

Review and Approval of the 2024-2030 Amended Six-Year Plan

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 16, 2024

Summary

The university received instructions for revising the 2024-2030 Six-Year Plan on May 15, 2024. An initial submission of the plan was provided to the state on July 15, 2024. The university received feedback from the state on the revision to the Six-Year Plan on October 28th, 2024. The Op-Six feedback comprised clarifying questions; no revisions were recommended by Op-Six. The final revised Six-Year Plan is now offered for approval.

Background

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

Planning Assumptions

Academic and Support Service Strategies

The amended Six-Year Plan focuses on the institutional priorities of the upcoming biennium (fiscal years 2025 and 2026). The primary goals of the Six-Year Plan are to:

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

The university develops the academic initiatives and General Fund requests in a manner consistent with the university's long-range plan. A summary of the nongeneral fund cost driver estimates and strategies envisioned in the plans for the University Division and the

Cooperative Extension and Agricultural Experiment Station Division is provided in the tables below. Revisions include technical adjustments and the incorporation of new state initiatives and compensation programs.

University Division

Six Year Plan Cost Driver Placeholders	2025-26
Faculty/Staff Salary and Graduate Stipends Placeholder	\$17.0
Enrollment Growth Support to Maintain Quality and Expand Graduate Enrollment in High Demand Areas	4.2
Inflationary Non-Personnel Cost Increases	2.2
Facility Renewal and O&M for New Facilities	3.6
Maintain Discount Rate and Advance Student Financial Aid Priorities	2.5
Support for Strategic Initiatives	12.7
Subtotal Operating Costs	\$42.2
Strategic Reallocation to Support Initiatives	(5.0)
Less – GF Support	TBD
Total University Division NGF	\$37.2

In addition to the academic and operating priorities of the university, the Six-Year Plan identifies opportunities for the state to support Virginia Tech through the allocation of incremental General Funds. These opportunities, summarized in the following table, serve as the basis of the university's Executive Budget requests submitted in the fall of 2024.

University Division General Fund Requests	Original		Revised	
	2024-25	2025-26	2024-25	2025-26
Virginia Military Survivors and Dependents Tuition Waiver Base Support	\$8.8	\$10.5	-	\$12.0
Moderate in-state Tuition Increases	5.8	11.7	-	15.9
Need-Based Student Financial Aid for Virginia Undergraduates	6.5	13.0	-	3.6
Expand Medical Education	10.1	15.7	-	8.3
Equalize Support for Unique Military Activities	0.4	0.8	-	0.7
O&M of New Facilities	3.2	3.4	-	1.0
Virginia Tech Patient Research Center at VTC	9.3	17.0	Funded	Funded
Total University Division General Fund Requests	\$44.1	\$72.1	\$0.0	\$41.5

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

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

Operating Initiatives	2025-26
Faculty & Staff Salary and Healthcare Rate Placeholders	\$0.5
Inflationary Non-Personnel Cost Increases	0.1
Less – GF Support	TBD
Unplanned Reallocation to fund Nongeneral Fund Cost Drivers	(0.6)
Total CE/AES NGF	\$0.0

In addition to these operating costs, the division plans to request state General Fund support for the following initiatives.

	Original		Revised	
	2024-25	2025-26	2024-25	2025-26
CE/AES General Fund Requests				
Agricultural Innovation and Community Resource Development	\$0.7	\$1.4	-	\$0.7
Advanced Equipment	0.7	0.7	-	0.8
Maintain Level of Service	1.1	2.3	-	1.1
Total CE/AES General Fund Requests	\$2.5	\$4.4	\$0.0	\$2.6

Compensation

Faculty

A strategic goal of the university is to recruit and retain world-class faculty by ensuring faculty salary competitiveness with peer institutions. The university maintains a multi-year goal of achieving competitive salaries as compared to peers. The university's Six-Year Plan includes the nongeneral fund share of the 3.0% state compensation placeholder assumed for each year of the biennium as outlined in Chapter 2 of the 2024 Special Session. Furthermore, a supplemental university-funded program of 1.0% in FY26 and 1.4% in the out-years is included to advance faculty salary competitiveness. Faculty talent is critical in the university's pursuit of Global Distinction.

Staff

For planning purposes, the university's Six-Year Plan includes the nongeneral fund share of the 3.0% state compensation placeholder approved for each year of the biennium as outlined in Chapter 2 of the 2024 Special Session. Compensation for classified staff, who represent less than one quarter of the overall staff population, is subject to the authorization of the General Assembly. The Six-Year plan includes a supplemental 1.0% compensation program in the out-years for university staff to advance staff salary competitiveness.

Access and Affordability

Included in the academic initiatives above, the university's student financial aid goals center around reducing the net price for Virginians in low-to-middle-income families. Consistent with the Virginia Tech Advantage program, the scholarship funding plan, comprised of general funds and nongeneral funds, has been included in the Six-Year plan. Strategies also include maintaining existing need-based scholarships for undergraduates including the Funds for the Future program to mitigate tuition increases and the Virginia Tech Grant to reduce unmet need.

Expanding programs geared towards attracting and retaining underrepresented and first-generation Virginia undergraduates, including the Presidential Scholarship Initiative, will contribute to the Virginia Tech Advantage goals while also promoting talent and diversity. The university plans to address these needs through a combination of E&G revenue, state General Funds, and philanthropic support.

Enrollment

The university submitted its six-year enrollment plan to SCHEV, known as the 2B, in the spring of 2023. The 2B is the basis for the enrollment figures included in the Six-Year Plan. The enrollment strategy is to maintain Virginia Tech's commitment to serve Virginia undergraduates and have modest out-of-state growth to support state workforce needs. At the graduate level, growth is planned in both professional master's programs, including the Tech Talent commitment and research-based doctoral programs. Through partnership with the commonwealth, growth in medical education can help meet the projected shortage of physicians in Virginia.

Funding and Cost Containment

The commonwealth's traditional funding models define fund splits of certain costs, often by program. This is designed to meet funding intent and sharing of costs in certain situations. This process is intended to connect certain costs with tuition and tries to shelter tuition from other costs. While the ultimate fund split is determined in the state budget process, the state's six-year planning process is focused on use of nongeneral funds prior to the consideration of general funds. However, the university works to ground funding requests within the traditional state share of costs consistent with codified funding principles. The nongeneral fund share of costs in accordance with state policies is summarized in the table below:

Traditional State Fund Splits

Program	State Share (GF)	University Share (NGF)
University Division E&G	38%	62%
Cooperative Extension/Agricultural Experiment Station Division E&G	95%	5%
Sponsored Research	0%	100%
Auxiliary Enterprise	0%	100%

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

Reallocations

The university has a bold strategic plan yet understanding that incremental resources are unlikely to be sufficient to fully fund the entire strategic vision, the university also committed in FY24 to reallocate \$25 million over five years to support initiatives to support progress. Through the reinvestment process, \$5 million was reinvested in FY25 and an additional \$5 million is envisioned for FY26, for a total of \$10 million. The strategic reallocation process continues and will help ensure sensitivity to overall costs while advancing strategic objectives.

Tuition and E&G Fee Revenue

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

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

While increases in tuition and fees for FY26 and beyond have not been set by the Board of Visitors, the university utilized the following placeholders to satisfy the plan requirements. An assumption of no new targeted General Fund support serves as the basis of these placeholders in accordance with SCHEV's instructions for this submission.

These rate placeholders are unchanged from what the Board of Visitors established in the Six-Year Plan a year ago.

6-Year Plan Placeholders	2025-26
Tuition & E&G Fees	
In-state Undergraduate	4.9%
Out-of-state Undergraduate	3.9%
In-state Graduate	4.9%
Out-of-state Graduate	3.9%
Mandatory Non-E&G Fees (Comprehensive Fee)	4.9%

Next Steps

The university submitted the Six-Year Plan to the commonwealth on July 15, 2024. The submission initiated an iterative review process that culminated with a state review and feedback on October 28th that consisted only of clarifying questions. The university will submit the final Six-Year Plan following Board of Visitor Approval. The Six-Year Plan served as a guide for the university's budget submissions for the Executive Budget development process in the fall of 2024 and will inform the university's state funding advocacy during the 2025 General Assembly session. The final outcome of the state budget process will help inform the actual tuition rates development process.

The attachment appended to this report includes completed submission files for both agencies.

RECOMMENDATION:

That the Board of Visitors approve the revised 2024-2030 Six-Year Plan.

November 19, 2024