



August 4, 2014

Jean Mottley, Ph.D.
Senior Associate for Finance Policy
State Council of Higher Education for Virginia
James Monroe Building
101 North Fourteenth Street
Richmond, VA 23219

Dear Jean:

In accordance with the requirements of the Higher Education Opportunity Act of 2011, and the instructions provided to institutions by SCHEV on July 1, 2014, the university is submitting to you its revised six-year academic and financial plans for 2014-2020.

The revised plan updates the progress made towards university and commonwealth strategic initiatives in 2014-15, consistent with the original plan approved in 2013. The university also reviewed its fixed cost increases and updated the incremental General Fund provided in the 2014-16 Appropriation Act and nongeneral fund revenue approved to support those needs to display a complete picture. As a result, these revisions summarize the progress-to-date of the university. Please note that the progress towards our goals was modest due to high mandatory cost drivers that are outside the institution's control and the limited resources available.

For 2015-16, the university reviewed the prior submission and updated it with revised revenue and expense expectations, and took into account the limited progress made in 2014-15. The plan was also adjusted to reflect proposed incremental General Fund support and capacity for incremental nongeneral fund support. This summarizes the opportunities for investment in strategic areas that will advance the university, as well as the commonwealth, in addressing the needs of students, citizens, and the state economy.

As calculated by SCHEV in 2013, Virginia Tech had an \$18.7 million Base Budget Adequacy shortfall. While this is the third largest shortfall in the state, Virginia Tech believes this quantification understates Virginia Tech's actual funding shortfall. The university's authorized faculty salary ranks at the 31st percentile of peers; far below the commonwealth's goal of the 60th percentile. This has made attracting and retaining world-class faculty extremely difficult, and we continue to defend against the loss of our talented faculty members to competing institutions. Ensuring competitive salary and start-up packages to high-caliber faculty members is critical to maintaining and expanding the university's quality education and research activity.

Despite the reductions in General Fund appropriations, we have enrolled **2,274** additional in-state students since 2003-04, and we produced **3,965** STEM graduates in 2012-13 (25% of the state's public four-year institution total and 46% more than any other public institution in Virginia). While we have taken many actions to improve efficiencies in both our academic and administrative programs and have one of the leanest administrative cost structures, the significant shortfall in our resources has challenged our ability to maintain the integrity and

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quality of our instructional programs and continue to grow our research programs in strategic areas that support both the university and economic development in the commonwealth.

Considerable effort has been taken in this plan to project nongeneral fund revenue increases that are sensitive to the needs of our students while both fulfilling fixed cost increases and allowing modest progress towards the six-year plan initiatives. The difference between the total estimated costs and estimated revenue in this plan represents the need for General Fund support. As strategies generate expenses in excess of the realistic self-generated revenue estimate, this provides an opportunity for collaboration with the commonwealth in areas that benefit the goals espoused by the Higher Education Opportunity Act of 2011. Without additional state support, the university will not be able to deliver the comprehensive set of programs and initiatives proposed. In such a circumstance, the university would reassess and prioritize the listing of initiatives possible given available resources.

We continue to believe that the commonwealth's prior experience and current activities confirm that investments in the state's leading research institutions will be a necessary component in achieving several goals in TJ21 as well as supporting new economic development opportunities throughout Virginia. Accordingly, one of the most critical elements of our academic plan is the strategic expansion of the university's research program, including targeted growth in life science research, autonomous transportation, and the intersection of creativity, technology, and the arts. It is crucial that these research activities be leveraged through state support to fully benefit from the existing excellence and technological competence of Virginia Tech's translational research program and generate the full potential of economic opportunities possible through our research centers and activities.

This submission also includes a revised six-year plan for the university's Cooperative Extension and Agricultural Experiment Station (VCE/VAES) Division that addresses strategies to advance the commonwealth's land grant mission. As you know, VCE/VAES has virtually no ability to generate incremental nongeneral funds, and it is therefore highly reliant upon General Fund support to serve the citizens of the commonwealth. Basic and applied research is conducted and disseminated throughout the commonwealth, particularly within the agricultural sector of the state economy, through collaborative efforts within our Extension and Agricultural Experiment Stations. Supporting a \$70 billion industry within the state, VCE/VAES is a critical force within the economic engine that is diversifying Virginia's economy and bolstering its economic recovery.

We appreciate SCHEV's coordination of the six year planning process. If you have any questions or concerns regarding our plans, please feel free to contact me.



M. Dwight Shelton, Jr.
Vice President for Finance and
Chief Financial Officer

Attachments

cc: Mark G. McNamee
Timothy D. Sands