




COMMONWEALTH of VIRGINIA
STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
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TO: The Honorable Janet D. Howell, Chair, Senate Finance and Appropriations Committee
The Honorable Luke E. Torian, Chair, House Appropriations Committee
The Honorable K. Joseph Flores, Secretary of Finance

FROM: Peter Blake 

DATE: October 6, 2021

SUBJECT: Capital Outlay Financial Feasibility Update

Chapter 552 of the 2021 Virginia Acts of Assembly (§ 4-4.01 CAPITAL PROJECTS - GENERAL) requires the Council of Higher Education to do the following:

i.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 i.2. 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 FY2023. 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 Director, Senate Finance and Appropriations Committee
Ms. Anne E. Oman, 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

i. 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 i.2. 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 FY2023 is \$346.3 million creating an increased financial aid need of \$521,179 to support increases in mandatory non-E&G fees.

SCHEV - Estimated Impact of New 9(d) Debt on Student Fees and Financial Aid Need - 2022-23

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
2023	GMU	Telecom Infrastructure Phase III	\$ 9,945,000	Self-Generated Revenues	\$ 3,609	N/A	N/A	N/A	\$ -
	Subtotal		\$ 9,945,000			\$ -		\$ -	
2023	JMU	East Campus Infrastructure Phase II	\$ 13,198,800	Dining Fee (\$8), Room Fee (\$35), Comprehensive Fees (\$29)	\$ 5,178	\$ 72	\$ 5,250	1.4%	\$ 409,086
	Subtotal		\$ 13,198,800			\$ 72		\$ 0	
2023	VCU	Arts and Innovation Academic Building	\$ 18,360,000	Fundraising Sources	\$ 2,569	N/A	N/A	N/A	\$ -
	Subtotal		\$ 18,360,000			\$ -		\$ -	
2023	VT	Falls Church Property Acquisition	\$ 11,080,000	Retired Debt Service Savings	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Data and Decision Science Building	\$ 10,000,000	Research Grants and Contracts	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Innovation Campus-Academic Building	\$ 107,000,000	Private Gifts	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Replace Randolph Hall	\$ 23,190,000	Fundraising Sources	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Hahn Hall Renovation and Expansion	\$ 29,300,000	Overhead Revenue	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Corps Leadership and Military Science Building	\$ 31,350,000	Private Gifts and Cadet Facility Fees	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Hitt Hall	\$ 25,887,000	University Pledge and Private Gifts	\$ 2,244	N/A	N/A	N/A	\$ -
2023	VT	Student Wellness Improvements	\$ 59,190,000	Comprehensive Fees	\$ 2,244	\$ 15	\$ 2,259	0.7%	\$ 112,093
	Subtotal		\$ 296,997,000			\$ 15		\$ 0	
2023	W&M	Construct/Renovate: Utilities	\$ 7,800,000	Reallocation	\$ 6,242	N/A	N/A	N/A	\$ -
			\$ 7,800,000						
	Total		\$ 346,300,800						\$ 521,179