

Proposed 2023-24 Operating and Capital Budgets
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

May 9, 2023

Each June, the university provides the Board of Visitors with an overview of the operating and capital budgets for the upcoming fiscal year. Supplemental schedules approved by the Board of Visitors include Schedule 1, which displays the university's overall operating budget; Schedule 2, which displays the Auxiliary budgets; and Schedule 3, which displays the capital budgets.

State Appropriations

The 2023 General Assembly adjourned on February 25th with the adoption of a “skinny budget”, which included only minimal modifications to the existing biennial budget, the 2022 Acts of Assembly. Members of the General Assembly, citing economic uncertainty, have indicated their intention to wait for updates on state revenues before convening a special session to consider additional budget amendments. In the mean time, the university has moved forward with the development of its FY24 operating and capital budget utilizing the state's skinny budget for the estimated state funding support for the university in FY24. If the state subsequently modifies the state budget for FY24 the university's internal forecast will be updated and communicated accordingly.

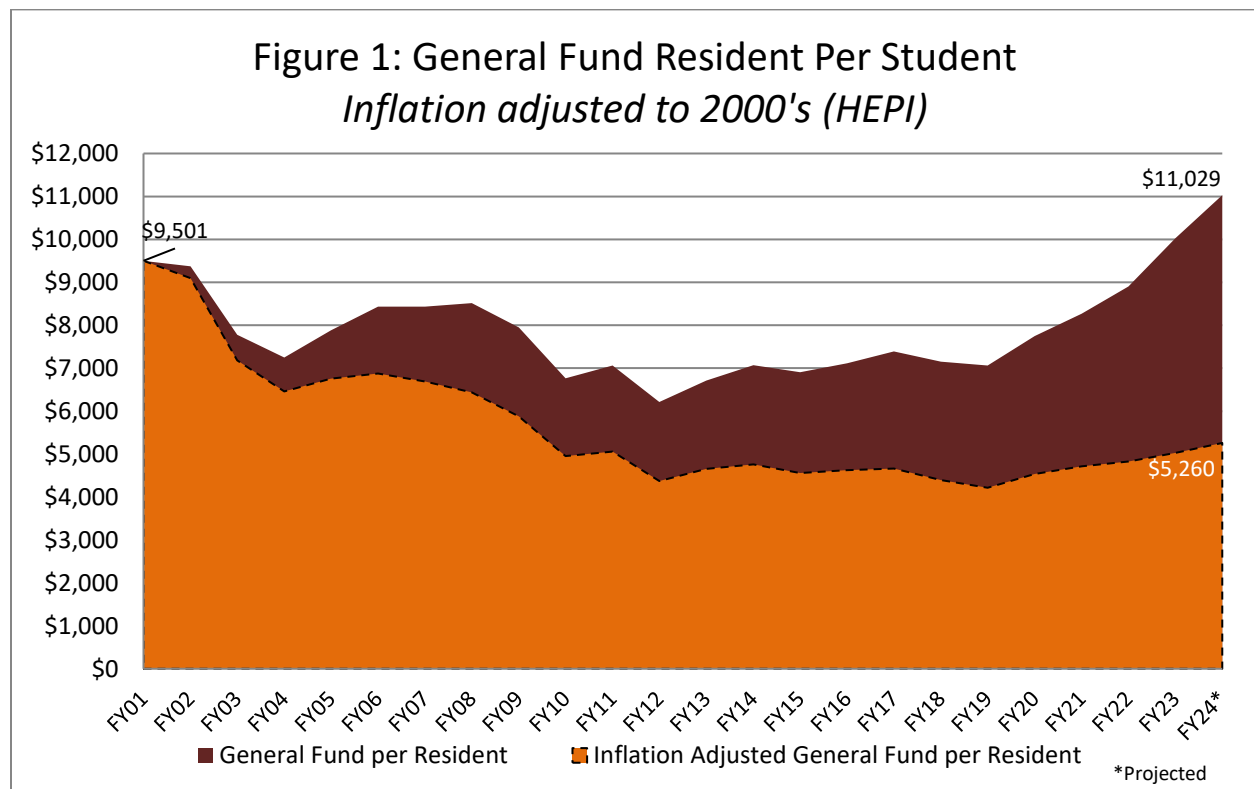
Virginia Tech anticipates an initial state authorization of \$1.8 billion for fiscal year FY24 to carry out all of its programs, based on the forecast of direct appropriations to the university. However, the annual internal budget varies from the external expenditure authorization for several reasons, some of which increase the annual expenditure authority while others reduce the expenditure plans. For example, the university's expenditure authorization will be adjusted when the state allocates Central Appropriation funding for the state share of compensation and fringe benefit rate changes. Additionally, under the sum sufficient authority granted as part of restructuring, nongeneral fund appropriations may be established as needed by the institution. For these reasons, the total internal budget presented to the Board of Visitors in Schedule 1 totals \$2.1 billion.

Forecast of State Budget Revenue Changes

For FY24, the university forecasts an incremental increase in General Fund appropriation of \$22.1 million from the adjusted FY23 budget. This is comprised of an estimated General Fund increase of \$13.0 million for Educational and General (E&G) programs in the University Division (Agency 208), an estimated increase of \$2.6 million for the programs in the Cooperative Extension and Agricultural Experiment Station (Agency 229), an increase of \$0.4 million for Unique Military Activities, and an estimated increase of \$6.1 million for Student Financial Aid.

As shown in Table 1 on page 4, the General Fund increase for the University Division includes changes in direct appropriations and the estimated general fund share of the faculty and staff compensation programs and fringe benefit rate increases. State support for Agency 208 includes \$0.4 million for University Division Operation and Maintenance of Plant, \$0.7 million for Cooperative Extension and Agricultural Experiment Station (Agency 229) to support extension specialists and salary competitiveness, and \$0.1 million to support Operation and Maintenance of Plant (Agency 229). The details of the state support are described further in each budget section.

With these state resources, the state support per Virginia student will grow in FY24. Total state support per Virginia student for FY24 is projected to be 16.1 percent above the funding provided in 2001. The growth in per-student funding is a positive signal of the state's continued support for Virginia Tech. The university enrolls over 5,400 additional Virginia undergraduates as compared to fall 2004. However, adjusted for inflation, the university will receive 45 percent less General Fund support per student than in fiscal year 2001, as seen in Figure 1. It is important to note that this analysis presents the state support in the most favorable light since it includes all General Fund resources allocated to E&G, including support for activities beyond instruction such as research and public service. Figure 1 below is presented in this manner because it is a commonly utilized perspective by external groups.

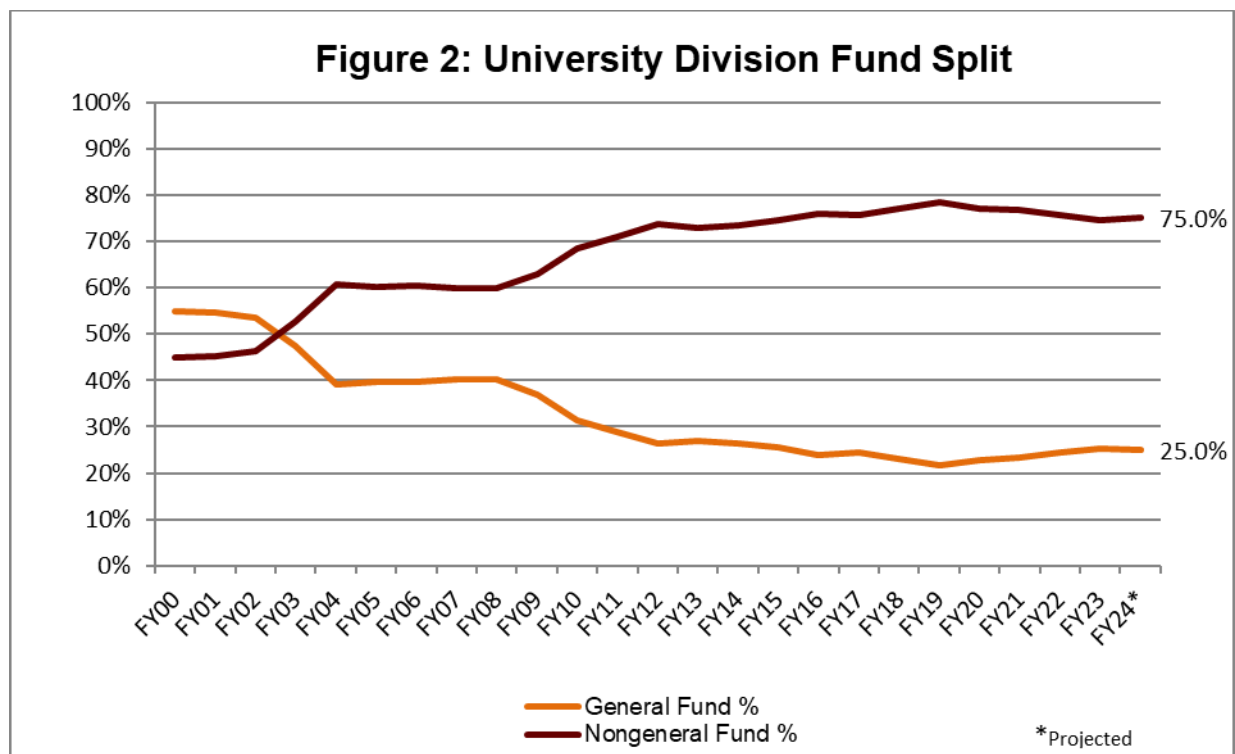


Proposed Budgets for FY24

For FY24, the recommended internal budget for all operations is \$2.1 billion. This is an increase of \$144.5 million, approximately 7.5 percent, over the adjusted FY23 budget. This increase reflects changes in nongeneral fund revenues for FY24 and outcomes of the 2023 General Assembly session which impacts the FY24 General Fund appropriation. The overall change includes an increase of \$60.8 million attributable to the E&G program, \$39.1 million of projected growth in Auxiliary Enterprises, \$45.3 million attributable to Sponsored Programs. The overall change includes decreases of \$0.4 million in All Other Programs and \$0.3 million in Student Financial Assistance. Please note – the net decrease in Student Financial Assistance is attributable to the removal of one-time scholarship programs included in FY23 which will not occur in FY24.

The total General Fund allocation is estimated to be approximately \$397.3 million, an increase of \$22.1 million from the FY23 adjusted budget. University budgets will be revised should the final outcomes adopted by a likely special session of the General Assembly differ from the assumptions included in the budget. General Fund revenues will provide \$360.1 million in support for the instructional, research, and extension programs, \$33.6 million for student financial assistance and \$3.6 million for the Unique Military Activities program.

As shown in Figure 2 below, the General Fund appropriation represents 25.0 percent of the University Division’s Educational and General budget (as compared to 53.6 percent in the FY02 budget) and 19.2 percent of the total budget.



Schedule 1 displays the proposed operating budgets for FY24 by major program and revenue and expense category. Schedule 2 is an expansion of the projected auxiliary operations budgets, categorized by major activity. These schedules also display the FY23 budget, as approved in June 2022, and the current adjusted FY23 budget for comparison purposes. This report provides a brief discussion of the changes in the operating budget for each of the major programs.

Educational and General

The university's E&G budget will be \$1.11 billion in FY24. The E&G budgets for the University Division (Agency 208) and the Cooperative Extension/Agricultural Experiment Station Division (Agency 229) are displayed on Schedule 1.

The year-to-year comparison of the budget in Schedule 1 shows an overall revenue increase in the E&G program of \$60.8 million, or 5.8% percent, over the adjusted FY23 budget.

The FY24 E&G operating budgets have been developed utilizing the forecasted state funding support for the university in FY24:

Table 1 - Projected General Fund Change from FY23 E&G Adjusted Budget to FY24 E&G proposed Budget*		
<i>in Millions</i>		
	University Division	VCE/AES Division
State share of salary and fringe benefit rate changes	\$12.6	\$3.4 **
Operation and Maintenance	0.4	0.1
Extension Program Support	0.0	0.7
Removal of One-Time Equipment Support	0.0	(1.6)
E&G Program General Fund Change	\$13.0	\$2.6

*Assumptions premised on Skinny Budget
 **Estimate - these items are funded by state at a later date

The percentage of the E&G budget for the University Division provided by the General Fund decreased from 25.5 percent in the FY23 adjusted budget to 25.0 percent in FY24.

The FY24 tuition and fee budget increased by \$40.6 million, or 6.2 percent, over the adjusted FY23 budget. The increase in tuition and fee budgets is attributable to the increase of tuition rates for resident and nonresident undergraduates, graduate students, and professional student categories (veterinary and human medicine programs) as approved by the Board of Visitors at the April 2023 meeting, enrollment growth, and residency mixture. The increase also includes unfunded and tuition-funded scholarships

to student aid programs and adjustments to the other E&G fee budgets. Unfunded scholarships support both undergraduate need-based aid and a portion of the graduate tuition remission program. Tuition and Fee funded scholarships are targeted to support the institution's strategic priorities, including enrollment growth and increased accessibility. Additionally, the revenue from the Facility and Equipment fee will be transferred to the commonwealth for debt service on new facilities and equipment; thus, it is not reflected in the net revenue total.

Virginia Tech/Wake Forest SBES Budgets

In August 2002, the Board of Visitors of Virginia Tech adopted a resolution that authorized the establishment of the Virginia Tech-Wake Forest University School of Biomedical Engineering and Sciences. The collaboration agreement outlines the relationship and responsibilities of each party and requires budget approval by the governing board. In accordance with this requirement, the FY24 recommended budget includes \$6,515,740 for Virginia Tech's School of Biomedical Engineering and Science within the overall university budget as displayed within the 208 Educational and General budget on Schedule 1.

Auxiliary Enterprises

The University provides certain essential support services (e.g., Residence Halls and Dining Programs) through the operation of Auxiliary Enterprises. These enterprises are normally financially self-supporting and do not receive tuition revenue or general fund support. The Auxiliary Enterprises are supported by charging for all of the services provided to cover direct costs and reimburse the E&G program for all indirect costs.

Auxiliary Enterprise Systems

As self-supporting activities, Auxiliary Enterprises also fund the debt service on auxiliary facilities including four systems operated under master debt covenants (Dormitory and Dining System, Electric Service Utility System, University Services System and the Athletic Facilities System). In compliance with the resolution authorizing and securing the system revenue bonds, the rates and charges for the next fiscal year are sufficient for the operating, maintenance and repair, debt service, and reserve requirements. The university works to ensure that all Auxiliary Enterprises remain in good working order, are in compliance with the terms and conditions of the bond covenants, and effectively deliver essential support services.

The total FY24 auxiliary revenue budget is \$452.7 million, a growth of \$39.1 million or 9.5 percent over the adjusted FY23 budget. This increase includes resources to cover proposed changes in state authorized compensation programs and fringe benefit rate changes, service needs for student health and counseling services, student programming, wireless network equipment renewal, transit contract bus replacement and local match requirements, maintenance of existing facilities, and the cost of new facilities.

Sponsored Programs

The projected annual budget for Sponsored Programs is \$435.3 million, an increase of \$45.3 million, or 11.6 percent increase over the FY23 adjusted budget. The increase in the FY24 budget will better align the internal budget with current grant and contract activity levels. The budgets for Grants and Contracts are developed through the analysis of historic trends and projections of future activity levels. The Sponsored Programs budget is comprised primarily of grant and contract activities but also includes returned overhead, the Eminent Scholars program, the Enterprise Fund for distance learning, and General Fund support for research. The most significant activity in this category is externally sponsored research.

Appropriated Student Financial Assistance

The projected FY24 budget for the Student Financial Assistance program is \$50.9 million, a decrease of \$0.3 million. The change in the Student Financial Aid budget is comprised of an increase of \$6.1 million of general fund support and an increase of \$2.4 million to establish the first year of the VT Advantage scholarship program, but is offset by the removal of one-time scholarships for the FY23 resident tuition mitigation scholarship program and other internal scholarship alignments.

The appropriated Student Financial Assistance budget is comprised of \$33.6 million of state General Fund support for Undergraduate Scholarships, Graduate Fellowships, Soil Scientist Scholarships, Multicultural Academic Opportunity Program and estimates for the Virginia Military Survivors and Dependents Stipend and Two-Year College Transfer Grant. This budget also includes \$17.3 million in nongeneral fund Student Financial Assistance budget. The university plans to utilize the nongeneral fund Student Financial Assistance to advance strategic initiatives such as access and enrollment growth.

All Other Programs

The All Other Programs component is comprised of the Unique Military Activities appropriation, surplus property, federal work study program, and local funds. The annual budget for these funds is based on historic trends and projections of activity levels by program managers. These programs are funded by resources that are designated for specific purposes. The General Fund support for Unique Military Activities is forecasted to increase by \$0.4 million in FY24 to \$3.6 million. For All Other Programs, the recommended budget is \$16.2 million, and reflects a \$0.4 million decrease from the adjusted budget for FY23.

Planned Change in Reserves

Existing state requirements, along with the university's budgeting and financial management strategies, generally result in the establishment of breakeven budgets for the major budget components, with the exception of Auxiliary Enterprises. This practice

will continue in FY24, where only the auxiliary budgets project an addition to the reserves as of June 30, 2023. The projected addition of \$17.6 million is the result of the intentional rebuilding of reserves in specific auxiliaries where expenditures in prior years created the need for restoring the reserves so that it may operate as a revolving fund. In other cases, the projected addition to reserves reflects the temporary positive impact of planning activities for new capital projects. The FY24 budget for Auxiliary Enterprises is also designed to ensure that the reserve levels remain in compliance with the tenets of bond covenants as well as SCHEV reserve targets.

Compensation Plan

The university plans to implement faculty and staff compensation programs for FY24 consistent with state authorizations. The attached operating budget includes funding, consistent with traditional funding principles, for the following proposed employee compensation actions:

- 5.00 percent faculty compensation program comprised of the following:
 - 4.00 percent faculty merit pool.
 - 1.00 percent pool for National Distinction, Outstanding Contributors, and Special Adjustments. The university is committed to retaining faculty members who have achieved distinction in their disciplines and make outstanding contributions to the university. This process can be particularly helpful in the university's efforts to retain outstanding mid-career faculty. It is expected that the adjustments will be limited in the number of faculty included, but it will be meaningful in size.
 - In addition, the university will fund the Promotion and Tenure cost for those faculty approved for Promotion and Tenure increases.
- 5.00 percent stipend increase for graduate assistants, as approved by the Board of Visitors.
 - Move stipend floor minimum to \$2,420 per month
- 5.00 percent Classified Staff salary increase. Classified Staff are defined as staff members hired before July 1, 2006 who have not subsequently converted to the University Staff system.
- 5.00 percent University Staff compensation program. The University Staff compensation program for FY24 includes a 3.00% base increase for University Staff and a 2.00% merit pool for recognition of performance.
- The university maintains a \$500 supplemental stipend for full-time University and Classified Staff making less than \$35,500, which became effective January 1, 2020.

Initiatives and Reallocations

Strategic investments will be needed to realize the Beyond Boundaries vision. The university has an ambitious five-year plan for strategic investments.

Destination for Talent

Student Access and Affordability
Employee Recruitment and Retention

Academic Excellence

Tech Talent Investment–Innovation Campus
Health and Biomedical Sciences
Integrated Security
Destination Areas 2.0

Enabling Infrastructure and Capacity

Advancement
IT Transformation/Technology Infrastructure
Facilities Renewal

Academic Quality and Critical Needs

Academic Incentive-Based Funding (PIBB Model)
Annual Critical Needs Requests

Multiple fund sources will contribute to the achievement of these strategic initiatives



This plan for strategic investments will not be realized solely through incremental new revenue (state, private, institutional resources). Strategic reallocations seek to avoid reactionary responses and enable multi-year planning. Reallocation of existing institutional resources is needed to support a portion of the initiative vision over the 5 year planning period. The university envisions a \$25M reallocation program which could fund 12.5% of the \$200M initiative vision. Given constrained resources, a funding gap will remain for funding initiatives so VT will have to prioritize.

A key initiative is VT Advantage which is focused on affordability and student success. The university envisions this as a top priority moving forward.

Budget Allocations

The process of finalizing the FY24 operating budget allocations for the colleges and major operating units is currently underway. This process will be completed during June 2023 and issued to the university community by the Executive Vice President and Chief Operating Officer. The Office of Budget and Financial Planning will allocate these budgets to the colleges and vice-presidential areas in time for the departments to open the new fiscal year with the allocations in place in the university accounting system. The university develops the annual budget as a one-year quantification of the university’s strategic plan. The strategic plan is the framework for enacting the university’s mission.

Capital Outlay Projects

Virginia Tech's capital outlay program includes projects for the University Division and the Cooperative Extension/Agricultural Experiment Station Division. Initiation of a capital project requires authorization of a budget and funding sources from the state or the Board of Visitors.

The state appropriates projects supported entirely or partially with General Fund revenues. The university requests General Fund appropriations for new projects as part of the state capital budget cycle. If appropriated, these projects normally become effective and are added to the program at the beginning of a fiscal year.

Under the restructuring legislation and the 2006 Management Agreement between the commonwealth and the university, the Board of Visitors has the authority to approve capital projects funded entirely with nongeneral fund resources. New projects approved by the Board of Visitors become effective the day an authorizing resolution is passed.

Once authorized, a capital project is included on the Financial Performance Report for its entire fiscal life and until all its funds in the accounting system are terminated. A project is removed from the Financial Performance Report at the end of the fiscal year in which it closes.

The university develops a financing plan to support the entire budget of each capital project prior to its initiation. Upon initiation, the whole project budget is entered in the accounting system. The revenues to support capital expenditure budgets are a mix of state support, university supported debt, and self-generated cash resources including private gifts. When projects have multiple sources of funding, the university generally utilizes the resources in the following order: state support, bond proceeds, and then cash. This order allows the most effective use of the university's nongeneral fund resources.

The typical project lifespan is three to five years. Cash flow models are used to estimate the pace of spending by month for the anticipated duration of each project. This analysis is then used to plan the timing to move each resource to a project budget on an as needed basis. Under this approach, project resources are held in their most productive location for as long as possible to maximize earnings. This analysis is further used to optimize the timing for external debt issuances to manage exposure to the cost of capital.

The Capital Outlay Budget for fiscal year 2024 is \$1.18 billion with 18 projects including 13 Educational and General projects and five Auxiliary Enterprise projects. As part of the resource management process, each project has an annual budget based on its estimated cash flow spend rate. Schedule 3 lists all authorized projects for fiscal year 2024 by major program and major phase of progress. Each project is listed with the total project authorization by revenue source, annual budget for fiscal year 2024, and

estimated balance at the close fiscal year 2024. The estimated fiscal year 2024 spend for the capital program is approximately \$220 million.

The accuracy of annual budgets, and the cash flows model on which they are based, are generally most sensitive to projected construction start dates. For example, a large project with an extended design period that results in construction starting three months later than expected may underspend its annual budget by several million dollars for the fiscal year.

The COVID-19 pandemic generated extraordinary construction labor and supply chain disruptions. These factors hamper the accuracy of estimating the spend pace for projects because the timing of activities and their related expenditures is often reorganized during the project to accommodate unexpected shifts of certain items. This dynamic has calmed to some extent since the fourth calendar year quarter of 2022. However, the sourcing of electrical components, mechanical system components, and certain labor skills remain constrained and are expected to impact project execution plans through the end of calendar year 2023.

At this time, the state budget process is ongoing and the outcome of budget actions for new General Fund capital project appropriations is unknown. If a new budget includes appropriations for Virginia Tech, the items would increase the Capital Outlay Budget for fiscal year 2024, and these adjustments would be inserted and shown in the first quarter of the Financial Performance Report. Likewise, any projects authorized by the Board of Visitors at June 2023 meeting would increase the Capital Outlay Budget and would be inserted and shown in the first quarter of the Financial Performance Report.

RECOMMENDATION:

That the proposed fiscal year 2023-24 operating and capital budgets, as displayed on Schedules 1, 2, and 3, be approved.

June 6, 2023

TOTAL OPERATING BUDGET FOR VIRGINIA TECH

FY24

(Dollars in Thousands)

	FY23 Original Budget	FY23 Adjusted Budget	FY24 Recommended Budget
<u>Revenues</u>			
Educational and General			
University Division			
General Fund	\$238,843	\$238,641	\$251,676
Tuition and Fees	653,066	659,501	700,073
All Other Income	45,536	49,913	55,884
Subtotal	\$937,445	\$948,055	\$1,007,633
CE/AES Division			
General Fund	\$86,338	\$86,461	\$89,041
Federal Funds	15,647	17,046	15,647
All Other Income	879	1,129	1,129
Subtotal	\$102,864	\$104,636	\$105,816
Total Educational and General	\$1,040,308	\$1,052,691	\$1,113,449
Auxiliary Enterprises			
Auxiliary Fees	\$81,063	\$81,064	\$88,918
Auxiliary User Charges (Room & Board)	127,780	128,279	146,598
Auxiliary Sales and Services	194,711	204,266	217,208
Subtotal	\$403,554	\$413,609	\$452,724
Financial Assistance for E&G Programs (a)			
General Fund	\$19,389	\$19,389	\$19,389
Nongeneral Fund	369,688	370,663	415,915
Subtotal	\$389,077	\$390,052	\$435,304
Student Financial Assistance			
General Fund	\$26,992	\$27,512	\$33,593
Nongeneral Fund	21,471	23,606	17,264
Subtotal	\$48,463	\$51,118	\$50,857
All Other Programs (b)			
General Fund (UMA)	\$3,278	\$3,278	\$3,649
Nongeneral Fund	12,866	13,303	12,532
Subtotal	\$16,144	\$16,581	\$16,181
Total	\$1,897,546	\$1,924,051	\$2,068,515
<u>Expenses</u>			
Educational and General			
University Division	\$937,445	\$948,055	\$1,007,633
CE/AES Division	102,864	104,636	105,816
Subtotal	\$1,040,308	\$1,052,691	\$1,113,449
Auxiliary Enterprises	\$390,543	\$439,223	\$435,097
Financial Assistance for E&G Programs (a)	\$389,077	\$390,052	\$435,304
Student Financial Assistance	\$48,463	\$51,118	\$50,857
All Other Programs (b)	\$16,144	\$14,021	\$16,181
Total	\$1,884,535	\$1,947,105	\$2,050,888
<u>Cash Transfers</u>			
All Other Programs (b)	\$0	\$3,196	\$0
<u>Planned Change in Reserve</u>			
Reserve Drawdown/(Deposit) (c)	-\$13,011	\$26,250	-\$17,627
Net	\$0	\$0	\$0

(a) Financial Assistance for E&G Programs includes Sponsored Programs, the Eminent Scholars Program, and General Fund

(b) All Other Programs include Unique Military Activities, Surplus Property, Local Funds, and Federal Work Study.

(c) Reserve contributions are based on the budget plans of Auxiliary Enterprise and All Other Program units.

TOTAL OPERATING BUDGETS FOR AUXILIARY ENTERPRISES
Fiscal Year 2023-24
(Dollars in Thousands)

	2022-23 Original Budget	2022-23 Adjusted Budget	2023-24 Recommended Budget
Residence and Dining Hall System*			
Revenues	\$149,746	\$154,021	\$173,674
Expenses	-148,362	-158,110	-170,540
Reserve Drawdown/(Addition)	-1,384	4,089	-3,134
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Parking and Transportation			
Revenues	\$18,213	\$19,813	\$24,284
Expenses	-15,602	-20,480	-21,544
Cash Transfer	0	0	0
Reserve Drawdown/(Addition)	-2,611	667	-2,740
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Telecommunications Services			
Revenues	\$27,007	\$25,480	\$27,790
Expenses	-26,836	-35,725	-26,055
Reserve Drawdown/(Addition)	-171	10,245	-1,735
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
University Services System*			
Revenues	\$60,607	\$61,161	\$65,063
Expenses	-59,606	-70,683	-63,538
Reserve Drawdown/(Addition)	-1,001	9,522	-1,525
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Intercollegiate Athletics System*			
Revenues	\$92,114	\$94,045	\$95,786
Expenses	-86,188	-89,895	-91,010
Reserve Drawdown/(Addition)	-5,926	-4,150	-4,776
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Electric Service System*			
Revenues	\$36,861	\$38,700	\$43,740
Expenses	-37,889	-45,533	-41,670
Reserve Drawdown/(Addition)	1,028	6,833	-2,070
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Inn at Virginia Tech and Skelton Conference Center			
Revenues	\$10,410	\$11,502	\$11,840
Expenses	-9,984	-12,331	-12,905
Reserve Drawdown/(Addition)	-426	829	1,065
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Enterprise Functions			
Revenues	\$8,596	\$8,887	\$10,547
Expenses	-6,076	-6,466	-7,835
Reserve Drawdown/(Addition)	-2,520	-2,421	-2,712
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL			
Revenues	\$403,554	\$413,609	\$452,724
Expenses	-390,543	-439,223	-435,097
Cash Transfer	0	0	0
Reserve Drawdown/(Addition)	-13,011	25,614	-17,627
Net	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

* University Systems include the Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and Athletic Facilities System. The University Services System includes Health Services, Career & Professional Development, Student Engagement & Campus Life, Cultural & Community Centers, Recreational Sports, Center for the Arts, Student Organizations and VT Rescue Squad.

EDUCATIONAL AND GENERAL CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2024

**(Dollars in Thousands)
as of March 31, 2023**

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2023	ESTIMATED BALANCE AVAILABLE FOR FY2024	ESTIMATED ANNUAL BUDGET FY2024	ESTIMATED BALANCE AT CLOSE OF FY2024
		STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL				
<u>Design Phase</u>									
Mitchell Hall (Randolph Hall Replacement)	Jul 2020	\$ 223,400	\$ 7,800	\$ 16,800	\$ 248,000	\$ 5,500	\$ 242,500	\$ 5,500	\$ 237,000
Planning: New Business Building	Apr 2022	-	8,000	-	8,000	11	7,989	2,000	5,989
<u>Construction Phase</u>									
Maintenance Reserve	On-going	38,407	-	-	38,407	18,109	20,298	15,027	5,271
Livestock & Poultry Research Facilities, Phase I	Oct 2016	25,274	-	-	25,274	21,000	4,274	4,274	-
Innovation Campus - Academic Building	Jul 2019	177,164	-	124,972	302,136	130,000	172,136	75,000	97,136
Hitt Hall	Apr 2017	-	31,657	53,343	85,000	34,000	51,000	18,000	33,000
Undergraduate Science Laboratory Building	Jul 2017	90,412	-	-	90,412	30,000	60,412	28,000	32,412
Building Envelope Improvements	Aug 2022	-	13,580	33,620	47,200	300	46,900	3,500	43,400
Life, Health, Safety, Accessibility, & Code Compliance	Jul 2020	10,400	-	-	10,400	573	9,827	3,000	6,827
<u>Equipment and Special Initiatives</u>									
Fralin Biomedical Research Institute Equipment	Jul 2020	18,133	-	-	18,133	9,500	8,633	5,000	3,633
Equipment for Workforce Development	May 2021	34,444	-	-	34,444	5,200	29,244	2,000	27,244
<u>Close-Out</u>									
Corps Leadership and Military Science Building	Jun 2019	-	21,600	30,400	52,000	41,000	11,000	7,000	4,000
Data and Decision Science Building	Jul 2019	69,000	-	10,000	79,000	71,000	8,000	6,000	2,000
					-				
					-				
					-				
Total Educational and General Projects		\$ 686,634	\$ 82,637	\$ 269,135	\$ 1,038,406	\$ 366,193	\$ 672,213	\$ 174,301	\$ 497,912

Schedule 3 Continued

AUXILIARY ENTERPRISE CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2024

(Dollars in Thousands)
as of March 31, 2023

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION			ESTIMATED TOTAL EXPENSES June 30, 2023	ESTIMATED BALANCE AVAILABLE FOR FY2023	ESTIMATED ANNUAL BUDGET FY2024	ESTIMATED BALANCE AT CLOSE OF FY2024	
		STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT					TOTAL
Design Phase									
Construction Phase									
Maintenance Reserve	On-going	-	10,500	-	10,500	-	10,500	10,500	-
New Upper Quad Residence Hall	Jun 2019	-	16,071	25,929	42,000	35,000	7,000	5,000	2,000
Student Wellness Improvements	Jun 2016	-	25,574	44,426	70,000	16,742	53,258	22,500	30,758
Slusher Hall Renovation	May 2023	-	7,500	-	7,500	200	7,300	7,300	-
Close-Out									
Dietrick Renovation	Sept 2017	-	9,129	-	9,129	8,734	395	397	(2)
Total Auxiliary Enterprise Projects		\$ -	\$ 68,773	\$ 70,355	\$ 139,129	\$ 60,676	\$ 78,453	\$ 45,697	\$ 32,756
GRAND TOTAL ALL CAPITAL PROJECTS		<u>\$ 686,634</u>	<u>\$ 151,410</u>	<u>\$ 339,491</u>	<u>\$ 1,177,535</u>	<u>\$ 426,869</u>	<u>\$ 750,666</u>	<u>\$ 219,998</u>	<u>\$ 530,668</u>

Presentation Date: June 6, 2023

FY 24 OPERATING AND CAPITAL BUDGETS

AMY SEBRING

EXECUTIVE VICE PRESIDENT & CHIEF OPERATING OFFICER

TIM HODGE

ASSOCIATE VICE PRESIDENT FOR BUDGET & FINANCIAL PLANNING

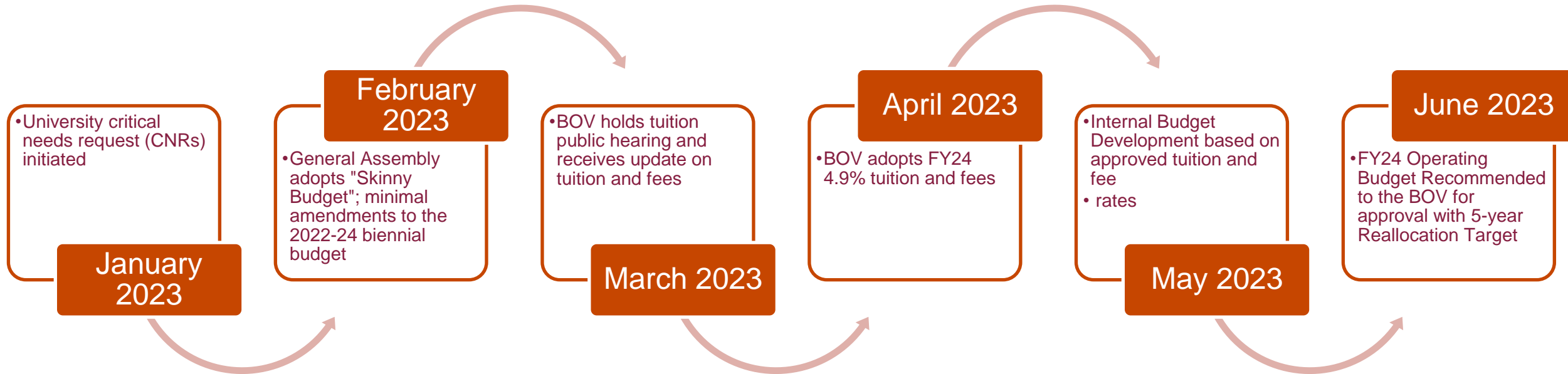
BOB BROYDEN

ASSOCIATE VICE PRESIDENT FOR CAMPUS PLANNING & CAPITAL FINANCING

JUNE 6, 2023

Budget Development Process

FY 24 Operating Budget



FY 24 Capital Plan

•The capital plan reflects the fiscal year cash flows of previously authorized capital projects

OPERATING BUDGET

FY 24 OPERATING BUDGET

All Programs

Dollars in Millions

	FY23 Adjusted Budget	FY24 Proposed Budget	Change	
			\$	%
<u>Educational and General</u>				
University Division	\$948.0	\$1,007.6	\$59.6	6.3%
Coop Ext/Ag Experiment Station Division	104.6 (a)	105.8	1.2	1.1%
Subtotal	\$1,052.6	\$1,113.4	\$60.8	5.8%
Auxiliary Enterprises	\$413.6	\$452.7	\$39.1	9.5%
Sponsored Programs	390.0	435.3	45.3	11.6%
Appropriated Student Financial Assistance	43.1	50.9	7.7	17.9%
SFA - One-Time Tuition Mitigation	8.0	-	(8.0) (b)	N/A
All Other Programs	16.6	16.2	(0.4)	(2.5%)
Total	\$1,924.0	\$2,068.5	\$144.5	7.5%

(a) CE/AES FY23 Adjusted budget includes \$2.5M of one-time funds, so base budget growth is 4.2%.

(b) One-time in-state tuition rate increase mitigation scholarship in FY23

UNIVERSITY DIVISION

E&G PROGRAM

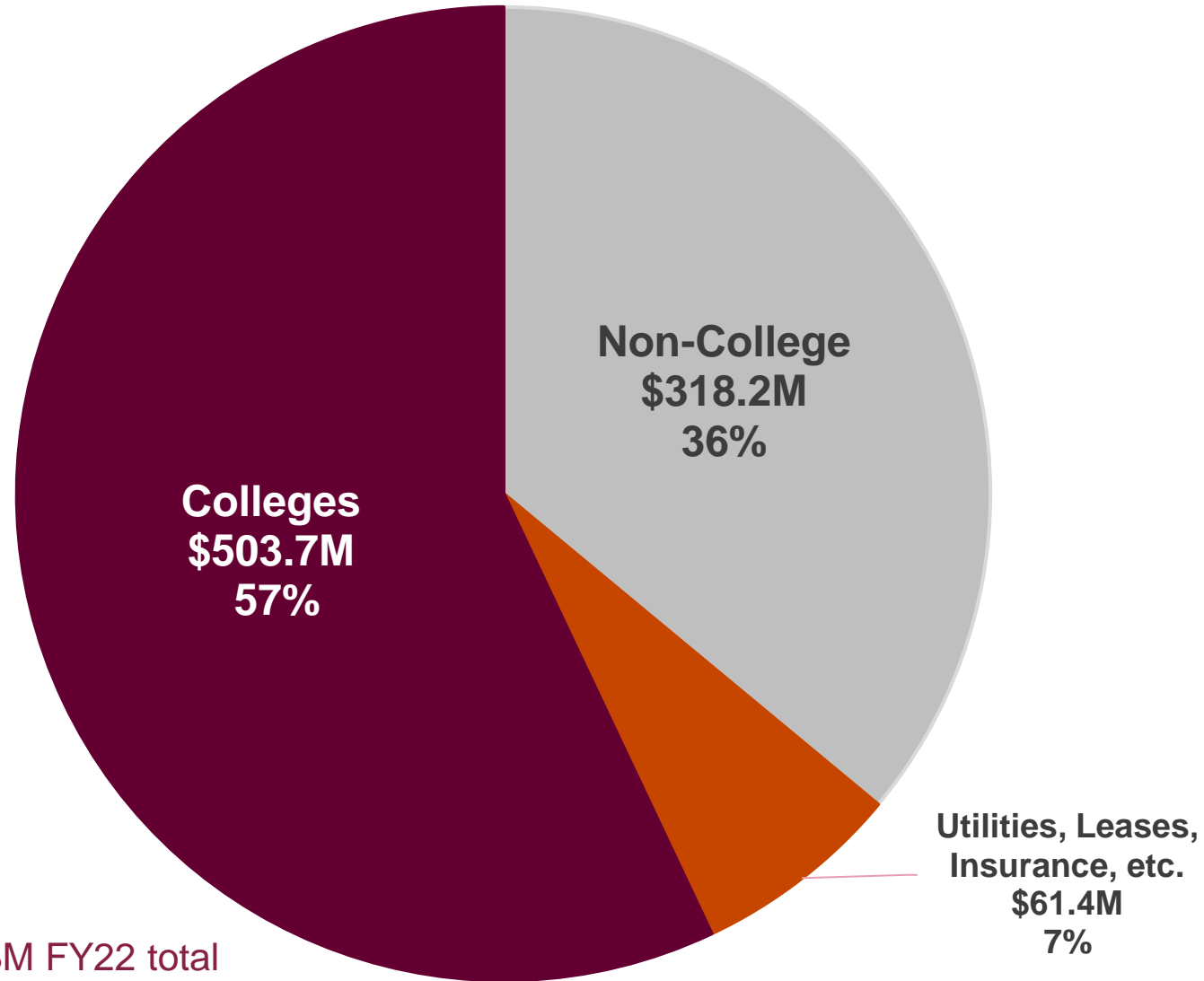
Dollars in Millions

	FY23 Adjusted Budget	FY24 Proposed Budget	Change	
			\$	%
<u>University Division (E&G)</u>				
General Fund	\$238.7	\$251.7	\$13.0	5.4%
Tuition and Fees	659.5	700.1	40.6	6.2%
All Other Income	49.8	55.8	6.0	12.0%
Subtotal	\$948.0	\$1,007.6	\$59.6	6.3%

UNIVERSITY DIVISION E&G

FY22 Percentage of Expenditures, by Area

Dollars in Millions



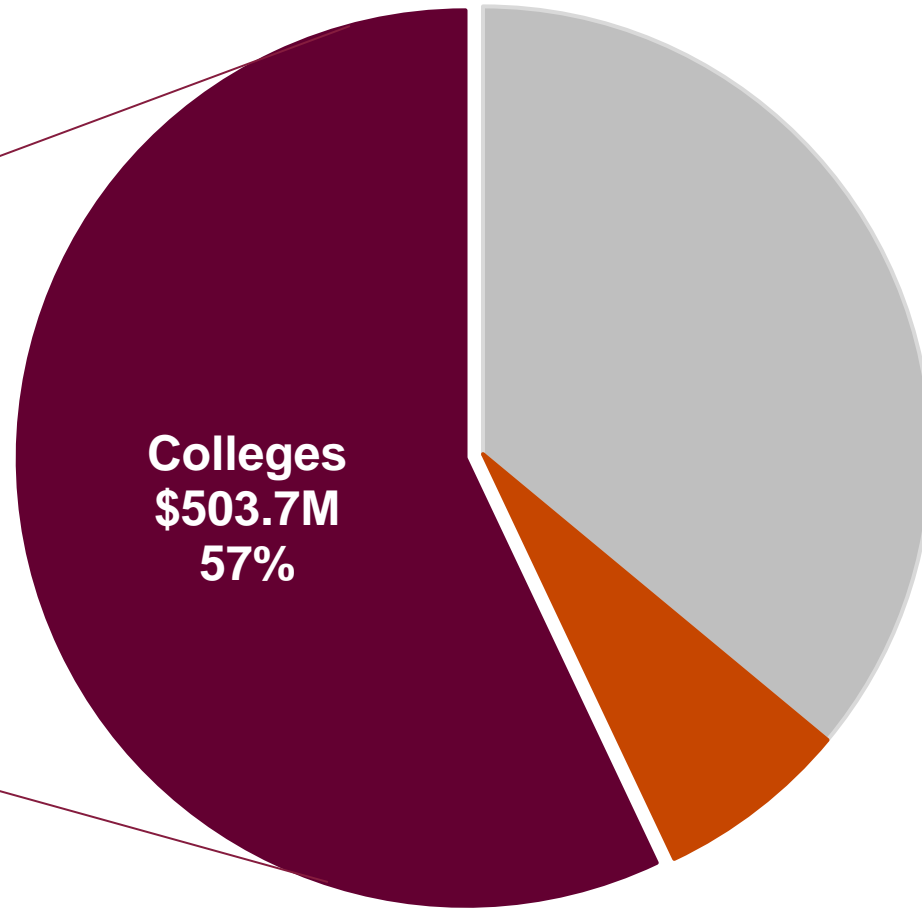
University Division E&G \$883.3M FY22 total expenditures, excluding Continuing Education

UNIVERSITY DIVISION E&G

FY22 College Expenditures

Dollars in Millions

Colleges	Expenditures
Engineering	\$ 132.4
Science	83.6
Liberal Arts and Human Studies	79.7
Business	53.5
Veterinary Medicine	44.6
Vet Medicine - Hospitals	12.6
Agriculture & Life Sciences	35.2
Architecture, Arts & Design	31.7
School of Medicine	15.2
Natural Resources & Environment	15.0
Total	\$ 503.7



Basis for FY2023-24 PIBB Allocations

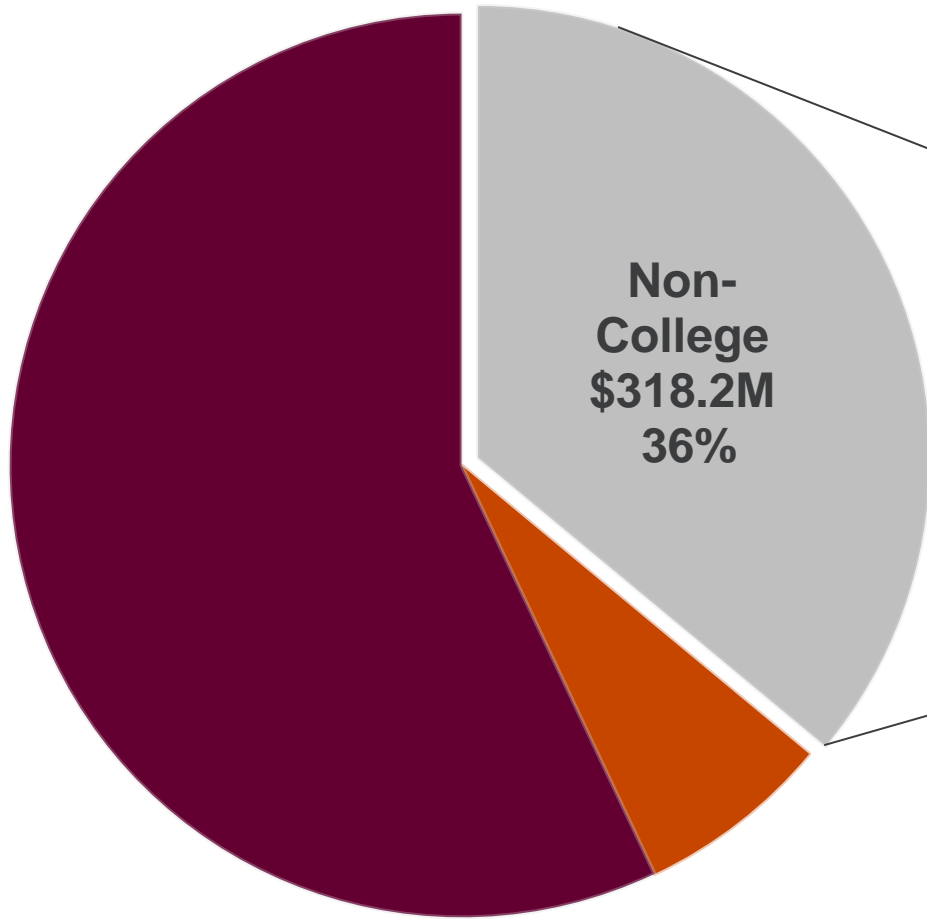
Funding Category	Funding Metrics
Instructional Support	All Student Credit Hours (SCH's)
	Interdisciplinary SCH's
	Lab Course SCH's
Enrollment Support	All Majors
Research & Scholarship Support	Extramural Research Expenditures
	Faculty Awards, Fellowships, and Memberships
	Citations
	Doctoral Degrees Awarded
	Postdoctoral Appointments

University Division E&G \$883.3M FY22 total expenditures, excluding Continuing Education

UNIVERSITY DIVISION E&G

FY22 Non-College Expenditures by Area

Dollars in Millions



Non-College Units	Expenditures
President, Government Relations, Advancement	\$ 10.1
Information Technology and Facilities	88.3
Finance, HR, EVPCOO, Safety/Security, Policy and Governance, Enterprise and Business Services	66.4
Provost, Student Affairs, Graduate School, Innovation Campus, Honors College, Health Sciences and Tech.	64.7
Libraries, Research, and Outreach	88.7
Total	\$ 318.2

University Division E&G \$883.3M FY22 total expenditures, excluding Continuing Education

UNIVERSITY DIVISION FY24 E&G INCREMENTAL COSTS

Dollars in Millions

<u>State Mandated Costs</u>	<u>E&G</u>
Faculty/Staff/GAs 5%	\$ 31.4
Employee Health Insurance Increase	4.0
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0
<u>Unavoidable Costs</u>	
Fixed Costs (Utilities, Insurance, Leases)	1.9
Operation & Maintenance of New Facilities	2.2
Promotion and Tenure	0.7
Subtotal State & Unavoidable Costs	<u>45.2</u>
Other (e.g. growth in Continuing Education)	2.4
Capacity for University Initiatives (toward \$45M vision)	12.0
University Division Budget Change from Slide 5	<u>\$ 59.6</u>

UNIVERSITY DIVISION FY24 E&G FUNDING PLAN

Dollars in Millions

State Mandated Costs

	<u>E&G</u>
Faculty/Staff/GAs 5%	\$ 31.4
Employee Health Insurance Increase	4.0
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0

Unavoidable Costs

Fixed Costs (Utilities, Insurance, Leases)	1.9
Operation & Maintenance of New Facilities	2.2
Promotion and Tenure	0.7
Subtotal State & Unavoidable Costs	<u>45.2</u>

Funding Plan from Prior Meeting

State	Tuition	Required
<u>GF</u>	<u>4.9%</u>	<u>Reallocation</u>
\$15.6	\$25.6	\$ 4.0

Other (e.g. growth in Continuing Education) 2.4

Earmarked Revenues

Capacity for University Initiatives (toward \$45M vision) 12.0

Graduate enrollment, mix

University Division Budget Change from Slide 5 **\$ 59.6**

UNIVERSITY DIVISION FY24 E&G

3% Tuition Scenario

Dollars in Millions

<u>State Mandated Costs</u>	<u>E&G</u>	<u>Impact of 3% Scenario</u>		
Faculty/Staff/GAs 5%	\$31.4			
Employee Health Insurance Increase	4.0			
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0			
<u>Unavoidable Costs</u>		<u>State</u>	<u>Tuition</u>	<u>Required</u>
Fixed Costs (Utilities, Insurance, Leases)	1.9			
Operation & Maintenance of New Facilities	2.2			
Promotion and Tenure	0.7			
		<u>GF</u>	<u>4.9% 3%</u>	<u>Reallocation</u>
Subtotal State & Unavoidable Costs	45.2	\$15.6	\$25.6	\$4.0
		\$15.6	\$15.7	\$4.0
		Shortfall	(\$9.9)	
Other (e.g. growth in Continuing Education)	2.4			
Capacity for University Initiatives (toward \$45M vision)	12.0			
University Division Budget Change from Slide 5	\$59.6			

UNIVERSITY DIVISION FY24 E&G

3% Tuition Scenario

Dollars in Millions

State Mandated Costs

	<u>E&G</u>
Faculty/Staff/GAs 5%	\$31.4
Employee Health Insurance Increase	4.0
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0

Unavoidable Costs

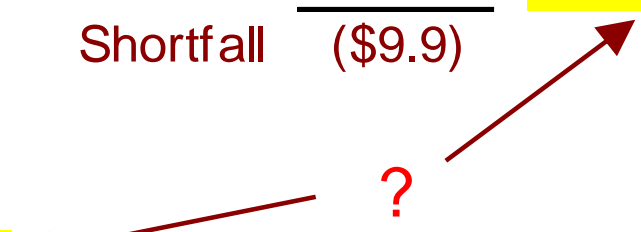
Fixed Costs (Utilities, Insurance, Leases)	1.9
Operation & Maintenance of New Facilities	2.2
Promotion and Tenure	0.7
Subtotal State & Unavoidable Costs	<u>45.2</u>

Impact of 3% Scenario		
State GF	Tuition 4.9% 3%	Required Reallocation
\$15.6	\$25.6	\$4.0
\$15.6	\$15.7	\$4.0
Shortfall	(\$9.9)	

Other (e.g. growth in Continuing Education) 2.4

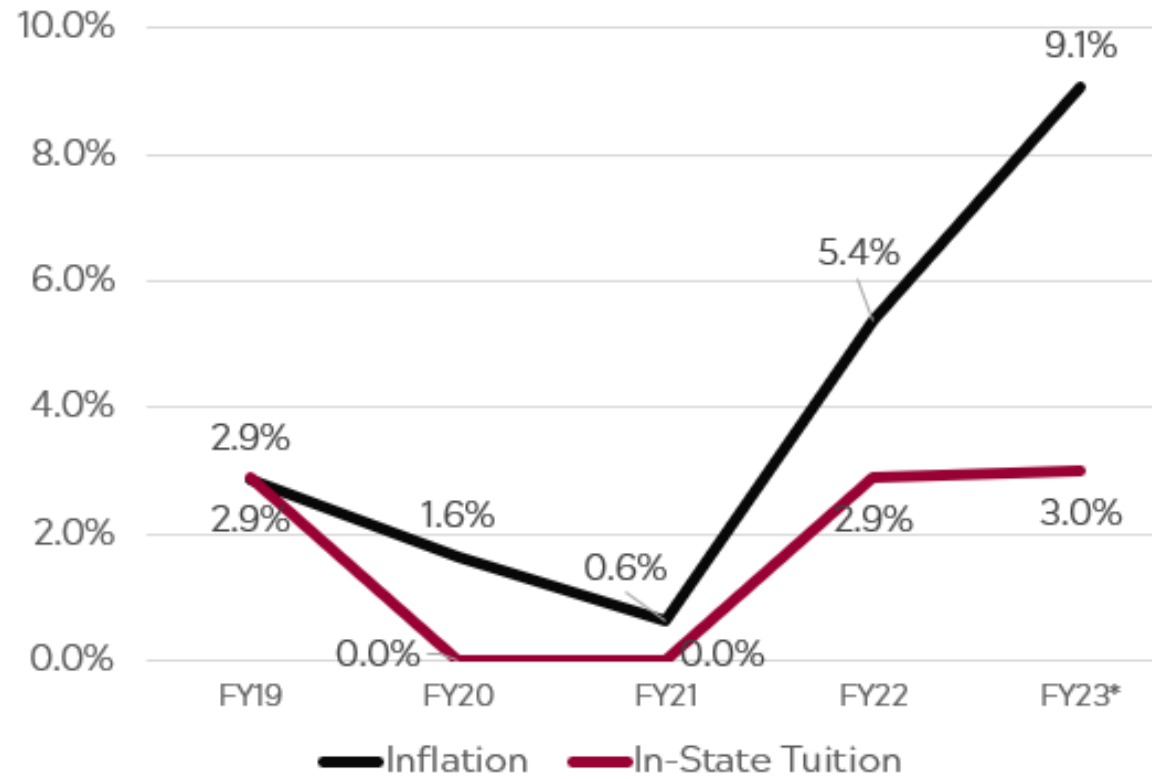
Capacity for University Initiatives (toward \$45M vision) **12.0**

University Division Budget Change from Slide 5 **\$59.6**



GENERAL FUND SUPPORT HAS HELPED HOLD DOWN TUITION BELOW INFLATION

Virginia Tech Tuition vs. Inflation
FY19-FY23



* FY23 In-state increase offset by one-time tuition mitigation scholarship.

STRATEGIC INVESTMENTS NEEDED TO REALIZE *BEYOND BOUNDARIES*

Destination for Talent

- Student Access and Affordability
- Employee Recruitment and Retention

Academic Excellence

- Tech Talent Investment–Innovation Campus
- Health and Biomedical Sciences
- Integrated Security
- Destination Areas 2.0

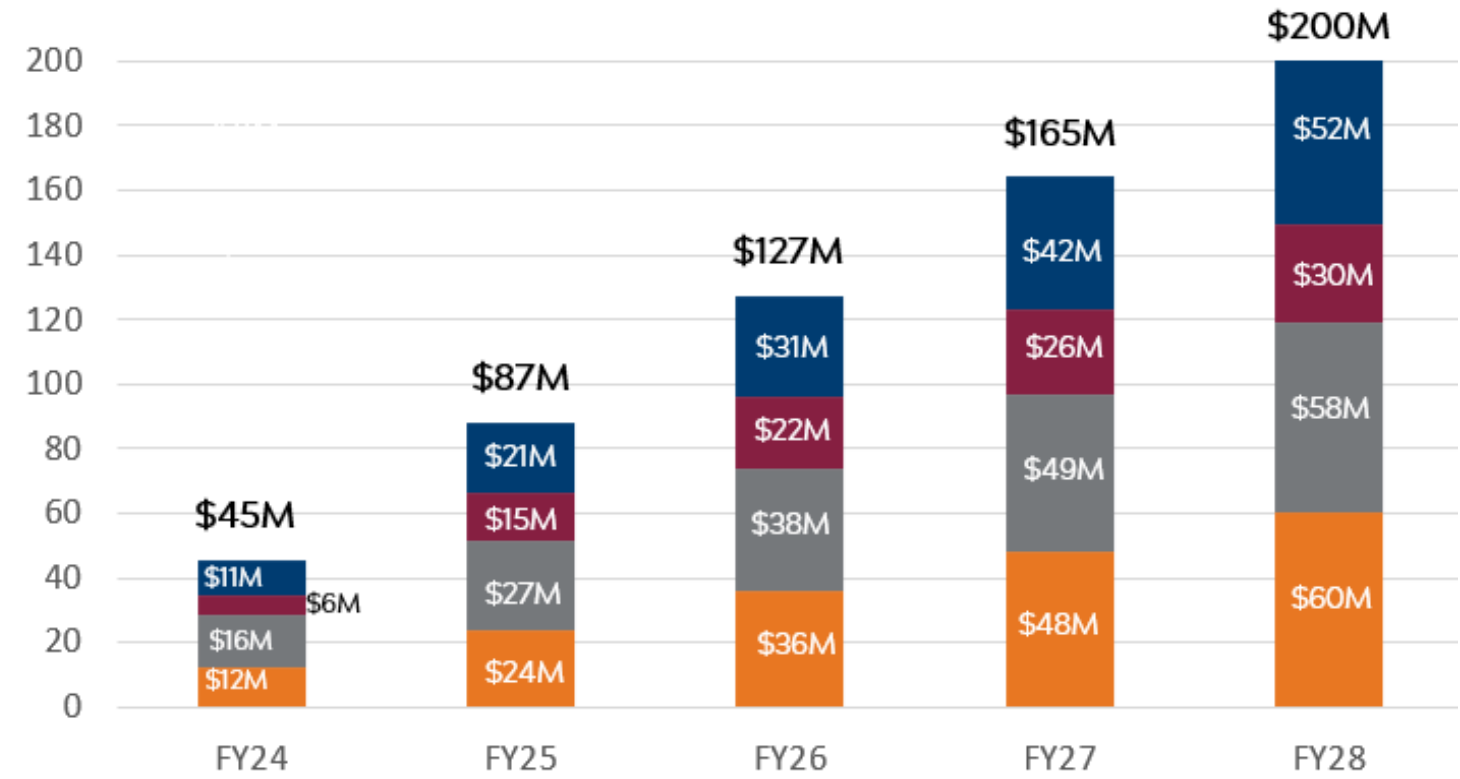
Enabling Infrastructure and Capacity

- Advancement
- IT Transformation/Technology Infrastructure
- Facilities Renewal

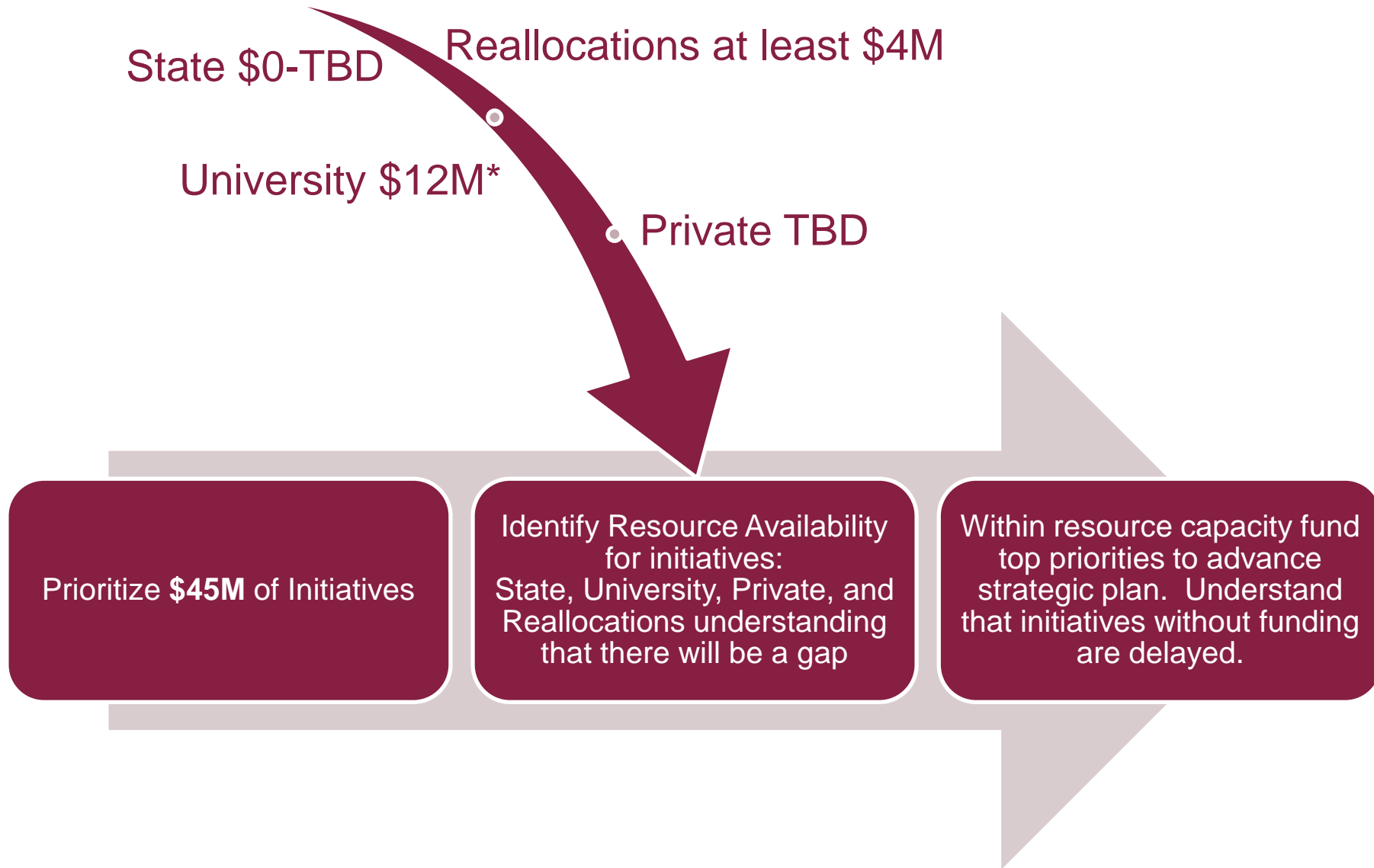
Academic Quality and Critical Needs

- Academic Incentive-Based Funding (PIBB Model)
- Annual Critical Needs Requests

Multiple fund sources will contribute to the achievement of these strategic initiatives



INITIATIVE FUNDING FRAMEWORK



* \$12M for initiatives assumes state "Skinny Budget", 4.9% tuition rate, and \$4M of reallocation will fund mandatory & unavoidable cost increases.

STRATEGIC INVESTMENTS NEEDED TO REALIZE *BEYOND BOUNDARIES*

Dollars in Millions

	FY24		
	Aspiration	Planned*	3% Tuition Scenario
<u>Destination for Talent</u>			
Student Access and Affordability (Virginia Tech Advantage)	9.0	3.4	?
Human Resources (Grad Stipend Floor to \$2,420)	2.0	0.8	?
<u>Academic Excellence</u>			
Tech Talent Investment Program – Innovation Campus	4.0	1.6	?
Health & Biomedical Sciences	0.7	0.8	?
Integrated Security	0.4		
Destination Areas 2.0	1.1		
<u>Enabling Infrastructure & Capacity</u>			
Advancement	0.5	0.5	?
IT Transformation/Technology Infrastructure	9.3	2.5	?
Facilities Renewal	6.2		
<u>Academic Quality & Critical Needs</u>			
Academic Incentive-Based Funding Quality (PIBB)	6.0	1.5	?
Annual Critical Needs Requests	6.0	0.9	?
Initiatives Total	45.2	12.0	?

* \$12M for initiatives assumes state “Skinny Budget”, 4.9% tuition rate, and \$4M of reallocation to fund mandatory & unavoidable cost increases.

\$25 MILLION REALLOCATION GOAL

- Needed strategic investments will not be realized solely through incremental new revenue
 - Limited resources require VT to prioritize initiatives for funding

- A new \$25M reallocation target over the next 5 years will support 12.5% of the initiative vision
 - Recall SCHEV's cost study indicates VT spends 27% less per student than comparable institutions.
 - Current FY24 funding plan already requires \$4M in reallocations to fund mandatory and unavoidable cost increases with tuition rates approved in April

FY 24 OPERATING BUDGET

Dollars in Millions

Recap: FY24 Operating budget assumes the Commonwealth’s “Skinny Budget”, tuition and fee rates approved by the BOV in April, and a new multi-year plan for \$25M of reallocations (of which at least \$4M of reallocations are required in FY24 to balance the budget).

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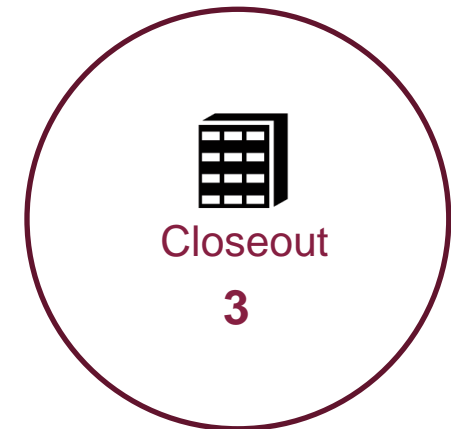
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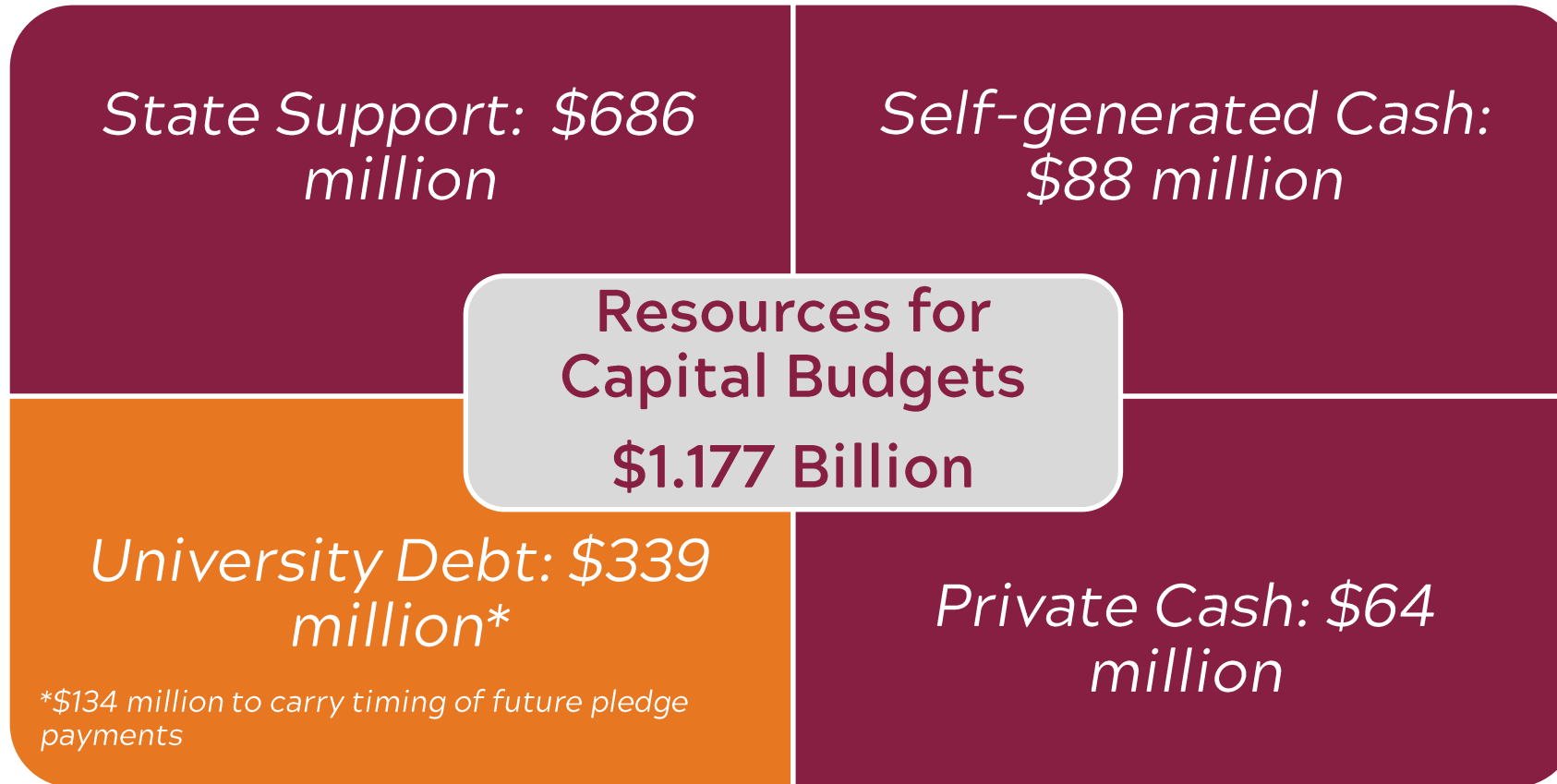
CAPITAL BUDGET

FISCAL YEAR 2024 CAPITAL PROJECTS

End FY23	25
Projects closed June 30 th	- 7
New projects effective July 1 st	0
Start FY24	<hr/> 18



CAPITAL PROGRAM FUND SOURCES



MAJOR BUDGET ADJUSTMENTS

Budget at Close of FY23	\$ 1,395,072
Reductions for FY23 Project Closeouts	
Creativity & Innovation District LLC	(105,500)
Holden Hall	(74,927)
Chiller Plant, Phase II	(42,968)
Kentland	(12,463)
Gas Fired Boiler	(8,200)
Commonwealth Cyber Initiative	(1,500)
Planning: Relocate Hampton Roads AREC	(500)
Budget Increases for FY24	
Maintenance Reserve (E&G and Auxiliary)	18,979
Equipment for Workforce Development	9,542
<i>Net Change</i>	<u>(217,537)</u>
Budget at Start of FY24	\$ 1,177,535

FISCAL YEAR 2024 CAPITAL SPEND

(Dollars in thousands)

<i>FY24 starting total capital budget</i>	<i>\$1,177,000</i>
<i>Less project to-date expenditures as of June 30th</i>	<i><u>-427,000</u></i>
<i>Budget available to complete projects</i>	<i>\$750,000</i>
<i>Estimated capital expenditures for FY24</i>	<i><u>\$220,000</u></i>

APPROVAL OF 2023-24 UNIVERSITY OPERATING AND CAPITAL BUDGETS

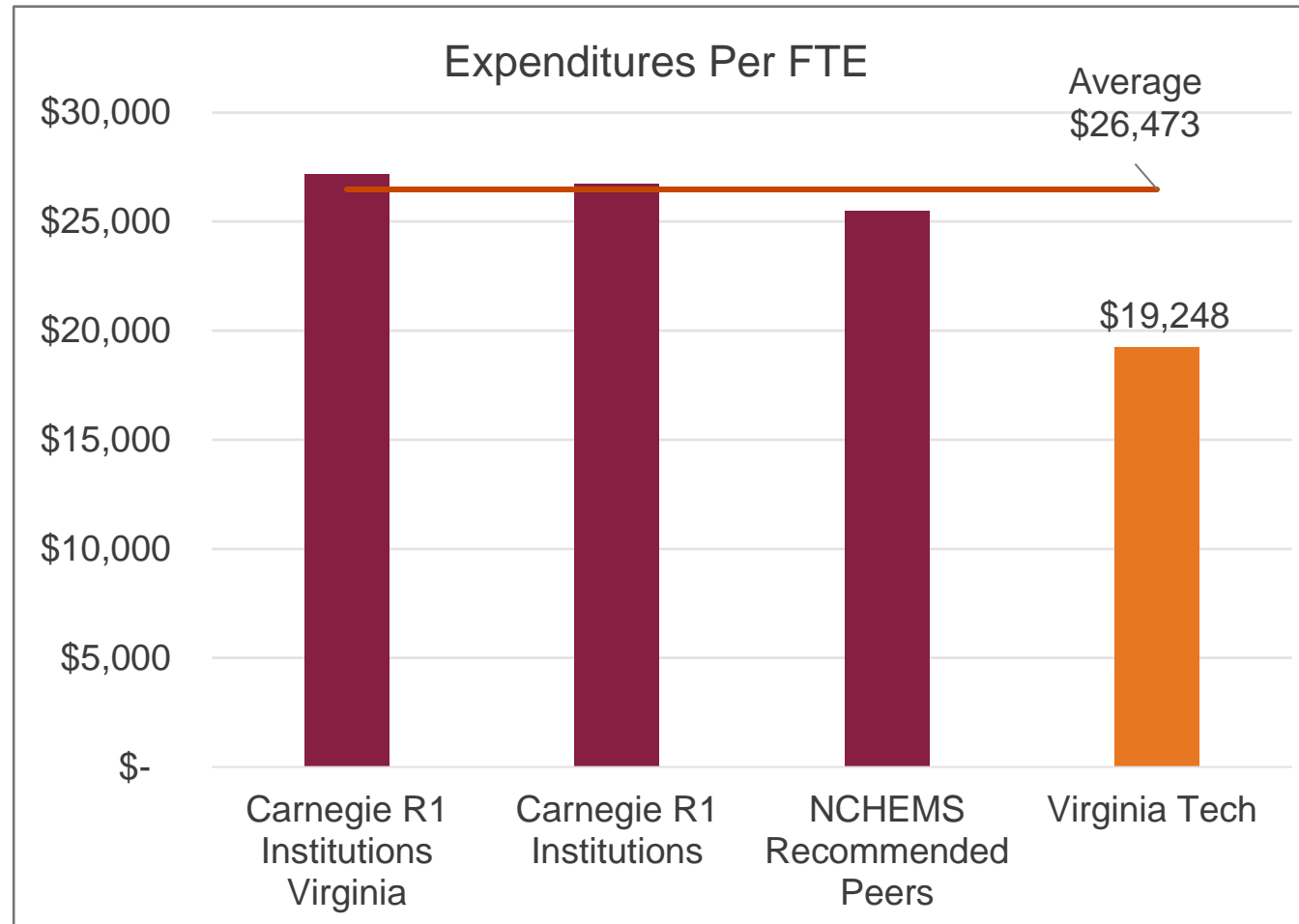
RECOMMENDATION

That the proposed 2023-24 Operating and Capital Budget as displayed on Schedules 1, 2, and 3 be approved.

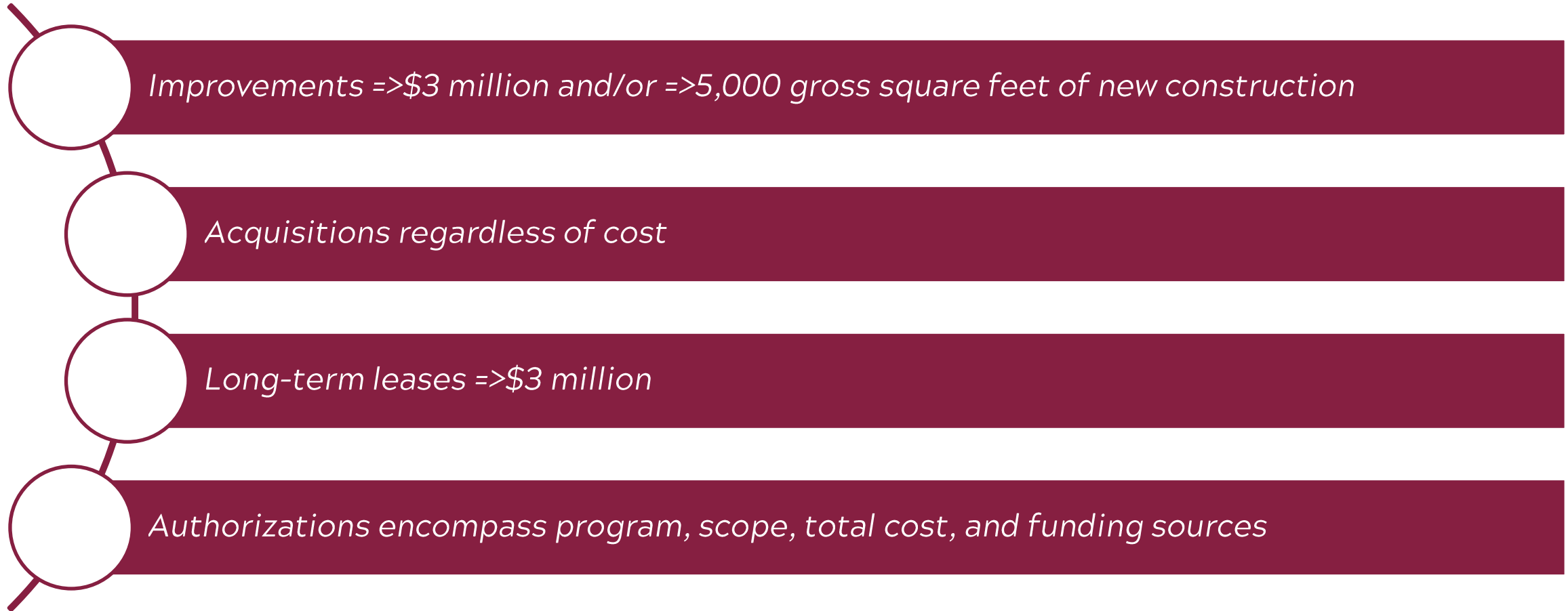
June 6, 2023

Backup

SCHEV/NCHEMS ANALYSIS INDICATES THAT VT IS EFFICIENT SO THE UNIVERSITY WILL NEED TO BE THOUGHTFUL WITH REALLOCATIONS



CAPITAL PROJECT AUTHORIZATION LEVELS



ESCALATION AND CONSTRUCTION COST

2023 Supply Chain Lead Time and Price Snapshot



Structural Steel

Lead Time Price



Roofing

Lead Time Price



HVAC Equipment

Lead Time Price



Electrical Gear

Lead Time Price



Plumbing and Fixtures

Lead Time Price



Architectural Interiors

Lead Time Price



Status Key



Trending Up
Significantly



Trending Up



Stable/Consistent



Fluctuating



Trending Down

ESCALATION AND CONSTRUCTION COST

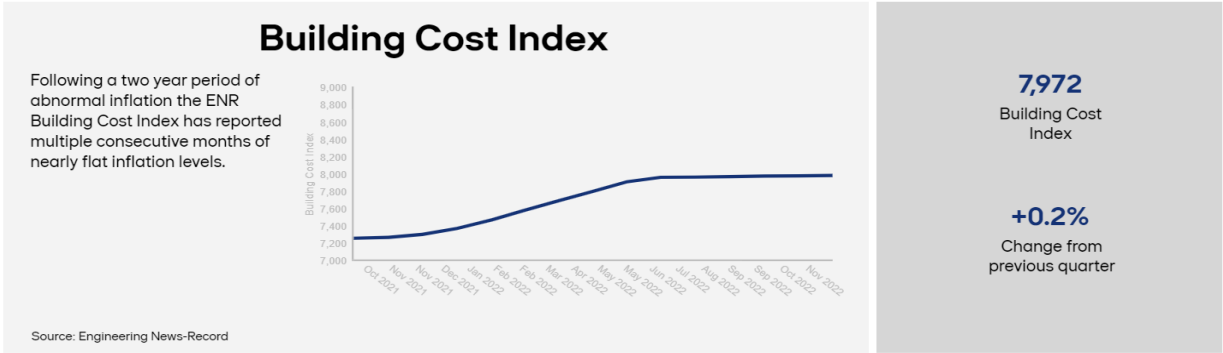
SKANSKA

Winter 2023 Construction Pricing Snapshot

Materials and Commodities

Industry Indices

- Construction Cost Index
- Building Cost Index**
- Materials Index
- Spending
- Architecture
- Employment
- Labor



ENR Building Cost Index is based up of 68.38 hours of skilled labor at the 20-city average of bricklayers, carpenters and structural ironworkers rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

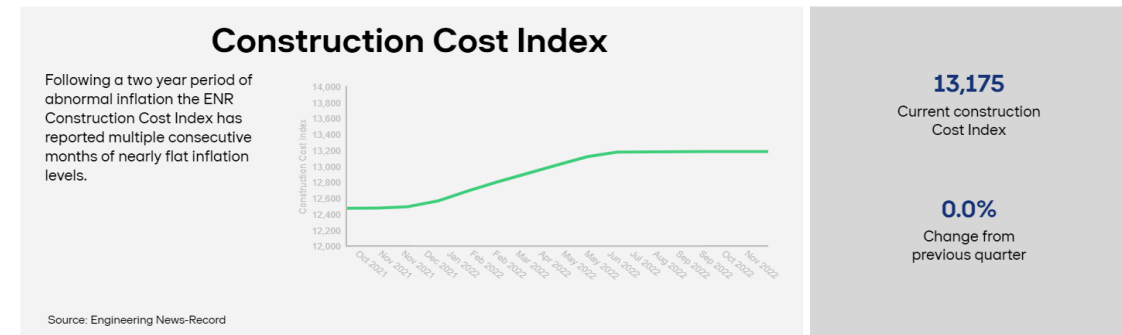
SKANSKA

Winter 2023 Construction Pricing Snapshot

Materials and Commodities

Industry Indices

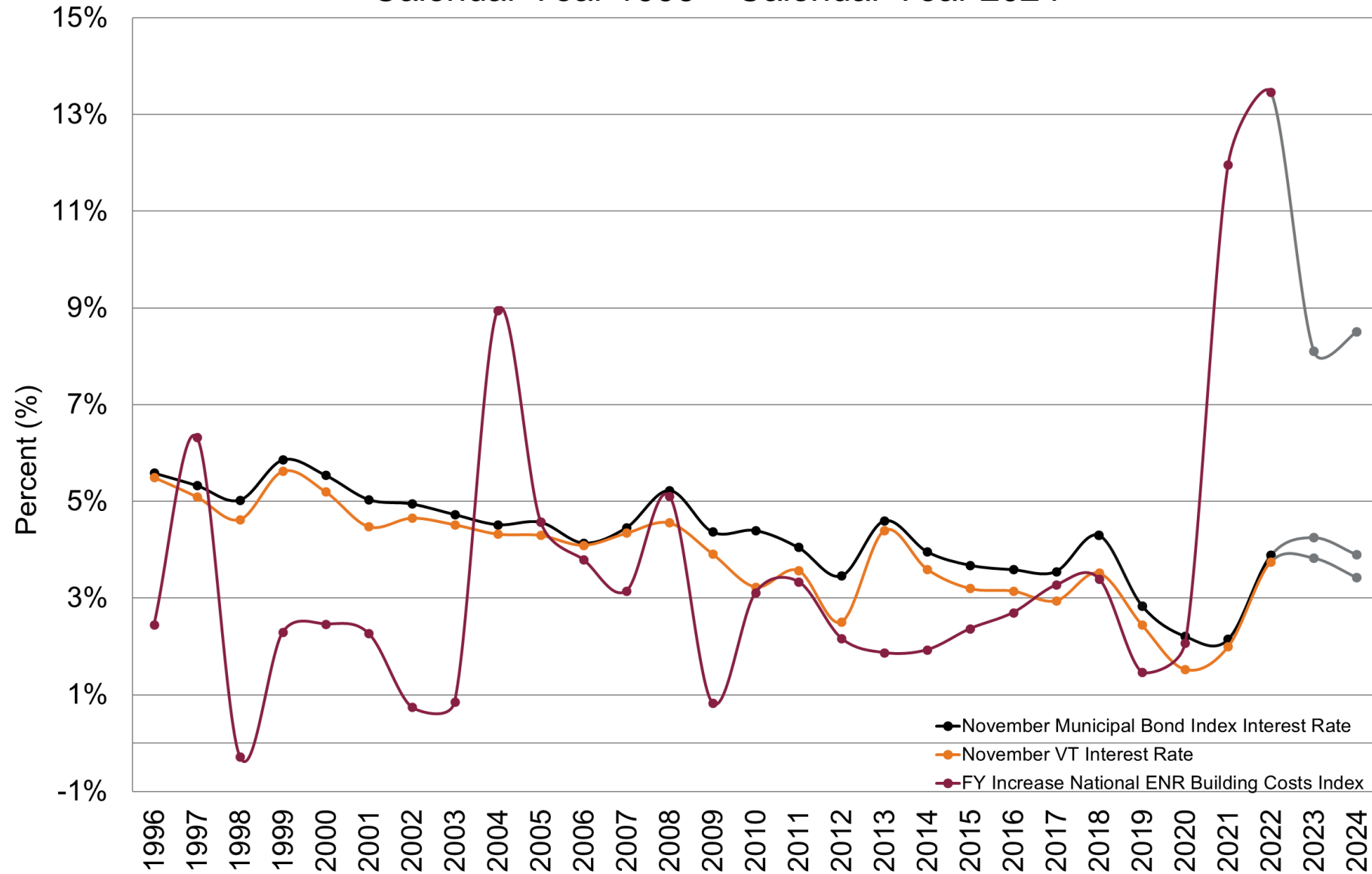
- Construction Cost Index**
- Building Cost Index
- Materials Index
- Spending
- Architecture
- Employment
- Labor



ENR Construction Cost Index is based upon 200 hours of common labor at the 20-city average of common labor rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

TREND OF ESCALATION AND INTEREST RATES

Calendar Year 1996 – Calendar Year 2024



TREND OF CAPITAL PROGRAM TOTAL BUDGET

Fiscal Year 1990 - Fiscal Year 2024

