provide the same services as many other schools with much less comprehensive fee and students pay for services that not all of them use them. other services such as gym or library are more expensive than other schools with same services. The GAs salaries are barely enough with current comp fee. In the next semesters, due to removing many parking lots, a lot of students wanna return to blacksburg and the housing becomes
worse and the rents are increasing just from now. Generally, the salary of GAs are not enough for compensating current living costs and definitely increasing the comp fee is not fair.

mana Jalali, Student, manaj2@vt.edu
I simply can NOT afford an increase in the comprehensive fee. And I stay in a cheap 3 bed-1 bath apartment. Year by year the cost of living in Blacksburg is increasing but the TA and RA funds remain almost the same. An increase in the comprehensive fee literally can cause me go into debt.

Zakia Ahmed, Student, zakiaahmed@vt.edu
Graduate students are required to pay ~$2700 in comprehensive fees each year. This is a substantial amount that we pay out-of-pocket and already causes financial strain in our day-to-day life. The cost of an apartment in Blacksburg has increased recently because of the influx of students (with over-admitting undergraduate students being one of the main causes). Many of us will experience monthly increases in rent of ~$100. We have tried talking to our rental agency, but they would not budge on the rent hike. Some of us are fortunate to have GTA, GRA, and GA contracts, but even then we struggle to save the money for comprehensive fees. Please reconsider the increases and how it will affect graduate students. We are grateful to be pursuing further education. It comes with many hardships and struggles, but it would be a relief to not have to worry about our financial stability so that we can focus on our research and contribute to the academic/research reputation of the university.

Nazmus Sakib, Student, nazmus.sakib@vt.edu
Because of influx of students in Blacksburg, our rent has gone up about 8%-10% per person per month. We are already paying extra from our pockets to compensate for the increase in rent. The onset of COVID-19 spread also left us vulnerable as we had to secure essential equipment for us and our families. Its impact on the entire economy is yet to be experienced. In these times a $103 of tuition and fee increase would cause lower financial stability for graduate students. I urge the university administrators to reconsider the proposal.

Jun Xiao, Student, junx@vt.edu
I can understand the increase of student healthcare. But I don’t understand the reason of increasing fees on other area like the wireless network. Can you explain that?

Md Jubayer al Mahmod, Student, jubayer@auburn.edu
I chose Virginia Tech to pursue my Ph.D. degree because of its reputation. However, the housing cost and comprehensive fees are extremely high in Blacksburg. It has become very difficult to cover the living and educational costs from the research funding I receive. I would greatly appreciate if the board can waive these comprehensive fees for student living off-campus. On top of that, if the Board decides to increase fees, I may have to change school.

Jiarui Xu, Student, jiaruixu@vt.edu
I feel that the increase in comprehensive fee will add more stress to graduate students. I got around $860 every half month (after subtracting tax and comprehensive fee). I need to pay my rent for $500-$600 and living expenses. So I do not have much money left every month (maybe around $100). I cannot deal with any emergency that might happen in my life. I hope our university can consider this. Thanks!
Student
Hello, As a graduate student, I feel that the payment of comprehensive fees is ridiculous, let alone increasing the fees. These fees already represent a significant percentage of our yearly pay which is already, in my opinion, quite low. Graduate students bring highly skilled labor to the school, and are integral to its research and teaching operations, and I believe their pay should reflect that. While I can appreciate the argument that school tuition should also be included when considering graduate student pay, I believe that tuition itself is heavily inflated and is another issue entirely. Additionally, there are many graduate students who are finished with coursework and are not taking classes. My complaints are especially true for my fellow graduate students supporting families, who tell me that they are dipping into poverty levels. I believe that the increase to graduate student comprehensive fees should not be considered and, in fact, the fees themselves should be reconsidered. I have no doubt that Virginia Tech, through tuition and other sources, is able to fund the various services that these fees are supposedly covering. Thank you.

A K M Fazla Mehrab, Student, mehrab@vt.edu

Dear concerned, As a graduate research assistant, I get to work a maximum 20hrs/week. The salary I get in exchange is my only source of income. As a result, my income is less than a minimum wage worker gets to earn in a month. On the other hand, housing in Blacksburg is expensive, and the rent is getting higher each year. I also have a dependent here, who is not permitted to work in the US according to her visa status. Therefore, both of us have to live on my minimal income from the assistantship. Needless to say, when about $340 is deducted every month for the comprehensive fees from my bank account, I find it very difficult to meet my essential needs. Now, if the VT Board of Visitors decides to increase the comprehensive fees by any amount, then I have no idea how I am going to survive in Blacksburg and finish my study here with my minimal earning. However, I am sure it is going to put me in a tougher economic situation. I am pretty sure the situation of the other students, living on GRA/GTA/GA, is more or less the same. I hope the VT Board of Visitors will consider our condition seriously, and, instead of increasing the comprehensive fees, they will figure some way out which can improve our living standard. Thanks, A K M Fazla Mehrab

Student
I oppose the increase in fees due to the following reasons: 1- Currently we gave a housing problem in Blacksburg, where all housing properties have increased their rents A LOT more than normal annual increase. My leasing management, for example, has increased my rent by 60 dollars per month, while usually they increased the rent by less than 15 dollars. The situation is the same and even worse for all of my friends. 2. GRA and GTA are the main source of income for most of grad students, and international students are not allowed to work in addition to their GRA or GTA contracts. With this situation in mind, it is difficult to make ends meet for most of the students, and we cannot afford to pay more for tuition and fees. If this charge is necessary, I ask that GTA and GRA income also increases by the same amount.

Rabita Banee, Student, rabita@vt.edu

As an international student, we already struggle to maintain our daily livelihood with the limited income here. The increasing housing cost and other necessities have gone beyond the capacity of most of the students. Graduate students like me have dependents, which brings additional financial responsibilities
to maintain. Graduate students’ salary has not increased keeping up with the same rate as other expenses. For example, renting one bedroom in a two bedroom apartment was between $300-$400 even two years back, which is now between $550-$650. The comprehensive fee was around $1250 in the 2017-2018 academic year, but now we have to pay about $1350. The salary of Graduate Assistants has been stagnant over the past years. Some schools such as the Pamplin Business School pays so poor to their GAs that it seems very unfair and demotivating to work for the school. Increasing the tuition and fees not only economically affects the students, it also mentally stresses them out. As a result, quality research is hampered as many have to worry about financial stability. Moreover, not all departments pay the same stipend to their GAs. The authority should take all these issues into account before increasing tuition and fees. I, as an international graduate student, humbly request to reconsider the matter of increasing tuition and fees. Thank you.

Ali Hosseini Fahraji, Student, alih91@vt.edu

As a graduate student, tuition fees, especially mandatory fees, should not be raised. Mandatory fees were high compare to the income of graduate students. Given the rising cost of living in Blacksburg, in particular renting accommodation, as well as the lack of pay rises in recent years, these fee increases are not fair and put graduate students in a difficult situation and bring more pressure on them.

Sunny Wadkar, Student, sunnywadkar@vt.edu

Graduate Studies are expensive and increasing the tuition would make it difficult for many people like me who are international students. So, I don’t want the tuition fees to be increased.

Concerned Student, Student

I am a graduate student who continues to have to put these fees and insurance on my credit card, which I struggle to pay off with the rather sad stipend I receive. I find it absurd that, during this time of exceptional need, the board of visitors still appears to be contemplating increasing the hardship on students while the world is literally crumbling around us. We are having students who will graduate into an economy which is crashing, with jobs shut down indefinitely. If you decide to increase this burden in these uncertain times, may your greed keep you from sleeping peacefully.

Natalie White, Student, (615) 971-9179

I am writing to express my concern and frustration over the proposed increase in graduate student comprehensive fees for the next academic year, 2020-2021. According to my own research on the latest posted graduate fee rates, VT engineering students will pay more in the next academic year than 4 out of 5 of the top engineering schools in the nation if the proposed increases are approved. Simultaneously, VT graduate stipends are among the lowest in the US. Despite the relatively low cost of living in Blacksburg, housing close to campus is expensive and food prices are continually increasing. I am certain that VT is invested in the recruitment of the highest performing students in the nation and abroad. These competitive students will most likely be admitted to top programs such as MIT and UC Berkeley, and the combination of lower stipends with higher fees is a major deterrent to those considering VT for their graduate education. On a personal note, as my husband and I are expecting a baby during our PhD education next year, financial demands will significantly increase and the extra cost would be a significant burden on our little family. These costs add to the existing mental and physical stresses and grueling nature of graduate programs in general. Because of these reasons, I strongly urge
the Board of Visitors to consider the impact this fee increase will have on all current and future graduate students.

Khanh To, Student, khanhto@vt.edu
I honestly do not enjoy hearing that my fees are going up as my pay has not gone up sufficiently to accommodate the combination of raised rent, raised parking permits, and now raised Tuition and Fees. Frank Student wanyef@vt.edu Increasing mandatory and E&G fees will place an undue financial strain on graduate students like me. In the face of inflation and rising housing prices (which the university contributes towards through over-enrollment), many of us struggle to pay rent and keep food on our table, even with assistantships. Those not lucky enough to have an assistantship will be hit even harder, seeing as their tuition fees will increase as well. Considering that our work as graduate students directly benefits the university, I ask that you reconsider the proposed tuition and fee increases for graduate students.

Sheik Murad Hassan Anik, Student, murad@vt.edu
I am an international graduate student at Virginia Tech and I am serving as a graduate teaching assistant (GTA). As a graduate student, it is already difficult to maintain our lives with our limited income. We get paid around $1400 after the fees and taxes and it is very hard for us to maintain our expenses. You have to at least live in a studio or a single bedroom apartment when your spouse lives with you. The spouse of international students cannot work so you have to bear all expenses. A single bed apartment cost around $900 in Blacksburg (which is one of the cheapest). There are very few studio apartments that cost around $700. So, you can see that we are left with a small amount of money after the rent. With that small amount, we have to plan our food, travel, bills and every other expense. It creates extra pressure and burden on our mind which generates demotivation and depression. This affects our work and research. Our research work will undoubtedly improve if we did not have to worry about our financial stability. I request the authority to take all these issues into account before making any decision on increasing tuition and fees. We are already paid poorly and I believe the authority should increase the pay of graduate assistants rather than increasing tuition and fees. As an international graduate student, I humbly request the authority to reconsider the matter of increasing tuition and fees.

sadia ahmed, Student, sadiaa7@vt.edu
As an international student, graduate assistantship is my only source of income. Due to high demand and low supply, rent is increasing at an extreme rate in Blacksburg. Since parking pass is also very expensive, I am forced to stay near campus as well. We already pay a high amount as complementary fee from paychecks. If my tuition and fee increase again, without an increase in salary, it would be almost impossible to do grocery after paying all the bills.
Board of Visitors Tuition Hearing Comments

Since 2000, tuition has tripled at Tech. The family incomes and the student employee wages used to pay that tuition have not. I have trouble understanding how or why the cost of education at our school has been allowed to run so wildly amuck in just two decades. Regardless of the reasons for the staggering gap that has opened up, it is clear now that we need to- at a bare minimum- stem the rising tide of the cost of education in this country. That starts at our school.

It would be one thing if the value of education provided here had tripled along with the cost. If we were able to go into the work force and find jobs that paid three times as much as the jobs the class of 2000 found. It is obvious this is not the case. It is equally obvious that the money in this tuition hike, just like the past nineteen hikes, will not increase the monetary value of the education provided by our school.

This is especially insulting to students who have to work to afford their education here. During my time working at Owens, I met several students who would work twelve hour shifts and well over twenty hours a week in addition to full class loads in order to pay tuition. While I could get into the questionable and anti-meritocratic ethics surrounding a system where poorer students are forced to sell their study time back to the school, in the interest of keeping to the subject of the proposed tuition increase, I’ll simply say that I think the effects of a tuition hike on these students are clear.

If somehow it is still not clear- the fallout from the coronavirus has aggravated all of these problems. Both my roommates lost their jobs with dining services due to the virus, and will be unlikely to find new employment until the epidemic has passed. The same is true for working families, being cut down on hours or from their positions entirely- often without paid sick leave. In the wake of such a public health and economic crisis, it would be unconscionable to ask those students and families to scrape together a couple hundred more dollars so you can “support the university’s strategic plan within the context of various budget implications”. I ask you, above all, to consider the impact any tuition increase will have on these students and families- already paying triple what was paid twenty years ago with barely any rise in wages or household incomes to compensate for it.

Respectfully,
Steven Warren
Fiscal year 2019 represented another successful year in the continued advancement of Virginia Tech’s strategic plan. The university continues to maintain a strong financial position as a result of prudent fiscal management strategies. The strategic deployment of new and continuing resources and the leveraging of enrollment growth has enabled the university to successfully manage the impact of increasing expenditures.

**Summary of Audit Results**

- Unmodified audit opinion *(Previously called an unqualified audit opinion)*

- No material weakness in internal controls

- One written audit comment for improperly identifying employees required to complete a statement of economic interest and complete conflict of interest training.
### Assets, Liabilities and Net Position at June 30, 2019 & 2018

(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$289.4</td>
<td>$298.1</td>
<td>$(8.7)</td>
<td>(2.9)%</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>1,786.0</td>
<td>1,731.9</td>
<td>54.1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Other assets</td>
<td>681.8</td>
<td>602.9</td>
<td>78.9</td>
<td>13.1%</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,757.2</td>
<td>2,632.9</td>
<td>124.3</td>
<td>4.7%</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>71.1</td>
<td>70.0</td>
<td>1.1</td>
<td>1.6%</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>305.8</td>
<td>279.3</td>
<td>26.5</td>
<td>9.5%</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>1,037.1</td>
<td>1,099.1</td>
<td>(62.0)</td>
<td>(5.6)%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,342.9</td>
<td>1,378.4</td>
<td>(35.5)</td>
<td>(2.6)%</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>95.2</td>
<td>65.2</td>
<td>30.0</td>
<td>46.0%</td>
</tr>
<tr>
<td>Invested in capital assets, net</td>
<td>1,326.1</td>
<td>1,273.2</td>
<td>52.9</td>
<td>4.2%</td>
</tr>
<tr>
<td>Restricted</td>
<td>714.9</td>
<td>712.5</td>
<td>2.4</td>
<td>1.1%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(150.7)</td>
<td>(226.4)</td>
<td>75.7</td>
<td>33.4%</td>
</tr>
<tr>
<td>Total net position</td>
<td>$1,390.3</td>
<td>$1,259.3</td>
<td>$131.0</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

The balance sheet shows positive results for fiscal year 2019 with the key indicators as follows:

**Total assets** increased by $124.3 million or 4.7 percent. As shown in Exhibit two, total cash and investments grew by $81 million (from $736 million to $817 million) due to continued efforts to contain costs and increase returns on investments. Additionally, capital assets, net, increased by $54.1 million reflecting the ongoing construction of university research and instructional facilities, and the capitalization of completed facilities.

**Total liabilities** decreased by $35.5 million or 2.6 percent. The current liabilities category increased by $26.5 million, with majority of the increase ($19.1 million) in the commercial paper category used to temporarily fund capital projects. The non-current liabilities category decreased by $62.0 million, with the primary contributors being the pension liability ($32.2 million), the Other Post-Employment Benefits (OPEB) liability ($20.3 million), and long-term debt ($8.5) million.

**Total net position** increased by $131.0 million or 10.4 percent. Net position in the category of net investment in capital assets increased $52.9 million, reflecting the university’s continued investment in new facilities and equipment. The unadjusted unrestricted net position rose by $75.7 million and is attributed to growth in returned overhead balances, increases in the unrestricted portion of the auxiliary system funds, and an overall decrease in the actuarially determined pension and OPEB expenses.
Composition of Current & Non-Current Assets, Excluding Capital Assets

Showing the Strategy to Move Cash & Cash Equivalents to Long-Term Investments at VTF

For the years ended June 30, 2015 - 2019

(all dollars in millions)

Exhibit 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Assets</th>
<th>Cash &amp; Cash Equivalents</th>
<th>Accounts &amp; Notes Receivable</th>
<th>Other Long-Term Investments</th>
<th>University Investments in VTF Endowment Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$125</td>
<td>$397</td>
<td>$96</td>
<td>$96</td>
<td>$125</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$130</td>
<td>$264</td>
<td>$82</td>
<td>$82</td>
<td>$130</td>
</tr>
<tr>
<td>FY 2017 (restated)</td>
<td>$192</td>
<td>$334</td>
<td>$74</td>
<td>$74</td>
<td>$192</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$287</td>
<td>$216</td>
<td>$58</td>
<td>$58</td>
<td>$287</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$378</td>
<td>$227</td>
<td>$97</td>
<td>$97</td>
<td>$378</td>
</tr>
</tbody>
</table>

Total: $817 M

Presentation Date: May 7, 2020
Ongoing Investments in Capital Assets
Growth in Capital Assets from FY 2002 to FY 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Land &amp; Construction in Progress</th>
<th>Infrastructure, etc. - Gross</th>
<th>Equipment - Gross</th>
<th>Buildings - Gross</th>
<th>Total Capital Assets - Gross</th>
<th>Total Accumulated Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2002</td>
<td>50</td>
<td>132</td>
<td>317</td>
<td>479</td>
<td>978</td>
<td>479</td>
</tr>
<tr>
<td>FY 2008</td>
<td>134</td>
<td>173</td>
<td>430</td>
<td>807</td>
<td>1,544</td>
<td>672</td>
</tr>
<tr>
<td>FY 2015</td>
<td>171</td>
<td>209</td>
<td>634</td>
<td>1,688</td>
<td>2,702</td>
<td>1,077</td>
</tr>
<tr>
<td>FY 2016</td>
<td>199</td>
<td>224</td>
<td>651</td>
<td>1,737</td>
<td>2,811</td>
<td>1,145</td>
</tr>
<tr>
<td>FY 2017</td>
<td>209</td>
<td>229</td>
<td>674</td>
<td>1,788</td>
<td>2,900</td>
<td>1,220</td>
</tr>
<tr>
<td>FY 2018</td>
<td>196</td>
<td>235</td>
<td>703</td>
<td>1,903</td>
<td>3,037</td>
<td>1,306</td>
</tr>
<tr>
<td>FY 2019</td>
<td>184</td>
<td>236</td>
<td>732</td>
<td>2,026</td>
<td>3,178</td>
<td>1,391</td>
</tr>
</tbody>
</table>

Presentation Date: May 7, 2020
Composition of Current & Non-Current Liabilities
Showing the Impact of Accounting Pronouncements GASB 68 and 75 (Pension & OPEB)
For the years ended June 30, 2015 - 2019
(all dollars in millions)
### Trends in Net Position

*For the years ended June 30, 2015 - 2019 (all dollars in millions)*

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, net of related debt</td>
<td>$1,121.1</td>
<td>$1,163.8</td>
<td>$1,201.3</td>
<td>$1,273.2</td>
<td>$1,326.1</td>
</tr>
<tr>
<td>Restricted, nonexpendable</td>
<td>$0.4</td>
<td>0.4</td>
<td>11.9</td>
<td>14.4</td>
<td>14.0</td>
</tr>
<tr>
<td>Restricted, expendable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td>6.0</td>
<td>36.4</td>
<td>39.7</td>
<td>11.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Other</td>
<td>172.5</td>
<td>173.1</td>
<td>173.0</td>
<td>186.5</td>
<td>194.7</td>
</tr>
<tr>
<td>Unrestricted</td>
<td><strong>(74.3)</strong></td>
<td><strong>(35.3)</strong></td>
<td><strong>(23.5)</strong></td>
<td><strong>(226.4)</strong></td>
<td><strong>(150.7)</strong></td>
</tr>
<tr>
<td>Total Net Position</td>
<td><strong>$1,216.7</strong></td>
<td><strong>$1,338.3</strong></td>
<td><strong>$1,402.3</strong></td>
<td><strong>$1,259.3</strong></td>
<td><strong>$1,390.3</strong></td>
</tr>
</tbody>
</table>

### Total Net Position

*For the years ended June 30, 2015 - 2019 (all dollars in millions)*

- FY 2015: $1,217
- FY 2016: $1,338
- FY 2017: $1,402
- FY 2018: $1,259
- FY 2019: $1,390
Unrestricted Net Position
For the Totals Reported in the Audited Financial Statements
June 30, 2015 - June 30, 2019
(all dollars in millions)

- FY 2015: $313
- FY 2016: $348
- FY 2017: $354
- FY 2018: $391
- FY 2019: $444

Legend:
- Without GASB
- Impact of GASB 68 (FY 2015) & GASB 75 (FY 2018)
Virginia Tech’s Share of the Commonwealth’s Total Obligation for GASB 68 for Defined Benefit Pension Plans & GASB 75 for OPEB
For the years ended June 30, 2014 - 2018
(all dollars in millions)

* Percentage varies for each defined benefit and postemployment benefit plan. The Pre-Medicare Retiree Healthcare program amount is an imputed total.

Measurement dates for pension amounts will always be one year in arrears from the financial statement dates. Therefore, for the university’s fiscal year 2019 financial statement, the fiscal year 2018 pension and OPEB information was used. As shown above, there are large annual fluctuations in these obligations. However, most of the impact on pension and OPEB expenses and net position is deferred to future periods.
### Summary Schedule of Cash and Investments Totals
From the Totals Reported in the Audited Financial Statements - June 30, 2019 and 2018
(all dollars in millions)

<table>
<thead>
<tr>
<th>Financial Statement Totals</th>
<th>Totals at June 30, 2019</th>
<th>Totals at June 30, 2018</th>
<th>Change in Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Assets</td>
<td>Noncurrent Assets</td>
<td>Total Cash &amp; Investments</td>
</tr>
<tr>
<td>Cash</td>
<td>$8.9</td>
<td>$11.7</td>
<td>$20.6</td>
</tr>
<tr>
<td>Cash equivalents (&lt; 90 days)</td>
<td>168.2</td>
<td>22.9</td>
<td>191.1</td>
</tr>
<tr>
<td>Total cash &amp; cash equivalents</td>
<td>177.1</td>
<td>34.6</td>
<td>211.7</td>
</tr>
<tr>
<td>Short-term investments (&gt;90 days &lt;1 year)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-term investments (&gt;1 year)</td>
<td>378.4</td>
<td>286.7</td>
<td>$605.1</td>
</tr>
<tr>
<td>Invested in the VTF endowment pool</td>
<td>226.7</td>
<td>226.7</td>
<td>$605.1</td>
</tr>
<tr>
<td>Invested with other investment managers</td>
<td>-</td>
<td>$605.1</td>
<td>$605.1</td>
</tr>
<tr>
<td>Total long-term investments</td>
<td>$177.1</td>
<td>$639.7</td>
<td>$816.8</td>
</tr>
<tr>
<td>Grand totals cash &amp; investments</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Schedule of Cash & Investments by Investment Pool - $817 Million
From the Totals Reported in the Audited Financial Statements for FY 2019
(all dollars in millions)

- **Cash**: $21 million (3%)
- **Primary Liquidity**: $178 million (22%)
- **Other Investments**: $70 million (8%)
- **Extended Duration**: $166 million (20%)
- **VTF Endowment**: $382 million (47%)
Monthly Days Cash on Hand measures the number of days a university can operate (cover its cash operating expenses) from unrestricted cash and investments that can be liquidated within one month. The university has established lines of credit with three financial institutions as authorized by the Board of Visitors on June 4, 2018 to provide up to $185 million of liquidity should rapid significant unexpected demands on cash occur. The decrease between cash on hand between fiscal years 2017 and 2018 is due to the strategic move to invest more funds in the Virginia Tech Foundation endowment pool, which is less liquid than previous investments.
# Summary of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2019 and 2018
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$1,160.4</td>
<td>$1,099.9</td>
<td>$60.5</td>
<td>5.5 %</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,467.9</td>
<td>1,423.4</td>
<td>44.5</td>
<td>3.1 %</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td><strong>(307.5)</strong></td>
<td><strong>(323.5)</strong></td>
<td>16.0</td>
<td>(4.9)%</td>
</tr>
<tr>
<td>State appropriations</td>
<td>266.2</td>
<td>263.1</td>
<td>3.1</td>
<td>1.2 %</td>
</tr>
<tr>
<td>Other nonoperating revenues and expenses</td>
<td>93.8</td>
<td>100.4</td>
<td>(6.6)</td>
<td>(6.6)%</td>
</tr>
<tr>
<td>Nonoperating revenues and expenses</td>
<td>360.0</td>
<td>363.5</td>
<td>(3.5)</td>
<td>(1.0)%</td>
</tr>
<tr>
<td>Income before other revenues and expenses</td>
<td>52.5</td>
<td>40.0</td>
<td>12.5</td>
<td>31.3 %</td>
</tr>
<tr>
<td>Other revenues, expenses, gains or losses</td>
<td>78.0</td>
<td>51.8</td>
<td>26.2</td>
<td>50.6 %</td>
</tr>
<tr>
<td><strong>Increase in net position</strong></td>
<td><strong>130.5</strong></td>
<td><strong>91.8</strong></td>
<td><strong>38.7</strong></td>
<td><strong>42.2 %</strong></td>
</tr>
<tr>
<td>Net position - <em>beginning of year adjusted</em></td>
<td>1,259.8</td>
<td>1,167.5</td>
<td>92.3</td>
<td>7.9 %</td>
</tr>
<tr>
<td><strong>Net position - end of year</strong></td>
<td><strong>$1,390.3</strong></td>
<td><strong>$1,259.3</strong></td>
<td><strong>$131.0</strong></td>
<td><strong>10.4 %</strong></td>
</tr>
</tbody>
</table>

*The university's beginning net position as of July 1, 2019 has been adjusted due to the acquisition of the Virginia Tech Carilion School of Medicine.

**Operating loss:** Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts and investment income are all considered non-operating revenues.
### Increase (Decrease) in Revenue
For the years ended June 30, 2019 and 2018
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent</td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees, net</td>
<td>$534.2</td>
<td>$500.0</td>
<td>$34.2</td>
</tr>
<tr>
<td></td>
<td>6.8 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>321.4</td>
<td>306.7</td>
<td>14.7</td>
</tr>
<tr>
<td></td>
<td>4.8 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>274.4</td>
<td>267.4</td>
<td>7.0</td>
</tr>
<tr>
<td></td>
<td>2.6 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>30.4</td>
<td>25.8</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>17.8 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>1,160.4</td>
<td>1,099.9</td>
<td>60.5</td>
</tr>
<tr>
<td></td>
<td>5.5 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonoperating revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>266.2</td>
<td>263.1</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>1.2 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other nonoperating revenues</td>
<td>93.8</td>
<td>100.4</td>
<td>(6.6)</td>
</tr>
<tr>
<td></td>
<td>(6.6)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td>360.0</td>
<td>363.5</td>
<td>(3.5)</td>
</tr>
<tr>
<td></td>
<td>(1.0)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>-</td>
<td>(32.9)</td>
<td>32.9</td>
</tr>
<tr>
<td></td>
<td>100.0 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital grants and gifts</td>
<td>79.2</td>
<td>85.1</td>
<td>(5.9)</td>
</tr>
<tr>
<td></td>
<td>(6.9)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of capital assets</td>
<td>(1.2)</td>
<td>(0.4)</td>
<td>(0.8)</td>
</tr>
<tr>
<td></td>
<td>(200.0)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other revenues, gains</td>
<td>78.0</td>
<td>51.8</td>
<td>26.2</td>
</tr>
<tr>
<td></td>
<td>50.6 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>$1,598.4</td>
<td>$1,515.2</td>
<td>$83.2</td>
</tr>
<tr>
<td></td>
<td>5.5 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operating revenue** increased by $60.5 million. This growth came primarily from three categories: (1) Student tuition and fees ($34.2 million or 6.8 percent) due to an increasing student population and the rise in both in-state and out-of-state tuition and fee rates. (2) The growth in auxiliary enterprise revenue ($7.0 million or 2.6 percent) follows a similar pattern. (3) Sponsored grants and contracts increased by $14.7 million or 4.8 percent.

**Non-operating revenue** decreased by $3.5 million primarily from decreases in other non-operating revenue ($6.6 million) and a decline in gift funding transferred from the VTF ($4.7 million), with small decreases in federal student financial aid ($0.2 million) and marginal decreases in other areas. Investment income increased $4.3 million due to market conditions and a shift to longer term investments for better returns, and state appropriations rose slightly ($3.0 million).

**Total other revenue and gains** grew by $26.2 million. Due to supplementing capital appropriations in previous years (VCBA 21st century funding), there is a negative amount for capital appropriations and an increase in capital grants and gifts.
Total Revenue by Source- $1,598 Million
For the year ended June 30, 2019 (all dollars in millions)

- Student tuition and fees: $534 (33%)
- Grants and contracts: $321 (20%)
- Auxiliary enterprises: $274 (17%)
- State appropriations: $266 (17%)
- Capital revenues: $78 (5%)
- *Other revenues: $125 (8%)

- Other revenues include gifts, federal land grant appropriations, Pell Grants investment income, etc.
Changes in Operating Expenses by Function
For the years ended June 30, 2019 and 2018
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent</td>
<td>Amount</td>
</tr>
<tr>
<td>Instruction</td>
<td>$ 398.9</td>
<td>$ 377.5</td>
<td>$ 21.4</td>
</tr>
<tr>
<td>Research</td>
<td>330.9</td>
<td>323.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Public service</td>
<td>92.8</td>
<td>98.0</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>227.9</td>
<td>227.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>108.2</td>
<td>106.1</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>1,158.7</strong></td>
<td><strong>1,132.3</strong></td>
<td><strong>26.4</strong></td>
</tr>
<tr>
<td>Support, maintenance, and other expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic support</td>
<td>98.9</td>
<td>91.2</td>
<td>7.7</td>
</tr>
<tr>
<td>Student services</td>
<td>24.5</td>
<td>20.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Institutional support</td>
<td>73.4</td>
<td>75.9</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Operations and maintenance of plant</td>
<td>91.8</td>
<td>84.8</td>
<td>7.0</td>
</tr>
<tr>
<td>Student financial assistance*</td>
<td>20.6</td>
<td>18.3</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>309.2</strong></td>
<td><strong>291.0</strong></td>
<td><strong>18.1</strong></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>$ 1,467.9</strong></td>
<td><strong>$ 1,423.4</strong></td>
<td><strong>$ 44.5</strong></td>
</tr>
</tbody>
</table>

*Includes loan administrative fees and collection costs.

**Instruction** had the largest increase ($21.4 million), of which the majority occurred in the compensation and benefits category, reflecting the university’s commitment to maintaining a high-quality faculty and staff. The addition of the school of medicine as well as a growing student enrollment contributed to this increase.

**Research** expenditures increased by $7.9 million, reflecting the rise in grants and contracts received by the university.

**Public service** expenditures saw a decrease of $5.2 million.
Summary of Expenses by Function - $1,468 Million
For the year ended June 30, 2019
(all dollars in millions)

- Instruction: $399 (27%)
- Research: $331 (23%)
- Public service: $93 (6%)
- Auxiliary enterprises: $228 (16%)
- Depreciation: $108 (7%)
- Other: $309 (21%)
- Student financial assistance: $21 (1%)
  - Academic support: $99 (7%)
  - Operations and maintenance of plant: $92 (6%)
  - Institutional support: $73 (5%)
  - Student services: $24 (2%)
### Changes in Expenses by Natural Classification
For the years ended June 30, 2019 and 2018
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and benefits</td>
<td>$931.6</td>
<td>$911.7</td>
<td></td>
<td>$19.9</td>
<td>2.2 %</td>
</tr>
<tr>
<td>Contractual services</td>
<td>118.9</td>
<td>115.2</td>
<td></td>
<td>3.7</td>
<td>3.2 %</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>97.5</td>
<td>100.7</td>
<td>(3.2)</td>
<td>(3.2)%</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>44.1</td>
<td>43.6</td>
<td></td>
<td>0.5</td>
<td>1.1 %</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>96.1</td>
<td>82.3</td>
<td></td>
<td>13.8</td>
<td>16.8 %</td>
</tr>
<tr>
<td>Scholarships and fellowships *</td>
<td>40.7</td>
<td>37.1</td>
<td></td>
<td>3.6</td>
<td>9.7 %</td>
</tr>
<tr>
<td>Sponsored program subcontracts</td>
<td>30.8</td>
<td>26.7</td>
<td></td>
<td>4.1</td>
<td>15.4 %</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>108.2</td>
<td>106.1</td>
<td></td>
<td>2.1</td>
<td>2.0 %</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>$ 1,467.9</strong></td>
<td><strong>$ 1,423.4</strong></td>
<td><strong>$ 44.5</strong></td>
<td><strong>3.1 %</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Includes loan administrative fees and collection costs.

**Compensation and benefits** comprised of $931.6 million or 63.5 percent of the university’s total operating expenses. This category increased by $19.9 million, with compensation growing by $30.6 million and benefits decreasing by $10.7 million. The net decrease is due to the actuarially determined GASB 68 pension expense and GASB 75 OPEB expense for the current year being significantly less than in prior years.

**Other operating expenses** increased by $13.8 million and includes building and equipment leases as well as utility charges and expenses for insurance. Growth in this category was spread across multiple areas.
Total Expenses by Natural Classification - $1,468 Million
For the Year Ended June 30, 2019
(all dollars in millions)

Compensation and benefits $932 64%

Contractual services $119 8%
Supplies & materials $98 7%
Other $319 21%

Other operating expenses $96 6%
Travel $44 3%
Scholarships and fellowships, $40 3%
Depreciation and amortization $108 7%
Sponsored program subcontracts, $31 2%
Long-Term Debt Payable Activity
as of June 30, 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 9(c) general obligation revenue bonds</td>
<td>$ 174.5</td>
<td>$ -</td>
<td>$ 9.6</td>
<td>$ 114.9</td>
<td>$ 8.1</td>
</tr>
<tr>
<td>Section 9(d) revenue bonds</td>
<td>58.6</td>
<td>-</td>
<td>3.1</td>
<td>55.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Notes payable</td>
<td>233.6</td>
<td>16.7</td>
<td>19.2</td>
<td>231.1</td>
<td>13.4</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>67.6</td>
<td>13.0</td>
<td>3.8</td>
<td>76.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Total long-term debt payable</td>
<td>$ 484.3</td>
<td>$ 29.7</td>
<td>$ 35.7</td>
<td>$ 478.3</td>
<td>$ 34.1</td>
</tr>
</tbody>
</table>

Debt ratio for fiscal year 2019 was 3.46 percent with a long-term debt liability of $478.3 million.

The current portion is the amount that will be payable in FY 2020.

New debt was issued for the renovation of O’Shaughnessy and for the second building at the Fralin Biomedical Research Institute.

New capital leases included the Virginia Tech Transportation Institute Intern Hub and the Applied Projects Building at the Corporate Research Center.
GASB 87 Leases Effective FY 2021
Estimated Financial Statement Impact as of June 30, 2019
(all dollars in thousands)

<table>
<thead>
<tr>
<th>GASB 62</th>
<th>GASB 87</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-Term Debt, Capital Leases</strong></td>
<td><strong>Long-Term Debt, Long-Term Leases</strong></td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>$76,836</td>
</tr>
<tr>
<td>Operating lease commitments</td>
<td>-</td>
</tr>
<tr>
<td>Total long-term debt, capital leases</td>
<td>$76,836</td>
</tr>
<tr>
<td>Estimated Long-term lease liability (recognized former operating lease commitments)</td>
<td>70,000</td>
</tr>
<tr>
<td>Total long-term debt, long-term leases</td>
<td>$146,836</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GASB 62</th>
<th>GASB 87</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Lease Commitments Note Disclosure Only</strong></td>
<td><strong>Short-term Lease Commitments No Disclosure</strong></td>
</tr>
<tr>
<td>Operating lease commitments</td>
<td>$66,189</td>
</tr>
<tr>
<td>Short-term lease commitments</td>
<td>No Disclosure</td>
</tr>
</tbody>
</table>

GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities.
# Upcoming Changes Due to Implementation of GASB 87 Leases

**Effective FY 2021**

<table>
<thead>
<tr>
<th>Old Reporting Method - GASB 62</th>
<th>New Reporting Method - GASB 87</th>
</tr>
</thead>
</table>
| 1. **Capital Leases**: capitalize lease payments as a capital asset. Amortize interest expense and depreciate capital asset over life of the lease.  
  - Transfer of ownership,  
  - Bargain purchase option,  
  - Lease term $\geq$ 75% asset life, OR  
  - Present value lease payments $\geq$ 90% asset value  
  2. **Operating Leases**: recognize lease expense as payments made.  
    - Not a capital lease | 1. **Long-Term Leases**: capitalize lease payments as an intangible right-to-use asset. Amortize interest expense and intangible right-to-use asset over life of the lease.  
    - Maximum possible term at commencement exceeds 12 months,  
    - Non-cancelable for at least one party, **AND**  
    - Present value of lease payments $\geq$ $50K$ (tentative threshold from DOA)  
  2. **Short-Term Leases**: recognize lease expense as payments made.  
    - Not a long-term lease |
**Sponsored Programs**
For the years ended June 30, 2015 – 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of awards received</td>
<td>2,189</td>
<td>2,291</td>
<td>2,423</td>
<td>2,533</td>
<td>2,364</td>
</tr>
<tr>
<td>Value of awards received</td>
<td>$296.6</td>
<td>$278.1</td>
<td>$304.3</td>
<td>$336.8</td>
<td>$323.7</td>
</tr>
<tr>
<td>Research expenditures reported to NSF</td>
<td>$504.3</td>
<td>$521.8</td>
<td>$522.4</td>
<td>$531.6</td>
<td>$542.0</td>
</tr>
<tr>
<td>NSF Rank</td>
<td>44</td>
<td>43</td>
<td>46</td>
<td>48</td>
<td>Unavailable</td>
</tr>
</tbody>
</table>
# Student Financial Aid

For the years ended June 30, 2015 - 2019

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of students receiving selected types of financial aid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>12,253</td>
<td>12,282</td>
<td>12,430</td>
<td>12,947</td>
<td>13,075</td>
</tr>
<tr>
<td>Grants, scholarships, and waivers</td>
<td>18,242</td>
<td>18,409</td>
<td>18,746</td>
<td>19,493</td>
<td>19,484</td>
</tr>
<tr>
<td>Employment opportunities</td>
<td>10,437</td>
<td>10,934</td>
<td>11,201</td>
<td>11,193</td>
<td>12,717</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total amounts by major category, (all dollars in millions)</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$ 161.5</td>
<td>$ 165.9</td>
<td>$ 171.4</td>
<td>$ 181.3</td>
<td>$ 191.9</td>
</tr>
<tr>
<td>Grants, scholarships, and waivers</td>
<td>182.0</td>
<td>194.8</td>
<td>203.6</td>
<td>215.6</td>
<td>227.7</td>
</tr>
<tr>
<td>Employment opportunities</td>
<td>81.3</td>
<td>85.5</td>
<td>87.2</td>
<td>89.5</td>
<td>92.3</td>
</tr>
<tr>
<td><strong>Total financial aid</strong></td>
<td><strong>$424.8</strong></td>
<td><strong>$446.2</strong></td>
<td><strong>$462.2</strong></td>
<td><strong>$486.4</strong></td>
<td><strong>$511.9</strong></td>
</tr>
</tbody>
</table>
49 percent of the undergraduate Virginia Tech Class of 2018 carried an average student loan debt of $30,741. Nationally, 65 percent of students at public and non-profit four-year institutions took on student loan debt averaging $29,200 per student. Over the last several years, the university has consistently had a lower proportion of student borrowers than the national average, and a comparable average debt level.
Conclusion:

Despite a challenging financial landscape, the university continues to make progress on several fronts including the following:

- Continued investment in facilities supporting the university’s strategic plan with the prudent use of debt financing.

- Strong student demand – the university continues to have growth in applications and the successive improvements of overall quality and diversity of each entering class.

- Moderation in tuition rate increases has enabled the university to maintain its competitive advantage over peer institutions with a total cost (including room and board) of $22,554 per year for Virginia undergraduates. Virginia Tech ranked 16th out of a state-established peer group of 24 national public peer institutions in 2018-19.

- The university continues to assess the lowest non-instructional mandatory charge of any public four-year institution in Virginia, directing 85 percent of a resident undergraduate’s mandatory charges towards the instructional mission.

- Virginia Tech’s NSF research ranking was 48th in 2018.

- Continued growth in unrestricted net position from operating and non-operating activities which partially offset the impact of GASB 68 in 2014-15 and GASB 75 in 2017-18 for pension liabilities and other postemployment benefits.
University’s Annual Financial Report
May 7, 2020

KEN MILLER,
VICE PRESIDENT FOR FINANCE AND
ASSISTANT VICE PRESIDENT FOR FINANCE &
UNIVERSITY CONTROLLER
## Successful Audit & Strong Financial Position

<table>
<thead>
<tr>
<th>Strong revenue sources</th>
<th>Aa1 and AA Credit Rating</th>
<th>3.46% Debt Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️</td>
<td>✔️ Target AA- or Better</td>
<td>✔️ Target 5% or Below</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unmodified audit opinion</th>
<th>No material weakness involving internal controls</th>
<th>One written audit comment for improperly identifying employees required to complete a statement of economic interest and complete conflict of interest training</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>
Composition of Current & Non-Current Assets Excluding Capital Assets
Showing the Strategy to Move Cash & Cash Equivalents to Long-term Investments at VT Foundation
For the years ended June 30, 2015 - 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017 (restated)</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Assets</td>
<td>$397</td>
<td>$264</td>
<td>$334</td>
<td>$287</td>
<td>$378</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$125</td>
<td>$279</td>
<td>$192</td>
<td>$233</td>
<td>$227</td>
</tr>
<tr>
<td>Accounts &amp; Notes Receivable</td>
<td>$96</td>
<td>$130</td>
<td>$192</td>
<td>$287</td>
<td>$378</td>
</tr>
<tr>
<td>Other Long-Term Investments</td>
<td>$47</td>
<td>$82</td>
<td>$74</td>
<td>$58</td>
<td>$57</td>
</tr>
<tr>
<td>University Investments in VTF Endowment Pool</td>
<td>$80</td>
<td>$82</td>
<td>$98</td>
<td>$107</td>
<td>$97</td>
</tr>
<tr>
<td>University Investments in VTF Endowment Trend Line</td>
<td>$745</td>
<td>$837</td>
<td>$850</td>
<td>$901</td>
<td>$971</td>
</tr>
</tbody>
</table>

Total: $817 M
Composition of Current & Non-Current Liabilities

Showing the Impact of Accounting Pronouncements GASB 68 and 75 (Pension & OPEB) Accounting & Financial Reporting for Pensions and Postemployment Benefits

For the Years ended June 30, 2015 - 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Accounts Payable &amp; Accrued Liabilities</th>
<th>Long-Term Debt Payable &amp; Commercial Paper</th>
<th>Accrued Compensated Absences &amp; Other Liabilities</th>
<th>GASB 68 Pension Liability</th>
<th>GASB 75 Other Postemployment Benefits Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$131</td>
<td>$521</td>
<td>$120</td>
<td>$358</td>
<td></td>
</tr>
<tr>
<td>FY 2016</td>
<td>$140</td>
<td>$531</td>
<td>$118</td>
<td>$404</td>
<td></td>
</tr>
<tr>
<td>FY 2017 (restated)</td>
<td>$140</td>
<td>$501</td>
<td>$118</td>
<td>$439</td>
<td></td>
</tr>
<tr>
<td>FY 2018</td>
<td>$141</td>
<td>$500</td>
<td>$125</td>
<td>$386</td>
<td>$227</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$146</td>
<td>$513</td>
<td>$123</td>
<td>$354</td>
<td>$207</td>
</tr>
</tbody>
</table>

$561
$782
## Trends in Net Position

For the years ended June 30, 2015 - 2019  
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, net of related debt</td>
<td>$1,112.1</td>
<td>$1,163.8</td>
<td>$1,201.3</td>
<td>$1,273.2</td>
<td>$1,326.1</td>
</tr>
<tr>
<td>Restricted, nonexpendable</td>
<td>0.4</td>
<td>0.4</td>
<td>11.9</td>
<td>14.4</td>
<td>14.0</td>
</tr>
<tr>
<td>Restricted, expendable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td>6.0</td>
<td>36.4</td>
<td>39.7</td>
<td>11.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Other</td>
<td>172.5</td>
<td>173.1</td>
<td>173.0</td>
<td>186.5</td>
<td>194.7</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(74.3)</td>
<td>(35.3)</td>
<td>(23.5)</td>
<td>(226.4)</td>
<td>(150.7)</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$1,216.7</td>
<td>$1,338.3</td>
<td>$1,402.3</td>
<td>$1,259.3</td>
<td>$1,390.3</td>
</tr>
</tbody>
</table>
Total Net Position
For the years ended June 30, 2015 - 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$1,217</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$1,338</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$1,402</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$1,259</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$1,390</td>
</tr>
</tbody>
</table>
Summary of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2019 and 2018
(all dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$1,160.4</td>
<td>$1,099.9</td>
<td>$ 60.5</td>
<td>5.5 %</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,467.9</td>
<td>1,423.4</td>
<td>44.5</td>
<td>3.1 %</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(307.5)</td>
<td>(323.5)</td>
<td>16.0</td>
<td>(4.9)%</td>
</tr>
<tr>
<td>State appropriations</td>
<td>266.2</td>
<td>263.1</td>
<td>3.1</td>
<td>1.2 %</td>
</tr>
<tr>
<td>Other nonoperating revenues and expenses</td>
<td>93.8</td>
<td>100.4</td>
<td>(6.6)</td>
<td>(6.6)%</td>
</tr>
<tr>
<td>Nonoperating revenues and expenses</td>
<td>360.0</td>
<td>363.5</td>
<td>(3.5)</td>
<td>(1.0)%</td>
</tr>
<tr>
<td><strong>Income before other revenues and expenses</strong></td>
<td>52.5</td>
<td>40.0</td>
<td>12.5</td>
<td>31.3 %</td>
</tr>
<tr>
<td>Other revenues, expenses, gains or losses</td>
<td>78.0</td>
<td>51.8</td>
<td>26.2</td>
<td>50.6 %</td>
</tr>
<tr>
<td><strong>Increase in net position</strong></td>
<td>130.5</td>
<td>91.8</td>
<td>38.7</td>
<td>42.2 %</td>
</tr>
<tr>
<td>Net position - *beginning of year adjusted</td>
<td>1,259.8</td>
<td>1,167.5</td>
<td>92.3</td>
<td>7.9 %</td>
</tr>
<tr>
<td><strong>Net position - end of year</strong></td>
<td>$1,390.3</td>
<td>$1,259.3</td>
<td>$131.0</td>
<td>10.4 %</td>
</tr>
</tbody>
</table>

*The university’s beginning net position as of July 1, 2019 has been adjusted due to the acquisition of the Virginia Tech Carilion School of Medicine.

**Operating loss**: Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts and investment income are all considered non-operating revenues.
Total Revenues by Source- $1,598 Million
for the year ended June 30, 2019
(all dollars in millions)

- Student tuition and fees: $534 (33%)
- Grants and contracts: $321 (20%)
- Auxiliary enterprises: $274 (17%)
- State appropriations: $266 (17%)
- Capital revenues: $78 (5%)
- Other revenues: $125 (8%)

* Other revenues include gifts, federal land grant appropriations, Pell Grants, investment income, etc.
Summary of Expenses by Function - $1,468 Million
For the year ended June 30, 2019
(all dollars in millions)

- Instruction: $399, 27%
- Research: $331, 23%
- Auxiliary enterprises: $228, 16%
- Public service: $93, 6%
- Depreciation: $108, 7%
- Other: $309, 21%

- Student financial assistance: $21, 1%
- Academic support: $99, 6%
- Operations and maintenance of plant: $92, 6%
- Institutional support: $73, 5%
- Student services: $24, 2%
Total Operating Expenses by Classification - $1,468 Million
for the year ended June 30, 2019
(all dollars in millions)

- Compensation and benefits $932, 64%
- Other $319, 21%
- Supplies & materials $98, 7%
- Contractual services $119, 8%
- Depreciation and amortization $108, 7%
- Sponsored program subcontracts, $31, 2%
- Other operating expenses $96, 6%
- Travel $44, 3%
- Scholarships and fellowships, $40, 3%
<table>
<thead>
<tr>
<th>GASB 62</th>
<th>GASB 87</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-Term Debt, Capital Leases</strong></td>
<td><strong>Long-Term Debt, Long-Term Leases</strong></td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>Long-term lease liability (reclassified former capital lease obligations)</td>
</tr>
<tr>
<td>$ 76,836</td>
<td>$ 76,836</td>
</tr>
<tr>
<td>Operating lease commitments</td>
<td>Estimated Long-term lease liability (recognized former operating lease commitments)</td>
</tr>
<tr>
<td>-</td>
<td>70,000</td>
</tr>
<tr>
<td>Total long-term debt, capital leases</td>
<td>Total long-term debt, long-term leases</td>
</tr>
<tr>
<td>$ 76,836</td>
<td>$ 146,836</td>
</tr>
</tbody>
</table>

**GASB 62**

Operating Lease Commitments

Note Disclosure Only

<table>
<thead>
<tr>
<th>Operating lease commitments</th>
<th>Short-term lease commitments</th>
<th>No Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 86,189</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Conclusion

- Continued Investment in Facilities
- Strong Student Demand
- Moderate Undergraduate Tuition & Fees

- Ranked 48th in 2018 NSF Research Ranking
- Continued Growth in Net Position
- Continued Success of Philanthropy
Presentation of Auditor of Public Accounts Intercollegiate Athletics Programs
Report for Year Ended June 30, 2019

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 21, 2020

The Auditor of Public Accounts (APA) performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of Intercollegiate Athletics Program of the university is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15.1, for the year ended June 30, 2019. The APA did not perform an audit of the financial statements of the Intercollegiate Athletics Programs, so no opinion was issued. The APA performed procedures that addressed internal controls, affiliated and outside organizations, Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule), and separate procedures for specific revenues and expenses. During the APA review, no matters were brought to the APA’s attention that would lead them to believe the amounts on the Schedule of Revenues and Expenses should be adjusted.

The APA did mention a discrepancy totaling $439,005 in contributions as reported by the Virginia Tech Foundation compared to the contributions reported by the university. A working group was formed including Virginia Tech Foundation (VTF), Controller’s Office, and Athletic Department personnel to investigate and reconcile the totals. Corrections were implemented to Athletic Department and Controller’s Office procedures and to the selection criteria of the VTF report to prevent this occurrence going forward.

The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the university for the year ended June 30, 2019. Total revenues of the Intercollegiate Athletics Programs for the year ended June 30, 2019 were $96.8 million with the majority of the revenues coming from the football and basketball programs. Expenses for the year were $94.0 million, resulting in an operating surplus of $2.8 million.

Significant variances noted in the APA report were as follows:

- Contributions decreased by $2.9 million because the amount of contributions drawn down from VTF in FY 2019 did not include contributions to cover one-time expenses for operations and repair and maintenance of the basketball locker room incurred in FY 2018.

- Support Staff Salaries, Fringe Benefits and Bonuses increased by $1.6 million due to increased staffing needs for the ACC Network, facilities project management, and the business office service center.

The following attachments provide additional information regarding athletic finances:

- Attachment A displays the five-year trend analysis of athletic revenues and expenses. The analysis indicates an overall upward slope in both revenues and expenses with a deficit in fiscal years 2016 and 2017, but a surplus in the other years.
Attachment B shows the five-year trend for the net income/deficit. The fiscal year 2017 deficit occurred primarily due to the decision to use operating funds instead of gifts to fund scholarships, as explained below.

Attachment C offers a breakout of fiscal year 2019 net operating income by athletic program, showing how the proceeds from football and men’s basketball support other athletic programs.

Attachment D is the report issued by the APA on Intercollegiate Athletics Programs for the year ended June 30, 2019.

As with all auxiliaries, the university requires the Athletics Department to maintain adequate fund balances or reserves necessary to protect operations from volatility of changes in athletic program revenues and to serve as a contingency fund. Any proposed use of reserve funds must be approved in advance through the budget process. In fiscal year 2017, a use of reserves was approved, in part, to cover an expected scholarship fundraising shortfall anticipated at the beginning of the fiscal year. Athletic scholarships are primarily funded by gifts, and less than 20 percent of those gifts are from endowment income, which tend to have predictable annual distributions. Therefore, the majority of scholarships are funded by revenues generated from annual fundraising campaigns, which tend to be less predictable. In addition, such gifts tend to be received mainly in the latter part of each fiscal year (between December and March). If the fundraising campaign falls short of budgeted targets, the Athletics Department must use a combination of current year operating revenues or Athletics Department reserves to make up the shortfall.

For fiscal year 2017, the Athletics Department’s approved budget authorized the use of $4 million from other operating funds to cover scholarship expenses, since on July 1, 2016, only $1.7 million of cash from gifts was available for scholarships. The gift resources at that time were insufficient to cover the athletic scholarship expenses for the Fall 2017 semester. However, as the year progressed, the fundraising campaign for fiscal year 2017 exceeded the budgeted target and the cash balance held by the Virginia Tech Foundation, Inc. at June 30, 2017 to fund athletic scholarships was approximately $7.3 million.

See page 8 of Attachment D for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2019.

Additional Activities related to NCAA Reporting

House Bill 1897 (HB1897) passed by the 2015 General Assembly prohibits the total of school funds and student fees used to support intercollegiate athletics programs from exceeding a certain percentage of athletics revenues. This calculation is called the subsidy percentage. For the subsidy percentage calculation, revenues supporting spirit groups, indirect cost charges and debt service are removed from both the total revenue and the student fees. The bill requires any school that violates the subsidy percentage cap to submit to the General Assembly a five-year plan for coming into compliance. The subsidy percentages are larger for smaller institutions which do not have significant ticket sales or conference distributions. For Virginia Tech, the subsidy percentage must remain below 20 percent.
Virginia Tech participated in a statewide “athletic task force” as required by Section 23-1.2 Code of Virginia, to develop and implement a standardized reporting format for each higher education institution in Virginia to annually report its intercollegiate athletics revenue and expenses to the APA. This new standardized report will be utilized to assess compliance with the requirements of HB1897. The first measurement period for evaluating HB 1897 was fiscal year 2017. In July 2019, the APA issued their audit report for fiscal year 2018 which concluded that Virginia Tech met the subsidy percentage requirement (that is, the subsidy did not exceed 20 percent).

Per the requirements of Subsection D of § 23.1-1309 of the Code of Virginia, “any percentage increase in the subsidy at an institution that complies with Subsection C shall be matched by a like percentage increase in generated revenue, except that each institution shall utilize a rolling average of the change in generated revenue and student fees over the immediately preceding five years for the purposes of such calculation.” Fiscal year 2018 is the second reporting year following the effective date of the regulation, and as such, five years of data is not available to develop a rolling average. The APA report calculated a two-year average for fiscal year 2017 and 2018, and Virginia Tech was in compliance. The increase in the subsidy during this period was 9 percent, which was less than the 13 percent increase in generated revenues. These increases are based on total revenues increases, not per student fees. Because the university has very low fees compared to other schools and is experiencing enrollment growth, this calculation could result in higher percentage increases of subsidies than the actual percentage increase in per student athletic fees.

Traditionally, the university has kept athletic fee increases very low, but this new requirement must be kept in mind for future increases.
Intercollegiate Athletic Programs Revenue & Expenses
FY 2015 - FY 2019
(all dollars in millions)

FY 2015: $78
FY 2016: $85
FY 2017: $91
FY 2018: $93
FY 2019: $94

Revenues
Expenses
Intercollegiate Athletic Programs
Net Operating Income (Deficit)
FY 2015 - FY 2019
(all dollars in millions)
### Intercollegiate Athletic Programs

#### Net Operating Income (Deficit)

**FY 2019**

*(all dollars in millions)*

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Expenses</th>
<th>Net Income/Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Football</td>
<td>$</td>
<td>51.8</td>
<td>$33.7</td>
</tr>
<tr>
<td>Men's Basketball</td>
<td>11.8</td>
<td>9.7</td>
<td></td>
</tr>
<tr>
<td>Women's Basketball</td>
<td>0.9</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>*Other Sports</td>
<td>5.6</td>
<td>23.6</td>
<td></td>
</tr>
<tr>
<td><strong>Non Program Specific</strong></td>
<td>26.7</td>
<td>22.7</td>
<td></td>
</tr>
<tr>
<td>*</td>
<td>$96.8</td>
<td>$</td>
<td>94.0</td>
</tr>
</tbody>
</table>

*Other Sports is the total of Men's Other Sports, Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.

**Non Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.*
VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350
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<tr>
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<td></td>
</tr>
<tr>
<td>UNIVERSITY OFFICIALS</td>
<td>12</td>
</tr>
</tbody>
</table>
February 10, 2020

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
    and Review Commission

Timothy D. Sands  
President, Virginia Polytechnic Institute and State University

INDEPENDENT ACCOUNTANT’S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President  
of Virginia Polytechnic Institute and State University, solely to assist the University in evaluating  
whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of  
the University is in compliance with National Collegiate Athletic Association (NCAA) Constitution  
3.2.4.15.1, for the year ended June 30, 2019. University management is responsible for the Schedule of  
Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule’s compliance  
with NCAA requirements. The sufficiency of the procedures is solely the responsibility of the University.  
Consequently, we make no representation regarding sufficiency of the procedures described below  
either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the  
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to material items. For the purpose of this report, and  
as defined in the agreed-upon procedures, items are considered material if they exceed four percent of  
total revenues or total expenses, as applicable. The procedures that we performed and our findings are  
as follows:

Internal Controls

1. We reviewed the relationship of internal control over Intercollegiate Athletics programs  
to internal control reviewed in connection with our audit of the University’s financial  
statements. In addition, we identified and reviewed those controls unique to  
Intercollegiate Athletics, which were not reviewed in connection with our audit of the  
University’s financial statements.
2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the information technology department.

3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University’s Intercollegiate Athletics programs. We tested these procedures as noted below.

**Affiliated and Outside Organizations**

4. Intercollegiate Athletics Department management identified all related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.

5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the University’s Intercollegiate Athletics programs by affiliated and outside organizations included in the Schedule.

6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

**Schedule of Revenues and Expenses of Intercollegiate Athletics Programs**

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2019, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management’s trial balance worksheets, and agreed the amounts in management’s trial balance worksheets to the Intercollegiate Athletics Department’s accounts in the accounting records. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate. We noted one reconciling difference, enumerated in item 13 below. While the Agreed-Upon Procedures specify a deadline of January 15th for the completion of our work, delays in receiving the Schedule and associated supporting documentation, as well as subsequent questions regarding specific items presented in the Schedule, prevented the completion of these procedures by the required deadline. Insufficient guidance on how to record certain withholdings from conference distributions to the University contributed to the delays.
8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>The amount of contributions drawn from the Foundation decreased when compared to the prior year. The prior year included additional funds to cover operating expenses and repair and maintenance expenses related to the renovation of the basketball locker room.</td>
</tr>
<tr>
<td>Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities</td>
<td>The University and the Athletics Department had additional staffing needs for the current year in the following areas: ACC Network, Facilities Project Management, and Business Office/Service Center.</td>
</tr>
<tr>
<td>Football Income Revenue Budget</td>
<td>The actual transactions for Football Income Revenue were lower than the budget assigned by the University. This was caused by the cancellation of the East Carolina University football game.</td>
</tr>
</tbody>
</table>

**Revenues**

9. We reviewed a sample of ticket sales reconciliations performed for accuracy and proper review and approval. We performed a recalculation of ticket sales revenue for Football and Men’s Basketball by comparing the number of tickets sold, attendance, and sale price to total revenue recorded in the Schedule. We determined the reconciliations reviewed to be accurate and the amounts reported in the Schedule to be substantially in agreement with our recalculation.

10. We obtained documentation of the institution’s methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement with minor differences attributed to the methodology used for projecting student fee revenue.

11. We obtained the amount of direct institutional support revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
12. We obtained the amount of game Guarantees revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Virginia Tech Foundation (Foundation), an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics Programs. We reviewed contributions from the Virginia Tech Foundation, which exceeded ten percent of all contributions and agreed them to supporting documentation. We noted the University’s process for reporting contributions in the Schedule is not sufficient to detect differences between the Schedule and the amount of contributions confirmed directly to us by the Foundation. We identified a reconciling difference of $439,005 between the amount reported in the Schedule and the amount confirmed with the Foundation.

14. We obtained the amount of in-kind revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to media rights. We gained an understanding of the relevant terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We inspected the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.

17. We obtained the amount of program, novelty, parking, and concession sales revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

18. We obtained the amount of royalties, licensing, advertisement, and sponsorships revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

19. We obtained the amount of sports camp revenues reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

20. We obtained the amount of Athletics restricted endowment and investment income reported in the Schedule. This amount was deemed to be immaterial for detailed testing.
21. We obtained the amount of other operating revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

22. We obtained the amount of post-season bowl game revenue reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

**Expenses**

23. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the University used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected 40 individual student-athletes across all sports and obtained the students’ account detail from the institution’s student information system. We agreed each student’s information to the information reported in the NCAA Membership Financial Reporting System via Compliance Assistant. We also ensured that the total aid amount for each sport agreed to amounts reported as Financial Aid in the student accounting system. We performed a check of selected students’ information as reported in the NCAA’s Compliance Assistant software to ensure proper calculation of revenue distribution equivalencies.

24. We obtained the amount of game guarantee expense reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

25. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals, including football and men’s and women’s basketball coaches, and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.

26. We obtained the amount of severance payments expense reported in the Schedule. This amount was deemed to be immaterial for detailed testing.

27. We obtained the Intercollegiate Athletics Department’s written recruiting and team travel policies from Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.

28. We selected a sample of disbursements team travel; game expenses; direct overhead and administrative expenses; and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.
29. We obtained a listing of debt service payments, lease payments, and rental fees for athletics facilities for the reporting year. We selected the five largest facility payments included in the Schedule and agreed them to supporting documentation.

30. We obtained an understanding of the University’s methodology for charging indirect cost to the athletics department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Other Reporting Items

31. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Schedule and agreed total annual maturities and total outstanding athletic related debt to supporting documentation.

32. We agreed total outstanding institutional debt to the University’s audited financial statements.

33. We agreed the fair value of athletics dedicated endowments to supporting documentation provided by the University, including the audited financial statements of the University’s Foundation.

34. We agreed the fair value of institutional endowments to supporting documentation, including the audited financial statements of the University’s Foundation.

35. We obtained a schedule of athletics related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

Additional Procedures

36. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the NCAA’s Compliance Assistant software for the institution. We noted agreement of the sports reported.

37. We compared current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.

38. We obtained the institution’s Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants.
as defined in NCAA Bylaw 20.9.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

39. We compared the current number of sports sponsored to the prior year total reported in the University’s Membership Financial Report submission and noted no variations when compared to prior year.

40. We obtained a listing of student-athletes receiving Pell grant awards from the institution’s student information system and agreed the total value of these Pell grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

41. We compared the total number of Pell grant awards in the current year to the number reported in the prior year Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit of any financial statements of the Intercollegiate Athletics Department of Virginia Polytechnic Institute and State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Virginia Polytechnic Institute and State University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

JRQ/vks
The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.
1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2019. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University’s athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received $22,091,606 from the Virginia Tech Foundation, Inc. Approximately $14,696,194 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: $11,320,320 is included in the Contributions line item and $3,375,874 is included in the Athletics Restricted Endowment and Investment Income line item.

3. LONG-TERM DEBT

In October 2001, a $26,285,000 note was issued for the Athletics Department. This note was issued for the South End Zone addition to Lane Stadium. Part of the original debt was refinanced in January 2008 with a $2,860,000 note that will be repaid through 2020 and has an outstanding balance of $965,000. The remaining original debt issuance was refinanced in February 2011 with an $11,540,000 note that will be repaid through 2027 and has an outstanding balance of $7,625,000.

In May 2004, a $52,715,000 revenue bond was issued for the Athletics Department. This bond was issued for the West Side Expansion to Lane Stadium which was completed in 2006. The majority of this debt was refinanced in November 2012 with a $32,365,000 note. This note has an outstanding balance of $23,260,000 and will be repaid with private fund raising and operating revenues through 2029. The remaining original debt issuance was repaid with private fund raising and operating revenues during 2014.
In November 2009, an $8,705,000 note was issued for the Athletics Department. This note was issued for the Hahn Hurst Basketball Practice Center. Part of the original debt was refinanced in November 2016 with a $5,385,000 note that will be repaid through 2030 and has an outstanding balance of $5,385,000. The remaining original debt issuance has an outstanding balance of $405,000 which will be repaid with private fund raising and operating revenues through 2020.

In October 2015, a $510,000 revenue bond was issued for the Athletics Department. This bond was issued for the Indoor Practice Facility. This note has an outstanding balance of $510,000 and will be repaid with general operating revenues through 2035.

In August 2016, a $31,509,000 internal loan was issued for the Athletics Department. This loan was issued for improvements to the Baseball Stadium and Rector Field House. This note has an outstanding balance of $29,941,000 and will be repaid with general operating revenues through 2035.

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2019 is presented as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$3,905,000</td>
<td>$2,017,000</td>
<td>$5,922,000</td>
</tr>
<tr>
<td>2021</td>
<td>4,112,000</td>
<td>1,843,000</td>
<td>5,955,000</td>
</tr>
<tr>
<td>2022</td>
<td>4,294,000</td>
<td>1,655,000</td>
<td>5,949,000</td>
</tr>
<tr>
<td>2023</td>
<td>4,355,000</td>
<td>1,461,000</td>
<td>5,816,000</td>
</tr>
<tr>
<td>2024</td>
<td>4,542,000</td>
<td>1,272,000</td>
<td>5,814,000</td>
</tr>
<tr>
<td>2025-2029</td>
<td>23,865,000</td>
<td>4,006,000</td>
<td>27,871,000</td>
</tr>
<tr>
<td>2030-2034</td>
<td>22,758,000</td>
<td>1,174,000</td>
<td>23,932,000</td>
</tr>
<tr>
<td>2035</td>
<td>260,000</td>
<td>9,000</td>
<td>269,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$68,091,000</strong></td>
<td><strong>$13,437,000</strong></td>
<td><strong>$81,528,000</strong></td>
</tr>
</tbody>
</table>

4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletics Department an administrative fee. During the fiscal year, the Department paid $5,488,899 to the University. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item, and includes $269,415 in Football, $35 in Women’s Basketball and $5,219,449 in the Non-Program Specific category.

5. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at
actual cost as expenses are incurred. All gifts of capital assets are recorded at fair market value as of the donation date.

Equipment is capitalized when the unit acquisition cost is $2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed $100,000. Renovation costs are capitalized when expenses total more than $100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, 10 to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment.

A summary of changes in capital assets follows for the year ending June 30, 2019 (all dollars in thousands):

<table>
<thead>
<tr>
<th>Depreciable capital assets</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$174,232</td>
<td>$32,057</td>
<td>$-</td>
<td>$206,289</td>
</tr>
<tr>
<td>Moveable equipment</td>
<td>7,497</td>
<td>404</td>
<td>126</td>
<td>7,775</td>
</tr>
<tr>
<td>Software</td>
<td>313</td>
<td>-</td>
<td>-</td>
<td>313</td>
</tr>
<tr>
<td>Fixed equipment</td>
<td>11,572</td>
<td>1,789</td>
<td>398</td>
<td>12,963</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>21,262</td>
<td>217</td>
<td>1,025</td>
<td>20,454</td>
</tr>
<tr>
<td>Total depreciable capital assets, at cost</td>
<td>214,876</td>
<td>34,467</td>
<td>1,549</td>
<td>247,794</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>54,068</td>
<td>4,489</td>
<td>-</td>
<td>58,557</td>
</tr>
<tr>
<td>Moveable equipment</td>
<td>5,295</td>
<td>535</td>
<td>176</td>
<td>5,654</td>
</tr>
<tr>
<td>Software</td>
<td>265</td>
<td>10</td>
<td>-</td>
<td>275</td>
</tr>
<tr>
<td>Fixed equipment</td>
<td>4,474</td>
<td>624</td>
<td>231</td>
<td>4,867</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>17,626</td>
<td>657</td>
<td>1,019</td>
<td>17,264</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>81,728</td>
<td>6,315</td>
<td>1,426</td>
<td>86,617</td>
</tr>
<tr>
<td>Total depreciable capital assets, net of accumulated depreciation</td>
<td>133,148</td>
<td>28,152</td>
<td>123</td>
<td>161,177</td>
</tr>
<tr>
<td>Non-depreciable capital assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>32,637</td>
<td>4,449</td>
<td>31,902</td>
<td>5,184</td>
</tr>
<tr>
<td>Total non-depreciable capital assets</td>
<td>32,637</td>
<td>4,449</td>
<td>31,902</td>
<td>5,184</td>
</tr>
<tr>
<td>Total capital assets, net of accumulated depreciation</td>
<td>$165,785</td>
<td>$32,601</td>
<td>$32,025</td>
<td>$166,361</td>
</tr>
</tbody>
</table>
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
As of June 30, 2019

BOARD OF VISITORS

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Timothy D. Sands, President

Whit Babcock, Director of Intercollegiate Athletics Programs
Auditor of Public Accounts Report on Intercollegiate Athletics Programs
May 7, 2020

KEN MILLER,
VICE PRESIDENT FOR FINANCE AND
ASSISTANT VICE PRESIDENT FOR FINANCE &
UNIVERSITY CONTROLLER
Intercollegiate Athletic Programs Revenues & Expenses
FY 2015 - FY 2019
(all dollars in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$78</td>
<td></td>
</tr>
<tr>
<td>FY 2016</td>
<td>$80</td>
<td>$85</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$84</td>
<td>$87</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$87</td>
<td>$91</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$93</td>
<td>$94</td>
</tr>
</tbody>
</table>

VT
VIRGINIA TECH.
Intercollegiate Athletic Programs
Net Operating Income (Deficit)
FY 2015 - FY 2019
(all dollars in millions)
## Intercollegiate Athletic Programs
### Net Operating Income (Deficit)
#### FY 2019

<table>
<thead>
<tr>
<th>Sport</th>
<th>Revenue</th>
<th>Expenses</th>
<th>Net Income/Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Football</td>
<td>$51.8</td>
<td>$33.7</td>
<td>$18.1</td>
</tr>
<tr>
<td>Men's Basketball</td>
<td>11.8</td>
<td>9.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Women's Basketball</td>
<td>0.9</td>
<td>4.3</td>
<td>(3.4)</td>
</tr>
<tr>
<td><em>Other Sports</em></td>
<td>5.6</td>
<td>23.6</td>
<td>(18.0)</td>
</tr>
<tr>
<td><strong>Non Program Specific</strong></td>
<td>26.7</td>
<td>22.7</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$96.8</td>
<td>$94.0</td>
<td>$2.8</td>
</tr>
</tbody>
</table>

---

*Other Sports is the total of Men’s Other Sports, Women’s Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.

**Non Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.
Discussion
Closing Remarks

TISH LONG
CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE