

Higher Education

| Proposed Adjustments as Introduced (\$ in millions) | | | | |
|---|-------------------------|------------------|-------------------------|------------------|
| | FY 2013 Proposed | | FY 2014 Proposed | |
| | <u>GF</u> | <u>NGF</u> | <u>GF</u> | <u>NGF</u> |
| 2012-14 Base Budget, Ch. 890 | \$1,558.7 | \$6,914.8 | \$1,558.7 | \$6,914.8 |
| Technical Adjustments | 11.6 | 18.4 | 11.8 | 18.4 |
| Proposed increases | 102.3 | 410.6 | 102.0 | 489.2 |
| Proposed decreases | (1.9) | (68.3) | (2.0) | (68.3) |
| \$ Net Change | 112.0 | 360.7 | 111.8 | 439.3 |
| HB/SB 30, as Introduced | \$1,670.7 | \$7,275.5 | \$1,670.5 | \$7,354.1 |
| % Change | 7.2% | 5.2% | 7.2% | 6.4% |
| | | | | |
| FTEs | 17,494.02 | 37,662.58 | 17,495.02 | 37,830.58 |
| # Change | (144.64) | 2,453.64 | (143.64) | 2,621.64 |

Proposed Major FY 2012-14 GF Actions

| | <u>FY 2013</u> | <u>FY 2014</u> |
|--|-----------------------------|-----------------------------|
| Proposed Reductions and Reallocations: | | |
| Colleges and Universities & Other Higher Education Agencies | | |
| SCHEV Eliminate the Eminent Scholars Program | (\$1,707,499) | (\$1,707,499) |
| SCHEV Phase-out Direct GF to VWIL Program | (76,975) | (153,950) |
| SCHEV Reductions to Agency Operations | (149,135) | (149,135) |
| Higher Education Institution Reallocations | 0* | 0* |
| CA: Interest Earnings and Credit Card Rebate | <u>(4,629,707)</u> | <u>(3,976,130)</u> |
| Total Reductions & Reallocations | <u>(\$6,563,316)</u> | <u>(\$5,986,714)</u> |
| Proposed Spending: | | |
| Higher Education Opportunity Act (TJ 21) Spending | | |
| TJ 21: Base Adequacy | \$25,474,554 | \$25,474,554 |
| TJ 21: Degree Production Incentive | 20,379,644 | 20,379,644 |
| TJ 21: Enrollment Growth | 16,219,500 | 16,219,500 |
| TJ 21: Financial Aid | 6,368,639 | 6,368,639 |
| TJ 21: Institution Initiatives | 5,094,910 | 5,094,910 |
| TJ 21: Research | 3,768,000 | 3,768,000 |
| Other Higher Education Spending | | |
| Higher Education Research Initiative | \$8,600,639 | \$8,600,639 |
| Tuition Assistance Grant (TAG) Program | 5,856,432 | 5,856,432 |
| EVMS Increase for Base Support | 3,562,682 | 3,562,682 |
| Virtual Library Research Database Acquisition | 2,800,000 | 2,800,000 |
| VCCS Workforce Development | 2,000,000 | 2,000,000 |
| Institute for Advanced Learning and Research | 600,000 | 600,000 |
| Virginia Institute of Marine Science (VIMS) Faculty Positions | 525,000 | 525,000 |
| Jefferson Lab | 500,000 | 500,000 |
| Biotechnology Park Operating Funds | 250,000 | 250,000 |
| VCU - Plan Replacement of VA Treatment Ctr. For Children | 250,000 | 0 |
| Total Spending | \$102,250,000 | \$102,000,000 |
| Grand Total | \$95,686,684 | \$96,013,286 |

* Higher education institution proposed reallocations are \$34.7 million in FY 2013 and \$57.8 million in FY 2014, the amounts net to \$0 for this purpose because the funding will be used for other items related to the TJ 21 legislation within each institution.

** Funding in Central Accounts reflects the proposal in HB/SB 29 to eliminate the \$10.0 million GF reversion pool assigned to higher education institutions in Central Appropriations.

Higher Education Reallocation and Reduction Proposals

- *Eliminate Eminent Scholars Program.* Proposes the elimination of the Eminent Scholars program, a decrease of \$1.7 million GF in each year. The program was established in 1964 and designed to match endowment earnings on a dollar-for-dollar basis with funds used to supplement faculty salaries and attract eminent faculty. The fund is meeting less than 25 percent of eligible funding levels with about two-thirds of the funding allocated to the University of Virginia and the College of William and Mary.
- *Phase-out the Virginia Women's Institute for Leadership (VWIL) Program at Mary Baldwin College.* Recommends the phase-out of direct general fund support to the VWIL program, a decrease of \$76,975 in the first year and \$153,950 in the second year. The program was established prior to the Virginia Military Institute's policy change to allow admission of women. An accompanying language amendment would allow the students to become eligible for the tuition assistance grant program (this funding previously excluded eligibility).
- *State Council of Higher Education for Virginia (SCHEV).* Proposes a reduction of \$149,135 GF in each year in operating support. The reduction is equivalent to four percent and would eliminate more than half of the funding provided by the General Assembly in the 2011 Session to support TJ 21 legislation requirements.
- *Internal Higher Education Institution Reallocations.* Proposes internal reallocations of \$34.7 million in FY 2013 and \$57.8 million in FY 2014 to go towards the goals of the Virginia Higher Education Opportunity Act of 2011. The budget bill language states that the reallocation is based upon a percentage of total FY 2012 Educational and General (E & G) appropriation for all colleges and universities. In FY 2013 the reallocation would be three percent of the FY 2012 E & G amount and in FY 2014 the reallocation would be five percent. The funding will be un-allotted until individual institutions submit a plan that is approved by the Secretary of Education. It appears that the amounts have also been altered to reflect an institutions' level of nongeneral funds, or potentially greater ability to absorb these reallocations making the actual percentages a range from 0.8 percent to 1.0 percent in FY 2013 and 1.4 percent to 1.7 percent in FY 2014.
- *Higher Education Restructuring Financial Incentives.* Proposes reducing the estimated interest earnings from tuition and fees and other nongeneral fund E&G revenues and rebates on certain credit card purchases by about \$4.6 million GF in FY 2013 and \$4.0 million GF in FY 2014 reflecting lower interest rates. This was one of the incentives under restructuring that institutions were granted if they successfully met stated performance benchmarks.

Higher Education Opportunity Act of 2011 (TJ 21) Spending Proposals

- *Higher Education Legislation: Virginia Higher Education Opportunity Act of 2011 (TJ 21).* Chapters 828 and 869 of the 2011 Acts of Assembly established the

Virginia Higher Education Opportunity Act of 2011 with the intent of fueling economic growth in the Commonwealth and preparing Virginians for top job opportunities. The bill provided for reform-based investment and affordable access through a revised higher education funding policy. Funding is proposed in the Governor's budget of \$77.3 million GF each year to support the goals of the legislation. The funding is allocated in six areas - base adequacy, enrollment growth, degree production incentives, institution-specific initiatives, financial aid, and research. The following will explain funding in each category.

- ***Base Adequacy.*** Recommends funding of \$25.5 million in each year toward base adequacy. Base adequacy is a formula, driven by student enrollment and average faculty salaries, that identifies amounts needed to support the operations and academic mission of public colleges and universities. The Governor proposes to increase colleges and universities that are below 85 percent of the guidelines by approximately two percent of their guideline, institutions between 85 and 90 percent would receive about a one percent increase, and those above 91 percent receive about a one-half percent increase.
- ***Degree Production Incentives.*** The Governor's introduced budget proposes \$20.4 million GF in each year for degree production incentives. The funding is allocated based on a formula proposed by the institution presidents to the Higher Education Advisory Committee (HEAC) with a focus on Science, Technology, Engineering and Mathematics (STEM) measures.
- ***Institution-Specific Initiatives.*** In addition to the degree production formula, the Governor proposes \$5.1 million GF in each year for institution-specific initiatives related to additional degree production.
- ***Enrollment Growth.*** Proposes \$16.2 million GF in each year to address in-state undergraduate enrollment growth at Virginia's public colleges and universities. Amounts for four-year institutions were set equal to the proposed tuition assistance grant (TAG) award amount of \$2,750 for undergraduates and the two-year amount was set at 50 percent of this amount. Enrollment growth funding was given for actual growth that occurred between FY 2010 and FY 2011.
- ***Research.*** Proposes \$3.8 million GF in each year to fund research goals under TJ 21. The funding would support the Center for Bioelectrics at Old Dominion University (\$768,000), the Focused Ultrasound Surgery Foundation at the University of Virginia (\$1.5 million), and brain disorder research at Virginia Tech (\$1.5 million).
- ***Financial Aid.*** Recommends \$6.4 million GF in each year for additional financial assistance for in-state undergraduates. The distribution of funding is based on the partnership model and the difference between the

appropriation in FY 2012 and the need in FY 2013. Proposed language states that the funding is intended to enhance the affordability of higher education for low- and middle-income students.

Higher Education TJ 21 Allocations - Yearly Amount for FY 2013 and FY 2014

| <u>Institution</u> | <u>Base Adequacy</u> | <u>Degree Incentives</u> | <u>Operating Initiatives</u> | <u>Enrollment Growth</u> | <u>Research</u> | <u>Financial Aid</u> |
|------------------------|----------------------|--------------------------|------------------------------|--------------------------|--------------------|----------------------|
| Christopher Newport | \$471,942 | \$509,655 | \$477,000 | \$129,250 | 0 | \$121,469 |
| William & Mary | 529,371 | 625,991 | 250,000 | 0 | 0 | 52,560 |
| George Mason | 1,550,283 | 2,022,344 | 515,000 | 1,226,500 | 0 | 600,730 |
| James Madison | 923,917 | 1,655,807 | 427,000 | 1,298,000 | 0 | 211,445 |
| Longwood | 446,742 | 392,402 | 250,000 | 184,250 | 0 | 130,340 |
| Mary Washington | 243,231 | 434,199 | 300,000 | 277,750 | 0 | 81,340 |
| Norfolk State | 557,078 | 337,111 | 520,000 | 93,500 | 0 | 296,310 |
| Old Dominion | 4,284,306 | 1,598,657 | 450,000 | 1,111,000 | 768,000 | 598,414 |
| Radford | 403,478 | 893,981 | 476,000 | 819,500 | 0 | 172,560 |
| University of Virginia | 1,875,289 | 1,555,428 | 0 | 321,750 | 1,500,000 | 118,856 |
| UVA at Wise | 168,871 | 115,972 | 550,000 | 352,000 | 0 | 56,910 |
| Va Commonwealth | 4,105,117 | 2,050,402 | 0 | 2,076,250 | 0 | 731,235 |
| Va Military Institute | 97,651 | 100,125 | 371,000 | 148,500 | 0 | 18,683 |
| Virginia State | 256,179 | 266,782 | 325,000 | 764,500 | 0 | 219,434 |
| Virginia Tech | 2,218,990 | 2,605,989 | 0 | 283,250 | 1,500,000 | 339,277 |
| Richard Bland | 38,824 | 98,040 | 183,910 | 0 | 0 | 36,390 |
| VCCS | <u>7,303,285</u> | <u>5,116,839</u> | <u>0</u> | <u>7,133,500</u> | <u>0</u> | <u>2,582,686</u> |
| Total | \$25,474,554 | \$20,379,644 | \$5,094,910 | \$16,219,500 | \$3,768,000 | \$6,368,639 |

Other Higher Education Spending Proposals

- **Higher Education Research Initiative Funding.** Proposes \$8.6 million GF in each year for additional research support at Hampton University (\$3.0 million GF), University of Virginia (\$1.5 million GF), and Virginia Commonwealth University (\$1.5 million GF). In addition, \$2.6 million GF each year is proposed as a general research pool to be allocated by the Secretaries of Education, Finance, Technology and Commerce and Trade.
- **Tuition Assistance Grant Program.** Recommends \$5.9 million GF in each year to increase undergraduate awards to \$2,750 from \$2,650 and provide for enrollment growth in the tuition assistance grant (TAG) program.

- *Eastern Virginia Medical School (EVMS): Instructional Funding.* Proposes about \$3.6 million GF in each year to increase funding to support instruction for medical and health professions students.
- *State Council of Higher Education for Virginia (SCHEV): Increased Funding for the Virtual Library of Virginia (VIVA).* Recommends \$2.8 million GF in each year to support a major new academic e-books initiative and sustain current databases.
- *VCCS Workforce Development Funding.* Recommends \$2.0 million GF in each year for non-credit courses to enhance workforce development at the Virginia Community College System.
- *Institute for Advanced Learning and Research (IALR).* Proposes \$600,000 GF in each year for the expansion of research in polymer and chemical manufacturing.
- *VIMS Faculty Positions.* Proposes four additional faculty positions and \$525,000 GF in each year consistent with the objectives of the TJ 21 legislation at the Virginia Institute of Marine Science.
- *Jefferson Lab.* Recommends \$500,000 GF in each year for the expansion of technology development.
- *Virginia Biotechnology Research Park Operating Support.* Proposes \$250,000 GF in each year for operating support at the Virginia Biotechnology Research Park under Virginia Commonwealth University’s budget.
- *Virginia Treatment Center for Children Planning Funds.* Recommends \$250,000 GF in the first year to plan for the replacement of the Virginia Treatment Center for Children under Virginia Commonwealth University’s budget. The funding would be transferred from the University to the Health System.

Other Higher Education Actions

- *Fund Higher Education Equipment Trust Fund.* Proposes an allocation of \$56.1 million per year to support the replacement of computers and specialized research equipment. Debt service for the program is \$8.8 million and begins in FY 2014.
- *Remove \$10.0 Million Reduction for Higher Education in Central Appropriations.* Reflects the proposal in HB/SB 29 to eliminate the \$10.0 million GF reversion pool assigned to higher education institutions in Central Appropriations.
- *Provide Marketing Funding for Virginia’s Cyber-Security and Modeling and Simulation Activities.* Under the Technology Secretariat, includes \$1.0 million from the general fund in FY 2013 and \$1.3 million from the general fund in FY 2014 for marketing to ensure Virginia continues to remain a leader in cyber-security services and modeling and simulation. A portion of the funding for

modeling and simulation will be used to foster collaboration between universities and industry.

- ***Implement Life Sciences Initiative.*** Under incentive payments in Commerce and Trade, proposes \$5.0 million GF each year for a new initiative to provide funding for a research consortium to be comprised of UVA, VCU, VT, GMU and EVMS. The consortium will contract with private entities, foundations and other government sources for research in the biosciences. Up to \$500,000 of the funding may be used for administrative expenses of the consortium.
- ***Commonwealth Research Commercialization Fund.*** Under incentive payments in Commerce and Trade, provides \$10.0 million GF each year for research and commercialization of emerging technologies. This proposed funding provides a continued annual appropriation at the FY 2012 levels for this new Fund created in the 2011 Session of the General Assembly.
- ***Language Prohibiting an Increase in Financial Aid Funds from Tuition and Fee Revenue.*** An amendment is proposed under the §4-2.00 Revenues section in HB / SB 30 that would limit tuition and fee revenue generated from in-state students to support financial aid to the level proposed in the 2012-14 biennium. The Higher Education Advisory Committee (HEAC) is also asked to evaluate using tuition for this purpose as part of the goal of enhancing affordability for low- and middle-income students and families.
- ***Language Implementing the Virginia Higher Education Opportunity Act of 2011 (TJ 21).*** Language is proposed to implement TJ 21 and codify and restrict the proposed funding methodologies for base adequacy, enrollment growth, degree incentive funding and research to the process proposed in the introduced budget.