



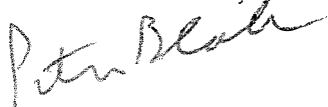
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MEMORANDUM

TO: The Honorable Aubrey L. Layne, Jr., Secretary of Finance
The Honorable Thomas K. Norment, Jr., Co-Chair, Senate Finance Committee
The Honorable Emmett W. Hanger, Jr., Co-Chair, Senate Finance Committee
The Honorable S. Chris Jones, Chairman, House Appropriations Committee

FROM: Peter Blake 

DATE: October 1, 2019

SUBJECT: Capital Outlay Financial Feasibility Update

Chapter 854 of the 2019 Virginia Acts of Assembly (§ 4-4.01 CAPITAL PROJECTS - GENERAL) requires the Council of Higher Education to do the following:

j.2. By August 15 of each year, institutions shall also prepare and submit copies of financial feasibility studies to the State Council of Higher Education for Virginia for 9(d) obligations where debt service is expected to be paid from project revenues or revenues of the institution. The State Council of Higher Education shall identify the impact of all projects requested by the institutions of higher education, and as described in § 4-4.01 j.1. of this act, on the current and projected cost to students in institutions of higher education and the impact of the project on the institution's need for student financial assistance. The State Council of Higher Education for Virginia shall report such information to the Secretary of Finance and the Chairmen of the House Appropriations and Senate Finance Committees no later than October 1 of each year.

In accordance with this requirement, SCHEV has reviewed the financial feasibility studies submitted for projects requested for FY2021. Through this review, we have identified the likely impact that each project will have on student charges and on the institutions' need for student financial assistance.

The attached report summarizes our findings. If you have any questions, or if we can be of further assistance, please contact me at (804) 225-2611.

c: Ms. April Kees, Staff Co-Director, Senate Finance Committee
Mr. Jason Powell, Staff Co-Director, Senate Finance Committee
Mr. Robert Vaughn, Staff Director, House Appropriations Committee
Mr. Dan Timberlake, Director, Department of Planning and Budget



Financial Feasibility Study

Colleges and universities in Virginia are required by law to submit Financial Feasibility Studies to SCHEV and/or the State Treasurer for projects where debt service is to be paid from student fees or other institutional funds. The language in the Act is shown below.

§ 4-4.01 GENERAL

j. Capital Projects Financed with Bonds: Capital projects proposed to be financed with (i) 9 (c) general obligation bonds or (ii) 9(d) obligations where debt service is expected to be paid from project revenues or revenues of the agency or institution, shall be reviewed as follows:

2. By August 15 of each year, institutions shall also prepare and submit copies of financial feasibility studies to the State Council of Higher Education for Virginia for 9(d) obligations where debt service is expected to be paid from project revenues or revenues of the institution. The State Council of Higher Education shall identify the impact of all projects requested by the institutions of higher education, and as described in § 4-4.01 j.1. of this act, on the current and projected cost to students in institutions of higher education and the impact of the project on the institution's need for student financial assistance. The State Council of Higher Education for Virginia shall report such information to the Secretary of Finance and the Chairmen of the House appropriations and Senate Finance Committees no later than October 1 of each year.

Financial Feasibility Studies (FFS) are comprehensive debt-financed capital outlay project evaluation instruments. Financial Feasibility Studies allow the borrowing institution to provide a complete description of the projects for which state-sponsored debt is being requested and to provide detailed information on the anticipated costs associated with the project and on the sources and uses of funds associated with the project. Part 1 of the instrument consists of four sections; General Information, Cost Information, Revenue Information and General Financial Condition. Part 2 consists of Cost, Revenue and Net Revenues/Coverage spreadsheets.

Under current law, for each applicable project, SCHEV is responsible for receiving FFSs from the institutions, determining the cost to students, estimating the impact of the project on the institution's need for student financial aid, and reporting its findings to the Secretary of Finance and to the money committee chairmen. Currently, SCHEV's findings are transmitted simply as an information item. They do not constitute a recommendation of the Council.

The new 9(d) debt amount for projects in FY2021 is \$530.4 million creating an estimated increased financial aid need of \$1.4 million to support increases in mandatory non-E&G fees.



STATE COUNCIL OF HIGHER
EDUCATION FOR VIRGINIA

SCHEV - Estimated Impact of New 9(d) Debt on Student Fees and Financial Aid Need - 2020-21										
Fiscal Year	Institution	Project	Debt Amount	Major Revenue Sources	Current Mandatory Non-E&G Fees	Increase in Mandatory Non-E&G Fees	New Mandatory Non-E&G Fee	Percent Increase	Increase in Financial Aid Need	
2021	CNU	Auxiliary Infrastructure Repairs	\$ 2,789,000	Comprehensive Fees and Dining Fees	\$ 5,824	\$ 54	\$ 5,878	0.9%	\$ 102,924	
	Subtotal		\$ 2,789,000			\$ 54		0.9%	\$ 102,924	
2021	GMU	Telecom Infrastructure Phase II	\$ 20,343,900	Existing Auxiliary Enterprises	\$ 3,504	N/A	N/A	N/A		
2021	GMU	IDIA Institute for Digital Innovation & Garage	\$ 85,680,000	Fundraising Sources	\$ 3,504	N/A	N/A	N/A		
	Subtotal		\$ 106,023,900							
2021	JMU	East Campus Infrastructure Phase I	\$ 17,229,600	Comprehensive Fees, Dining Fees and Room Fees	\$ 4,956	\$ 20	\$ 4,976	0.4%	\$ 116,293	
2021	JMU	Old Convocation Center Renovation	\$ 20,000,000	Comprehensive Fees	\$ 4,956	\$ 76	\$ 5,032	1.5%	\$ 441,693	
2021	JMU	Warren Hall Expansion	\$ 49,997,854	Comprehensive Fees	\$ 4,956	\$ 108	\$ 5,064	2.2%	\$ 627,858	
	Subtotal		\$ 87,227,454			\$ 204		4.1%	\$ 1,185,844	
2021	VMI	Renovate 408 Parade	\$ 2,000,000	Monthly Rental Charges	\$ 9,834	N/A	N/A	N/A		
2021	VMI	Improvements to Post Infrastructure Phase 4	\$ 1,600,000	Reallocation of Cadet Fees	\$ 9,834	N/A	N/A	N/A		
	Subtotal		\$ 3,600,000							
2021	VT	Holden Hall Renovation and Expansion	\$ 17,500,000	Private Gifts and Overhead Funds	\$ 2,096	N/A	N/A	N/A		
2021	VT	Student Wellness Improvements	\$ 45,238,000	Comprehensive Fees	\$ 2,096	\$ 10	\$ 2,106	0.5%	\$ 72,235	
2021	VT	Dietrick First Floor and Plaza Renovation	\$ 3,300,000	Board Fees	\$ 2,096	N/A	N/A	N/A		
2021	VT	Data and Decision Science Building	\$ 10,000,000	Private Gifts	\$ 2,096	N/A	N/A	N/A		
2021	VT	Innovation Campus-Academic Building	\$ 107,000,000	Private Gifts	\$ 2,096	N/A	N/A	N/A		
2021	VT	Replace Randolph Hall	\$ 20,200,000	Fundraising Sources	\$ 2,096	N/A	N/A	N/A		
2021	VT	Hahn Hall Renovation and Expansion	\$ 28,800,000	Overhead Revenue	\$ 2,096	N/A	N/A	N/A		
2021	VT	Corps Leadership and Military Science Building	\$ 31,350,000	Private Gifts and Cadet Facility Fees	\$ 2,096	N/A	N/A	N/A		
2021	VT	Falls Church Property Acquisition	\$ 11,080,000	Sale of Properties	\$ 2,096	N/A	N/A	N/A		
	Subtotal		\$ 274,468,000			\$ 10		0.5%	\$ 72,235	
2021	CWM	Construct Parking Facilities	\$ 11,300,000	Parking Fees	\$ 6,058	\$ 17	\$ 6,075	0.3%	\$ 24,146	
2021	CWM	Renovate Kaplan Arena & Construct Sports Performance Center	\$ 45,000,000	Donor Funds	\$ 6,058	N/A	N/A	N/A		
	Subtotal		\$ 56,300,000			\$ 17		0.3%	\$ 24,146	
	Total		\$ 530,408,354						\$ 1,385,149	

1 - While fee increases directly related to capital projects are exempt from the three percent annual increase limit on mandatory non-E&G fees, if all three projects are approved then JMU may exceed the three percent limit.