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Chief Operating Officer**
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MEMORANDUM

TO: Deans and Vice Presidents

FROM: Amy S. Sebring
Executive Vice President and Chief Operating Officer

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Amy Sebring
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Cyril R. Clarke
Executive Vice President and Provost

Signed by:

Cyril R. Clarke
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DATE: September 26, 2025

SUBJECT: 2026-27 (FY27) Critical Needs Requests

As we begin planning for Fiscal Year 2026-27 (FY27), we are accelerating the critical needs request (CNR) process in an effort to bring a proposed budget to the Board of Visitors at our April meeting. By moving the budget process earlier in the year, we will be able to provide senior managers with information on the upcoming fiscal year sooner allowing you to adjust in advance of July 1. In addition, bringing the budget approval to the Board of Visitors (BOV) at the same time as it is making tuition and fee decisions will provide the BOV with a fuller view of the interplay of revenues and expenses.

This memo outlines the current fiscal environment—at both the state and university levels—and provides essential information regarding the university's budget development process and timeline.

Virginia's Economic Outlook and Budget Process

Governor Youngkin will present his proposed FY27 executive budget to the House and Senate money committees on December 17, 2025. The General Assembly will begin deliberations in January, with final decisions expected later in the spring.

Recent forecasts indicate that, following several years of strong economic growth, revenue growth in the Commonwealth is slowing while costs are rising. This coupled with economic uncertainty signals a more constrained fiscal environment for the upcoming biennium. As the state budget process directly influences university funding, we will provide updates as more information becomes available regarding state revenues and mandated costs.

Virginia Tech's Financial Position

Virginia Tech remains financially strong. The university continues to see robust undergraduate demand and is advancing in scholarship and research. However, Fall 2025 saw a decline in graduate enrollment, particularly in international graduate enrollments, as compared to the previous year. Ongoing federal discussions regarding indirect cost rates may have implications for institutional budgeting and research funding. We are closely monitoring these developments and will communicate any potential impacts to university operations as more information becomes available.

To meet strategic goals, we must continue investing in our people, processes, and programs. Limited resources, the need to minimize tuition and fee increases, and plans for modest undergraduate enrollment growth underscore the importance of aligning all university resources with top institutional priorities—namely, the **Virginia Tech Advantage, Global Distinction**, and the **enabling infrastructure that supports them**.

Reinvestment Process

As you know, the university envisions FY27 as the third year of a multi-year reinvestment process to reinvest from lower priority activities to create capacity to expand higher priority outcomes. The university is monitoring state and federal impacts, along with other potential impacts such as graduate enrollments, to better understand the overall economic framework which might be needed to guide the FY27 reinvestment process. The university will launch the reinvestment call process in the coming months.

Critical Needs Requests (CNR)

As in prior years, senior management areas are invited to submit their highest-priority critical need requests (CNRs). Traditionally, this process has provided leadership with a broad view of unit priorities. However, given the anticipated fiscal environment, this year's process will be more focused and selective.

To that end, each senior management area is asked to submit no more than **five (5)** CNRs. Submissions should represent your unit's most urgent, well-defined and compelling needs that cannot be reasonably addressed through existing resources or internal reallocations.

Please consider the following framework when developing your submission:

1. Essential / Mission-Critical. Requests that require attention over this next fiscal year to maintain core operations, ensure compliance, or preserve institutional continuity.
2. Important / Not Immediately Essential. Requests that support important functions or strategic goals but can be deferred or reprioritized within existing resources.
3. Aspirational / Strategic. Requests that are aligned with long-term goals or innovation but are not urgent or critical to current operations.

Given the expected funding constraints, essential / mission-critical requests will be the primary focus in this year's budget development process. At the same time, we recognize that some opportunities are time-sensitive and could significantly advance the university's strategic priorities. If this type of request is included, it should demonstrate clear alignment with one or more of the university's enterprise-level priorities (i.e., the *Virginia Tech Advantage*, *Virginia Tech Global Distinction*, or enabling infrastructure). While funding for these requests may be limited, including them allows leadership to identify bold initiatives that could be supported if circumstances change.

It is expected that each request addresses a distinct, standalone priority with its own rationale, cost estimate, and impact statement. Please avoid combining unrelated needs into a single "umbrella" request.

While the process is more constrained than in past years, the goal remains the same: to surface the most pressing and impactful needs from across campus. Your thoughtful prioritization will ensure the university can respond effectively to its most critical challenges.

As in prior years, the university will collect budget requests using an online application. System access, a user guide, and additional information about the process will be available on the Office of Budget & Financial Planning's website at <https://www.obfp.vt.edu/budgetprocesses.html>. Users will be notified when the system opens in October.

Timeline for Deliverables

As we head into the fall, we want to share the timeline of the upcoming process and provide time to plan for your submissions. The table below summarizes key dates for your reference.

September 26, 2025	Notify Campus of Critical Needs Process
September 29, 2025	Additional user information and a link to the CNR system will be posted on the Office of Budget & Financial Planning website. https://www.obfp.vt.edu/budgetprocesses.html Critical Needs System Opens
November 7, 2025	Critical Needs collection process closes
November-December, 2025	Critical Needs Hearings with Units

Please contact Bruce Heath (hbh@vt.edu) about questions related to the overall budget process. Debbie Greer (greervt@vt.edu) or Brad Sumpter (jsumpter@vt.edu) are also

available to assist with the process for the administrative and academic areas, respectively, including any requests that cross functional areas/administrative boundaries. We look forward to reviewing your submissions.

cc: Simon P.M. Allen
Jeff Earley
Debbie Greer
Bruce Heath
Tim Hodge
Brennan Shepard
Brad Sumpter