

Proposed FY25 Operating and Capital Budgets

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

May 16, 2024

The university provides the Board of Visitors with an overview of the operating budget and capital cash flows for the upcoming fiscal year to enable board action in advance of July 1. Attached schedules include Schedule 1, which displays the university's overall operating budget; Schedule 2, which displays the Auxiliary budgets; and Schedule 3, which displays the projected fiscal year cash flows of previously approved capital projects.

State Appropriations

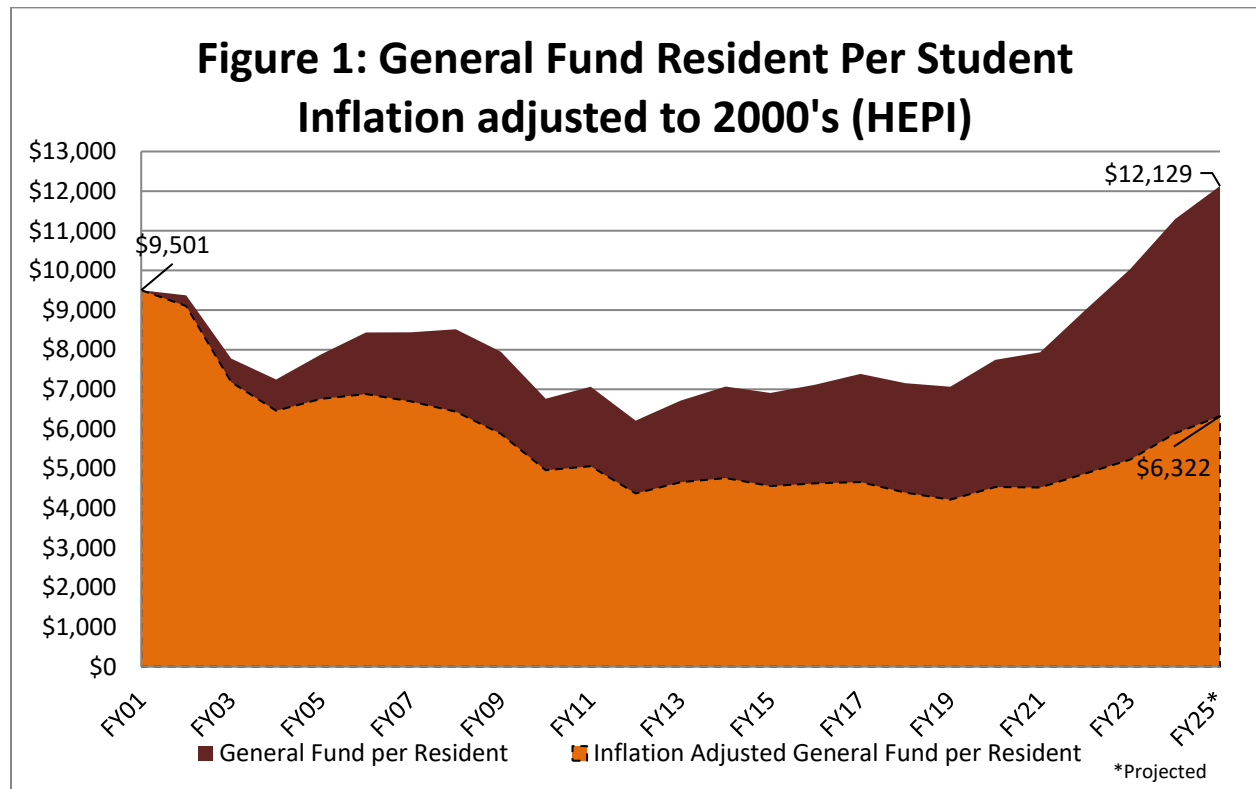
The Special Session of the 2024 General Assembly adjourned May 13 after approving the state's 2024-26 biennial budget. The biennial budget provides the university with an understanding of the level of state support, costs, and policy for university program budgets. Virginia Tech anticipates an initial state authorization of \$2.0 billion for fiscal year FY25 to carry out all 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 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 \$2.3 billion.

Forecast of State Budget Revenue Changes

For FY25, the university forecasts an incremental increase in General Fund appropriation of \$37.5 million from the adjusted FY24 budget. This is comprised of an estimated General Fund increase of \$26.2 million for Educational and General (E&G) programs in the University Division (Agency 208), an estimated increase of \$3.2 million for the programs in the Cooperative Extension and Agricultural Experiment Station (Agency 229), an increase of \$6.0 million in General Fund support for the VT Patient Research Center under Financial Assistance for E&G Programs, and an increase of \$2.1 million for undergraduate and graduate Student Financial Aid.

As shown in Table 1 on page 4, the General Fund increase for the University Division includes changes in direct appropriations, the estimated general fund share of state compensation program, fringe benefit rate increases, and Virginia Military Survivors & Dependents Education Program (VMSDEP). The university planning assumptions anticipate State support for Agency 208 will include \$9.0 million to minimize in-state undergraduate tuition rate increases, improve retention and graduation and increase degree production in high demand programs. The details of the projected state support are further described in each budget section.

With these state resources, the state support per Virginia student will grow in FY25. Total state support per Virginia student for FY25 is projected to be 27.7 percent above the funding provided in 2001. The growth in per-student funding is a positive signal of the state’s continued support of higher education and for Virginia Tech. The university enrolls over 5,100 additional Virginia undergraduates as compared to fall 2004. However, adjusted for inflation, the university will receive 33.5 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.

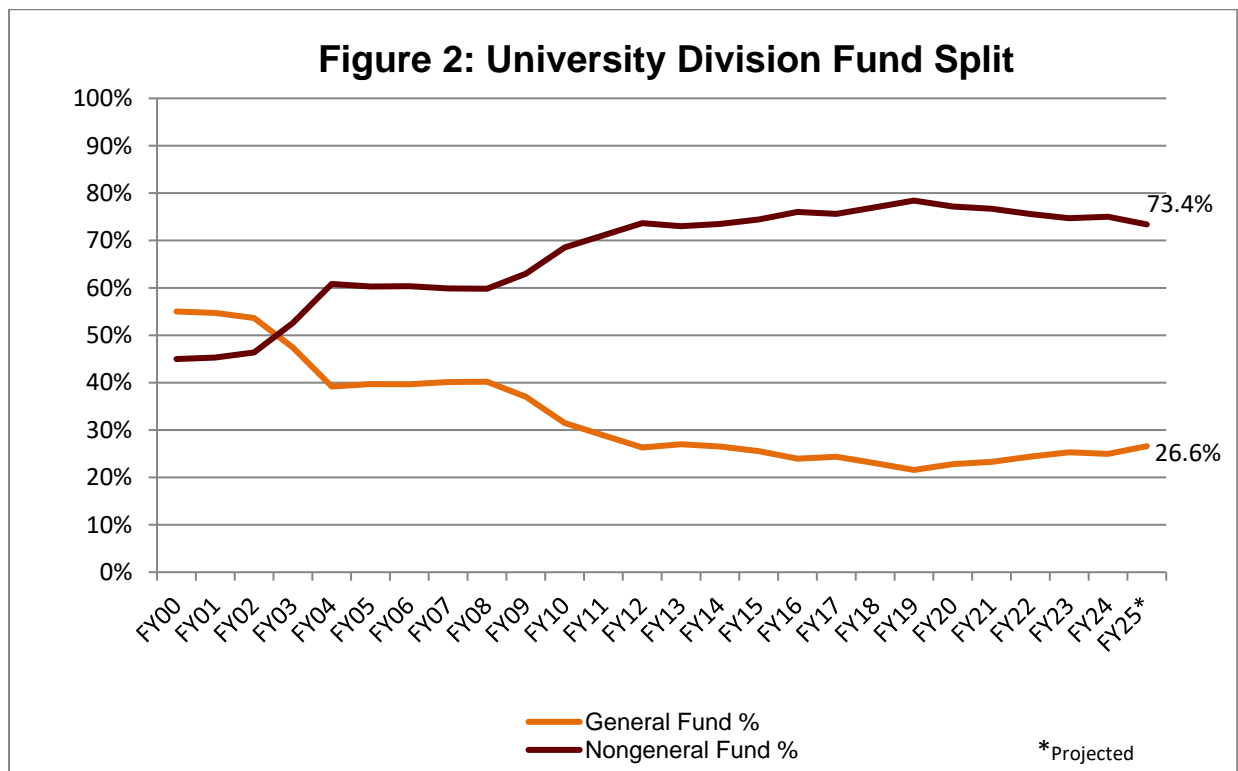


Proposed Budgets for FY25

For FY25, the recommended internal budget for all operations is \$2.3 billion. This is an increase of \$156.4 million, approximately 7.4 percent, over the adjusted FY24 budget. This increase reflects changes in nongeneral fund revenues for FY25 and outcomes of the 2024 General Assembly Special Session which impacts the FY25 General Fund appropriation. The overall change includes an increase of \$66.1 million attributable to the E&G program, \$22.4 million of projected growth in Auxiliary Enterprises, \$73.6 million attributable to Sponsored Programs, and \$1.8 million in Student Financial Assistance. The overall change includes a decrease of \$7.5 million in All Other Programs due to removal of a FY24 one-time item.

The total General Fund allocation is estimated to be approximately \$450.7 million, an increase of \$37.5 million from the FY24 adjusted budget. General Fund revenues will provide \$407.8 million in support for the instructional, research, and extension programs, \$39.3 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 26.6 percent of the University Division’s E&G budget (as compared to 53.6 percent in the FY02 budget) and 19.9 percent of the total budget.



Schedule 1 displays the proposed operating budgets for FY25 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 FY24 budget, as approved in June 2023, and the current adjusted FY24 budget for comparison purposes. This report provides a brief discussion of the changes in the operating budget for each of the major programs.

E&G Programs

The university's E&G budget will be \$1.2 billion in FY25. 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 reflects an overall revenue increase in the E&G program of \$66.1 million, or 5.9 percent, over the adjusted FY24 budget.

The FY25 E&G operating budgets have been developed utilizing the following forecasted state funding support for the university in FY25:

	University Division	VCE/AES Division	
Annualization of 2% FY24 Compensation Program	\$2.5	\$0.7	
Non-General Fund Interest Earnings	4.3	-	*
Virginia Military Survivors & Dependents Education Program	2.3	-	*
State Share of Salary and Fringe Benefit Rate Changes	8.0	2.5	*
Access and Affordability	9.0	-	
E&G Program General Fund Change	\$26.2	\$3.2	

* Estimate - these items funded by the state at a later date

The percentage of the E&G budget for the University Division provided by the General Fund increased from 25.7 percent in the FY24 adjusted budget to 26.6 percent in FY25.

The FY25 tuition and fee budget increased by \$37.1 million, or 5.3 percent, over the adjusted FY24 budget. The increase in tuition and fee budgets is attributable to the increase of tuition rates as approved by the Board of Visitors at the April 2024 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 the Virginia Tech Advantage program. 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 FY25 recommended budget includes \$6.2 million for Virginia Tech's School of Biomedical Engineering and Science within the overall university budget as displayed within the 208 Educational and General budgets 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 intended to be 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 in accordance with state requirements.

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 FY25 auxiliary revenue budget is \$480.4 million, a growth of \$22.4 million or 4.9 percent over the adjusted FY24 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 operating costs, bus replacement, maintenance of existing facilities, and the cost of new facilities.

Financial Assistance for E&G Programs (primarily Sponsored Programs)

The projected annual budget for Sponsored Programs is \$510.1 million, an increase of \$73.6 million, or 16.9 percent increase over the FY24 adjusted budget. The increase in the FY25 budget aligns the budget with FY24 grant and contract activity and includes a projection of FY25 growth. The growth in the FY25 Sponsored Programs budget includes \$6.0 million to reflect Virginia Tech's share of the state's Biotechnology Initiative, which will support the VT Patient Research Center. 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 FY25 budget for the Appropriated Student Financial Assistance program is \$63.3 million, an increase of \$1.8 million. The change in the Student Financial Aid budget is comprised of a \$2.1 million increase in general fund support, continued university investment into the Virginia Tech Advantage Initiative to support access and affordability, support for the Funds for the Future Program, and the VT Scholarship Program. The increase is offset by the removal of one-time scholarships for the FY24 tuition rebate program.

The appropriated Student Financial Assistance budget is comprised of \$39.3 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 \$24.0 million in nongeneral fund Student Financial Assistance.

Given that appropriated resources are only a portion of the total student financial assistance program, the university provides the Board with an annual report on the total student financial assistance program each November. The November report will include Appropriated Student Financial Assistance, unfunded scholarships, codified waivers, private support (from the Virginia Tech Foundation), federal support, and third-party aid.

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. For All Other Programs, the recommended budget is \$18.2 million, and reflects a \$7.5 million decrease from the adjusted budget for FY24 primarily due to one-time revenues and adjustments in the current year.

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 FY25, where only the auxiliary budgets project an addition to the reserves as of June 30, 2024. The projected addition of \$20.4 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 FY25 budget for Auxiliary Enterprises is also designed to ensure that the reserve levels remain in compliance with bond covenants as well as SCHEV reserve targets.

Compensation Plan

The university plans to implement faculty and staff compensation programs for FY25 consistent with the outcome of the special session of the general assembly. The attached operating budget includes funding, consistent with traditional funding principles, for the following proposed employee compensation actions:

- 3.00 percent faculty compensation program.
 - In addition, the university will fund the Promotion and Tenure cost for those faculty approved for Promotion and Tenure increases.
- 3.00 percent stipend increase for graduate assistants, as approved by the Board of Visitors.
 - Move stipend floor minimum to \$2,682 per month, if approved by the Board.
- 3.00 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.
- 3.00 percent University Staff compensation program.
- Additionally, the university will support a 0.25 percent pool for national distinction and special adjustments for teaching and research faculty. The university is committed to retaining faculty members who have achieved distinction in their disciplines and who 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 meaningful in size.

Initiatives and Reinvestments

As previously reviewed, the university has a bold five-year plan for strategic investments focused on VT Advantage, Global Distinction, and Enabling Infrastructure. Strategic investments will be needed to realize the Beyond Boundaries vision. Incremental year-over-year investments based on major strategic priority area are outlined in Table 2, below.

\$ in millions	FY25	FY26	FY27	FY28	FY29
Virginia Tech Global Distinction	\$14.9	\$13.1	\$14.4	\$13.3	\$13.1
Virginia Tech Advantage (less) Governmental & Private Funding	8.1 (4.3)	7.6 (4.0)	8.0 (4.4)	8.1 (4.5)	8.2 (4.7)
Enabling Infrastructure	9.5	10.5	10.5	10.5	10.5
Total	\$28.2	\$27.2	\$28.5	\$27.4	\$27.1

The plan for funding these strategic investments will not be realized solely through incremental new revenue (state, private, institutional resources), but will require the university to make strategic reinvestments. Strategic reinvestments seek to avoid reactionary responses and enable multi-year planning. Reinvestment of existing institutional resources is needed to support a portion of the initiative vision over the 5-year planning period. The university continues to envision a \$25 million reallocation program, implemented through a combination of unit-based reinvestments and university-level reinvestments. For FY25, the university envisions \$2.5 million of unit-based reinvestments, which will realign existing unit resources with initiatives to support the VT Global Distinction, Virginia Tech Advantage, and enable infrastructure. In addition, the university has identified \$2.5 million of targeted reinvestment opportunities to support the strategic vision.

The university identified reinvestments which reduce or eliminate activities, discontinued leases and fold activities back into campus-owned space, implement business process changes, and targeted reductions at the unit level where resources could be redeployed to advance Virginia Tech Global Distinction and the Virginia Tech Advantage program. Over the next year, the President’s Council will continue working on opportunities to rethink how the university operates and to look for opportunities to free up existing resources that can be redirected in accordance with the university’s strategic priorities.

For the upcoming fiscal year, the university also asked units to identify reinvestments within their own span of control to advance strategic initiatives. Units identified or created

savings via reductions, change management, and eliminating vacant positions to enable reinvestment in lieu of providing new resources to units.

Budget Allocations

The process of finalizing the FY25 operating budget allocations for the colleges and major operating units is currently underway. This process will be completed in June 2024 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 authorize capital projects funded entirely with nongeneral fund resources. New projects approved by the Board of Visitors become effective upon approval of a university resolution and are reflected in the subsequent Financial Performance Report.

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 into 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 predict the pace of spending by month for each project for its anticipated life. This analysis is then used to plan the timing to move resources 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 and arbitrage spend down requirements.

Each active 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 it closes.

The portfolio of the capital outlay program for FY25 is comprised of 16 E&G projects and five Auxiliary Enterprise projects for a total of 21 projects with a total program budget of \$1.17 billion and an estimated annual budget of approximately \$184 million. This includes the following \$49 million of new funding items in the 2024-26 biennial budget: \$14 million of construction funding for the Improve Center Woods project, \$18.9 million for Maintenance Reserve, \$8 million for the Improve Campus Accessibility project, and \$8 million for Equipment for Workforce Development. The Appropriations Act includes two planning projects, Improvements for the Eastern Shore AREC and Renovate Derring Hall Building Envelope, where the planning appropriations are unknown until the State issues its cost verification report. The project funding and annual budgets will be updated at that time.

Schedule 3 lists the projects by program and phase of progress. Each project is listed with the total project authorization by revenue source for FY25, annual budget for FY25, and estimated balance at the close of FY25. Capital project performance is measured against the total project budget authorization. The accuracy of annual budgets, and the cash flows models on which they are based, are generally most sensitive to projected construction start dates. For example, a large project that enters construction three months later than expected may underspend its annual budget by several million dollars for the fiscal year. Adjustments in the pace of spending do not impact the expected total budget, but rather the timing of planned expenditures.

RECOMMENDATION:

That the proposed FY25 operating budget and capital expenditure projections, as displayed on Schedules 1, 2, and 3, be approved.

June 11, 2024

**TOTAL OPERATING BUDGET FOR VIRGINIA TECH
FY25**

(Dollars in Thousands)

	FY24 Original Budget	FY24 Adjusted Budget	FY25 Recommended Budget
<u>Revenues</u>			
Educational and General			
University Division			
General Fund	\$251,676	\$262,261	\$288,480
Tuition and Fees	699,830	699,121	736,209
All Other Income	56,127	58,421	59,850
Subtotal	<u>\$1,007,633</u>	<u>\$1,019,803</u>	<u>\$1,084,539</u>
CE/AES Division			
General Fund	\$89,041	\$89,693	\$92,942
Federal Funds	15,647	17,261	15,647
All Other Income	1,129	1,634	1,427
Subtotal	<u>\$105,816</u>	<u>\$108,588</u>	<u>\$110,015</u>
Total Educational and General	<u>\$1,113,449</u>	<u>\$1,128,391</u>	<u>\$1,194,554</u>
Auxiliary Enterprises			
Auxiliary Fees	\$88,918	\$88,228	\$93,175
Auxiliary User Charges (Room & Board)	146,598	142,231	151,747
Auxiliary Sales and Services	217,208	227,569	235,462
Subtotal	<u>\$452,724</u>	<u>\$458,028</u>	<u>\$480,384</u>
Financial Assistance for E&G Programs (a)			
General Fund	\$19,389	\$20,389	\$26,389
Nongeneral Fund	\$415,914	416,064	483,690
Subtotal	<u>\$435,303</u>	<u>\$436,453</u>	<u>\$510,079</u>
Appropriated Student Financial Assistance			
General Fund	\$33,593	\$37,169	\$39,261
Nongeneral Fund	17,265	24,363	24,076
Subtotal	<u>50,858</u>	<u>\$61,532</u>	<u>\$63,337</u>
All Other Programs (b)			
General Fund (UMA)	\$3,649	\$3,649	\$3,649
Nongeneral Fund	12,532	22,099	14,562
Subtotal	<u>\$16,181</u>	<u>\$25,748</u>	<u>\$18,211</u>
Total	<u>\$2,068,515</u>	<u>\$2,110,153</u>	<u>\$2,266,565</u>
<u>Expenses</u>			
Educational and General			
University Division	\$1,007,633	\$1,019,803	\$1,084,539
CE/AES Division	105,816	108,588	110,015
Subtotal	<u>\$1,113,449</u>	<u>\$1,128,391</u>	<u>\$1,194,554</u>
Auxiliary Enterprises			
Auxiliary Enterprises	435,097	465,130	459,984
Financial Assistance for E&G Programs (a)			
Financial Assistance for E&G Programs (a)	435,303	436,453	510,079
Appropriated Student Financial Assistance			
Appropriated Student Financial Assistance	50,858	61,532	63,337
All Other Programs (b)			
All Other Programs (b)	16,181	25,877	18,211
Total	<u>\$2,050,888</u>	<u>\$2,117,383</u>	<u>\$2,246,165</u>
<u>Planned Change in Reserve</u>			
Reserve Drawdown/(Deposit) (c)	-\$17,627	\$7,231	-\$20,400
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

(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.

Presentation Date: June 11, 2024

TOTAL OPERATING BUDGETS FOR AUXILIARY ENTERPRISES
Fiscal Year FY25
(Dollars in Thousands)

	FY24 Original Budget	FY24 Adjusted Budget	FY25 Recommended Budget
Residence and Dining Hall System*			
Revenues	\$173,674	\$167,902	\$184,819
Expenses	-170,540	-172,045	-179,256
Reserve Drawdown/(Addition)	-3,134	4,143	-5,563
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Parking and Transportation			
Revenues	\$24,284	\$25,013	\$26,078
Expenses	-21,544	-24,448	-23,789
Reserve Drawdown/(Addition)	-2,740	-565	-2,289
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Telecommunications Services			
Revenues	\$27,790	\$26,726	\$23,347
Expenses	-26,055	-31,679	-22,557
Reserve Drawdown/(Addition)	-1,735	4,953	-790
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
University Services System*			
Revenues	\$65,063	\$64,813	\$69,450
Expenses	-63,538	-72,545	-68,664
Reserve Drawdown/(Addition)	-1,525	7,732	-786
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Intercollegiate Athletics System*			
Revenues	\$95,786	\$104,263	\$101,540
Expenses	-91,010	-95,891	-96,923
Reserve Drawdown/(Addition)	-4,776	-8,372	-4,617
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Electric Service System*			
Revenues	\$43,740	\$44,892	\$48,576
Expenses	-41,670	-44,490	-46,410
Reserve Drawdown/(Addition)	-2,070	-402	-2,166
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Inn at Virginia Tech and Skelton Conference Center			
Revenues	\$11,840	\$13,500	\$14,171
Expenses	-12,905	-14,090	-12,788
Reserve Drawdown/(Addition)	1,065	590	-1,383
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Enterprise Functions			
Revenues	\$10,547	\$10,919	\$12,403
Expenses	-7,835	-9,942	-9,597
Reserve Drawdown/(Addition)	-2,712	-977	-2,806
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL			
Revenues	\$452,724	\$458,028	\$480,384
Expenses	-435,097	-465,130	-459,984
Reserve Drawdown/(Addition)	-17,627	7,102	-20,400
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.

Presentation Date: June 11, 2024

EDUCATIONAL AND GENERAL CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2025

**(Dollars in Thousands)
as of March 31, 2024**

PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2024	ESTIMATED BALANCE AVAILABLE FOR FY2025	ESTIMATED ANNUAL BUDGET FY2025	ESTIMATED BALANCE AT CLOSE OF FY2025	
	STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL					
<u>Design Phase</u>									
Mitchell Hall (Randolph Hall Replacement)	Jul 2020	\$ 264,453	\$ 11,000	\$ 16,828	\$ 292,281	\$ 20,042	\$ 272,239	\$ 30,000	\$ 242,239
Planning: New Business Building	Apr 2022	-	8,000	-	8,000	1,700	6,300	6,300	-
Expand VT-C SOM & Fralin Biomedical Research Institute	Sept 2023	-	9,000	-	9,000	200	8,800	3,500	5,300
Improve Center Woods Complex	Nov 2023	14,550	296	-	14,846	32	14,814	1,500	13,314
Improve Campus Accessibility	Jul 2024	8,000	-	-	8,000	-	8,000	250	7,750
Planning: Renovate Derring Hall Building Envelope	Jul 2024	-	-	-	-	-	-	-	-
Planning: Improvements to Eastern Shore AREC	Jul 2024	-	-	-	-	-	-	-	-
<u>Construction Phase</u>									
Maintenance Reserve	On-going	24,429	-	-	24,429	-	24,429	20,765	3,664
Livestock & Poultry Research Facilities, Phase I	Oct 2016	31,764	-	-	31,764	25,274	6,490	4,000	2,490
Innovation Campus - Academic Building	Jul 2019	177,164	80,336	44,636	302,136	240,858	61,278	40,895	20,383
Hitt Hall	Apr 2017	-	31,657	53,343	85,000	73,587	11,413	9,112	2,301
Undergraduate Science Laboratory Building	Jul 2017	90,412	-	-	90,412	60,723	29,689	16,000	13,689
Building Envelope Improvements	Aug 2022	-	13,580	33,620	47,200	4,914	42,286	8,000	34,286
Life, Health, Safety, Accessibility, & Code Compliance	Jul 2020	10,400	-	-	10,400	6,731	3,669	2,800	869
<u>Equipment and Special Initiatives</u>									
Equipment for Workforce Development	May 2021	42,437	-	-	42,437	12,518	29,919	3,000	26,919
<u>Close-Out</u>									
Corps Leadership and Military Science Building	Jun 2019	-	21,600	30,400	52,000	49,964	2,036	2,036	-
Total Educational and General Projects		\$ 663,610	\$ 175,469	\$ 178,827	\$ 1,017,906	\$ 496,543	\$ 521,363	\$ 148,158	\$ 373,205

AUXILIARY ENTERPRISE CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2025

(Dollars in Thousands)
as of March 31, 2024

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION			ESTIMATED TOTAL EXPENSES June 30, 2024	ESTIMATED BALANCE AVAILABLE FOR FY2025	ESTIMATED ANNUAL BUDGET FY2025	ESTIMATED BALANCE AT CLOSE OF FY2025	
		STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT					TOTAL
<u>Design Phase</u>									
Planning: Student Life Village, Phase I	Jun 2023	\$ -	\$ 19,500	\$ -	\$ 19,500	\$ 800	\$ 18,700	\$ 7,500	\$ 11,200
<u>Construction Phase</u>									
Maintenance Reserve	On-going	-	13,000	-	13,000	-	13,000	13,000	-
Student Wellness Improvements	Jun 2016	-	25,574	44,426	70,000	55,200	14,800	12,000	2,800
Football Locker Room Renovations	Jun 2023	-	5,900	-	5,900	3,000	2,900	2,500	400
<u>Close-Out</u>									
New Upper Quad Residence Hall	Jun 2019	-	16,071	25,929	42,000	40,000	2,000	600	1,400
Total Auxiliary Enterprise Projects		\$ -	\$ 80,045	\$ 70,355	\$ 150,400	\$ 99,000	\$ 51,400	\$ 35,600	\$ 15,800
GRAND TOTAL ALL CAPITAL PROJECTS		<u>\$ 663,610</u>	<u>\$ 255,514</u>	<u>\$ 249,182</u>	<u>\$ 1,168,306</u>	<u>\$ 595,543</u>	<u>\$ 572,763</u>	<u>\$ 183,758</u>	<u>\$ 389,005</u>

FY 25 OPERATING AND CAPITAL BUDGETS

AMY SEBRING

EXECUTIVE VICE PRESIDENT & CHIEF OPERATING OFFICER

TIM HODGE

ASSOCIATE VICE PRESIDENT FOR BUDGET & FINANCIAL PLANNING

ROB MANN

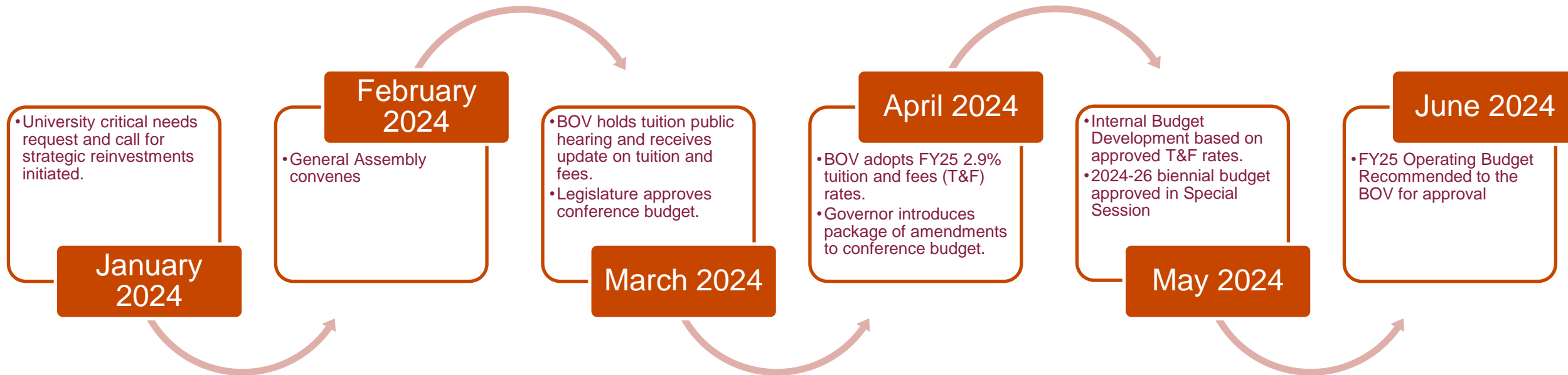
ASSISTANT VICE PRESIDENT CAPITAL BUDGETING AND FINANCING

JUNE 11, 2024



BUDGET DEVELOPMENT PROCESS

FY 25 Operating Budget



FY 25 Capital Budget

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

OPERATING BUDGET

STATE CONTINUES RECENT TREND OF STRONG SUPPORT

2024 Special Session – Operating Budget

- The General Assembly approved the 2024-26 biennial budget during the 2024 Special Session, which was subsequently signed by Governor Youngkin May 13
- Highlights of FY25 General Fund impacts:
 - 3.0% Compensation Program
 - \$9M for Affordable Access, Degree Production, & Operating Support
 - \$1.3M for undergraduate student financial aid, \$0.5M for graduate remission
 - \$6M in FY25 to support the Virginia Tech Patient Research Center at FBRI
 - \$20.5M in operating support for FY26 with \$4.0M in equipment funds
 - Statewide pool to support a portion of the cost of the Virginia Military Survivors & Dependents Education Program

FY25 OPERATING BUDGET +7.4%

All Programs

Dollars in Millions

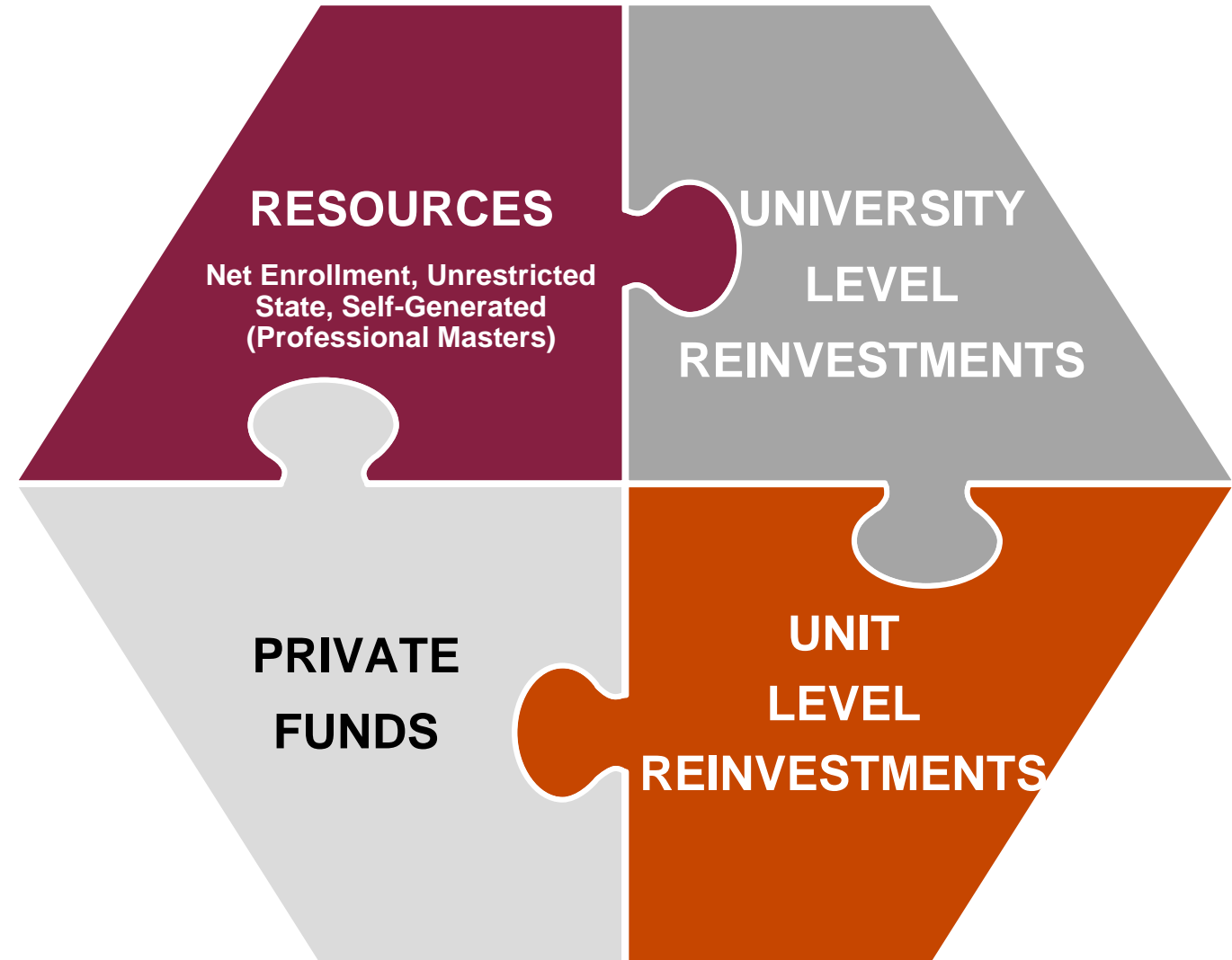
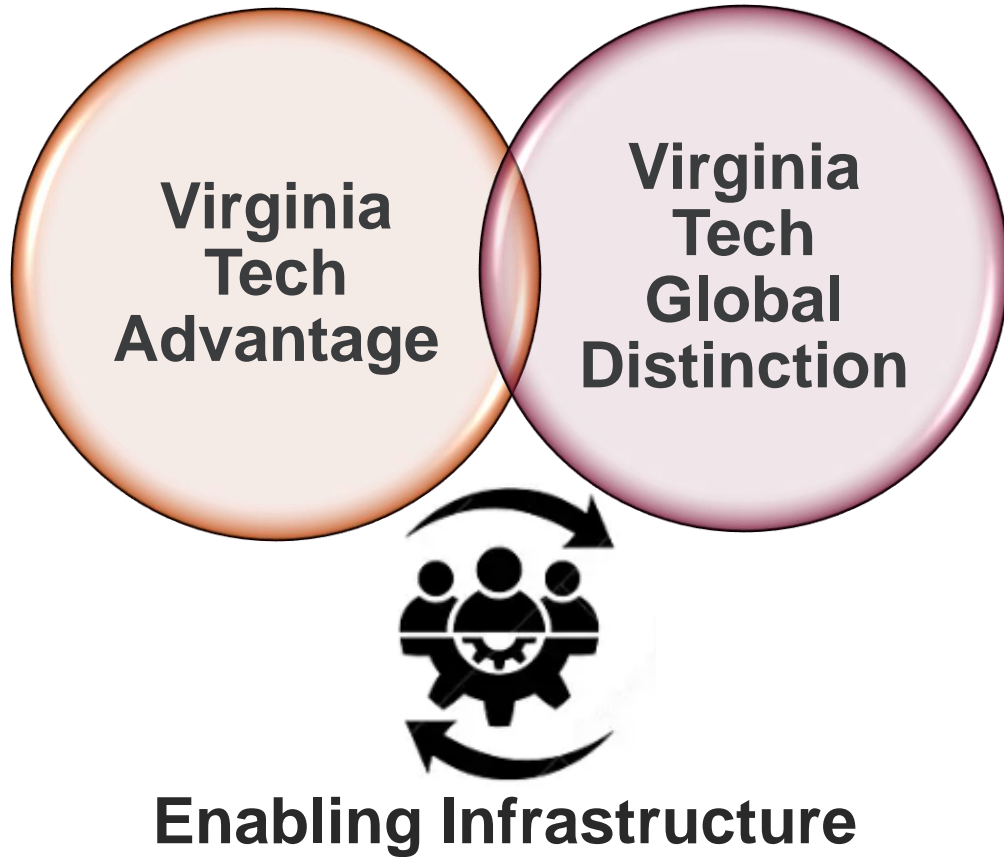
	FY24 Adjusted Budget	FY25 Proposed Budget	Change	
			\$	%
<u>Eudcational and General (E&G)</u>				
University Division	\$1,019.8	\$1,084.5	\$64.7	6.3%
Coop Ext/Ag Experiment Station Division	108.6	110.0	1.4	1.3%
Subtotal, E&G	\$1,128.4	\$1,194.5	\$66.1	5.9%
Auxiliary Enterprises	\$458.0	\$480.4	\$22.4	4.9%
Sponsored Programs	436.5	510.1	73.6	16.9%
Appropriated Student Financial Assistance	61.5	63.3	1.8	2.9%
All Other Programs	25.7	18.2	(7.5)	(29.3%)
Total Operating Budget	\$2,110.1	\$2,266.5	\$156.4	7.4%

INCREASE IN UNIVERSITY DIVISION E&G DRIVEN BY STATE SUPPORT

Dollars in Millions

	FY24	FY25	Change	
	Adjusted Budget	Proposed Budget	\$	%
<u>University Division (E&G)</u>				
General Fund	\$262.3	\$288.5	\$26.2	10.0%
Tuition and Fees	699.1	736.2	37.1	5.3%
All Other Income	58.4	59.8	1.4	2.4%
Subtotal	\$1,019.8	\$1,084.5	\$64.7	6.3%

STRATEGIC INVESTMENTS ARE SUPPORTED BY MULTIPLE FUNDING SOURCES



FY25 REINVESTMENT PROCESS



COMMITMENT

\$25M over 5 years



FY 25 BUDGET PROCESS

Added unit level reinvestment exercise to:

- annual critical needs requests (CNR); and
- PIBB reallocations



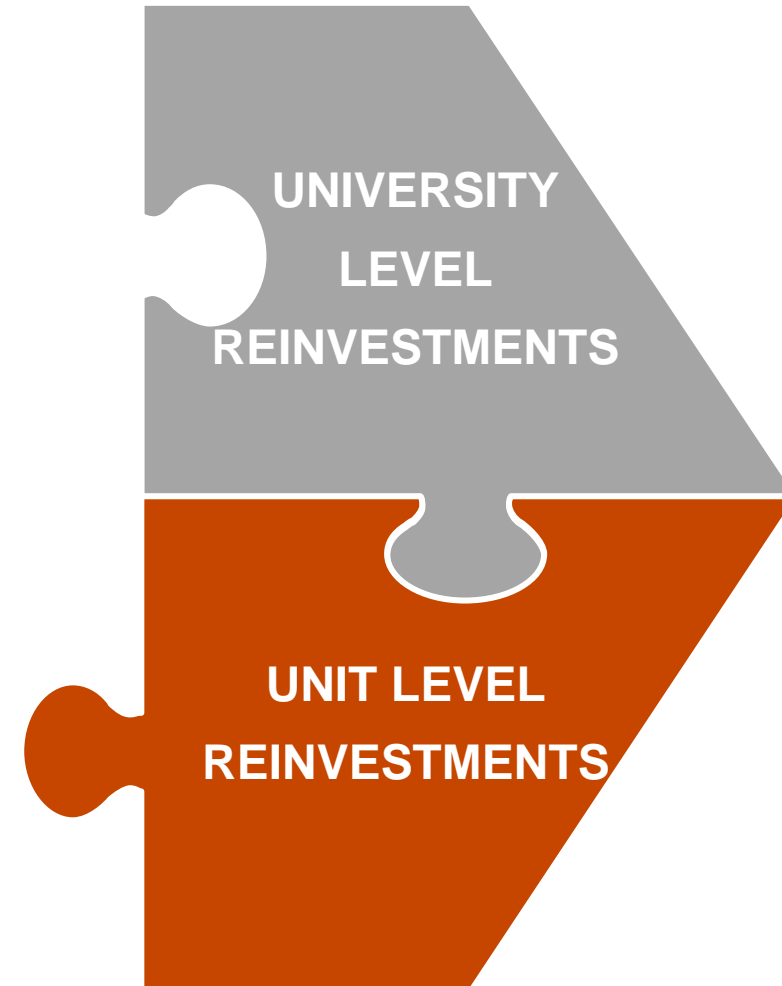
RESULT

\$2.5M redirected internally within units to fund CNRs aligned with strategic priorities

\$2.5M recovered centrally to support enabling infrastructure

YEAR 1 GOAL (\$5M) ACCELERATES THE PACE OF STRATEGIC INVESTMENTS

- Reduce or eliminate activities
 - Capture salary savings through targeted reorganizations, turnover and vacancies
 - Deprovision low usage equipment
 - Optimize computer labs
 - Redirect funds from low performing activities
- Discontinue leases and fold activities into campus owned space
 - UHall, including Math Emporium
 - Kent Square
- Business process changes
 - Reallocate revenue capture
 - Align distributions to support strategic areas (e.g., tuition remissions)
- Redirect resources to high priority areas, including
 - Student internships
 - Core research facilities and shared use labs



REINVESTMENTS SET FRAMEWORK FOR ONGOING EFFORT

- It's not just about the money...



72% OF NEW E&G FUNDING DIRECTED TO COMPENSATION AND UNAVOIDABLE COSTS

Dollars in Millions

<u>MANDATORY, STATE & UNAVOIDABLE COSTS</u>	<u>E&G</u>
Compensation & Benefits	\$ 38.5
Virginia Military Dependent & Survivor Benefit	1.5
Fixed Costs	1.9
Operation & Maintenance of New Facilities	4.9
Subtotal Mandatory, State, & Unavoidable Costs	<u>46.8</u>
Technical (remove FY24 One-time items)	(9.4)
Enrollment (includes professional masters, special sessions, etc)	8.3
Capacity for University Initiatives (toward \$28.2M vision)	19.0 *
University Division Budget Change from Slide 5	<u>\$ 64.7</u>

* Includes \$2.5M of university-level Reinvestments

ADVANCING GLOBAL DISTINCTION AND VIRGINIA TECH ADVANTAGE



	FY25 Aspiration	FY25 University Investment (includes \$2.5M of University-level Reinvestments)	FY25 University Investment & \$2.5M of Unit –level Reinvestments
Virginia Tech Global Distinction	\$14.9	\$7.6	\$9.6*
Virginia Tech Advantage (Institution)**	3.8	3.8	3.8
Enabling Infrastructure ***	9.5	7.6	8.1*
Total	\$28.2	\$19.0	\$21.5*

* Unit level reinvestments supported \$2M of Global Distinction and \$0.5M of Enabling Infrastructure in FY25

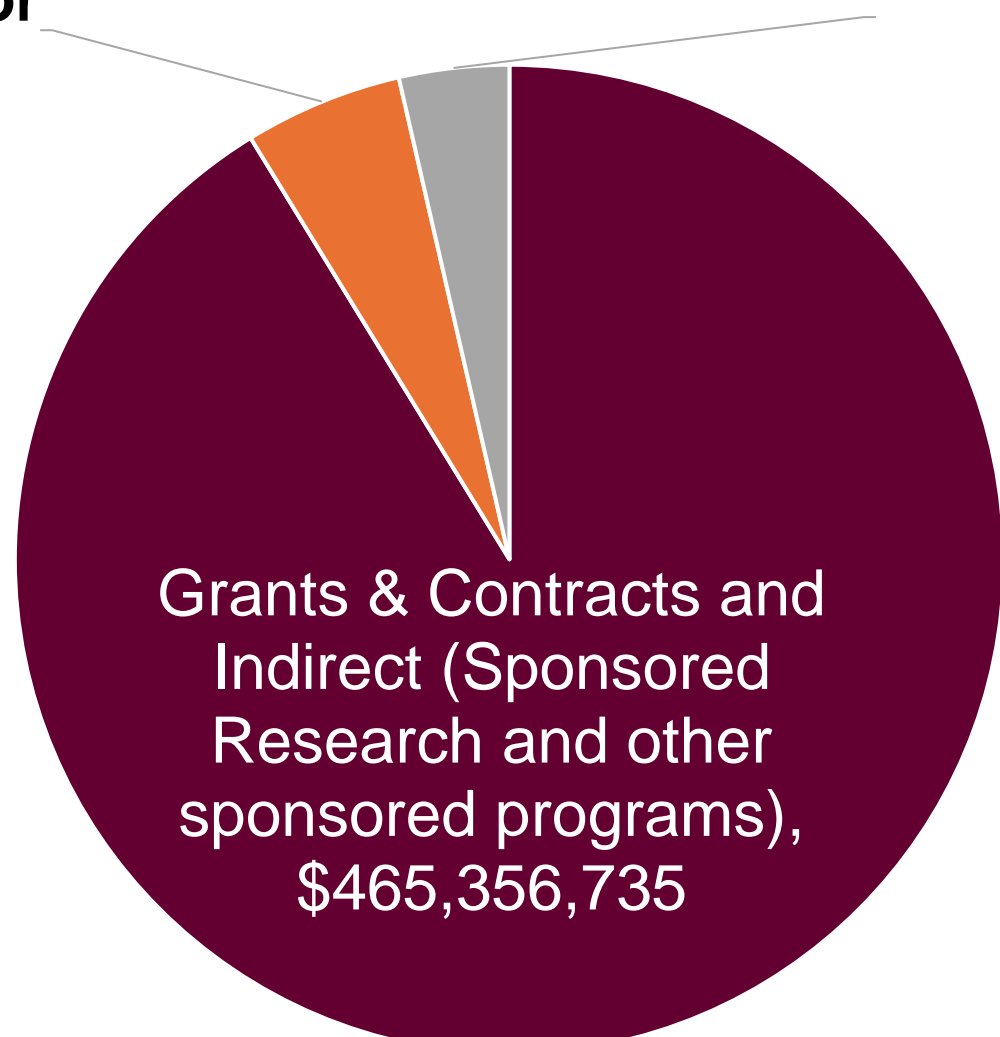
** In addition, the commonwealth allocated \$1.2M for FY25 undergraduate need based financial aid

*** Includes support for technology, SVPI, Innovation Campus

SPONSORED RESEARCH CONTINUES TO DRIVE FY25 BUDGET FOR FINANCIAL ASSISTANCE FOR E&G WITH NEW STATE SUPPORT

General Fund
(includes \$6M new for
FY25 for Patient
Research Center),
\$26,388,544

Other (Enterprise Fund,
Eminent Scholars, misc),
\$18,333,595

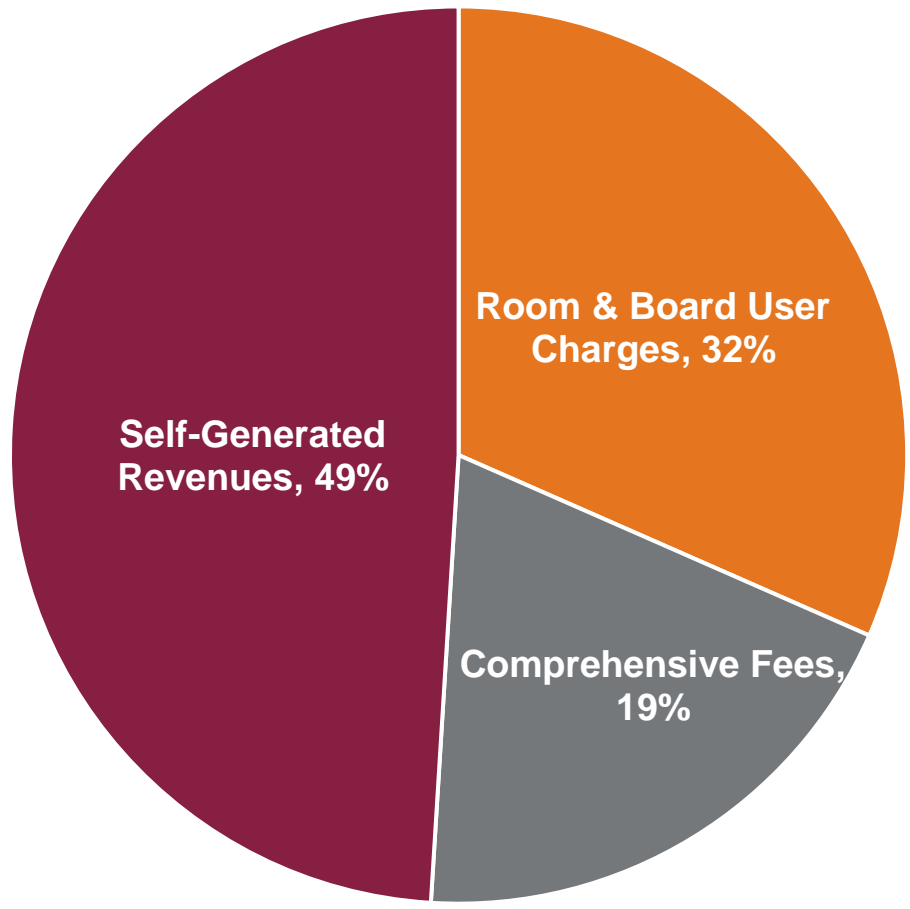


FY25 Revenue
\$510M +16.9%

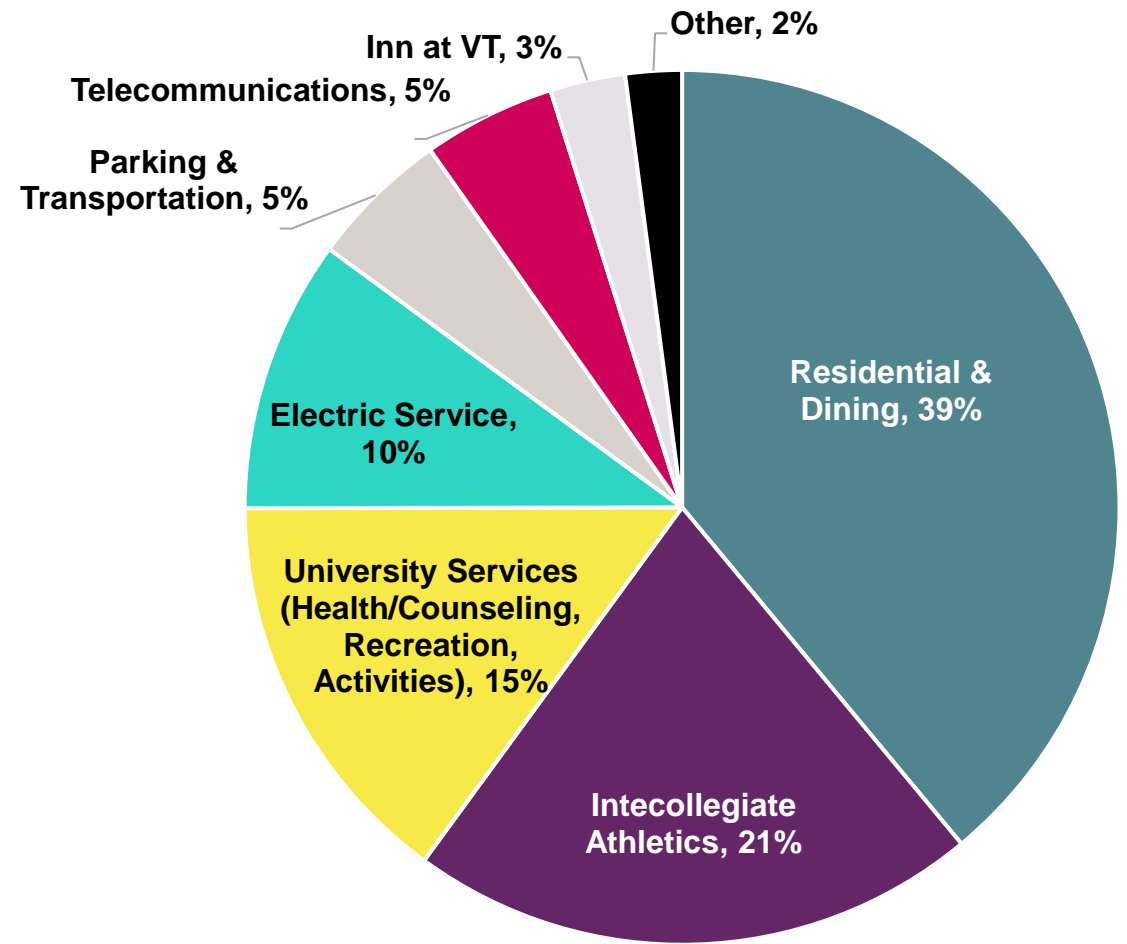
AUXILIARY ENTERPRISES FY25 BUDGET



Sources



Uses



FY25 Total Revenue = \$ 480M +4.9%

Self-generated revenues include: athletic ticket sales, athletic conference income, hotel & conference center sales, electric service sales, summer conference etc.

FY25 AUXILIARY BUDGET FOCUSES ON EMPLOYEES AND KEY PROGRAM ENHANCEMENTS

4.9% total budget growth, includes 3.0% state compensation program, 6.3% health care, and inflation but also includes:

- Staffing and support for health and counseling, residential well-being, and TimelyCare virtual health services
- Enhanced career service
- Wireless network improvement/enhancements/update
- War Memorial Hall reopening
- Perry Place dining venue opening summer 2024 within Hitt Hall



CAPITAL BUDGET

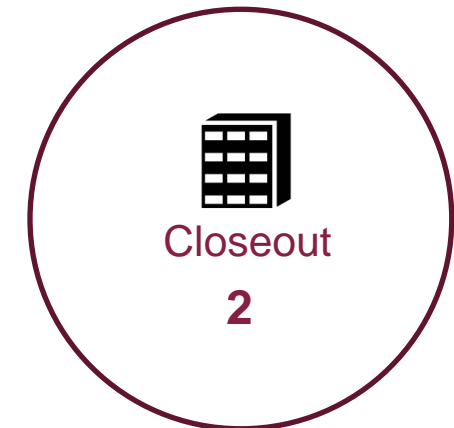
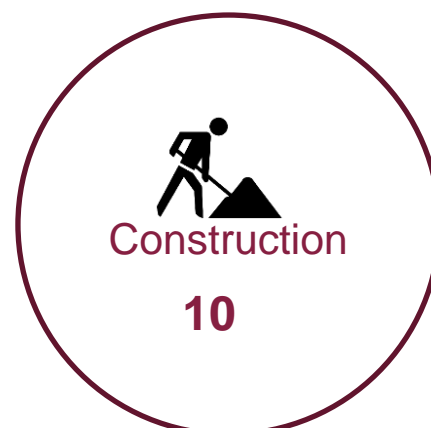
GENERAL ASSEMBLY UPDATE

2024 Special Session – Capital Outlay Budget

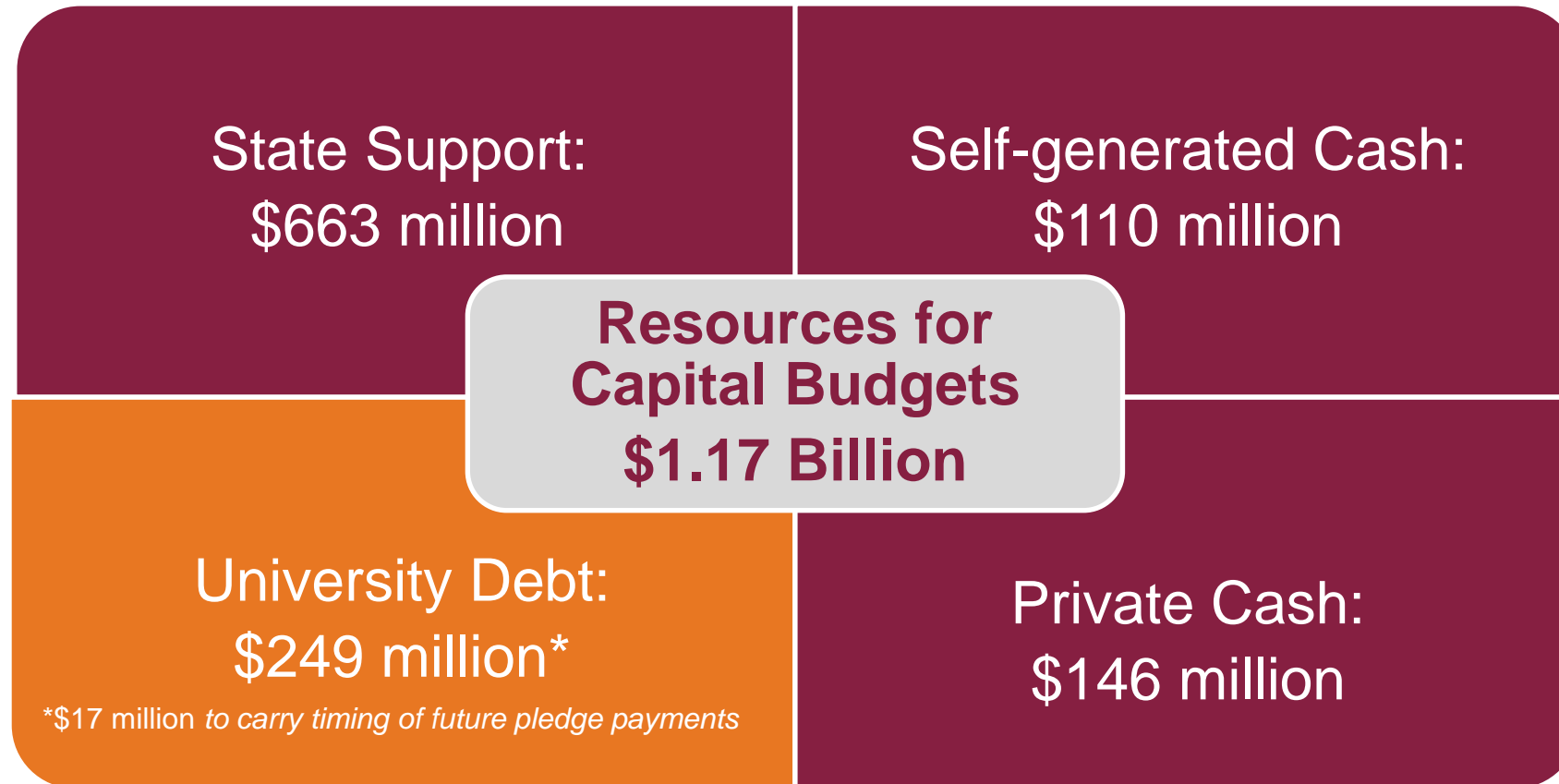
- The General Assembly approved the 2024-26 biennial budget during the 2024 Special Session, which was subsequently signed by Governor Youngkin May 13
- Highlights of FY25 Capital Outlay Budget impacts:
 - \$43.4M of Maintenance Reserve funding for the biennium
 - \$14.7M construction authorization for the *Center Woods Improvements*
 - \$8M full project authorization for the *Campus Accessibility Improvements*
 - Planning authorization for the *Renovate Derring Hall Building Envelope project*
 - Planning authorization for the *Eastern Shore AREC Improvements*

FISCAL YEAR 2025 CAPITAL PROJECTS

End FY24	23
Projects closed June 30 th	- 5
New projects effective July 1 st	3
Start FY25	<hr/> 21



CAPITAL AUTHORIZATION FUND SOURCES



MAJOR BUDGET ADJUSTMENTS

Dollars in Thousands

Budget at Close of FY24 **\$ 1,266,374**

Reductions for FY24 Project Closeouts

Data & Decision Science Building (79,000)

Maintenance Reserve Close Biennium, E&G (33,629)

Fralin Biomedical Research Institute Equipment (18,133)

Maintenance Reserve Close FY, Aux (12,000)

Dietrick Renovation (9,129)

Slusher Hall Renovation (7,500)

Commerce Street Property Acquisition (555)

Budget Increases for FY25

Maintenance Reserve, E&G 18,885

Maintenance Reserve, Aux 13,000

Improve Center Woods Complex 14,000

Improve Campus Accessibility 8,000

Equipment for Workforce Development 7,993

Net Change (98,068)

Budget at Start of FY25 **\$ 1,168,306**

PROJECTED FISCAL YEAR 2025 CAPITAL SPEND

Dollars in Thousands

<i>FY25 starting total capital budget</i>	<i>\$1,168,000</i>
<i>Less project to-date expenditures as of June 30th</i>	<i><u>-596,000</u></i>
<i>Budget available to complete projects</i>	<i>\$572,000</i>
<i>Estimated capital expenditures for FY25</i>	<i>\$184,000</i>

APPROVAL OF 2024-25 UNIVERSITY OPERATING AND CAPITAL BUDGETS

RECOMMENDATION

That the proposed 2024-25 Operating budget and Capital expenditure projections as displayed on Schedules 1, 2, and 3 be approved.

June 11, 2024