

Proposed 2022-23 Operating and Capital Budgets
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

June 13, 2022

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

State Appropriations

Based on the university's understanding of the state budget, the university is able to develop its internal budgets for the upcoming fiscal year. Virginia Tech anticipates an initial state authorization of \$1.8 billion for fiscal year 2022-23 to carry out all of its programs, based on the forecast of direct appropriations to the university. However, the annual internal budget varies from this 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 during 2022-23 when the state allocates the Central Appropriation funding for the state share of compensation and fringe benefit rate changes. Additionally, under the sum sufficient authority granted as part of restructuring, nongeneral fund appropriations may be established as needed by the institution. For these reasons, the total internal budget presented to the Board of Visitors in Schedule 1 totals \$1.9 billion.

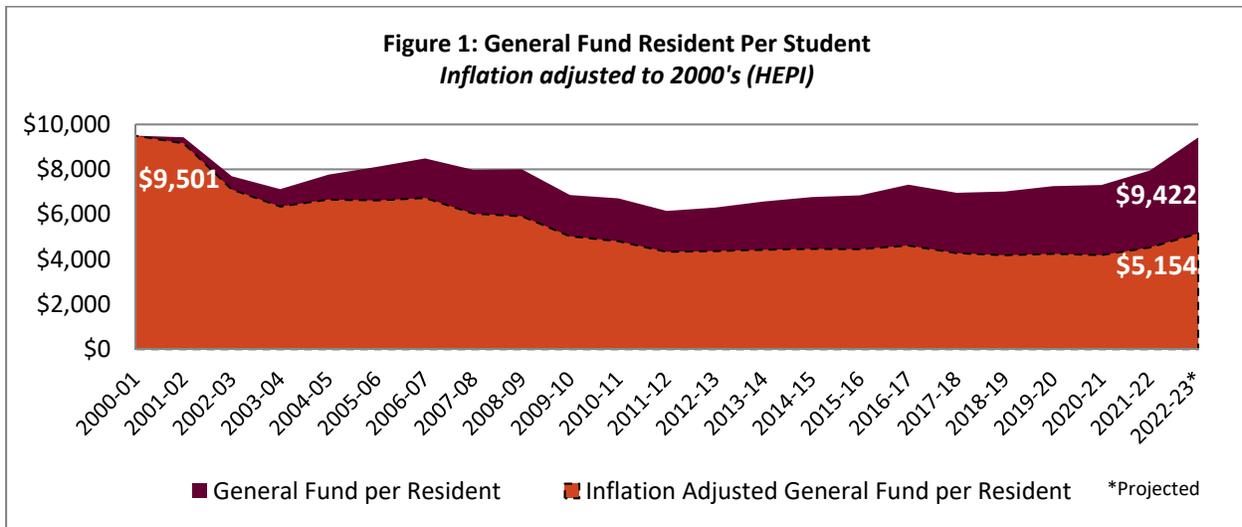
Forecast of State Budget Revenue Changes

For 2022-23, the university forecasts an incremental increase in General Fund appropriation of \$37.7 million from the adjusted 2021-22 budget. This is comprised of an estimated General Fund increase of \$24.6 million for Educational and General (E&G) programs in the University Division (Agency 208), an increase of \$6.7 million for the programs in the Cooperative Extension and Agricultural Experiment Station (Agency 229), an increase of \$0.4 million for Unique Military Activities, an increase of \$2.0 million for Student Financial Aid, and an increase of \$4.0 million in Research.

As shown in Table 1 on page 4, the General Fund increase for the University Division includes forecasted changes in direct appropriations, the state's estimated share of the 2022-23 faculty and staff salary compensation programs and fringe benefit rate increases, support for Operation and Maintenance of plant, and support for affordable access to include the annualization of \$4.9 million funded in 2021-22 and an increase of \$10.4 million in 2022-23. The Commonwealth of Virginia will allocate \$0.7 million in the Cooperative Extension and Agricultural Experiment Station (Agency 229) to support extension programs including internet connectivity and modernization of research equipment and critical personnel, \$0.7 million to support Operation and Maintenance of

Plant, and \$1.6 million one-time to support research equipment in the VCE/AES programs. The details of the state support are described further in each budget section.

With these state resources, the state support per Virginia student is projected to grow in 2022-23. Total state support per Virginia student for 2022-23 is projected to be 0.8 percent below the funding provided in 2001; however, the growth in per-student funding is a positive signal of the state’s continued support for Virginia Tech. The university enrolls over 5,400 additional Virginia undergraduates as compared to fall 2004. Inflation adjusted, the university will receive 46 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.

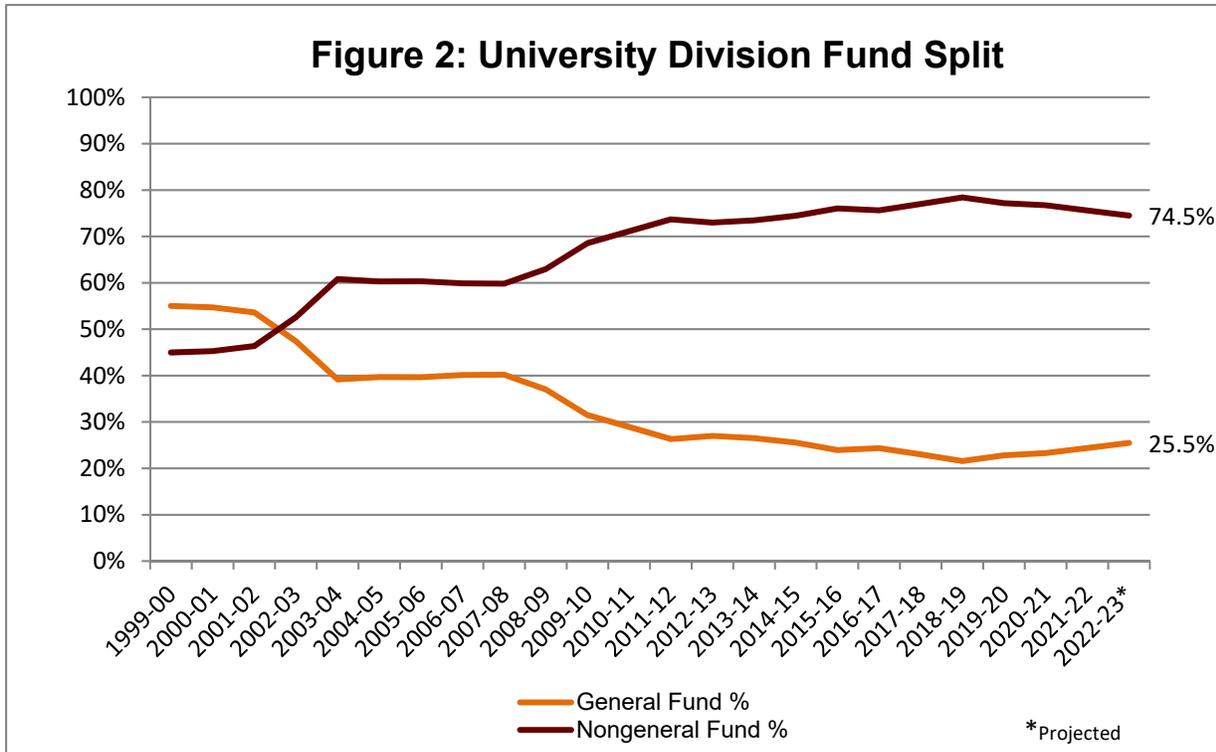


Proposed Budgets for 2022-23

For 2022-23, the recommended internal budget for all operations is \$1.9 billion. This is an increase of \$68.2 million, approximately 3.7 percent, over the adjusted 2021-22 budget. This increase reflects changes in nongeneral fund revenues for 2022-23 and the university’s understanding of the state budget which will impact the 2022-23 General Fund appropriation. The overall change includes an increase of \$52.1 million attributable to the E&G program, \$38.1 million of projected growth in Auxiliary Enterprises, a decrease of \$2.0 million in financial assistance for E&G programs due to the removal of one-time federal pandemic resources, and a \$10.4 million increase in student financial aid. The overall change includes a decrease of \$30.3 million in all other programs due the removal of one-time federal pandemic resources, and one-time revenues and adjustments included in the current year which will not occur next fiscal year.

The total General Fund allocation is forecasted to be approximately \$374.9 million, an increase of \$37.7 million from the 2021-22 adjusted budget. General Fund revenues will provide \$344.6 million in support for the instructional, research, and extension programs,

\$27.0 million for student financial assistance, and \$3.3 million for the Unique Military Activities program. As shown in Figure 2 below, the General Fund appropriation represents 25.5 percent of the University Division’s Educational and General budget (as compared to 53.6 percent in the 2001-02 budget) and 19.8 percent of the total budget.



Schedule 1 displays the proposed operating budgets for 2022-23, 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 2021-22 budget, as approved in June 2021, and the current adjusted 2021-22 budget for comparison purposes. This report provides a brief discussion of the changes in the operating budget for each of the major programs.

Educational and General

The university’s E&G budget will be \$1.0 billion in 2022-23. The E&G budgets for the University Division (Agency 208) and the Cooperative Extension/Agricultural Experiment Station Division (Agency 229) are displayed on Schedule 1.

The year-to-year comparison of the budget in Schedule 1 shows an overall revenue increase in the E&G program of \$52.1 million, or 5.3% percent, over the adjusted 2021-22 budget.

The 2022-23 E&G operating budgets have been developed utilizing the forecasted state funding support for the university in 2022-23:

<u>in Millions</u>	<u>University Division</u>	<u>CE/AES Division</u>	
State Share of Salary and Fringe Benefits Programs	\$ 13.2	\$ 3.7	*
Extension Program Support	-	0.7	**
Affordable Access (annualizes existing \$4.9M and increases \$10.4M)	10.4	-	**
Operation & Maintenance	0.8	0.7	**
State Increase to support minimum wage	0.2	0.0	
Research Equipment in Agency 229		1.6	
E&G Program General Fund Change	\$ 24.6	\$ 6.7	

*Estimate - These items are 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 24.0 percent in the 2021-22 adjusted budget to 25.5 percent in 2022-23.

The 2022-23 tuition and fee budget increased by \$21.3 million, or 3.4 percent, over the adjusted 2021-22 budget. The difference in the tuition and fee budget reflects undergraduate enrollment growth and residency mixture, and an increase in the tuition rates of nonresident undergraduates, graduate students, and professional student categories (veterinary and human medicine programs) pending approval by the Board of Visitors at the June 2022 meeting. The increase also includes unfunded and tuition-funded scholarships to student aid programs, and adjustments to the other E&G fee budgets. Unfunded scholarships support both undergraduate need-based aid and a portion of the graduate tuition remission program. Tuition and Fee funded scholarships are targeted to support the institution's strategic priorities, including enrollment growth and increased accessibility. Additionally, the revenue from the Facility and Equipment fee will be transferred to the commonwealth for debt service on new facilities and equipment; thus, it is not reflected in the net revenue total.

Virginia Tech/Wake Forest SBES Budgets

In August 2002, the Board of Visitors of Virginia Tech adopted a resolution that authorized the establishment of the Virginia Tech-Wake Forest University School of Biomedical Engineering and Sciences. The collaboration agreement outlines the relationship and responsibilities of each party and requires budget approval by the governing board. In accordance with this requirement, the 2022-23 recommended budget includes \$5,422,876 for Virginia Tech's School of Biomedical Engineering and Science within the overall university budget as displayed within the 208 Educational and General budget on Schedule 1.

Auxiliary Enterprises

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

Auxiliary Enterprise Systems

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

The total 2022-23 auxiliary revenue budget is \$403.6 million, a growth of \$38.1 million or 10.4 percent over the adjusted 2021-22 budget. This increase includes resources to cover proposed changes in state authorized compensation programs and fringe benefit rate changes, enhancements to student health and counseling services, student programming, wireless network equipment renewal, transit contract bus replacement and local match requirements, maintenance of existing facilities, and the cost of new facilities.

Financial Assistance for Educational and General Programs

The projected annual budget for Financial Assistance for E&G Programs is \$389.1 million, a decrease of \$2.0 million or 0.5 percent lower than the 2021-22 adjusted budget. The 2022-23 budget was increased \$1.0 million for anticipated general fund allocations to support the research program for the Focused Ultrasound, \$2.5 million for support a partnership between Virginia Tech and local industries to research automated driving systems and other heavy vehicle driving technologies, and \$0.5 million for the staffing, equipment, and related services of the Potomac Aquifer Recharge Monitoring Laboratory, increased \$29.4 million to align the budget with projected sponsored program activity, and decreased \$35.4 million to remove the one-time impacts of Federal pandemic relief. The Financial Assistance for E&G Programs budget is comprised primarily of sponsored program activities but also includes the Eminent Scholars program, the Enterprise Fund for distance learning, General Fund support for the Commonwealth Cyber Initiative, Brain Research, and Commonwealth Research Initiative. The most significant activity in this category is externally sponsored research.

Appropriated Student Financial Assistance

The projected annual 2022-23 budget for the Student Financial Assistance program is \$48.5 million, a growth of \$10.4 million over the adjusted 2021-22 budget primarily due to increases in General Fund support for Undergraduate Scholarships and Graduate Fellowships and a one-time scholarship program to offset the tuition increase for in-state students for academic year 2022-23.

The appropriated Student Financial Assistance budget includes \$27.0 million of state General Fund support for Undergraduate Scholarships, Graduate Fellowships, Soil Scientist Scholarships, Virginia Military Survivors and Dependents, Two-Year College Transfer Grant, and the Multicultural Academic Opportunity Program. This budget also

includes \$21.5 million nongeneral fund Student Financial Assistance budget. The university plans to utilize the nongeneral fund Student Financial Assistance to advance strategic initiatives such as access and enrollment growth.

All Other Programs

The All Other Programs component is comprised of the Unique Military Activities appropriation, surplus property, federal work study program, and local funds. The annual budget for these funds is based on historic trends and projections of activity levels by program managers. These programs are funded by resources that are designated for specific purposes. For All Other Programs, the 2022-23 recommended budget is \$16.1 million which reflects a forecasted \$0.4 million increase of General Fund support for the Unique Military Activities program and a decrease of \$30.7 million from the 2021-22 adjusted budget primarily due to removal of one-time federal pandemic resources and 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. That is the case for 2022-23, where only the auxiliary budgets project an addition to the reserves as of June 30, 2022. The projected addition of \$13.0 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 2022-23 budget for Auxiliary Enterprises is also designed to ensure that the reserve levels remain in compliance with the tenets of bond covenants as well as SCHEV reserve targets.

Compensation Plan

The university plans to implement faculty and staff compensation programs for fiscal year 2022-23 consistent with state authorizations. The attached operating budget includes funding, consistent with traditional funding principles, for the following proposed employee compensation actions:

- 5.00 percent faculty compensation program, effective July 10, 2022, comprised of the following:
 - 4.00 percent faculty merit pool.
 - 1.00 percent pool for National Distinction and Outstanding Contributors, and is also allowable for market adjustments and internal alignments. The university is committed to retaining faculty members who have achieved distinction in their disciplines and make outstanding contributions to the university. This process can be particularly helpful in the university's efforts to retain outstanding mid-career faculty. It is expected that the adjustments

will be limited in the number of faculty included, but it will be meaningful in size.

- In addition, the university will fund the Promotion and Tenure cost for those faculty approved for Promotion and Tenure increases.
- 5.00 percent stipend increase for graduate assistants, as approved by the Board of Visitors in March 2022.
- 5.00 percent Classified Staff salary increase. Classified Staff are defined as staff members hired before July 1, 2006 who have not subsequently converted to the University Staff system.
- 5.00 percent University Staff compensation program. The University Staff compensation program for 2022-23 includes a 3.00% base increase for University Staff and an additional 2.00% merit pool for recognition of performance.
- \$1,000 bonus, effective December 1, 2022, for all full-time employees.
- The university maintains a \$500 supplemental stipend for full-time University and Classified Staff making less than \$35,500, which became effective January 1, 2020.

Budget Allocations

The process of finalizing the 2022-23 operating budget allocations for the colleges and major operating units is currently underway. This process will be completed during June 2022 and issued to the university community by the Senior Vice President and Chief Business 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 on 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 in the accounting system. The revenues to support capital expenditure budgets are a mix of state support, university supported debt, and self-generated cash resources including private gifts. When projects have multiple sources of funding, the university generally utilizes the resources in the following order: state support, bond proceeds, and then cash. This order allows the most effective use of the university's nongeneral fund resources.

The typical project lifespan is three to five years. Cash flow models are used to 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 fiscal year 2023 is comprised of 17 Educational and General projects and 5 Auxiliary Enterprise projects for a total of 22 projects with a total program budget of \$1.321 billion and an estimated annual budget of approximately \$275 million. This includes the following \$273.3 million of new funding items in the General Assembly Conference Committee budget: full funding for Mitchell Hall (Randolph Hall Replacement) - \$248 million; Maintenance Reserve - \$17.5 million; Life, Health, Safety, Accessibility, and Code Compliance supplement - \$7.3 million; and planning to relocate the Hampton Roads AREC station - \$500 thousand.

Schedule 3 lists the projects by program and phase of progress. Each project for fiscal year 2023 is listed with the total project authorization by revenue source, annual budget for fiscal year 2023, and estimated balance at the close fiscal year 2023. 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.

Since March 2020, the COVID-19 pandemic has generated extraordinary construction supply chain disruptions. These factors present risks to the accuracy of projecting spend pace and patterns for projects. This dynamic is expected to last at least until the end of calendar year 2022. Thus, for much of fiscal year 2023, the capital annuals budgets may require more adjustments than normal. These adjustments in spend pace do not impact the expected total budget, but rather the timing of planned expenditures.

RECOMMENDATION

That the proposed fiscal year 2022-23 operating and capital budgets, as displayed on Schedules 1, 2, and 3, be approved.

June 14, 2022

TOTAL OPERATING BUDGET FOR VIRGINIA TECH

Fiscal Year 2022-23
(Dollars in Thousands)

	2021-22 Original Budget	2021-22 Adjusted Budget	2022-23 Recommended Budget
Revenues			
Educational and General			
University Division			
General Fund	\$214,721	\$214,268	\$238,843
Tuition and Fees	619,766	631,727	653,066
All Other Income	43,945	45,017	45,536
Subtotal	878,432	891,012	937,445
CE/AES Division			
General Fund	\$79,217	\$79,633	\$86,338
Federal Funds	15,647	16,811	15,647
All Other Income	750	750	879
Subtotal	\$95,614	\$97,194	\$102,863
Total Educational and General	\$974,046	\$988,206	\$1,040,308
Auxiliary Enterprises			
Auxiliary Fees	\$75,021	\$75,131	\$81,063
Auxiliary User Charges (Room & Board)	113,785	115,173	127,780
Auxiliary Sales and Services	167,112	175,164	194,711
Subtotal	\$355,918	\$365,468	\$403,554
Financial Assistance for E&G Programs (a)			
General Fund	\$15,389	\$15,389	\$19,389
Nongeneral Fund	340,317	340,317	369,688
Federal Pandemic Relief	0	35,387	0
Subtotal	\$355,706	\$391,093	\$389,077
Student Financial Assistance			
General Fund	\$25,009	\$25,009	\$26,992
Nongeneral Fund	13,331	13,078	21,471
Subtotal	\$38,340	\$38,087	\$48,463
All Other Programs (b)			
General Fund (UMA)	\$2,907	\$2,907	\$3,278
Nongeneral Fund	11,016	43,583	12,866
Subtotal	\$13,923	\$46,490	\$16,144
Total	\$1,737,933	\$1,829,344	\$1,897,545
Expenses			
Educational and General			
University Division	\$878,432	\$899,597	\$937,445
CE/AES Division	95,614	100,099	102,863
Subtotal	974,046	999,696	1,040,308
Auxiliary Enterprises	350,771	389,326	390,543
Financial Assistance for E&G Programs (a)	355,706	391,093	389,077
Student Financial Assistance	38,340	38,087	48,463
All Other Programs (b)	13,923	37,973	16,144
Total	\$1,732,786	\$1,856,175	\$1,884,534
Planned Change in Reserve			
Reserve Drawdown/(Deposit) (c)	(5,147)	26,831	(13,011)
Net	\$0	\$0	\$0

(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 and cash balances in E&G programs as of 6/30/2021.

Presentation Date: June 14, 2022

TOTAL OPERATING BUDGETS FOR AUXILIARY ENTERPRISES
Fiscal Year 2022-23
(Dollars in Thousands)

	2021-22 Original Budget	2021-22 Adjusted Budget	2022-23 Recommended Budget
Residence and Dining Hall System*			
Revenues	\$132,387	\$135,691	\$149,746
Expenses	-128,747	-134,262	-148,362
Reserve Drawdown/(Addition)	-3,640	-1,429	-1,384
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Parking and Transportation			
Revenues	\$15,722	\$18,700	\$18,213
Expenses	-16,912	-19,913	-15,602
Cash Transfer	0	0	0
Reserve Drawdown/(Addition)	1,190	1,213	-2,611
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Telecommunications Services			
Revenues	\$21,594	\$21,671	\$27,007
Expenses	-21,856	-27,276	-26,836
Reserve Drawdown/(Addition)	262	5,605	-171
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
University Services System*			
Revenues	\$55,967	\$55,951	\$60,607
Expenses	-55,493	-58,029	-59,606
Reserve Drawdown/(Addition)	-474	2,078	-1,001
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Intercollegiate Athletics System*			
Revenues	\$78,327	\$84,446	\$92,114
Expenses	-77,596	-96,642	-86,188
Reserve Drawdown/(Addition)	-731	12,196	-5,926
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Electric Service System*			
Revenues	\$34,775	\$31,396	\$36,861
Expenses	-34,197	-35,293	-37,889
Reserve Drawdown/(Addition)	-578	3,897	1,028
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Inn at Virginia Tech and Skelton Conference Center			
Revenues	\$9,056	\$8,152	\$10,410
Expenses	-10,354	-10,463	-9,984
Reserve Drawdown/(Addition)	1,298	2,311	-426
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Enterprise Functions			
Revenues	\$8,090	\$9,461	\$8,596
Expenses	-5,616	-7,448	-6,076
Reserve Drawdown/(Addition)	-2,474	-2,013	-2,520
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL			
Revenues	\$355,918	\$365,468	\$403,554
Expenses	-350,771	-389,326	-390,543
Cash Transfer	0	0	0
Reserve Drawdown/(Addition)	-5,147	23,858	-13,011
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 14, 2022

EDUCATIONAL AND GENERAL CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2023

**(Dollars in Thousands)
as of June 1, 2022**

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2022	ESTIMATED BALANCE AVAILABLE FOR FY2023	ESTIMATED ANNUAL BUDGET FY2023	ESTIMATED BALANCE AT CLOSE OF FY2023
		STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL				
<u>Design Phase</u>									
Mitchell Hall (Randolph Hall Replacement)	Jul 2020	\$ 223,400	\$ -	\$ 24,600	\$ 248,000	\$ 1,500	\$ 246,500	\$ 4,400	\$ 242,100
Life, Health, Safety, Accessibility, & Code Compliance	Jul 2020	10,400	-	-	10,400	190	10,210	2,910	7,300
Planning: New Business Building	Apr 2022	-	8,000	-	8,000	-	8,000	3,000	5,000
Planning: Relocate Hampton Roads AREC	Jul 2022	500	-	-	500	-	500	200	300
<u>Construction Phase</u>									
Maintenance Reserve	On-going	21,580	-	-	21,580	-	21,580	18,961	2,619
Livestock & Poultry Research Facilities, Phase I	Oct 2016	25,274	-	-	25,274	19,000	6,274	6,274	-
Corps Leadership and Military Science Building	Jun 2019	-	20,650	31,350	52,000	26,000	26,000	20,000	6,000
Data and Decision Science Building	Jul 2019	69,000	-	10,000	79,000	55,800	23,200	20,000	3,200
Innovation Campus - Academic Building	Jul 2019	168,000	-	134,136	302,136	49,300	252,836	88,000	164,836
Hitt Hall	Apr 2017	-	31,259	53,741	85,000	12,500	72,500	28,000	44,500
Undergraduate Science Laboratory Building	Jul 2017	90,412	-	-	90,412	8,000	82,412	30,000	52,412
<u>Equipment and Special Initiatives</u>									
Commonwealth Cyber Initiative	May 2019	1,500	-	-	1,500	1,340	160	160	-
Fralin Biomedical Research Institute Equipment	Jul 2020	18,133	-	-	18,133	9,000	9,133	6,500	2,633
Equipment for Workforce Development	May 2021	24,902	-	-	24,902	5,200	19,702	3,000	16,702
<u>Close-Out</u>									
Kentland	Sep 2013	12,463	-	-	12,463	12,311	152	152	-
Chiller Plant Phase II	Oct 2016	32,655	10,312	-	42,968	39,800	3,168	3,168	-
Holden Hall Renovation	Oct 2016	57,215	8,962	8,750	74,927	69,600	5,327	5,327	-
Total Educational and General Projects		\$ 755,434	\$ 79,183	\$ 262,577	\$ 1,097,195	\$ 309,541	\$ 787,654	\$ 240,051	\$ 547,603

AUXILIARY ENTERPRISE CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2023

(Dollars in Thousands)
as of June 1, 2022

	PROJECT INITIATED	TOTAL PROJECT AUTHORIZATION			ESTIMATED TOTAL EXPENSES June 30, 2022	ESTIMATED BALANCE AVAILABLE FOR FY2023	ESTIMATED ANNUAL BUDGET FY2023	ESTIMATED BALANCE AT CLOSE OF FY2023	
		STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT					TOTAL
Design Phase									
Student Wellness Improvements	Jun 2016	\$ -	\$ 13,310	\$ 44,690	\$ 58,000	\$ 5,865	\$ 52,135	\$ -	\$ 52,135
Construction Phase									
Maintenance Reserve	On-going	-	9,200	-	9,200	-	9,200	9,200	-
New Upper Quad Residence Hall	Jun 2019	-	2,000	40,000	42,000	15,600	26,400	18,000	8,400
Dietrick Renovation	Sept 2017	-	9,131	-	9,131	1,600	7,531	5,000	2,531
Close-Out									
Creativity & Innovation District LLC	Oct 2016	-	15,880	89,620	105,500	102,936	2,564	2,564	-
Total Auxiliary Enterprise Projects		\$ -	\$ 49,521	\$ 174,310	\$ 223,831	\$ 126,002	\$ 97,829	\$ 34,764	\$ 63,065
GRAND TOTAL ALL CAPITAL PROJECTS		\$ 755,434	\$ 128,704	\$ 436,887	\$ 1,321,026	\$ 435,543	\$ 885,483	\$ 274,815	\$ 610,668



APPROVAL OF 2022-23 OPERATING AND CAPITAL BUDGETS

JUNE 14, 2022



OPERATING BUDGET



2022-23 Operating Budget

(Dollars in Millions)

	2021-22 Adjusted Budget	2022-23 Proposed Budget	Change	
			\$	%
<u>Educational and General</u>				
University Division	\$891.0	\$944.5	\$53.5	6.0%
CE/AES Division	97.2	102.9	5.7	5.8%
Subtotal	\$988.2	\$1,047.4	\$59.2	6.0%
Auxiliary Enterprises	\$365.5	\$403.6	\$38.1	10.4%
Financial Assistance for E&G Programs (Sponsored Programs)	391.1 (a)	389.1	(2.0) (b)	(0.5%)
Student Financial Assistance	38.1	41.4	3.3	8.7%
All Other Programs (including UMA)	46.5	16.1	(30.3) (b)	(65.3%)
Total	\$1,829.3	\$1,897.6	\$68.3	3.7%

(a) FY22 Financial Assistance for E&G programs budget includes Federal COVID support which is removed for FY23.

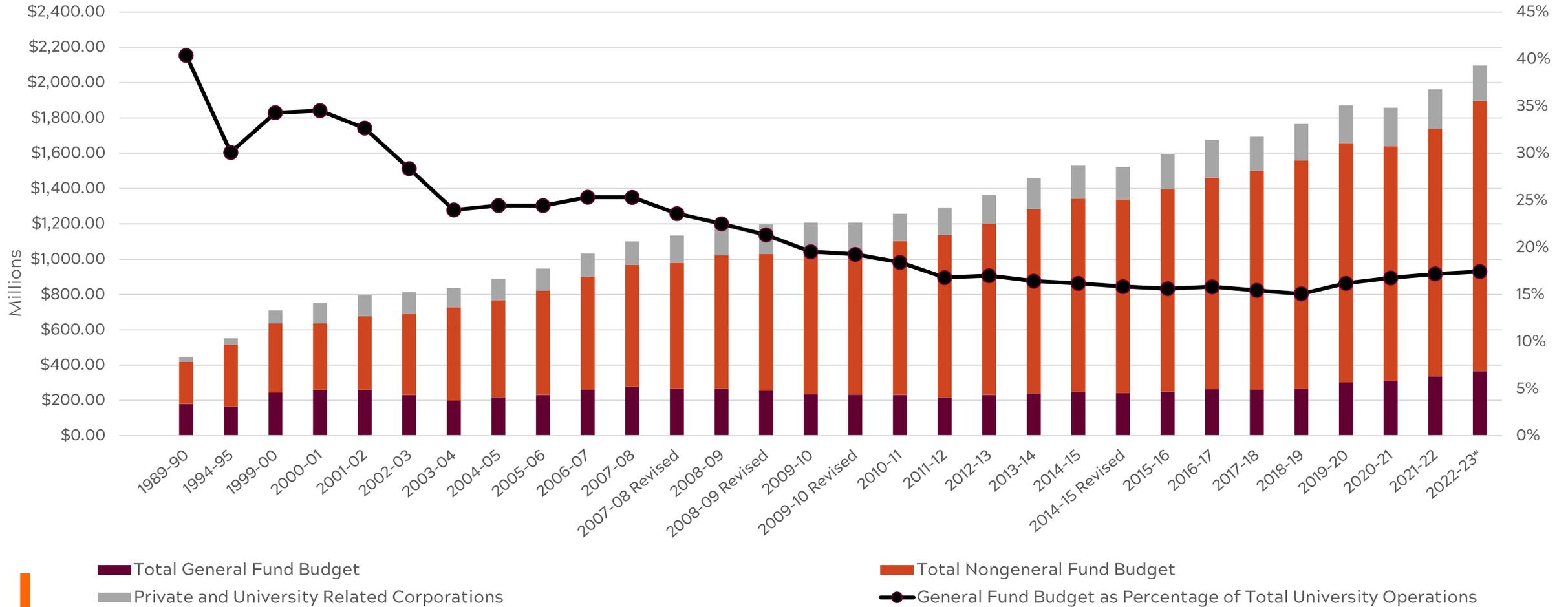
(b) Decreased due to one-time funds received in FY22.

2022-23 Annual Change in University Division Educational and General Budget

(Dollars in Millions)

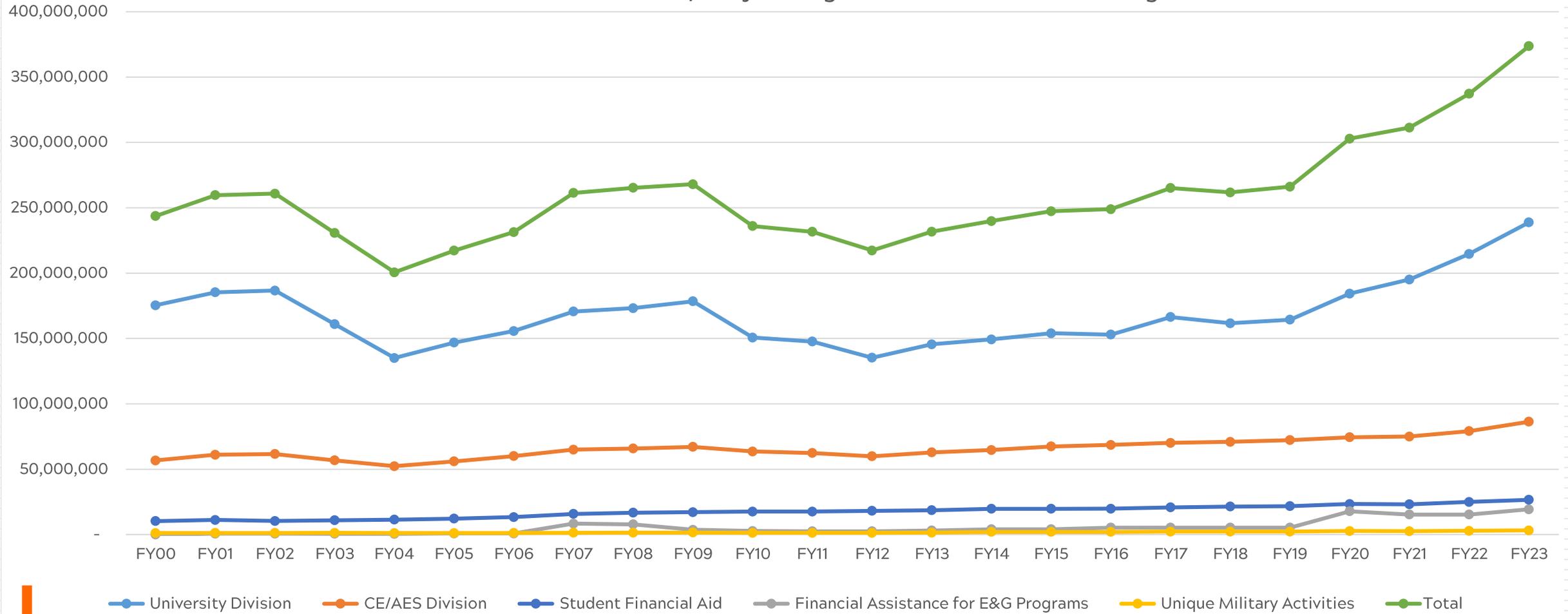
	2021-22 Adjusted Budget	2022-23 Proposed Budget	Change	
			\$	%
University Division (E&G)				
General Fund	\$214.3	\$238.8	\$24.5	11.4%
Tuition and Fees	631.7	660.2	28.5	4.5%
All Other Income	45.0	45.5	0.5	1.1%
Subtotal	\$891.0	\$944.5	\$53.5	6.0%

Historical General Fund Support Percentages



General Fund Support by Program

Trend of General Fund by Major Program from FY2009-10 through FY2022-23



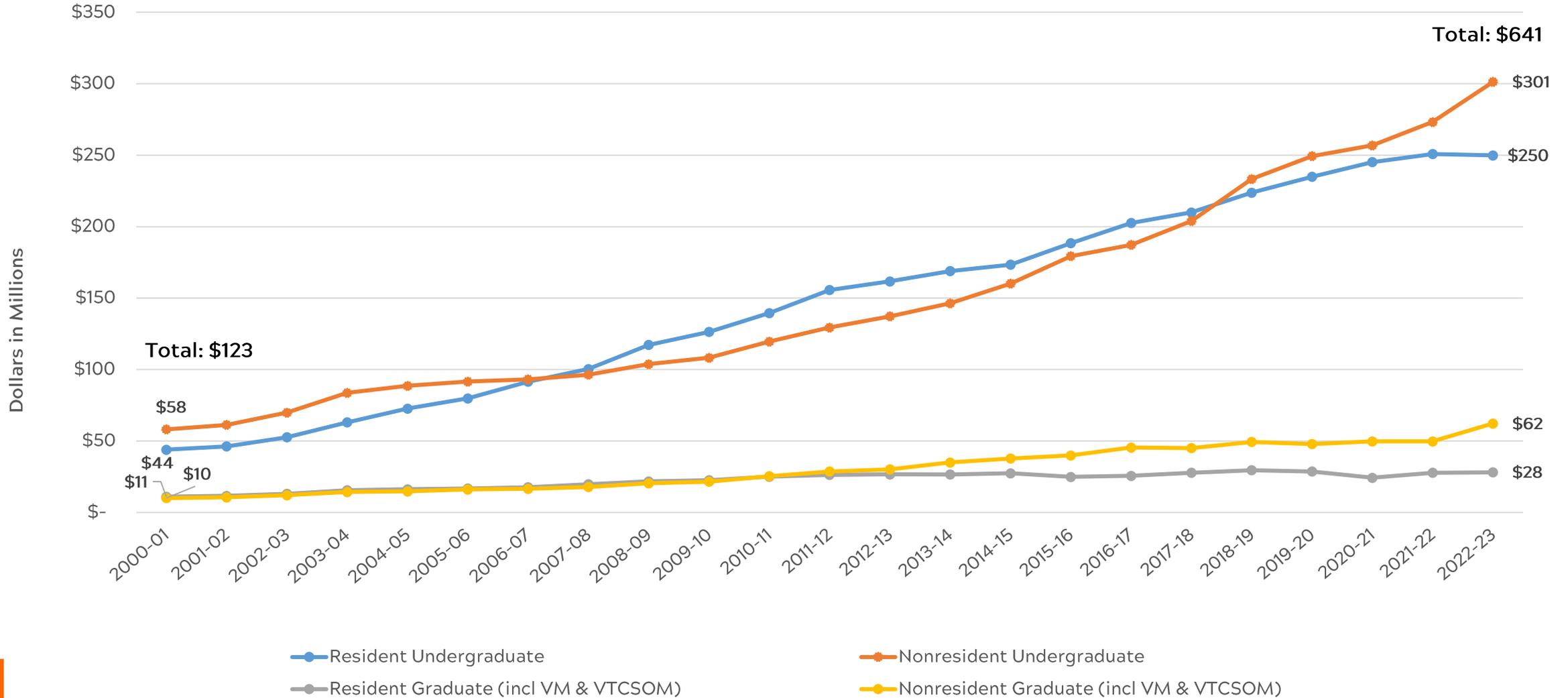
*Projected

2022-23 Educational and General Fund Splits

(Dollars in Millions)

	University Division	CE/AES Division	Total
Educational and General Budget			
General Fund	\$238.8	\$86.3	\$325.1
Tuition and Fees	660.2	-	660.2
Federal Funds	-	15.6	15.6
Other	45.5	0.9	46.4
Total Educational and General	\$944.5	\$102.8	\$1,047.3
Percent of Total			
General Fund	25.3%	84.0%	31.0%
Tuition and Fees	69.9%	0.0%	63.1%
Federal Funds	0.0%	15.1%	1.5%
Other	4.8%	0.9%	4.4%
Total Percentage	100.0%	100.0%	100.0%

Net Tuition and E&G Fee Revenue Trend by Student Group



2022-23 Components of Financial Assistance for E&G Programs

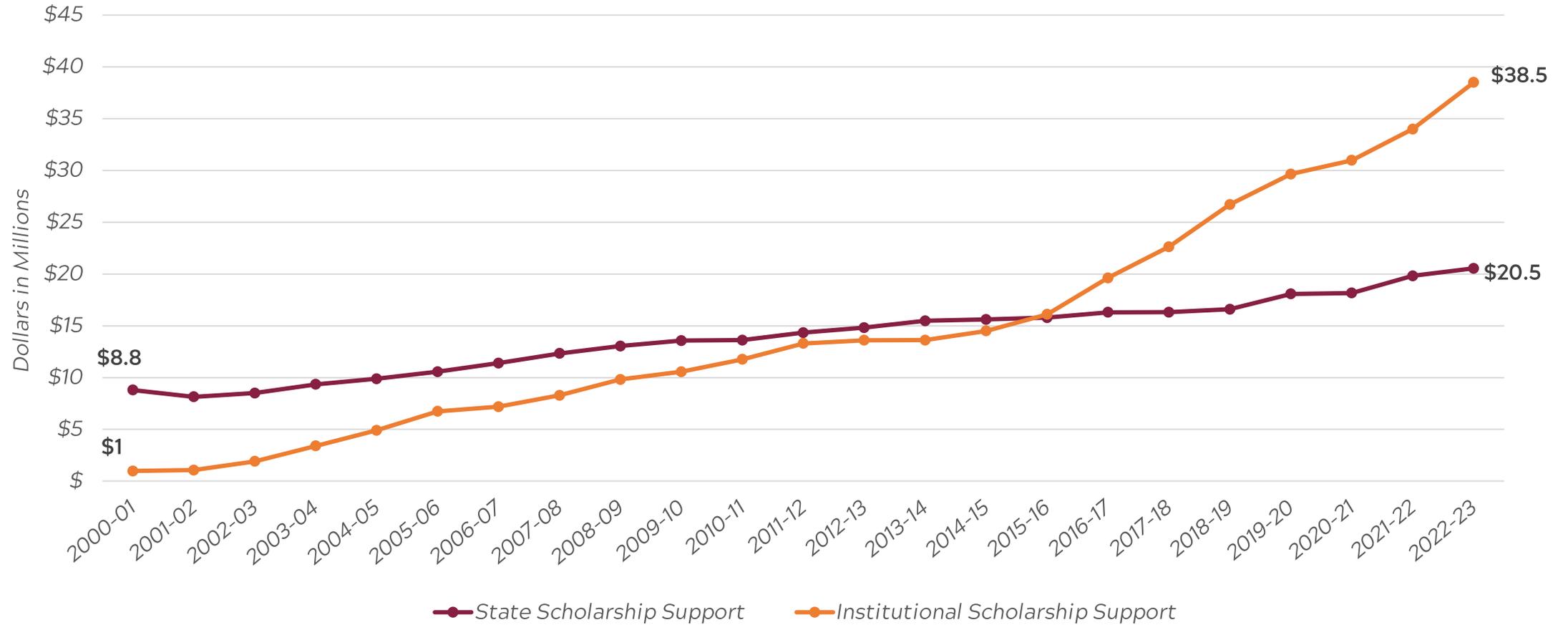
(Dollars in Millions)

	2021-22 Adjusted Budget	2022-23 Proposed Budget	Change	
			\$	%
General Fund	\$5.4	\$9.4	4.00	74.2%
Commonwealth Cyber Initiative	10.0	10.0	-	0.0%
Nongeneral Fund				
Sponsored Grants and Contracts	254.1	280.3	26.2	10.3%
Other*	86.2	89.4	3.2	3.7%
Pandemic Relief	35.4		(35.4)	-100.0%
Subtotal	\$391.1	\$389.1	(\$2.0)	-0.5%

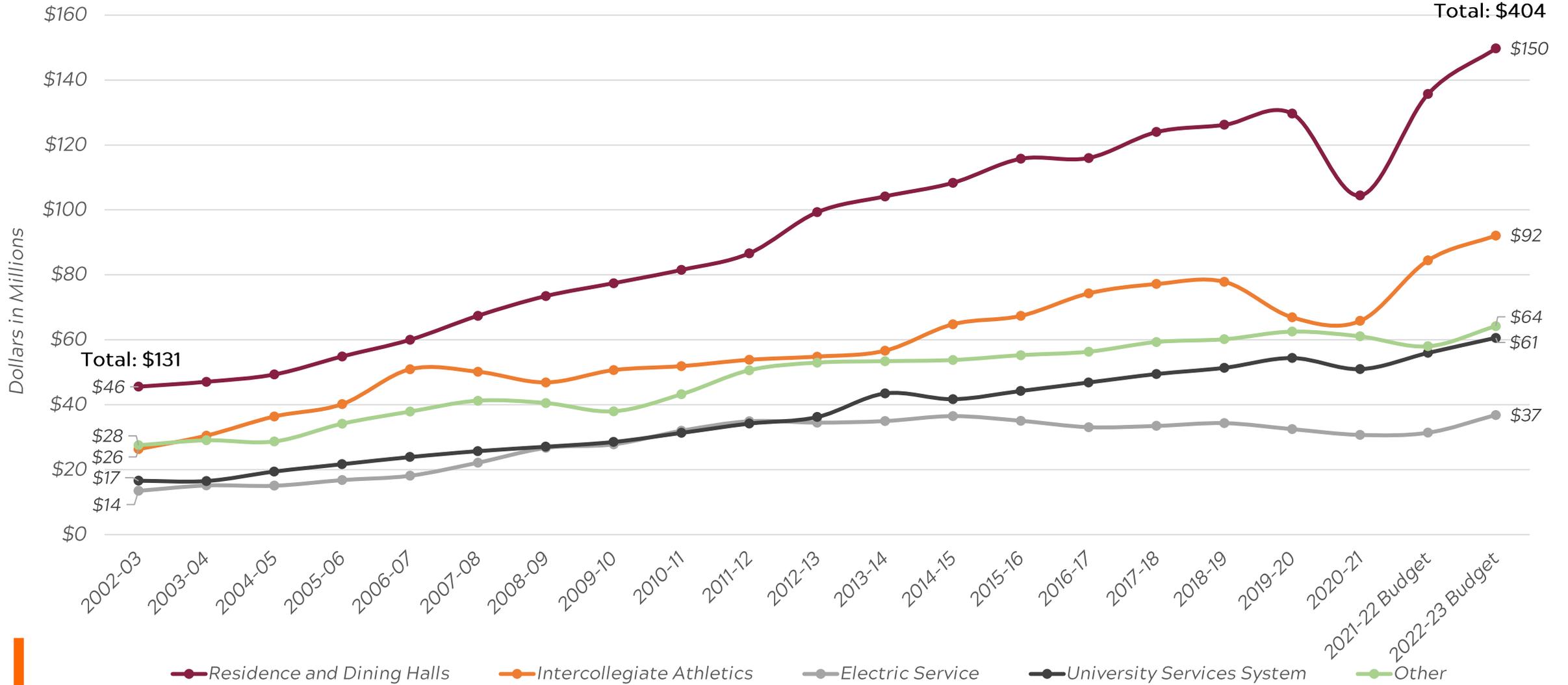
*Comprised primarily of Overhead, Eminent Scholars, and Enterprise Fund for distance learning

Undergraduate Student Financial Aid

State and Institutional Undergraduate Scholarship Support



Auxiliary Enterprise Revenue Trend by Unit



Other includes: Hotel & Conference Center, Software Sales, Parking, Photocopy, Printing, Tailor Shop, Licensing, Pouring Rights, Telecommunications, New Student Programs, Hokie Passport Office, Fleet Services.

2022-23 Key Auxiliary Enterprise Revenue Budget Changes

(Dollars in Millions)

	2021-22	2021-22	2022-23	Change	
	Original Budget	Adjusted Budget	Proposed Budget	(Adjusted to Proposed)	
				\$	%
<i>Residence and Dining Hall System</i>	\$132.4	\$135.7	\$149.7	\$14.0	10.3%
<i>Intercollegiate Athletics</i>	78.3	84.4	92.1	7.7	9.1%
Subtotal	\$210.7	\$220.1	\$241.8	\$21.7	9.9%

Compensation Plan

- The university is planning the following compensation programs to be effective on July 10, 2022 based on the anticipated state compensation plan:
 - 5.0% merit and distinction program for T&R and A/P Faculty
 - 5.0% University Staff program (3.0% base and 2.0% merit pool)
 - 5.0% Classified Staff program (across-the-board in anticipation of state-mandated compensation program).
 - 5.0% Stipend increase for graduate students (effective August 10, 2022)
 - Promotion and Tenure
- \$1,000 bonus, effective December 1, 2022, for all full-time employees.

CAPITAL BUDGET



FISCAL YEAR 2023 CAPITAL PROJECTS

Attachment B

<i>End FY22</i>	<i>27</i>
<i>Projects closed June 30th</i>	<i>- 6</i>
<i>New projects effective July 1st</i>	<i>1</i>
	<hr/>
<i>Start FY23</i>	<i>22</i>
<ul style="list-style-type: none">■ <i>5 in design</i>■ <i>10 in construction</i>■ <i>4 in close-out</i>■ <i>3 in equipment support</i>	

MAJOR BUDGET ADJUSTMENTS FISCAL YEAR 2023

Attachment B

Increases for FY23

<i>Mitchell Hall (Randolph Hall Replacement)</i>	\$ 248,000
<i>Maintenance Reserve, E&G</i>	17,462
<i>Life, Health, Safety, Accessibility, & Code Compliance Supplement</i>	7,300
<i>Planning to replace Hampton Roads AREC</i>	500

Total Increases for FY23 \$ 273,262

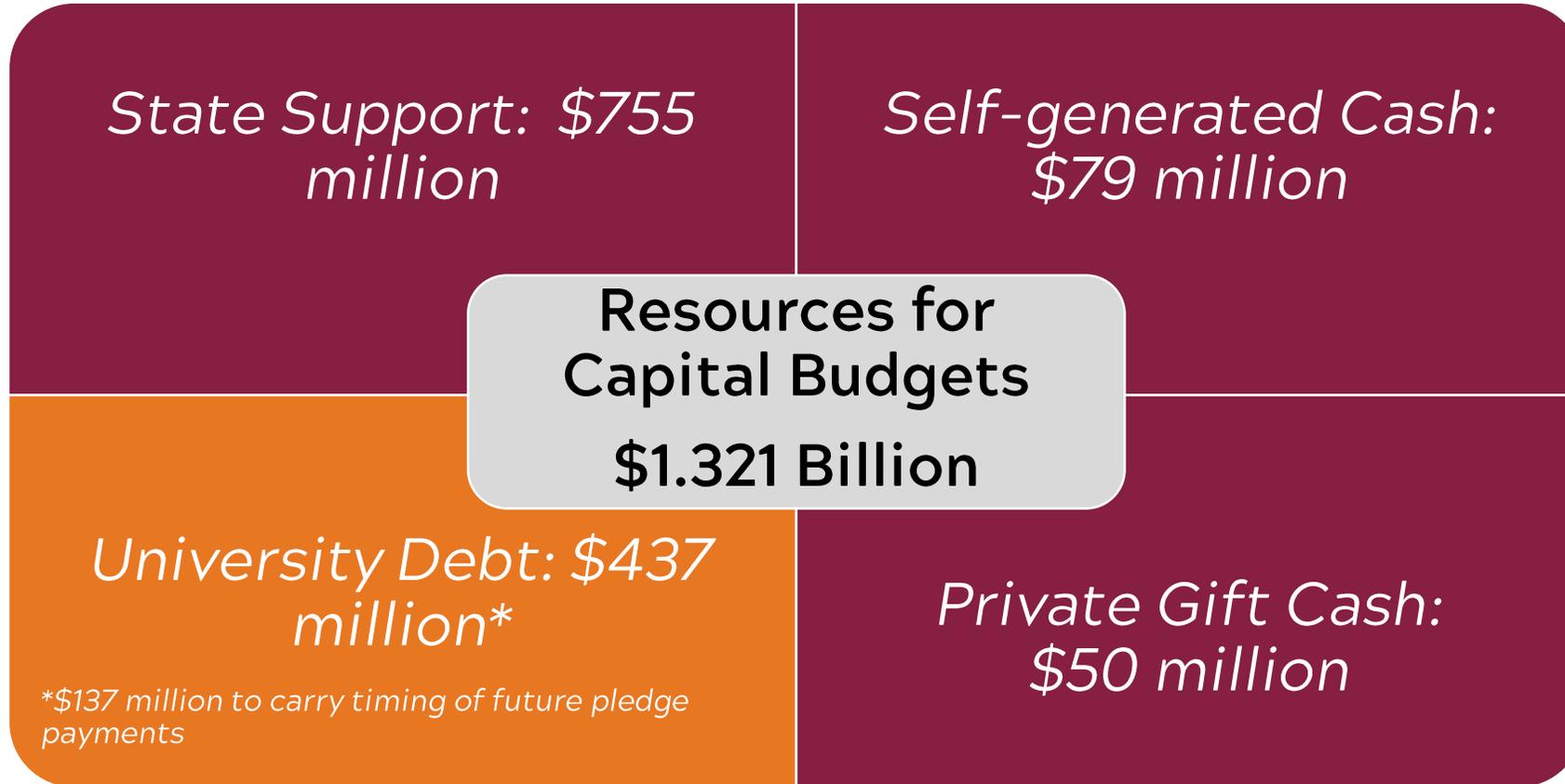
Deletions for Close of FY22

<i>Global Business and Analytics Complex Residence Halls</i>	\$ 84,000
<i>Student Athlete Performance Center</i>	20,417
<i>Gas Fired Boiler</i>	8,200
<i>Falls Church Property Acquisition</i>	2,850
<i>Virginia Seafood AREC</i>	2,500
<i>Tennis Center Planning</i>	809

Total Deletions for Close of FY22 \$ 118,776

Net Change **\$ 154,486**

CAPITAL AUTHORIZATION FUND SOURCES



ESTIMATING CAPITAL PROJECT SPEND RATE Attachment B



Most sensitive to construction start dates

FISCAL YEAR 2023 CAPITAL BUDGET Attachment B

(Dollars in thousands)

<i>FY23 starting total capital budget</i>	<i>\$1,321,000</i>
<i>Less project to-date expenditures as of June 30th</i>	<i><u>-435,000</u></i>
<i>Budget available for FY23</i>	<i>\$886,000</i>
<i>Estimated capital expenditures for FY23</i>	<i><u>\$275,000</u></i>

APPROVAL OF 2022-23 UNIVERSITY OPERATING AND CAPITAL BUDGETS

Attachment B

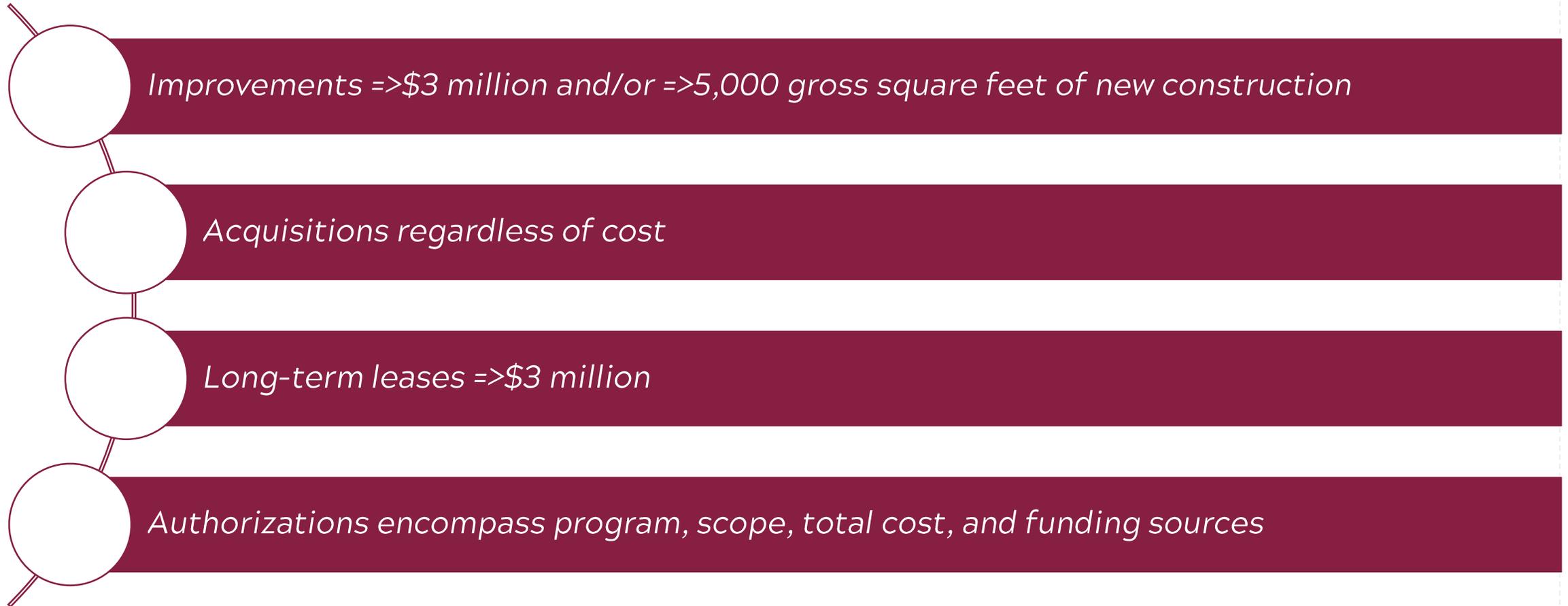
RECOMMENDATION

That the proposed 2022-23 Operating and Capital Budgets, as displayed on Schedules 1, 2, and 3 be approved.

JUNE 14, 2022

ADDITIONAL CAPITAL BUDGET INFORMATION

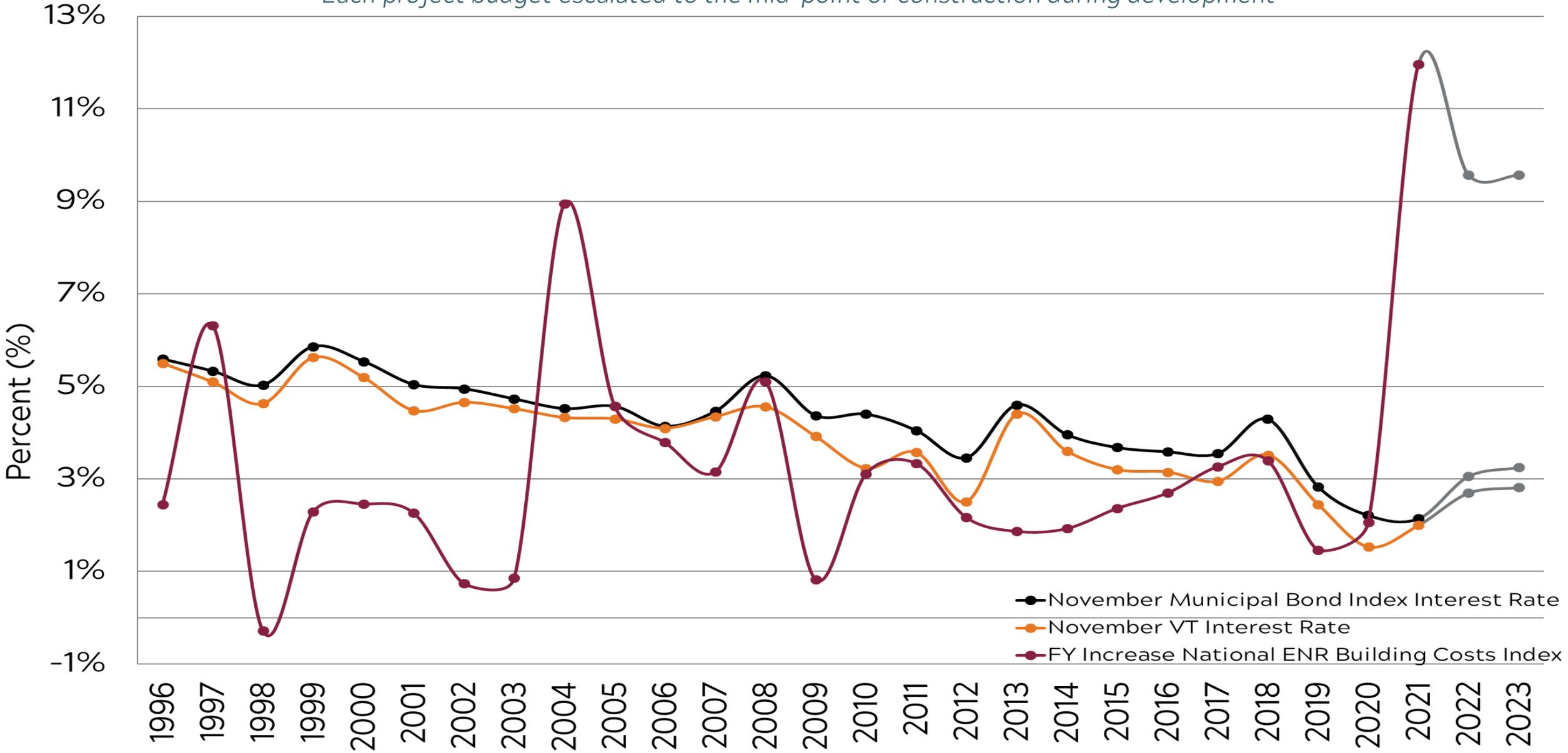
CAPITAL PROJECT AUTHORIZATION LEVELS Attachment B



TREND OF ESCALATION AND INTEREST RATES

Attachment B

Each project budget escalated to the mid-point of construction during development



ESCALATION AND CONSTRUCTION COST Attachment B

2022 Material and Equipment Supply Chain Outlook

Most Troublesome Categories During 2021 & 2022



Structural Steel

Engineered Bar Joists

Lead Time Price

Expected Trend



Current Lead Time

32 weeks

Expected Change (6-12 months)

Stable +8-15%



Roofing

PolyISO Insulation

Lead Time Price



48-52 weeks

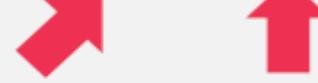
Stable +5-10%



HVAC

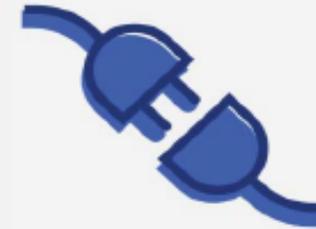
AHUs/RTUs

Lead Time Price



35-45 weeks

Up 15% +15-20%



Electrical Gear

UL 1558 Switchgear

Lead Time Price



45-65 weeks

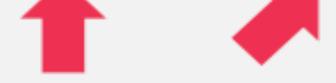
Up 20% +10-20%



Plumbing

Pipe & Fittings

Lead Time Price



35-45 weeks

Up ? Up ?

Lead times do not include 3-4 months time to get an approved submittal

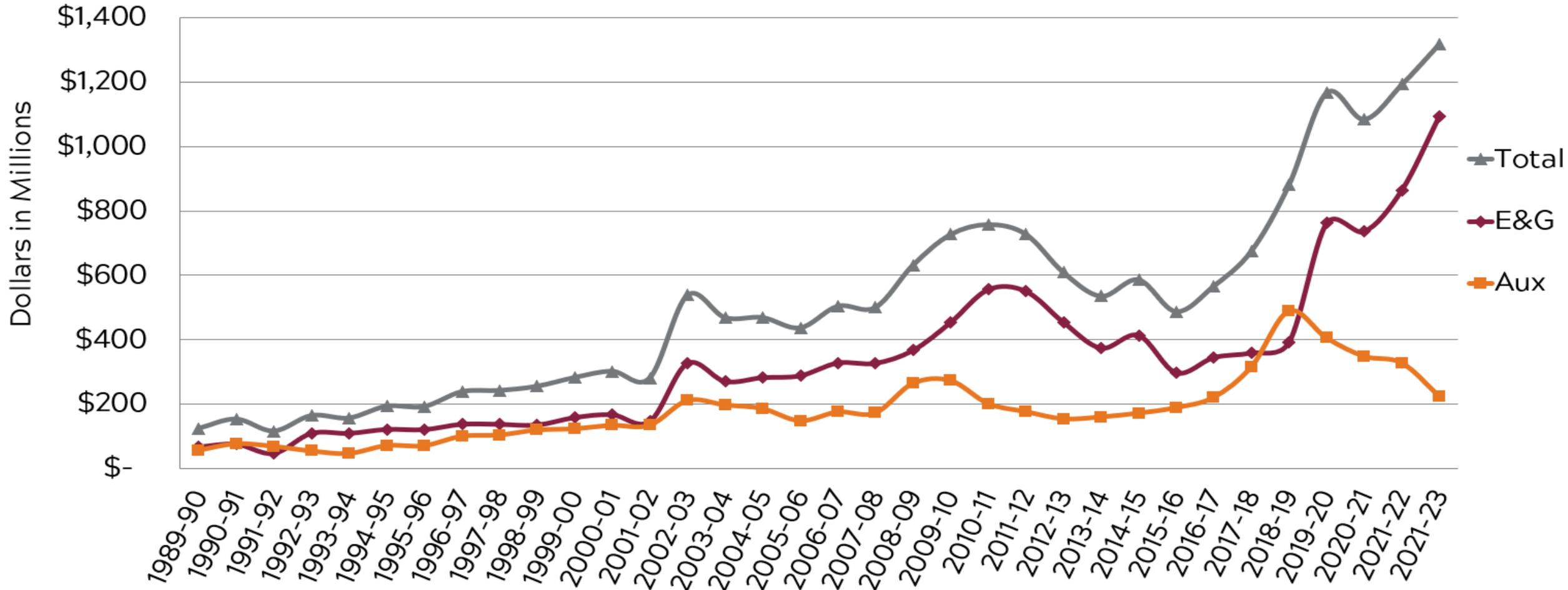
*Cover board lead times – 5-6months
XPS & EPS lead times – 4-5 months*

*Ductile Iron Pipe – 35-45 weeks
HDPE Pipe – 12-35 weeks*

TREND OF CAPITAL PROGRAM TOTAL BUDGET

Attachment B

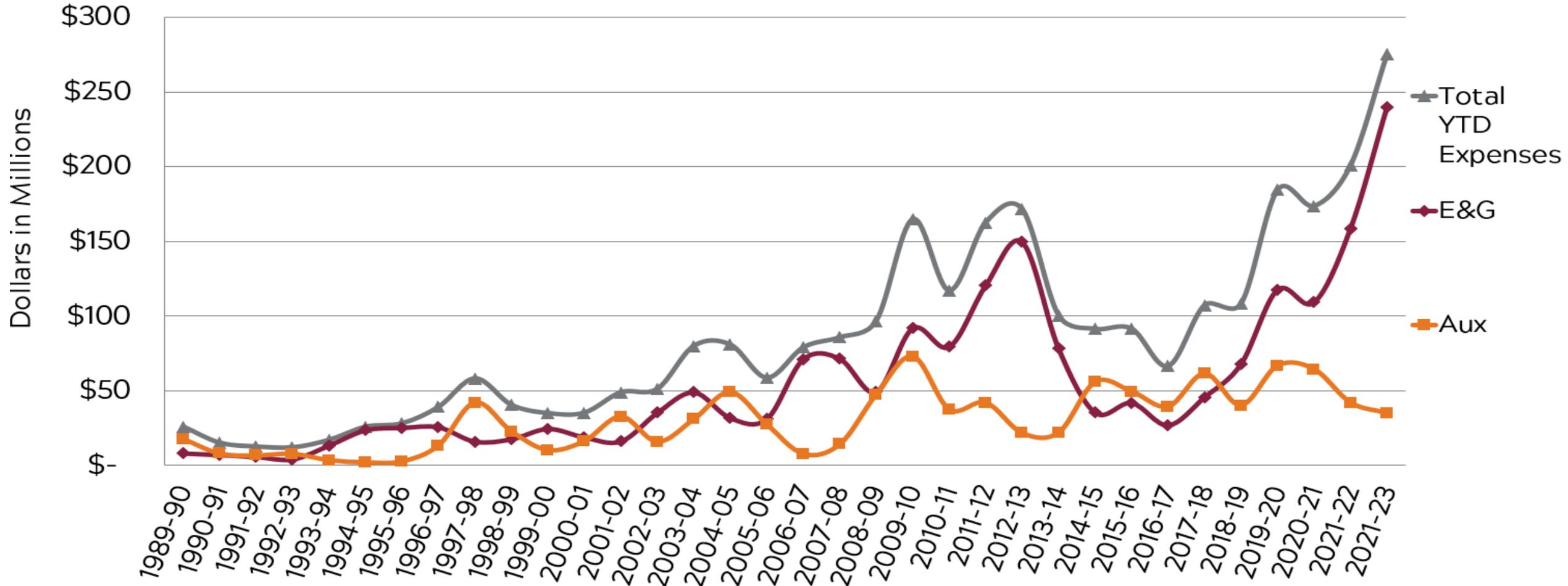
Fiscal Year 1990 - Fiscal Year 2023



TREND OF CAPITAL PROGRAM ANNUAL EXPENDITURES

Attachment B

Fiscal Year 1990 - Fiscal Year 2023



The following slide was presented at the
June 14 Executive Committee meeting

2022-23 Operating Budget with Scholarship to Offset the Tuition Increase for Resident Undergraduates

(\$ in Millions)

	2022-23 Proposed Budget	Scholarship Change	2022-23 Revised Budget
<u>Educational and General</u>			
University Division	\$944.5	(\$7.1)	\$937.4
CE/AES Division	102.9		102.9
Subtotal	\$1,047.4	(\$7.1)	\$1,040.3
Auxiliary Enterprises	\$403.6		\$403.6
Financial Assistance for E&G Programs (Sponsored Programs)	389.1		389.1
Student Financial Assistance	41.4	7.1	48.5
All Other Programs (including UMA)	16.1		16.1
Total	\$1,897.6	\$0.0	\$1,897.6