

MINUTES
BUDGET AND PLANNING COMMITTEE
April 22, 2024

Present: Tara Brent, Travis Burns, Cyril Clarke, Kristen Cox, Cathy Duerbeck, Jeff Earley, Nancy Gruber, Jim Hillman, Tim Hodge, Mintai Kim Stephen Kleiber, Nancy McGehee, Liza Morris, Rebecca Pauly, Corina Sandu, Amy Sebring, Joseph Wells, and Randy Wynne

Absent with Notice: John McGee, Derek Mueller, Sean O’Keefe

Absent: Sophie Thompsen

Guests: Brennan Shepard

1. Announcement of approval and posting of minutes of February 23, 2024

The February 23, 2024 updated minutes have been approved and forwarded to the University Council for posting on the web.

2. Presentation

Jeff Earley, Vice Provost for Academic Resource Management and Tim Hodge, Associate Vice President of Budget and Financial Planning presented ‘The Case for Reinvestments’ to the Committee. Jeff Earley started off the presentation reminding the Committee of the University’s two strategic goals: the Virginia Tech Advantage and Global Distinction. These two goals are supported by Enabling Infrastructure (i.e. systems, technologies, and processes such as the office of student financial aid and sponsored programs). The university has a well-defined plan for the Virginia Tech Advantage and a group is working to refine the global distinction vision and what resources would be needed. Budget requests help us understand opportunities for investment in these areas.

After reviewing the major sources of the E&G operating budget with the committee, Tim Hodge reviewed why future tuition rate increases are expected to be able to fund inflationary costs (e.g. compensation and utility increases), but unlikely to be a source for funding initiatives. He then reviewed how initiatives had been funded in prior years and the outlook on each of those sources. While incremental resources are expected to be available to help fund initiatives in coming years, there is a gap between projected resources and strategic aspirations. Reinvestments can help the university make more progress than it otherwise would. Mr. Hodge reminded the committee that VT is financially strong and a

periodic assessment of activities is part of a healthy organization. There was discussion with the committee. A PDF of the presentation is attached to these minutes.

3. Adjournment

There being no further business, the meeting adjourned at 12:04 p.m.

The Case for Reinvestments

Budget & Planning Committee

April 22, 2024

University Strategic Goals



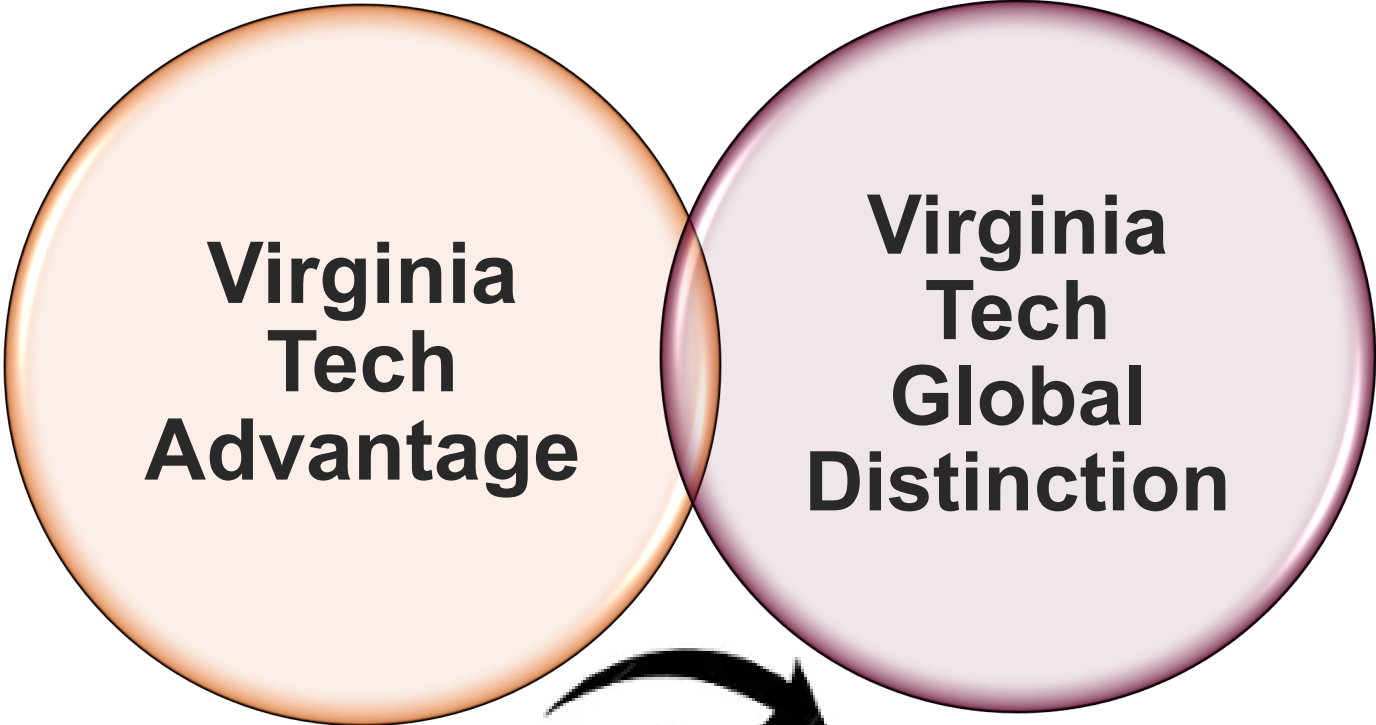
Virginia Tech Advantage

Embodies our land-grant mission by bridging financial gaps for students, ensuring steady degree progress, and fostering holistic student success

Virginia Tech Global Distinction

A commitment to institutional excellence across research, teaching, and engagement that makes the university a destination for the best faculty, students, and partners from the commonwealth, the nation, and the world

University strategic goals drive additional resource needs



Enabling Infrastructure

FY24 Operating Budget

\$ in millions

Component

University Division E&G

Coop Ext/Ag Exp Division E&G

Auxiliary Enterprises

Sponsored Programs

Appropriated Student Financial Aid (SFA)

All Other Programs

FY24

\$1,007.6

105.8

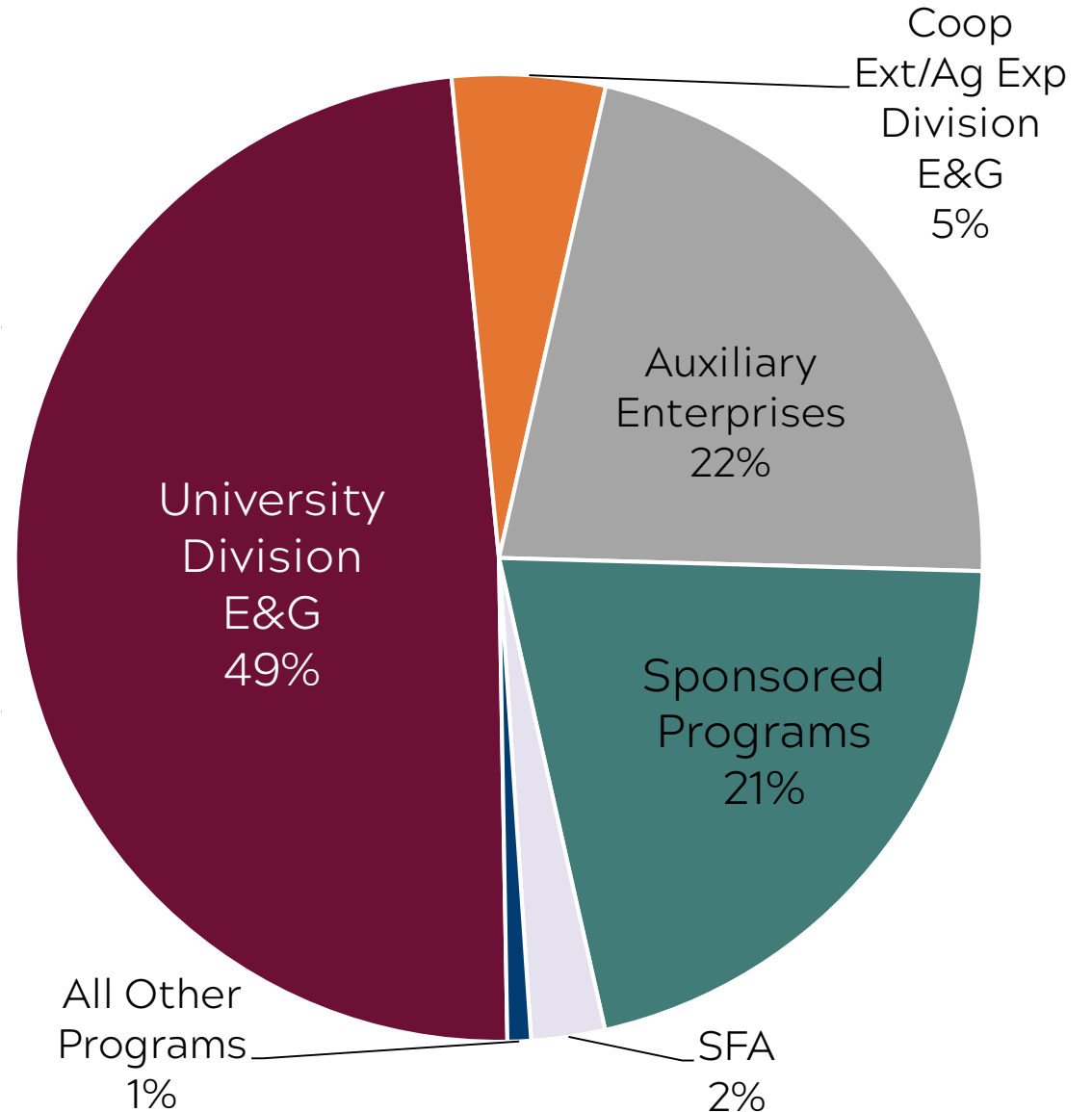
452.7

435.3

50.9

16.2

Total \$2,068.5



University Strategic Investments

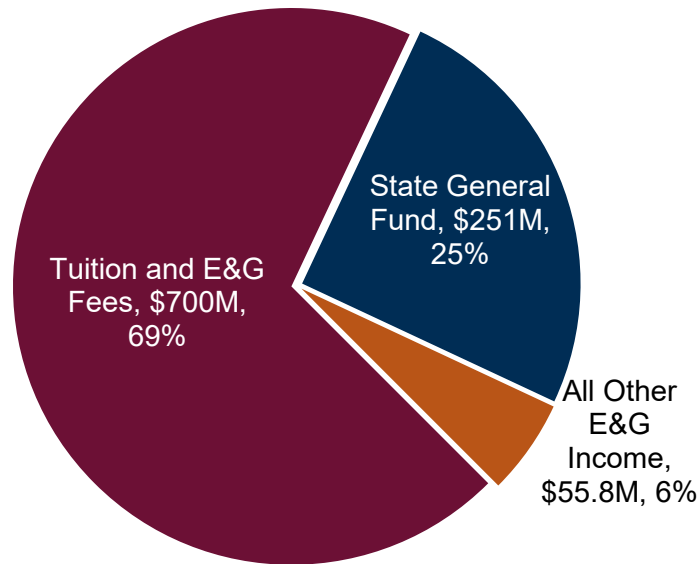
208 E&G Needs

\$ in millions

	FY25	FY26	FY27	FY28	FY29
Virginia Tech Global Distinction	\$14.9	\$13.1	\$14.4	\$13.3	\$13.1
Virginia Tech Advantage <i>(less) Governmental & Private Funding</i>	8.1 (3.9)	7.6 (4.0)	8.0 (4.4)	8.1 (4.5)	8.2 (4.7)
Enabling Infrastructure	9.5	10.5	10.5	10.5	10.5
Strategic Vision	\$28.6	\$27.2	\$28.5	\$27.4	\$27.1

Challenge – Funding University Goals

Tuition revenue accounts for 69% of E&G revenue



Example: If inflation is 3%, there is a 3% compensation program, and tuition is limited to a 2.9% increase.

- Stakeholders expect tuition increases to be less than the rate of inflation.
- FY24 \$1B E&G budget is structurally balanced (meaning strong but little ongoing base capacity for initiatives)
- The challenge is how to make progress on advancing university goals

Sources/(Uses)	\$ in Millions
3% Compensation Cost	(\$20.5)
Fixed Costs, O&M, Fringes	(2.5)
State GF Share of Compensation	7.5
2.9% Tuition	<u>15.5</u>
Capacity for Initiatives	\$0

How does VT make progress in funding strategic initiatives?

Looking back, VT has been funding initiatives with:

- UG enrollment growth: 25%+ growth over 10 years
- Shift in UG enrollment mix: 73% IS in FY15 vs. 67% in FY24
- Increased GF support: 20%+ growth in GF/SFTE in constant dollars
- Increased philanthropy: On pace to reach \$1.872B campaign goal

Looking forward, this will continue but with constraints:

- UG enrollment growth is constrained (<1% a year)
- IS-OOS UG mix can grow 1% a year; public land-grant mission will limit overall OOS% (~35%)
- State support is inconsistent
- Philanthropy often targeted, one-time and focused on the long game

Opportunities for Incremental Revenue

\$ in millions

VT is fortunate to have financial strength and some flexibility moving forward

Source	FY25	FY26	FY27	FY28	FY29
Projected undergraduate enrollment growth	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2
Shift in undergraduate enrollment mix	5.6 34%	5.6 35%	-	-	-
Net from professional masters	TBD	TBD	TBD	TBD	TBD
State support	TBD	TBD	TBD	TBD	TBD
Philanthropy	TBD	TBD	TBD	TBD	TBD
New Resource Capacity for Initiatives	\$9.8	\$9.8	\$4.2	\$4.2	\$4.2

The Case for Reinvestment

\$ in millions

	FY25	FY26	FY27	FY28	FY29
Estimated cost of strategic vision (from prior slide)	\$28.6	\$27.2	\$28.5	\$27.4	\$27.1
New resource capacity from known sources (prior slide)	9.8	9.8	4.2	4.2	4.2
Gap	(18.8)	(17.4)	(24.3)	(23.2)	(22.9)
Reinvestments/Reallocations to enhance university goals	5	5	5	5	5
Need for philanthropy, state, federal, other resources or delay/focus vision	(13.8)	(12.4)	(19.3)	(18.2)	(17.9)

Options for closing the gap:

- Professional masters, philanthropy, state funding and federal funding (not currently estimated)
- Time – slow down progress to match available resources
- Reduce redundancy and inefficiencies

Key Takeaways

- VT is financially strong and is in an enviable position compared to many institutions.
- Periodic assessment of current activities is part of a healthy organization.
- Reinvestments enable faster progress in achieving university goals.
- Reinvestments signal to external stakeholders that we are good stewards of our resources and can lead to greater levels of external support.

Discussion

1. While VT is financially strong, does the math challenge make sense (gap between initiative capacity and vision)?
2. Is it clear how reinvestments can help VT make more progress than it otherwise would to advance the strategic plan?