Proposed FY26 Operating and Capital Budgets

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

May 15, 2025

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

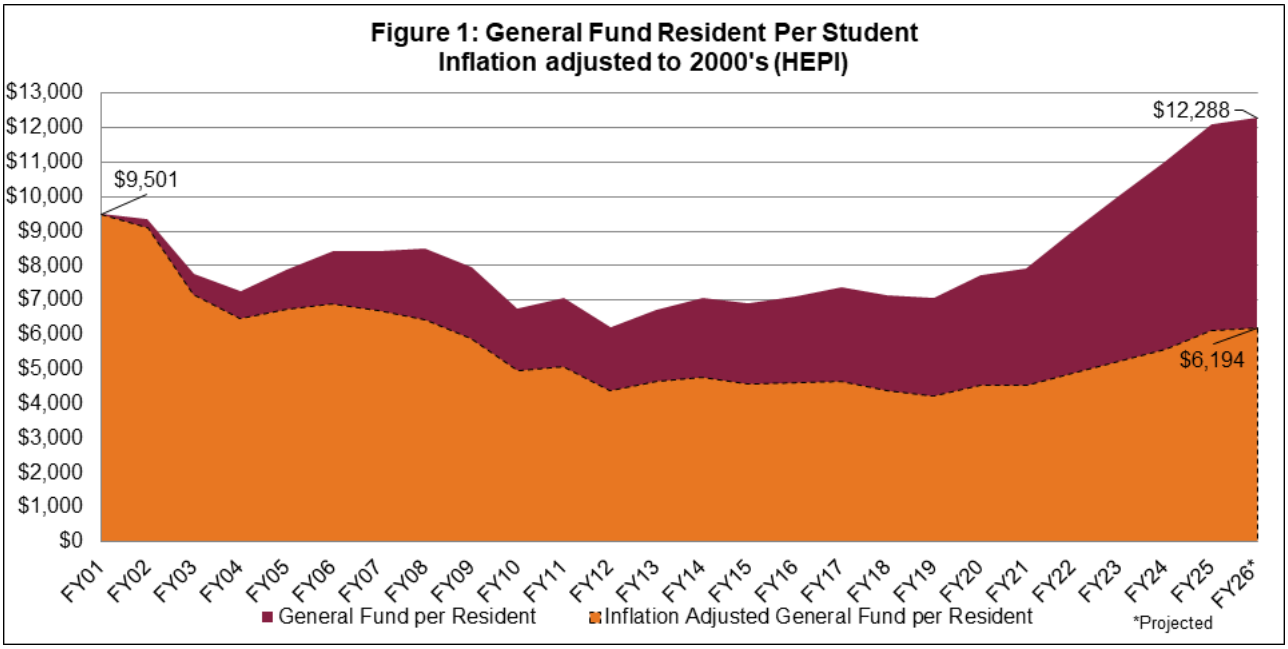
With the approval of the 2024-26 amended biennial state budget, the university is able to develop its internal budgets for 2025-26 fiscal year (FY26). The biennial budget provides the university with an understanding of the level of state support, costs, and policy for university program budgets. Virginia Tech anticipates an initial state authorization of $2.1 billion for fiscal year FY26 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 $2.5 billion.

Forecast of State Budget Revenue Changes

For FY26, the university forecasts an incremental increase in General Fund appropriation of $8.0 million from the adjusted FY25 budget. This is comprised of an estimated General Fund increase of $10.4 million for Educational and General (E&G) programs in the University Division (Agency 208), an estimated increase of $2.9 million for the programs in the Cooperative Extension and Agricultural Experiment Station (Agency 229), an increase of $0.7 million for undergraduate and graduate Student Financial Aid, and a decrease of $6.0 million for the removal of the Virginia Tech Patient Research Center funding from the FY26 state budget (funded was provided in the FY25 state budget). 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, and fringe benefit rate increases.

With these state resources, the state support per Virginia student will grow in FY26. Total state support per Virginia student for FY26 is projected to be 29.3 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 5,000 additional Virginia undergraduates as compared to fall 2004. However,

adjusted for inflation, the university will receive 34.8 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.

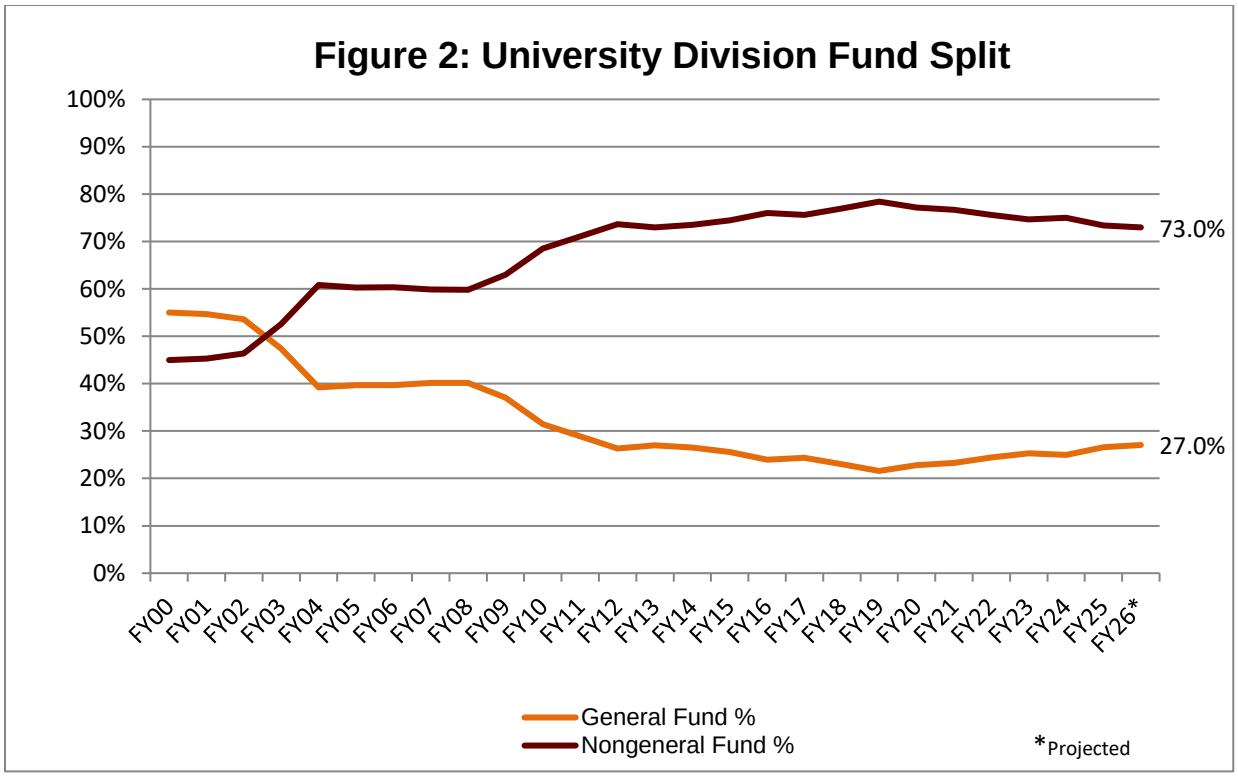


Proposed Budgets for FY26

For FY26, the recommended internal budget for all operations is $2.5 billion. This is an increase of $174.2 million, approximately 7.6 percent, over the adjusted FY25 budget. This increase reflects changes in nongeneral fund revenues for FY26, outcomes of the 2025 General Assembly Session which impacts the FY26 General Fund appropriation, and the recognition of private revenues in the university budget as they are drawn from the VTF to reimburse those expenditures.

The total General Fund allocation is estimated to be approximately $464.8 million, an increase of $8.0 million from the FY25 adjusted budget. General Fund revenues will provide $420.6 million in support for the instructional, research, and extension programs, $40.6 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 27.0 percent of the University Division's E&G budget (as compared to 53.6 percent in the FY02 budget) and 18.8 percent of the total budget.



Schedule 1 displays the proposed operating budgets for FY26 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 FY25 budget, as approved in June 2024, and the current adjusted FY25 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 FY26. 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 $36.8 million, or 3.1 percent, over the adjusted FY25 budget.

The FY26 E&G operating budgets have been developed utilizing the following forecasted state funding support for the university in FY26:

Table 1 - Projected General Fund Change from FY25 E&G Adjusted Budget to FY26 E&G Proposed Budget			
in millions			
	University Division	VCE/AES Division	
State Share of Salary and Fringe Benefit Rate Changes	$9.8	$2.9	*
State Share of Property Insurance Changes and other minor adjustments	0.6	-	
E&G Program General Fund Change	$10.4	$2.9	
* 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 remained consistent with the FY25 adjusted budget at 27.0 percent.

The FY26 tuition and fee budget increased $30.0 million, or 4.1 percent, over the adjusted FY25 budget. The increase in tuition and fee budgets is attributable to both the increase of tuition rates as approved by the Board of Visitors at the March 2025 meeting and enrollment growth. The increase 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 FY26 recommended budget includes $7.3 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 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 FY26 auxiliary revenue budget is $522.2 million, a growth of $30.5 million or 6.2 percent over the adjusted FY25 budget. This increase includes resources to cover proposed changes in state authorized compensation programs and fringe benefit rate changes, intercollegiate athletics operations, service needs for student health and counseling services, student programming, transit contract operating costs, 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 $479.1 million, a decrease of $46.0 million, or 8.7 percent, from the FY25 adjusted budget. The decrease in the FY26 budget is due to the realignment of $41.3 million to Private funds, a decrease of $6.0 million for the removal of the FY26 Patient Research Center General Fund support, and other minor technical updates.

While there are multi-faceted challenges facing federally funded research and exact outcomes are unknown, the university's FY26 budgets for Sponsored Programs are held constant with the FY25 budget levels in recognition of the current uncertainty in federally funded grants and contracts. Once more is known, budgets will be adjusted accordingly and the board updated.

The Sponsored Programs budget is comprised primarily of grant and contract activities but also includes returned overhead, 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 FY26 budget for the Appropriated Student Financial Assistance program is $67.6 million, an increase of $2.4 million. The change in the Student Financial Aid budget is comprised of a $0.7 million increase in general fund support, continued university investment into the Virginia Tech Advantage Initiative to support access and

affordability, support to increase the Funds for the Future Program income protection threshold to families with incomes below $115k, and the VT Scholarship Program.

The appropriated Student Financial Assistance budget is comprised of $40.6 million of state General Fund support for undergraduate scholarships, graduate fellowships, and estimates for the Virginia Military Survivors and Dependents Stipend activity, Two–Year College Transfer Grants, and the Pell Initiative Grant program administered by the State Council of Higher Education for Virginia. This budget includes $27.0 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 includes Appropriated Student Financial Assistance, unfunded scholarships, codified waivers, private support (from the Virginia Tech Foundation), federal support, and third-party aid.

Private Funds

Beginning in FY26, to improve and streamline service to the campus community, the university will process expenditures previously paid by the Virginia Tech Foundation to support university programs. This enables the simplification of university procurement and accounts payable functions and will lead to efficiencies for purchasing departments as well as university and foundation business services teams. As a part of this new service, the university will recognize private revenues in the university budget as they are drawn from the VTF to reimburse those expenditures. The estimated budget for these activities in FY26 is $150.0 million based on the historic trend of expenditure levels.

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 historical trends and projections of activity levels by program managers. These programs are funded by resources designated for specific purposes. For All Other Programs, the recommended budget is $18.5 million, and reflects a $0.5 million increase from the adjusted budget for FY25.

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 FY26, where only the auxiliary budgets project an addition to the reserves as of June 30, 2026. The projected addition of $16.9 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 FY26 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 FY26 consistent with the outcome of the 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 and $107 stipend supplement increase for graduate assistants and increase the stipend floor minimum to $2,800 per month, if approved by the Board of Visitors.
- 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.

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.

Table 2 – University Plan for Strategic Investments

$ in millions	FY26	FY27	FY28	FY29
Virginia Tech Global Distinction	$13.1	$14.4	$13.3	$13.1
Virginia Tech Advantage (less) Governmental & Private Funding	7.6 (4.0)	8.0 (4.4)	8.1 (4.5)	8.2 (4.7)
Enabling Infrastructure	10.5	10.5	10.5	10.5
Total	$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 internal reinvestments. Strategic reinvestments seek to avoid

reactionary responses and enable multi-year planning. By embracing a forward-looking approach, the university is fostering progressive solutions and facilitating long-term 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 reinvestment program. For FY26, the university has identified reinvestments and DEI Resolution savings totaling $10.7 million, comprised of $5.2 million of university and unit-based reinvestments and $5.5 million of DEI resolution savings. These reinvestments and savings will be aligned with strategic objectives that advance the university's strategic priorities of VT Global Distinction, Virginia Tech Advantage, and enabling infrastructure.

The university identified reinvestments and DEI resolution savings which reduce or eliminate activities, such as the capture of salary savings through targeted reorganizations, turnover, and vacancies, identified subscription cancellations, sunset programs, and implemented business process changes to facilitate the redeployment of those resources 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 continue to consider how the university operates and to look for additional opportunities to free up existing resources that can be redirected in accordance with the university's strategic priorities.

Budget Allocations

The process of finalizing the FY26 operating budget allocations for the colleges and major operating units is currently underway. This process will be completed in June 2025 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 FY26 is comprised of 16 Educational and General projects and 3 Auxiliary Enterprise projects for a total of 19 projects with a total program budget of $1.16 billion and an estimated annual budget of approximately $147 million. This includes the following new funding items in the General Assembly budget: $66.8 million supplement for Mitchell Hall (Replace Randolph Hall) project, $24.2 million for Maintenance Reserve, and $6.3 million for the Equipment for Workforce Development project.

Schedule 3 lists the projects by program and phase of progress. Each project is listed with the total project authorization by revenue source for FY26, annual budget for FY26, and estimated balance at the close of FY26. 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 spend pace do not impact the expected total budget, but rather the timing of planned expenditures.

RECOMMENDATION:

That the proposed FY26 operating budget and capital expenditure projections, as displayed on Schedules 1, 2, and 3, be approved.

June 3, 2025

TOTAL OPERATING BUDGET FOR VIRGINIA TECH
FY26
(Dollars in Thousands)

	FY25 Original Budget	FY25 Adjusted Budget	FY26 Recommended Budget
Revenues			
Educational and General			
University Division			
General Fund	$288,479	$294,023	$304,458
Tuition and Fees	736,209	733,609	763,598
All Other Income	59,850	62,519	58,125
Subtotal	$1,084,539	$1,090,152	$1,126,181
CE/AES Division			
General Fund	$92,942	$92,847	$95,750
Federal Funds	15,647	17,761	15,647
All Other Income	1,427	1,602	1,639
Subtotal	$110,015	$112,209	$113,036
Total Educational and General	$1,194,554	$1,202,361	$1,239,217
Auxiliary Enterprises			
Auxiliary Fees	$93,175	$93,649	$101,397
Auxiliary User Charges (Room & Board)	151,747	154,011	160,982
Auxiliary Sales and Services	235,462	244,086	259,827
Subtotal	$480,384	$491,746	$522,206
Financial Assistance for E&G Programs (a)			
General Fund	$26,389	$26,389	$20,389
Nongeneral Fund	$483,690	498,690	458,750
Subtotal	$510,079	$525,079	$479,138
Appropriated Student Financial Assistance			
General Fund	$39,261	$39,940	$40,629
Nongeneral Fund	24,076	25,269	26,954
Subtotal	$63,337	$65,209	$67,583
Private Funds	$0	$0	$149,952
All Other Programs (b)			
General Fund (UMA)	$3,649	$3,649	$3,649
Nongeneral Fund	14,562	14,369	14,847
Subtotal	$18,211	$18,018	$18,496
Total	$2,266,565	$2,302,413	$2,476,592
Expenses			
Educational and General			
University Division	$1,084,539	$1,090,152	$1,126,181
CE/AES Division	110,015	112,209	113,036
Subtotal	$1,194,554	$1,202,361	$1,239,217
Auxiliary Enterprises	459,984	495,305	505,312
Financial Assistance for E&G Programs (a)	510,079	525,079	479,138
Appropriated Student Financial Assistance	63,337	65,209	67,583
Private Funds (b)	0	0	149,952
All Other Programs (c)	18,211	19,765	18,496
Total	$2,246,165	$2,307,719	$2,459,698
Planned Change in Reserve			
Reserve Drawdown/(Deposit) (d)	-$20,400	$5,306	-$16,894
Net	$0	$0	$0

(a) Financial Assistance for E&G Programs includes Sponsored Programs and General Fund Research Initiative.
(b) University Private Funds expenditures are accumulated in local funds and reimbursed by the Virginia Tech Foundation. This is not a complete summary of all private activities.
(c) All Other Programs include Unique Military Activities, Surplus Property, Local Funds, and Federal Work Study.
(d) Reserve contributions are based on the budget plans of Auxiliary Enterprise and All Other Program units.

Presentation Date: June 3, 2025

Schedule 2

TOTAL OPERATING BUDGETS FOR AUXILIARY ENTERPRISES
FY26
(Dollars in Thousands)

	FY25 Original Budget	FY25 Adjusted Budget	FY26 Recommended Budget
Residence and Dining Hall System*			
Revenues	$184,819	$182,289	$188,533
Expenses	-179,256	-183,297	-183,864
Reserve Drawdown/(Addition)	-5,563	1,008	-4,669
Net	$0	$0	$0
Parking and Transportation			
Revenues	$26,078	$27,828	$28,139
Expenses	-23,789	-24,917	-25,851
Reserve Drawdown/(Addition)	-2,289	-2,911	-2,288
Net	$0	$0	$0
Telecommunications Services			
Revenues	$23,347	$23,587	$25,057
Expenses	-22,557	-26,206	-24,906
Reserve Drawdown/(Addition)	-790	2,619	-151
Net	$0	$0	$0
University Services System*			
Revenues	$69,450	$69,450	$66,740
Expenses	-68,664	-74,041	-65,353
Reserve Drawdown/(Addition)	-786	4,591	-1,387
Net	$0	$0	$0
Intercollegiate Athletics System*			
Revenues	$101,540	$110,820	$127,160
Expenses	-96,923	-111,338	-125,160
Reserve Drawdown/(Addition)	-4,617	518	-2,000
Net	$0	$0	$0
Electric Service System*			
Revenues	$48,576	$49,415	$54,899
Expenses	-46,410	-49,096	-52,724
Reserve Drawdown/(Addition)	-2,166	-319	-2,175
Net	$0	$0	$0
Inn at Virginia Tech and Skelton Conference Center			
Revenues	$14,171	$14,171	$14,752
Expenses	-12,788	-14,276	-13,020
Reserve Drawdown/(Addition)	-1,383	105	-1,732
Net	$0	$0	$0
Other Enterprise Functions			
Revenues	$12,403	$14,186	$16,926
Expenses	-9,597	-12,134	-14,434
Reserve Drawdown/(Addition)	-2,806	-2,052	-2,492
Net	$0	$0	$0
TOTAL			
Revenues	$480,384	$491,746	$522,206
Expenses	-459,984	-495,305	-505,312
Reserve Drawdown/(Addition)	-20,400	3,559	-16,894
Net	$0	$0	$0

* 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, Student Engagement & Campus Life, Cultural & Community Centers, Recreational Sports, Center for the Arts, Student Organizations and VT Rescue Squad.

Presentation Date: June 3, 2025

Schedule 3

EDUCATIONAL AND GENERAL CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2026

(Dollars in Thousands)
as of March 31, 2025

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL	ESTIMATED TOTAL EXPENSES June 30, 2025	ESTIMATED BALANCE AVAILABLE FOR FY2026	**ESTIMATED ANNUAL BUDGET FY2026**	ESTIMATED BALANCE AT CLOSE OF FY2026
Design Phase									
Expand VT-C SOM & Fralin Biomedical Research Institute	Sept 2023	$ -	$ 9,000	$ -	$ 9,000	$ 3,864	$ 5,136	**$ 4,000**	$ 1,136
Improve Center Woods Complex	Nov 2023	14,404	296	-	14,700	1,659	13,041	**3,000**	10,041
Improve Campus Accessibility	Jul 2024	8,000	-	-	8,000	257	7,743	**1,500**	6,243
Planning: CVM Teaching Hospital Renovation & Expansion	Aug 2024	-	4,300	-	4,300	705	3,595	**1,600**	1,995
Planning: Improvements to Eastern Shore AREC	Sept 2024	1,515	-	-	1,515	320	1,195	**700**	495
Planning: Repair Derring Hall Envelope	Oct 2024	1,624	-	-	1,624	126	1,498	**700**	798
Planning: Rescue Squad Facility	Nov 2024	-	2,000	-	2,000	297	1,703	**800**	903
Construction Phase									
Maintenance Reserve	On-going	44,801	-	-	44,801	17,200	27,601	**24,841**	2,760
New Business Building	Apr 2022	-	56,500	37,500	94,000	7,796	86,204	**19,000**	67,204
Livestock & Poultry Research Facilities, Phase I	Oct 2016	31,764	-	-	31,764	30,886	878	**878**	-
Building Envelope Improvements	Aug 2022	-	13,580	33,620	47,200	7,835	39,365	**9,100**	30,265
Life, Health, Safety, Accessibility, & Code Compliance	Jul 2020	10,400	-	-	10,400	8,901	1,499	**1,499**	-
Mitchell Hall (Replace Randolph Hall)	Jul 2020	319,853	39,228	-	359,081	38,246	320,835	**35,000**	285,835
Equipment and Special Initiatives									
Equipment for Workforce Development	May 2021	48,725	-	-	48,725	17,944	30,781	**5,000**	25,781
Close-Out									
Undergraduate Science Laboratory Building	Jul 2017	90,412	-	-	90,412	86,200	4,212	**4,212**	-
Innovation Campus - Academic Building	Jul 2019	177,164	80,336	44,636	302,136	277,925	24,211	**19,211**	5,000
TOTAL EDUCATIONAL AND GENERAL PROJECTS		$ 748,661	$ 205,240	$ 115,756	$ 1,069,658	$ 500,161	$ 569,497	**$ 131,041**	$ 438,456

Presentation Date: June 3, 2025

AUXILIARY ENTERPRISE CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2026

(Dollars in Thousands)
as of March 31, 2025

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL	ESTIMATED TOTAL EXPENSES June 30, 2025	ESTIMATED BALANCE AVAILABLE FOR FY2026	**ESTIMATED ANNUAL BUDGET FY2026**	ESTIMATED BALANCE AT CLOSE OF FY2026
Design Phase									
Construction Phase									
Maintenance Reserve	On-going	-	$ 14,500	-	$ 14,500	-	14,500	**14,500**	-
Close-Out									
Student Wellness Improvements	Jun 2016	-	25,574	44,426	70,000	69,915	85	**85**	-
Football Locker Room Renovations	Jun 2023	-	5,900	-	5,900	4,622	1,278	**1,278**	-
Total Auxiliary Enterprise Projects		$ -	$ 45,974	$ 44,426	$ 90,400	$ 74,537	$ 15,863	**$ 15,863**	$ -
GRAND TOTAL ALL CAPITAL PROJECTS		$ 748,661	$ 251,214	$ 160,182	$ 1,160,058	$ 574,698	$ 585,360	$ 146,904	$ 438,456

Presentation Date: June 3, 2025

Approval of 2025-26 University Operating and Capital Budgets

Simon Allen

Vice President for Finance & Chief Financial Officer

Tim Hodge

Associate Vice President for Budget & Financial Planning

Rob Mann

Assistant Vice President Capital Budgeting and Financing

June 3, 2025

VIRGINIA TECH

Annual Budget Development Process

FY 26 Operating Budget

January 2025
- University critical needs request and call for strategic reinvestments initiated.

February 2025
- General Assembly convenes

March 2025
- BOV holds tuition public hearing and receives update on tuition and fees.
- Legislature approves conference budget.

March/April 2025
- BOV adopts tuition and fee rates.
- Governor introduces package of amendments to conference budget.

May 2025
- 2024-26 amended biennial budget signed
- Monitoring Federal changes.
- Internal budget developed based on approved rates & state support.

June 2025
- FY26 Operating Budget Recommended to the BOV for approval

FY 26 Capital Budget

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

State Budget Update

2025 General Assembly actions focus on one-time **FY25** general fund support

	FY25 One-Time Support	
VT Patient Research Center	$20.5M	Earmarked
VMSDEP	$1.2M	Earmarked
Undergraduate Need-Based Resident Student Financial Aid	$1.3M	Earmarked
School of Medicine Expansion	$6.5M	Earmarked
Unique Military Activities	$0.3M	Earmarked
Agency 229 Equipment	$0.8M	Earmarked
June 2025 1.5% Bonus [est. for Agency 208 & 229]	$4.9M*	Earmarked
Affordable Access	$6.4M	**Flexible**

Earmarked sup port brings both new funding and new costs; some items may also require a NGF share

*State fund split for the bonus results in NGF cost assignment of $6.1M in 208 E&G & $198K in Agency 229.

State Bonus by Major Program

$ in Millions

Timing did not allow for traditional planning of a nongeneral fund (NGF) share; thus, requires rebudgeting of existing resources.

	208 E&G	229 E&G	Sponsored	Auxiliary	Total
Cost of 1.5% Bonus (June 2025)	($9.9)	($1.3)	($3.0)	($1.9)	($16.1)
GF Share of Bonus	3.8	1.1			4.9
Nongeneral Fund Share	(6.1)	(0.2)	(3.0)	(1.9)	(11.2)
GF Affordable Accesss	6.4				6.4
One-time rebudgeting of funds	$0.3	($0.2)	($3.0)	($1.9)	($4.8)

FY26 general fund support focused in key areas

- 3.0% compensation program

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%

- VMSDEP Support:
  - $5.4M base support (*same as shared with BOV at March meeting*)
  - $2.4M estimate one-time for VT Share (*contingent on FY25 state revenues)*
- Tech Talent Pipeline - award methodology to be reviewed for FY26.

Operating Budget

FY26 budget assumptions and risk

- The proposed budget was developed based on the best information currently available.
- The university faces multiple risks in FY26, including uncertainty about federal support, graduate & international enrollment, and the state economy.
- Senior leaders continue to work through funding scenarios to understand how best maintain core services if key funding streams are disrupted.
- Moving forward the university will continue to monitor potential risks and keep the Board informed through the quarterly financial performance reports and adjust the budget as needed.

FY26 Operating Budget

All Programs

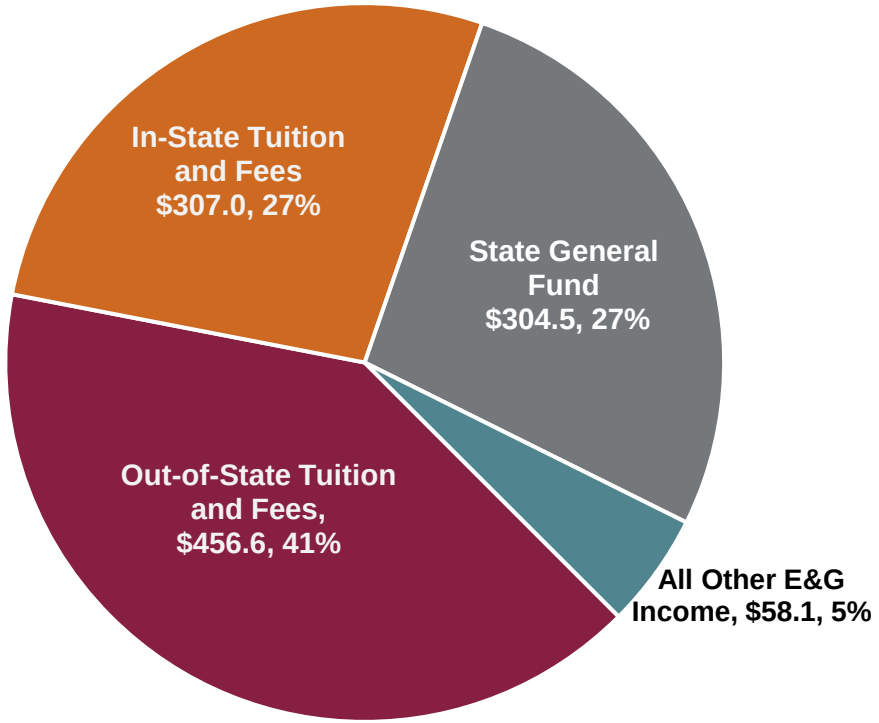
$ in Millions

	FY25 Adjusted Budget	FY26 Proposed Budget	Change $	Change %
Educational and General Program				
University Division	$1,090.2	$1,126.2	$36.0	3.3%
Coop Ext/Ag Experiment Station Division	112.2	113.0	0.8	0.7%
Auxiliary Enterprises	491.7	522.2	30.5	6.2%
Sponsored Programs (a)	483.8	479.1	(4.7)	-1.0%
Appropriated Student Financial Assistance	65.2	67.6	2.4	3.7%
All Other Programs	18.0	18.5	0.5	2.9%
Public Operating Budget	**$2,261.1**	**$2,326.6**	**$65.5**	**2.9%**
Private Funds (a)	41.3	150.0	108.7	263.1%
Total Operating Budget	**$2,302.4**	**$2,476.6**	**$174.2**	**7.6%**

a) $41.3M to be realigned from Sponsored Programs to new budget category of Private Funds in FY26. Beginning FY26, privately funded university expenditures will be accumulated and then reimbursed by the Virginia Tech Foundation in a batch process creating efficiencies for the campus, university and VTF as well as improved transparency. These expenditures were previously directly processed by the VT Foundation.

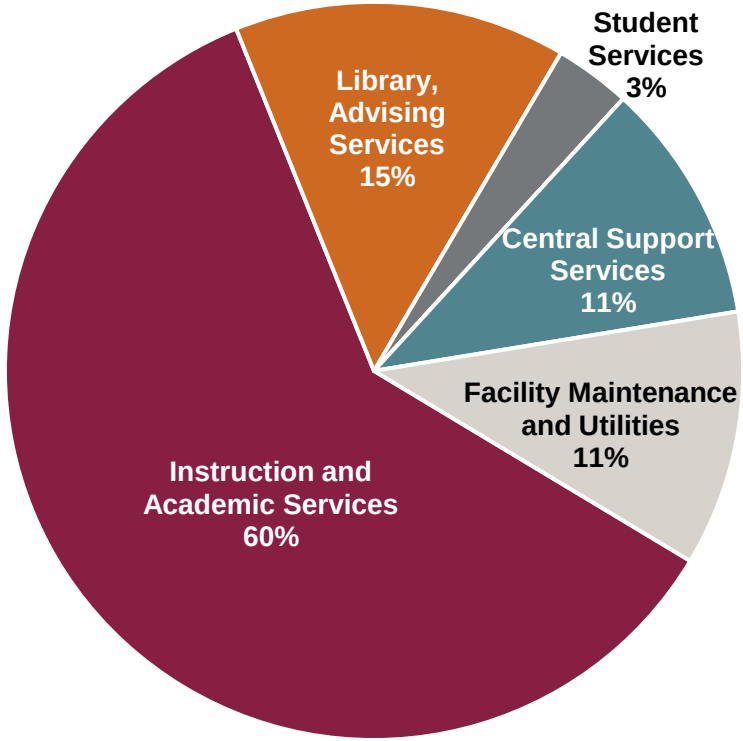
Nonresident tuition and E&G fees is the largest source of E&G revenue

FY26 E&G Revenue by Major Source
University Division



Instruction and Academic Services Comprise the majority of E&G Expenditures

E&G Expenditures by Function

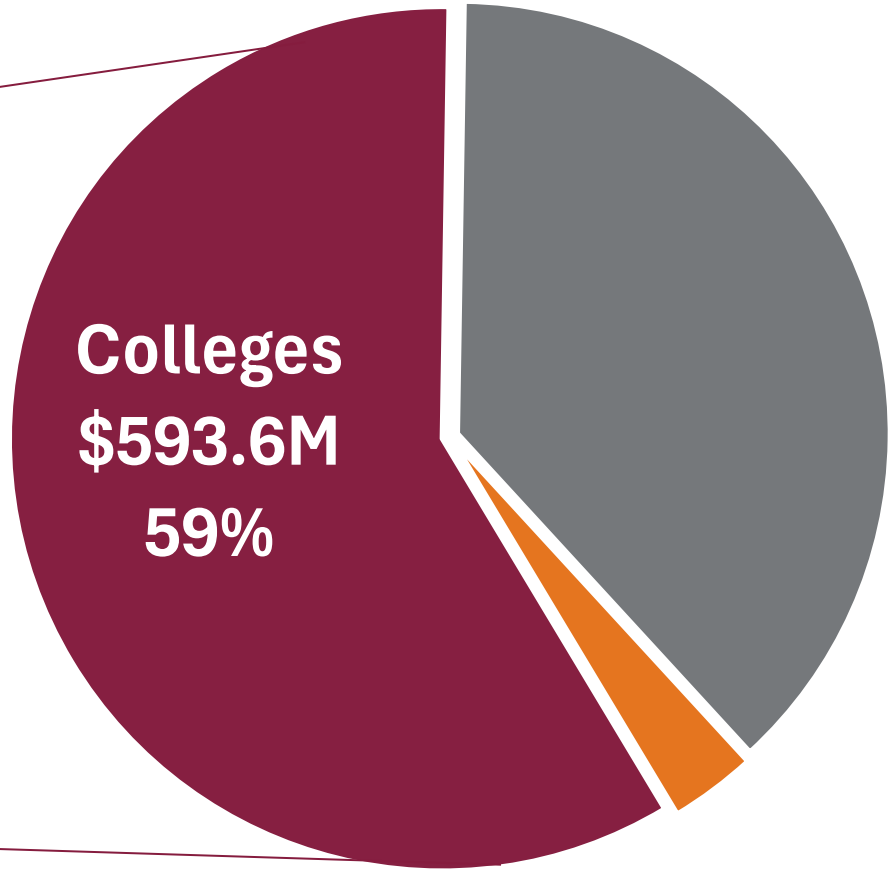


While nonresident students make up only 40% of the student body, nonresidents provide 60% of the tuition revenue.

Colleges Comprise 59% of University Division E&G Expenditures

FY24 University Division
College Expenditures
Dollars in Millions

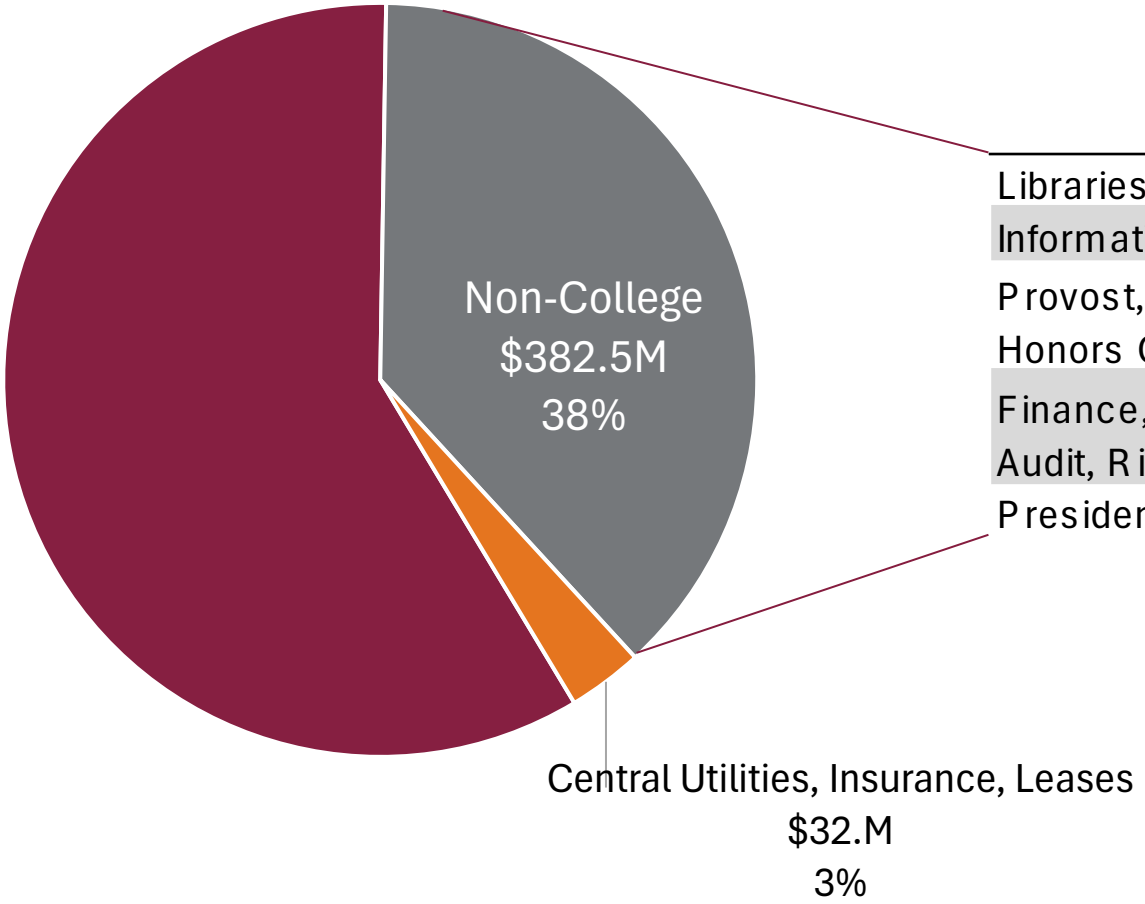
Colleges	Expenditures
Engineering	$159.5
Science	105.3
Liberal Arts & Human Studies	83.7
Business	67.0
Veterinary Medicine	52.7
Vet Medicine - Hospitals	17.1
Agriculture & Life Sciences	40.7
Architecture, Arts, & Design	31.6
School of Medicine	19.5
Natural Resources & Environment	16.5
Total	$ 593.6



University Division E&G

FY24 Non-College Expenditures by Area

Dollars in Millions



Libraries, Research, and Outreach	$104.3
Information Technology and Facilities	101.1
Provost, Student Affairs, Graduate School, Innovation Campus, Honors College, Health Sciences and Tech.	83.4
Finance, HR, EVPCOO, Safety/Security, Policy & Governance, Audit, Risk, & Compliance, Auxiliary and Business Services	63.9
President, Government Relations, Advancement	29.8
Total	$382.5

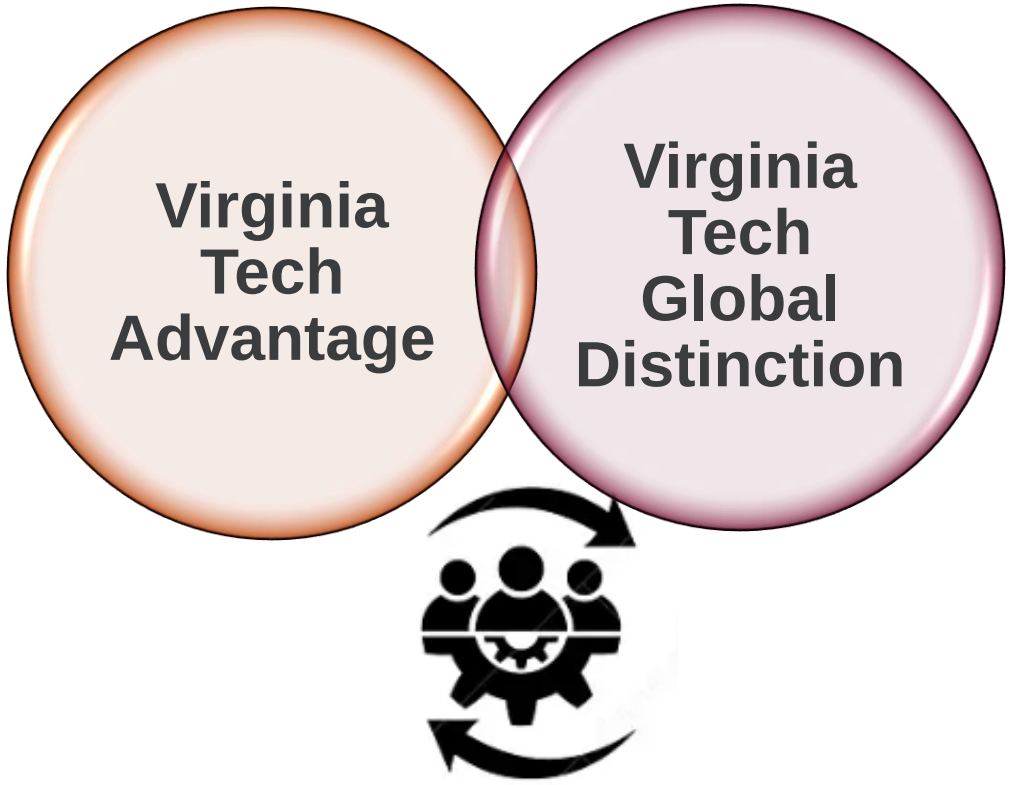
University Division's E&G budget increases 3.3%

Dollars in Millions

	FY25 Adjusted Budget	FY26 Proposed Budget	Change	
			$	%
University Division (E&G)				
General Fund	$294.1	$304.5	$10.4	3.5%
Tuition and Fees	733.6	763.6	30.0	4.1%
All Other Income	62.5	58.1	(4.4)	-7.0%
Subtotal	**$1,090.2**	**$1,126.2**	**$36.0**	**3.3%**

Increase in Tuition and E&G Fee revenues reflects the BOV approved 2.9% tuition increase as well as strength in enrollment, continuation rates, and mix.

Strategic investments are supported by multiple funding sources



RESOURCES

Net Enrollment, Unrestricted State, Self-Generated (Professional Masters)

DEI RESOLUTION SAVINGS

PHILANTHROPY

REINVESTMENTS

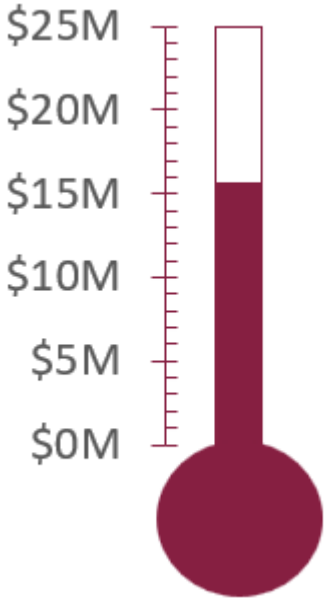
FY26 Reinvestment Process

FY26 BUDGET PROCESS

Reinvestments will support strategic needs

RESULT

FY26 includes $10.7M in reinvestment and DEI resolution savings to fund strategic priorities



REINVESTMENT GOAL

$25M over 5 years
FY26 is year 2

Year 2 (FY26) $5M target accelerated to $10.7M with DEI resolution savings

- $9.2M reduce or eliminate activities
  - Capture salary savings through targeted reorganizations, turnover, and vacancies
  - Cancel subscriptions
  - Sunset equipment programs
  - Redirect funds from low performing activities
- $1.5M business process changes
  - Reallocate revenue capture
  - Revenue enhancement (align costs with self-generated NGF funding)

DEI RESOLUTION SAVINGS

REINVESTMENTS

Resource Alignment

Guiding Principles:

- Resources (operating and salary) supporting permissible programs will remain intact and aligned with organizational unit performing the work.
- Resources previously allocated to a program that has ceased will be returned as part of the university's strategic reallocation initiative.
- One-time resources will be reserved to cover severance costs for impacted employees and other transitional costs.

$6.4M in DEI Resolution Savings Reinvested

($ in millions)

	Base Funding	One-Time Funding	Strategic Priority
Offset 2.9% tuition increase for incoming VT Advantage students	$0.8		VT Advantage
Accelerate FY26 planned increase in VT Advantage	1.2		VT Advantage
Increase graduate stipends above mandated 3%	0.3		Global Distinction
Allocate bridge funding for graduate students		$0.9	Global Distinction
Provide targeted investments in research institutes	1.4		Global Distinction
Support initiatives to increase sponsored research and scholarship	0.3		Global Distinction
Invest in Roanoke-based Health & Biomedical Programs	0.6		Global Distinction
Fund research administrative systems, incl. COC/COI	0.9		Global Distinction
Total	**$5.5M**	**$0.9M**	**$6.4M**

* $2.0M in increases for VT Advantage are in addition to $3.4M in incremental funded included through the budget process. Total incremental funding for VT Advantage in FY26 will be $5.4M.

91% of incremental E&G funding directed to compensation and unavoidable costs

Dollars in Millions

	E&G
University Division Budget Change (from Slide 13)	$ 36.0
MANDATORY, STATE & UNAVOIDABLE COSTS	
Compensation & Benefits	$ 27.9
Fixed Costs & Operations & Maintenance	4.8
Subtotal Mandatory, State, & Unavoidable Costs	32.7
University Reinvestments and DEI Resolution Savings	(10.7)
Enrollment, CE Reduction & Other Changes	(4.8)
Capacity for University Initiatives (toward $27.2M vision)	**18.8**

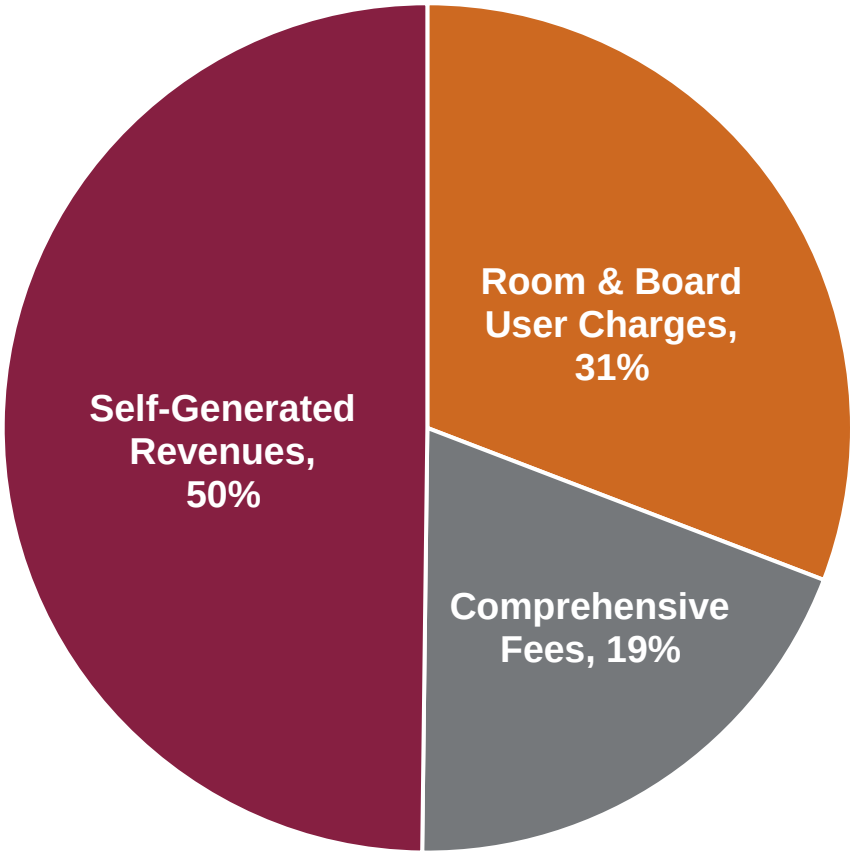
Advancing Global Distinction and Virginia Tech Advantage

	FY26 Aspiration	FY26 Investment including both Reinvestments & DEI Resolution Savings
Virginia Tech Global Distinction	$13.1	$8.3
Virginia Tech Advantage (Institution)	3.6	6.2
Enabling Infrastructure *	10.5	4.3
Total	$27.2	$18.8

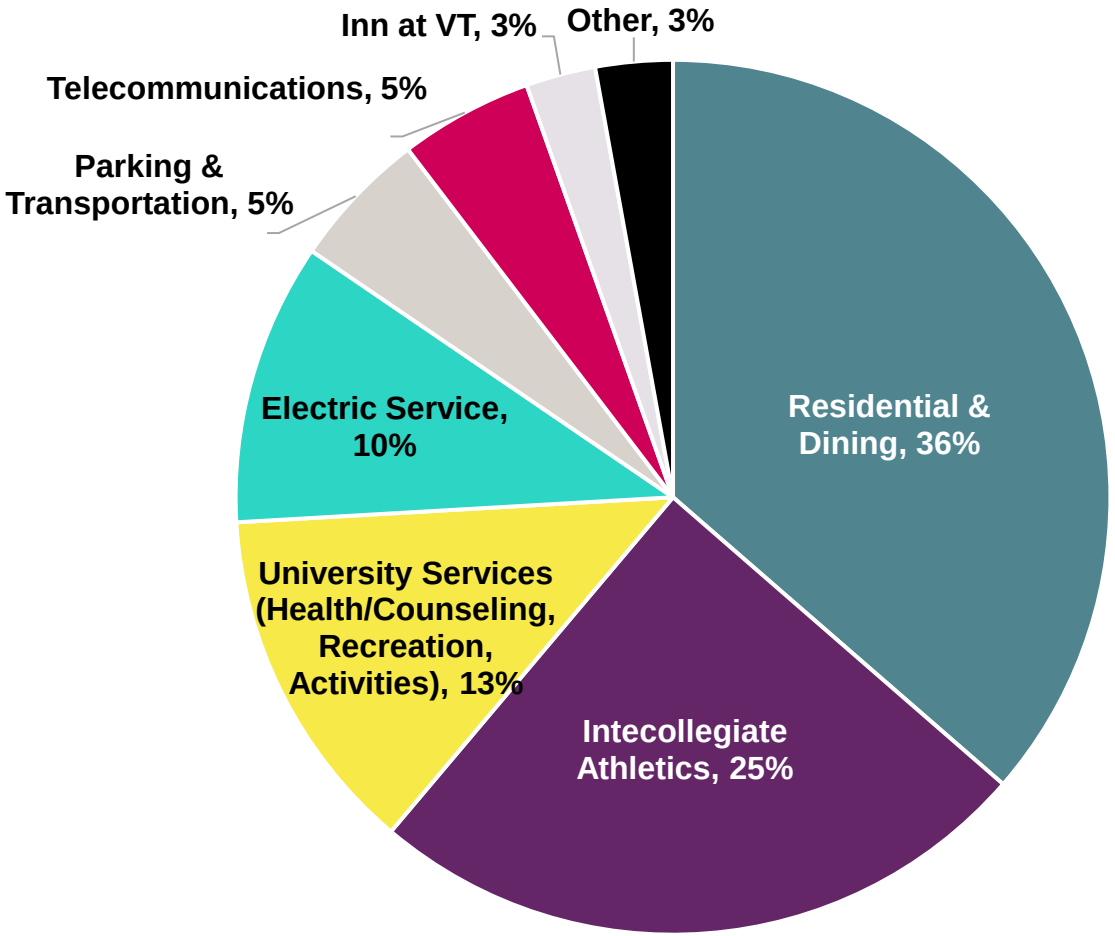
* Includes $3.1M of support for technology/systems

FY26 Auxiliary Enterprise Budget

Sources



Uses



FY26 Total Revenue = $ 522M +6.2%

Self-generated revenues include: athletic ticket sales, athletic conference income, hotel & conference center sales, electric service revenues, parking permit sales, transportation fleet sales, telecommunication sales, summer conference activities, etc.

FY26 Auxiliary Budget Focuses on Employees and Key Program Enhancements

6.2% total budget growth, includes 3.0% state compensation program, fringe costs, inflation, and investments in:

- Intercollegiate Athletics operating support
- Staffing and support for health and counseling, residential well-being, and student conduct
- Rescue Squad facility planning and pharmacy staffing
- Residence hall painting and furniture replacement
- Dining allergen-free concept and equipment replacement

Other FY26 Budget Changes

Cooperative Extension/Agricultural Experiment Station Division

- Commonwealth's 3% compensation program
- (less) one-time federal carryforward funds recognized in FY25

Sponsored Programs

- Given uncertainty, held budget level until there is more clarity
- (less) removal of one-time state support in FY25

Appropriated Student Financial Aid

- Reflects part of the FY26 investment in the Virginia Tech Advantage program

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FY26 Operating Budget

All Programs

$ in Millions

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Capital Budget

General Assembly Update

2025 Session – Capital Outlay Budget

- State lawmakers approved an amended budget for the 2024-26 biennium during the 2025 Session, which was signed by Governor Youngkin May 2nd.
- Highlights of FY26 Capital Outlay Budget impacts:
  - Maintenance Reserve Funding remains at $43.4M for the biennium
  - Replace Randolph Hall Supplement: $66.8M
- Vetoed by the Governor:
  - VTCSOM and FBRI project was within the State Capital Construction Pool that was vetoed on May 2nd: $165M

Fiscal Year 2026 Capital Projects

End FY25	24
Projects closed June 30th	- 5
New projects effective July 1st	0
Start FY26	19

Design
7

Construction
7

Equipment
1

Closeout
4

Capital Authorization Fund Sources

State Support: $749 million

Self-generated Cash: $108 million

Resources for Capital Budgets

$1.16 Billion

University Debt: $160 million

Private Cash: $143 million

Major Budget Adjustments

$ in Thousands

Budget at Close of FY25	**$ 1,193,447**
Reductions for FY25 Project Closeouts	
Hitt Hall	(85,000)
Corps Leadership and Military Science Building	(52,000)
New Upper Quad Residence Hall	(42,000)
Planning: Student Life Village, Phase I	(19,500)
Fralin Biomedical Research Institute Equipment	(18,133)
Maintenance Reserve Close FY, Aux	(14,500)
Budget Increases for FY26	
Construction for New Business Building	86,000
Supplement for Mitchell Hall	66,800
Maintenance Reserve, E&G	24,156
Maintenance Reserve, Aux	14,500
Allocation for Equipment for Workforce Development	6,288
Net Change	(33,389)
Budget at Start of FY26	**$ 1,160,058**

Fiscal Year 2026 Capital Spend

$ in Thousands

FY26 starting total multi-year capital budget	*$1,160,000*
Less project to-date expenditures as of June 30th	*-$575,000*
Budget available to complete projects	*$585,000*
Estimated capital expenditures for FY26	*$147,000*

Approval of 2025-26 University Operating and Capital Budgets

Recommendation:

That the proposed 2025-26 Operating budget and Capital expenditure projections as displayed on Schedules 1, 2, and 3 be approved.

June 3, 2025