

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 chairpersons. Currently, SCHEV's findings are transmitted simply as an information item. They do not constitute a recommendation of the Council. Virginia Tech submitted two financial feasibility studies and requested a 9(d) debt authorization in fiscal years 2025 and 2026. The total new 9(d) debt amount for projects within 2024-2026 is \$63,800,000 and will not result in increased student fees or an increase in student financial need.

| SCHEV - Estimated Impact of New 9(d) Debt on Student Fees and Financial Aid Need - 2025-26 | | | | | | | | | |
|--|--------------|---|---------------------|--|--------------------------------|------------------------------------|---------------------------|------------------|--------------------------------|
| 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 |
| 2026 | VT | Virginia Tech-Carilion School of Medicine and Fralin Biomedical Research Institute Expansion: | \$26,400,000 | Overhead Revenue from Research Program | \$2,684 | N/A | N/A | N/A | \$0 |
| 2025 | VT | Renovate & Expand Chem-Physics Facilities | \$37,400,000 | Overhead Revenue from Research Program | \$2,684 | N/A | N/A | N/A | \$0 |
| | Total | | \$63,800,000 | | | | | | |