



Peter Blake
Director

COMMONWEALTH of VIRGINIA
STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
James Monroe Building, 101 North Fourteenth Street, Richmond, VA 23219

(804) 225-2600
FAX (804) 225-2604
www.schev.edu

MEMORANDUM

TO: The Honorable Stephen E. Cummings, Secretary of Finance
The Honorable Barry D. Knight, Chair, House Appropriations Committee
The Honorable Janet D. Howell, Co-Chair, Senate Finance and Appropriations Committee
The Honorable George L. Barker, Co-Chair, Senate Finance and Appropriations Committee

FROM: Peter Blake, Director, State Council of Higher Education for Virginia

DATE: October 2, 2023

SUBJECT: Capital Outlay Financial Feasibility Update

Chapter 2 of the 2023 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 FY 2024. 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.

October 2, 2023

Page 2

The attached report summarizes our findings. If you have any questions, or if we can be of further assistance, please contact Grace Khattar at gracekhattar@schev.edu or (610) 927-7986.

c: Ms. April Kees, Staff Director, Senate Finance and Appropriations Committee
Ms. Anne E. Oman, Staff Director, House Appropriations Committee
Mr. Michael Maul, Director, Department of Planning and Budget

Financial Feasibility Study

Colleges and universities in Virginia are required 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 FY2024-25 is \$87 million creating an increased financial aid need of \$163,552 to support increases in mandatory non-E&G fees.

SCHEV - Estimated Impact of New 9(d) Debt on Student Fees and Financial Aid Need - 2024-25									
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
2024	JMU	East Campus Infrastructure Phase 3	\$9,474,300	Student Fees	\$5,662	\$32	\$5694	0.6%	\$163,552
	Subtotal		\$9,474,300						
2024	VT	Virginia Tech Carilion School of Medicine and Fralin Biomedical Research Institute Expansion	\$30,000,000	Overhead Revenue from Research Program	\$2,585	N/A	N/A	N/A	N/A
2024	VT	Replace Randolph Hall	\$27,828,000	Research Program and Private Gifts	\$2585	N/A	N/A	N/A	N/A
	Subtotal		\$57,828,000						
2024	W&M	Improve Auxiliary Facilities	\$20,000,000	Self-Generated Revenues	\$6,652	N/A	N/A	N/A	N/A
	Subtotal		\$20,000,000						
	Total		\$86,302,300						\$163,552

*Note that Virginia Tech's Corps Leadership and Military Science Building introduces a new fee for participation in the Corps of Cadets program. The fee is \$480 and applies only to students that elect to participate in the Corps of Cadets program.