

Higher Education Subcommittee

Delegate Harvey B. Morgan,
Chairman

January 15, 2007



2007 Session Issues

- Base Funding Model
 - Model Updates
 - Funding Assumptions
- Restructuring
 - Technical amendments
 - Begin Level 2 opportunities
 - Expansion of entry level decentralization
- Financial Aid
- Legislative Priorities



Review of Higher Education Funding Guidelines



Higher Education Programs

- Educational & General Programs
 - Focus of the funding guidelines
 - Supported by both the General Fund and Nongeneral Funds (primarily tuition and fees)
- Student Financial Assistance
- Auxiliary Enterprise
 - Self-supporting
 - Revenues derived from sales and student fees (comprehensive fee)
 - Includes bookstores, dorms, dining, student unions, athletics, parking, telecommunications, recreation
- Sponsored Programs
 - Primarily the research activities
 - Revenues derived from federal, state, and private grants and contracts



Educational and General Programs

- Instruction
 - Single largest component of E & G
 - Undergraduate, graduate and first professional instruction
 - Community education: Non-credit training programs for computer software skills, foreign language skills
 - Family practice: Community-based residency programs for graduate medical students in generalist medicine
- Research
 - Mainly state-supported research centers
 - Department sponsored programmatic research or curriculum development
 - Does not include sponsored research or the research initiative funding you provided in 2006 Session
- Public Service
 - Outreach programs for area K-12 school children, public lecture series
 - Self-supporting
- Support Programs
 - Academic Support
 - Student Services
 - Institutional Support
 - Operation and Maintenance of Plant



Joint Subcommittee for Higher Education Funding Policies

- In 1998, the Joint Subcommittee for Higher Education Funding Policies was established and charged with developing funding guidelines
- The Joint Subcommittee adopted guidelines based on “national funding norms” that are predicated on typical staffing and funding levels at comparable public colleges and universities nationwide
- The methodology behind the guidelines address the basic question of “what drives the cost of providing higher education?”
 - Students, programs and faculty



Key Model Components

- Three components in tandem drive the instructional program cost:
 - Enrollment
 - Programs / Disciplines
 - Faculty Salaries
- All other costs are directly and indirectly a function of these items
- GF / NGF Fund Split



Enrollment

- The Model uses Annual Student FTE by discipline to determine the number of faculty needed
 - Some disciplines are more faculty intensive than others such as the sciences
- In addition, the level of a course is a factor
 - Doctoral and masters level drive more faculty need than undergraduate level

Student to Faculty Ratios, by Level and Discipline

| Discipline | Lower | Upper | Master's/ Professional | Doctoral |
|---------------------------------|-------|-------|---------------------------|----------|
| Group 1 | | | | |
| Area Studies | 24 | 18 | 11 | 9 |
| Business & Management | 24 | 18 | 11 | 9 |
| Interdisciplinary Studies | 24 | 18 | 11 | 9 |
| Library Science | 24 | 18 | 11 | 9 |
| Military Science | 24 | 18 | 11 | 9 |
| Public Affairs | 24 | 18 | 11 | 9 |
| Social Sciences | 24 | 18 | 11 | 9 |
| Study Abroad | 24 | 18 | 11 | 9 |
| Group 2 | | | | |
| Communications | 20 | 14 | 10 | 8 |
| Education | 20 | 14 | 10 | 8 |
| Home Economics | 20 | 14 | 10 | 8 |
| Letters | 20 | 14 | 10 | 8 |
| Mathematics | 20 | 14 | 10 | 8 |
| Psychology | 20 | 14 | 10 | 8 |
| Group 3a | | | | |
| Agric. & Natural Resources | 18 | 11 | 9 | 7 |
| Arch. & Env. Design | 18 | 11 | 9 | 7 |
| Computer /Info. Sci. | 18 | 11 | 9 | 7 |
| Fine and Applied Arts | 18 | 11 | 9 | 7 |
| Foreign Languages | 18 | 11 | 9 | 7 |
| Bus. & Com. Tech. | 18 | - | - | - |
| Data Processing Tech. | 18 | - | - | - |
| Public Serv. Tech. | 18 | - | - | - |
| Remedial Education | 18 | - | - | - |
| Group 3b | | | | |
| Biological Sciences | 18 | 11 | 8 | 6 |
| Engineering | 18 | 11 | 8 | 6 |
| Physical Sciences | 18 | 11 | 8 | 6 |
| Group 4 | | | | |
| Health Professions ¹ | 12 | 10 | 7 | 5 |
| Pharmacy | - | - | 6 | - |
| Health & Paramed. Tech. | 10 | - | - | - |
| Other | | | | |
| Mech. & Engr. Tech. | 13 | - | - | - |
| Natural Science Tech | 14 | - | - | - |
| Law | - | - | 17 | - |

¹ Excludes medicine, dentistry, and veterinary medicine.



Faculty Salary

- Faculty salary costs are calculated using a blended average of:
 - Full-time faculty
 - Part-time faculty
 - Graduate assistants (GTA)
- Full-time faculty salary is based on the appropriated salary average adjusted for approved increases
 - This is the same salary level that we use in the 60th percentile goal calculations to avoid double counting base adequacy and faculty salary need
- Part-time faculty and GTAs use standard costs approved by the Joint Subcommittee in January 2004
- Staff recommends that the Subcommittee reaffirm this approach



Fund Split

- The guidelines identified the **total** level of recommended funding (GF + NGF)
- The fund split will vary for each institution based on
 - the proportion of in-state students enrolled
 - the mix of programs
 - the size of other nongeneral fund activities at each institution (e.g., community education, research and public service)

Current Fund Splits, by institution

Student Mix Drives Recommended Fund Split for Educational Costs

| Institution | FY06 Student FTE (all students) | | Fund Split | |
|-------------|---------------------------------|----------------|------------|-----|
| | % In-State | % Out-of-State | GF | NGF |
| RBC | 98% | 2% | 65% | 35% |
| CNU | 96% | 4% | 63% | 37% |
| LU | 95% | 5% | 63% | 37% |
| VCCS | 96% | 4% | 61% | 39% |
| UVA-W | 94% | 6% | 63% | 37% |
| RU | 88% | 12% | 59% | 41% |
| VCU | 88% | 12% | 54% | 46% |
| ODU | 86% | 14% | 56% | 44% |
| GMU | 85% | 15% | 55% | 45% |
| NSU | 74% | 26% | 49% | 51% |
| UMW | 73% | 27% | 49% | 51% |
| JMU | 70% | 30% | 47% | 53% |
| VSU | 69% | 31% | 47% | 53% |
| VT | 67% | 33% | 43% | 57% |
| CWM | 63% | 37% | 42% | 58% |
| UVA | 61% | 39% | 41% | 59% |
| VMI | 53% | 47% | 35% | 65% |



Use of Fund Splits

- Since 2003-2004, the agreement staff worked out with institutions assumed that fund splits would be applied prospectively
 - Provides predictability in new funding
- The Joint Subcommittee adopted this approach
- Staff recommends that we continue to use the fund splits for new higher education funding (faculty salary, base adequacy, enrollment, new initiatives, etc.)

State of Guideline Funding

| Institution | Calculated Funding Need Based on Guidelines | E & G Resources | Percent of Guideline | Jan 2004 % of Guide |
|--------------|--|--------------------|-------------------------|------------------------|
| CNU | \$45.2 | \$44.6 | 99% | 76% |
| CWM | 114.5 | 119.2 | 104% | 91% |
| GMU | 295.0 | 295.6 | 100% | 90% |
| JMU | 175.8 | 185.6 | 106% | 81% |
| LU | 46.4 | 48.0 | 103% | 74% |
| UMW | 50.9 | 52.6 | 103% | 87% |
| NSU | 58.9 | 72.7 | 123% | 106% |
| ODU | 205.2 | 190.7 | 93% | 77% |
| RU | 92.4 | 88.8 | 96% | 78% |
| UVA | 428.4 | 413.6 | 97% | 90% |
| UVA-W | 20.0 | 20.9 | 105% | 97% |
| VCU | 419.0 | 392.2 | 94% | 81% |
| VMI | 18.9 | 27.9 | 148% | 121% |
| VPI | 426.5 | 422.7 | 99% | 90% |
| VSU | 49.8 | 48.9 | 98% | 82% |
| | | | | |
| RBC | 8.9 | 8.6 | 97% | 95% |
| VCCS | 661.3 | 639.8 | 97% | 80% |
| Total | \$3,116.9 | \$3,072.4 | 99% | 85% |

Figures may not add due to rounding



Updating the Model

- When should the guidelines be updated?
 - The Joint Subcommittee indicated that the Model should be updated “periodically”
 - November 13, 2001 - the Joint Subcommittee assumed that changes in enrollment would be taken into account serve as the interim adjustment to periodic model updates
 - Staff recommends updating the model at most every two years prior to an even year Session of the General Assembly
- What should be included in each update?
 - Staff recommends that each update include
 - current actual enrollment / discipline mix
 - faculty salary adjustments
 - Ft / PT mix changes
 - fund split changes



Enrollment in the Update

- What enrollment data should be used in the running of the model?
 - Nov 13, 2001 - the Joint Subcommittee recommended using the most current actual data available and up to one year of projected for enrollment growth adjustments, if provided by the General Assembly
 - For current purposes that translates into FY 06 enrollment for determining base adequacy and FY 07 estimates for any enrollment adjustments
 - Funding provided in the 2006-08 budget already assumed enrollment growth
 - This was provided in FY 08 so that enrollment levels could be examined
 - Additionally staff recommends that enrollment growth adjustments be funded using a marginal cost for each student, i.e. less than 100% of full cost, by using the institution-specific cost from the funding model
 - Instruction and academic support costs only
- This means that leading up to the 2008 Session, SCHEV should utilize actual 2007 enrollments
 - Faculty salary and enrollment levels should be from the same year



Faculty Salary in the Update

- What faculty salary level should be used in the update?
 - Staff recommends updating for faculty salary increases at most every two years prior to even year Sessions
 - Require SCHEV to review calculations for inflationary increases beyond salary costs for all employee groups
 - Costs in excess of salary increases need to be isolated
 - Staff **does not** recommend using 60th percentile goals in the model
- How should policy goals such as the ratio of full-time to part-time faculty be handled?
 - The guidelines used “national norms” which reflected actual full-time / part-time ratios
 - For example, the majority of two-year institutions use a significant number of part-time faculty the same as Virginia
 - Staff recommends that any adjustments for policy goals such as full-time / part-time faculty mix be addressed as a stand alone initiatives and not incorporated into base funding model
 - Institutions should be using funds received to address this item if it is their priority allowing changes over time to be incorporated into the model calculation



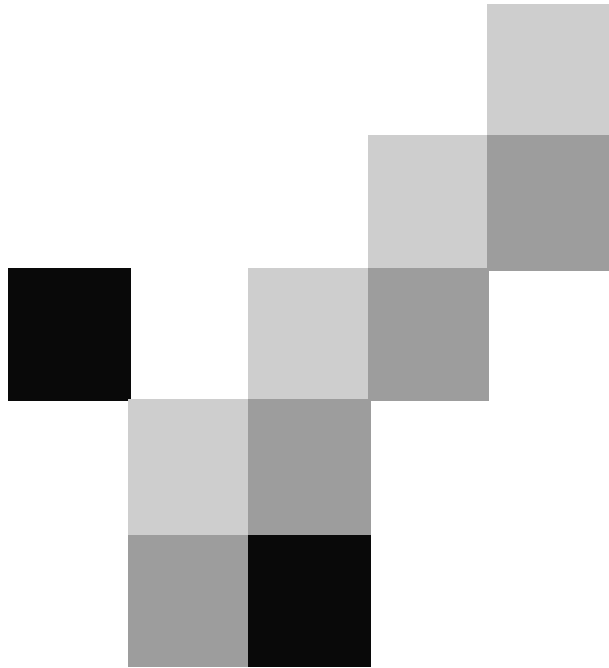
Other Staff Recommendations

- How should resources be calculated for use in the guideline calculation?
 - There is good reasons to use either current expenditures or current appropriations
 - Both would need to be adjusted by new funding provided
 - Additional staff work is required before a final recommendation can be proposed
- What adjustments should be made to resource levels?
 - Staff recommends that we limit adjustments to those currently in place
 - Current OCR funding at NSU and VSU
 - Original VCCS system office indexed for inflation
 - VCU's Qatar program
 - Staff further recommends that the Subcommittee may want to examine current adjustments to see if national norms account for such items in reported data
- As we enter a new era of restructuring the General Assembly may want to examine ways in which to build operating efficiencies into the funding model
 - Previous state funding models were reported in ranges and at less than 100% of what the model calculated



Summary

- Funding guidelines are more than a set of calculations to determine base budget needs
- Guidelines provide an objective analysis tool for higher education
 - Provide a means to focus limited resources
 - Recognize unique nature of each institution
 - Use standard criteria



Higher Education Restructuring



A Very Short History

- 2005 Session passed legislation that outlined
 - Three levels of autonomy available to colleges and universities
 - State goals and objectives
 - Performance criteria
 - Financial incentives
- 2006 Session
 - Developed management agreements with CWM, UVA and VT
 - Process of increased autonomy



Increased Autonomy

- In return for agreeing to achieving state goals and objectives, institutions received the entry level of autonomy
 - Board of Visitor resolution
- Level 2 autonomy was to be developed
 - Autonomy could not exceed Level 3
 - Limited number of areas
- Level 3
 - Unenhanced AA bond rating or previous success in two Level 2 areas
 - Demonstrates ability to administratively, financially and operationally handle the increased responsibility
 - Developed through negotiation with executive branch with final approval by legislature



Technical Amendments

- Several technical amendments to HB 1650 will be needed to clarify legislative intent and eliminate conflict in the budget with institutions under the management agreements



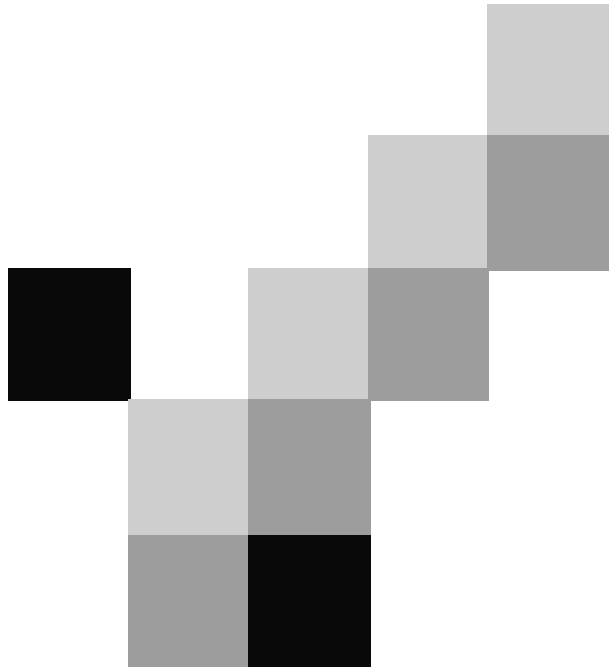
Level 2 Autonomy

- Separate legislation to outline autonomy in at least two areas:
 - Information technology
 - Procurement
 - Capital outlay is in development
- Develop eligibility criteria for immediate participation in the programs
 - For example, prior decentralized participation and Virginia Association of State Colleges and University Purchasing Professionals (VASCUPP) membership
 - Process for other institutions to begin participation
- Limited number of areas that an institution can choose
 - Avoid incremental approach to getting the equivalent of Level 3
 - Staff recommends that institutions be limited to two areas
- Uniform autonomy for each area as opposed to pieces and parts
 - Level 2 is an entrée to Level 3 and should serve as a proving ground for demonstrating competence



Expansion of Level 1

- You may want to consider providing some additional decentralization opportunities for those institutions not ready to tackle Level 2 but looking beyond Level 1
- Linkage to successful certification, additional accountability requirements or specific goals



Financial Aid



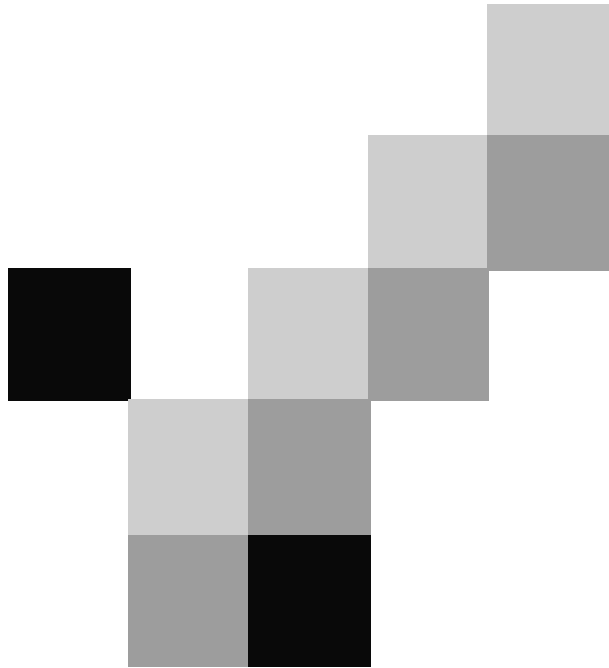
Financial Aid Models

- Commonwealth's goal was to meet 50% of remaining financial need as calculated using total cost of education, expected family contribution (EFC) and available gift aid
- Recent SCHEV recommendations utilize a modified approach based on a discounted total cost of education and application of EFC and total gift aid
 - Meet 100% of the remaining need
 - Goal is to direct aid to students who have the most demonstrated financial need
- However, both approaches are dependent on and react to changes in cost of education
 - Virginia is one of a handful of states that utilize this approach
- Staff outlined several issues with the current calculations during the November HAC Retreat
- You may want to have staff begin examining other ways to achieve the goal of making higher education affordable



New Aid Programs

- Legislation and budget items aimed at providing financial aid in different ways or for specific goals
- VCCS Transfer Grant
- Virginia Military Survivors and Dependents



Legislative Priorities