

Strategic Investment Fund—Key Considerations

BACKGROUND

- The Strategic Investment Fund (SIF) is comprised of several cash and investment balances, accumulated for specific purposes over an extended period of time. In 2014, the Board of Visitors began evaluating how to utilize this strong balance sheet to invest in strategic priorities.
- SIF balance includes: medical center reserves, health plan reserves, operating liquidity requirements (for bond rating), renewal/replacement capital reserves, philanthropy, and others.
- *The SIF does not include tuition revenue or state appropriations as those funds are used exclusively to support operating expenses.* State general funds and tuition revenues are fully expended for intended academic purposes each year.
- UVA anticipates that as much as \$100 million in annual earnings will be available for SIF initiatives.
- While the core SIF balances will remain in place, continuing to serve as reserves for their intended purposes, the investment earnings provide extraordinary opportunities to create knowledge and solutions through research, to expand economic development in the Commonwealth, and to support an affordable and excellent education for Virginians.
- The SIF will be managed consistent with the BOV policy regarding the University endowment investment and spending policy. The annual amounts available to fund initiatives are dependent upon actual fund performance and recommendations of faculty and advisory committees.
- The Fund is separate from the University's endowment, which is largely restricted by alumni and donors for specific purposes.

RESERVES

- For the 2016-17 fiscal year, the Board of Visitors approved a \$3.2 billion operating budget for the University. The Academic Division budget is approximately \$1.6 billion. The state appropriation is approximately \$150 million. The state also funds select capital projects.
- Financial reserves position institutions to weather unexpected fluctuations in normal operations. Such fluctuations have included declines in investment returns, federal sequestrations, changes in research support, decreases in health care reimbursements and historic declines in overall public funding.
- The University's reserves, now aggregated into the SIF, afford UVA the equivalent of 270 days of emergency operating reserves.
- These reserves kept the University in sound financial standing during the economic crisis of 2008, through state general fund reductions, federal research downturns, and continued to support the University's AAA bond rating.

AFFORDABILITY

- UVA is the best value of any public university in the Commonwealth.
- UVA offers the lowest net tuition for Virginia families with incomes under \$80,000, and one of the lowest net tuitions under \$100,000, which includes more than 70 percent of all Virginians.
- US News & World Report lists UVA as the #3 public university in the nation. Both Kiplinger and Money magazine rank UVA as the third best college value.
- The Board of Visitors lowered the approved tuition rate increase from 3 percent to 1.5 percent for continuing in-state undergraduates following the additional financial support approved by the General Assembly in the last legislative session.
- Fundraising for need-based scholarships has grown from an average of about \$700,000 per year between 2010 and 2012, to over \$8 million per year today.
- Since 2005, the University has raised more than \$39 million in support of need-based scholarships.

TUITION

- The SIF provides transformational investments in excellence *without relying on increased tuition or tax dollars to do so.*
- The University's financial position enables these investments while moderating tuition increases so that UVA continues to provide students an affordable, accessible and world-class education.
- Salaries, benefits, building support and maintenance, technology, and other operational costs are recurring expenses necessary to run the University. These expenses are funded by ongoing operating sources, such as tuition, state appropriations, research grants, patient revenue, endowment spending distributions, annual giving and auxiliary services.