

# Higher Education Subcommittee

January 25, 2010

# Higher Education Funding

- Educational & General Programs
  - Focus of the funding guidelines
  - Supported by the General Fund and Nongeneral Funds (primarily tuition and fees)
- Auxiliary Enterprise
  - Self-supporting
  - Revenues derived from sales and student fees
  - 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
  - State-supported research centers
  - Department-sponsored programmatic research or curriculum development
  - Does not include sponsored research
- Public Service
  - Outreach programs for area K-12 school children
  - Public lecture series

# Educational and General Programs

- Support Programs
  - Academic Support
    - Libraries
    - Academic administration
    - Academic computing
  - Student Services
    - Admissions offices and registrars
    - Guidance and counseling
    - Financial aid administration

# Educational and General Programs

- Support Programs
  - Institutional Support
    - Executive management of the institution
    - Fiscal, legal, and personnel operations
    - Campus police
  - Operation and Maintenance of Plant
    - Building and grounds maintenance
    - Utilities
    - Custodial

# 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 to ensure adequate base support for Virginia's public colleges and universities
- 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

# Funding Guidelines

- Focus on the educational and general program
- The number of students you have drives the number of faculty you need
  - Latest actual enrollment data
  - Types of programs (engineering, hard sciences, social sciences)
  - Level of instruction (undergraduate, master's, doctoral)
  - Varying student-faculty ratios
- Faculty salary costs
  - Blended average (“full-time/part-time mix”)
  - Full-time faculty
  - Part-time faculty
  - Graduate assistants

## Student to Faculty Ratios, by Level and Discipline

Discipline	Lower	Upper	Master's/ Professional	Doctoral
<b>Group 1</b>				
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
<b>Group 2</b>				
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
<b>Group 3a</b>				
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	-	-	-
<b>Group 3b</b>				
Biological Sciences	18	11	8	6
Engineering	18	11	8	6
Physical Sciences	18	11	8	6
<b>Group 4</b>				
Health Professions <sup>1</sup>	12	10	7	5
Pharmacy	-	-	6	-
Health & Paramed. Tech.	10	-	-	-
<b>Other</b>				
Mech. & Engr. Tech.	13	-	-	-
Natural Science Tech	14	-	-	-
Law	-	-	17	-

<sup>1</sup> Excludes medicine, dentistry, and veterinary medicine.

# Costing the Instruction Program

- # of Students by Discipline yields # of faculty
- Faculty Instructional Costs = # of faculty times the cost of faculty using the blended average
- Other Faculty Instructional Costs are calculated as a percentage of the faculty cost
  - 40 percent was the factor the Joint Subcommittee settled on

# Other Direct Costs

- Other Instruction Direct Costs
  - Community Education: self-supporting
  - Family Practice
  - Dentistry
  - Vet Medicine
- Research and Public Service
  - Generally self-supporting
- The guidelines use the existing base budget for these items and apply current state policy
- We monitor for significant changes to avoid unique accounting changes resulting in changes in need

# Costing the Support Programs

- The methodology determined that there is a statistical relationship (correlation) between the “cost drivers” and the support programs
  - Cost drivers: student headcount, instruction, research, and public service
- Model is essentially a series of coefficients and constants that are applied
  - National norms

# Other Recommendations of the Joint Subcommittee

- Model Updates
  - Based on the most consistent, reliable, and predictable data available
  - Ensure that the guidelines work in coordination with other funding objectives (e.g., 60<sup>th</sup> percentile for faculty salaries)
- Model Inputs Should Be Standardized
  - Enrollment – use latest actual data
  - Budgeted costs
  - Faculty Mix – use latest actual data
  - Faculty Salaries – appropriated salary average consistent with peer group methodology

# Funding Guidelines Percents Since FY 2004

Institution	Jan '04	Jan '08	Jan '10	Est FY 12
<b>CNU</b>	<b>76%</b>	<b>97%</b>	<b>92%</b>	<b>86%</b>
CWM	91%	98%	99%	96%
<b>GMU</b>	<b>90%</b>	<b>&gt;100%</b>	<b>96%</b>	<b>92%</b>
JMU	81%	98%	94%	90%
<b>LU</b>	<b>74%</b>	<b>93%</b>	<b>87%</b>	<b>80%</b>
UMW	87%	99%	91%	87%
<b>NSU</b>	<b>&gt;100%</b>	<b>&gt;100%</b>	<b>&gt;100%</b>	<b>93%</b>
ODU	77%	93%	80%	75%
<b>RU</b>	<b>78%</b>	<b>96%</b>	<b>86%</b>	<b>80%</b>
UVA	90%	97%	99%	96%
<b>UVA-W</b>	<b>97%</b>	<b>&gt;100%</b>	<b>97%</b>	<b>87%</b>
VCU	81%	92%	87%	82%
<b>VMI</b>	<b>&gt;100%</b>	<b>&gt;100%</b>	<b>&gt;100%</b>	<b>&gt;100%</b>
VSU	82%	>100%	96%	91%
<b>VT</b>	<b>90%</b>	<b>92%</b>	<b>88%</b>	<b>85%</b>
RBC	95%	>100%	92%	85%
<b>VCCS</b>	<b>82%</b>	<b>96%</b>	<b>91%</b>	<b>86%</b>
Total	85%	97%	92%	87%

# Determining the state GF share

- The guidelines identify the *total* level of recommended funding (GF + NGF)
- Joint Subcommittee recommended that the costs associated with different model components be isolated and then policy objectives could be applied
- Policy goals:
  - Fund 67 percent of the total cost for in-state students
  - Require out-of-state students to pay at least 100 percent of the total cost

# What drives the fund split?

- Proportion of in-state students enrolled
  - Greater in-state enrollment has typically resulted in a higher general fund share overall
- Mix of programs
  - Total general fund support for E&G programs will also vary based on the size of other nongeneral fund activities at each institution (e.g., community education, research and public service)
  - The indirect cost portion for community education and research are funded from nongeneral fund sources
  - Public service is totally funded through nongeneral funds

# Fund split results, by institution

## January 2008 Compared to January 2010

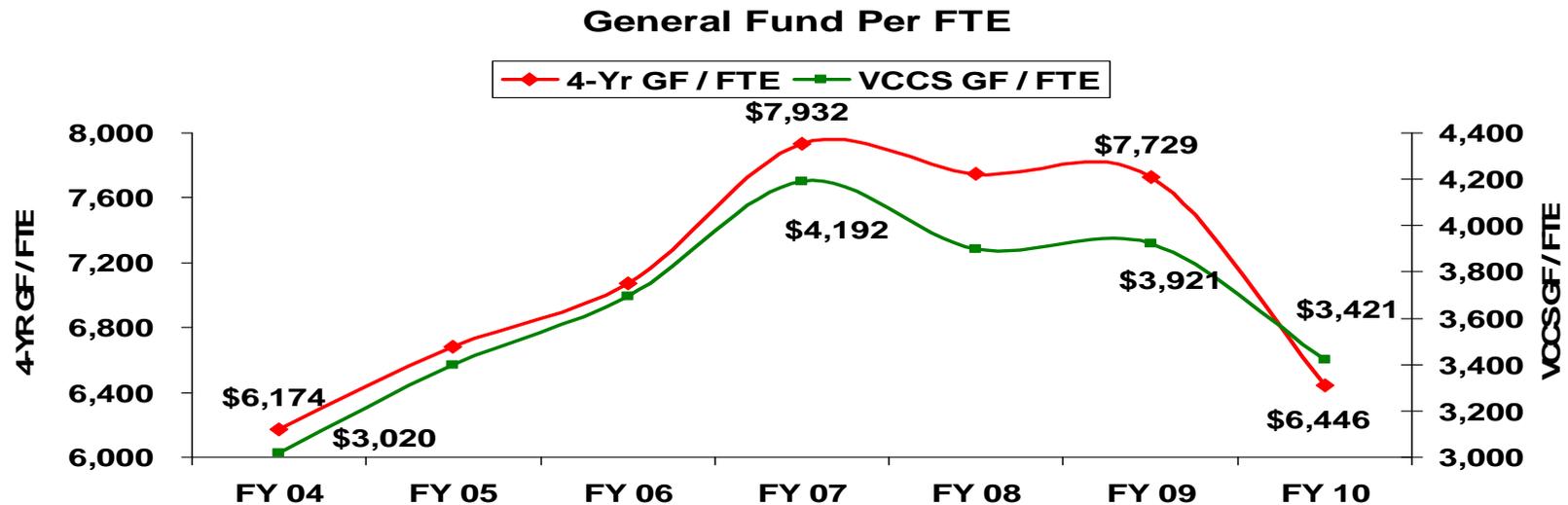
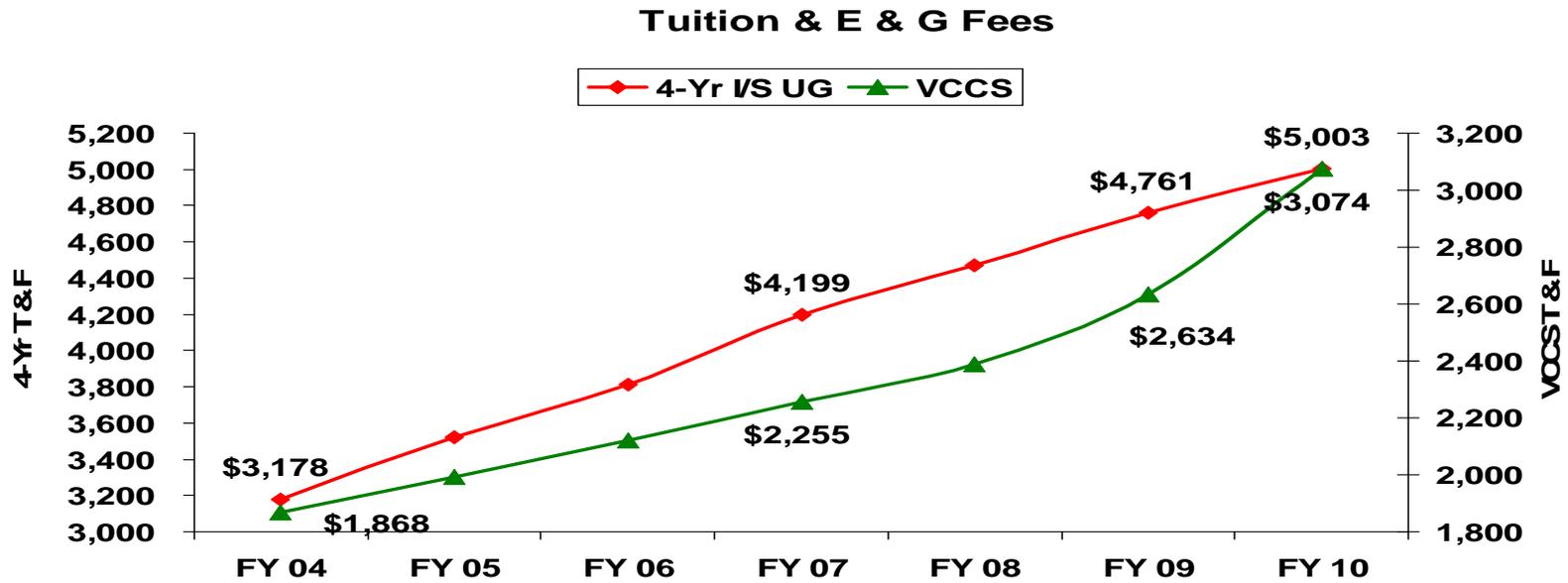
Institution	Pct In-State Student FTE		GF Split	
	Jan '08	Jan '10	Jan '08	Jan '10
<b>RBC</b>	<b>99%</b>	<b>99%</b>	<b>66%</b>	<b>63%</b>
UVA-W	95%	95%	64%	63%
<b>CNU</b>	<b>97%</b>	<b>95%</b>	<b>65%</b>	<b>50%</b>
VCCS	94%	95%	59%	49%
<b>LU</b>	<b>94%</b>	<b>94%</b>	<b>62%</b>	<b>50%</b>
RU	92%	92%	61%	46%
<b>ODU</b>	<b>87%</b>	<b>89%</b>	<b>56%</b>	<b>47%</b>
VCU	87%	84%	53%	39%
<b>GMU</b>	<b>83%</b>	<b>82%</b>	<b>55%</b>	<b>35%</b>
NSU	77%	82%	51%	55%
<b>UMW</b>	<b>76%</b>	<b>80%</b>	<b>51%</b>	<b>35%</b>
JMU	70%	70%	47%	32%
<b>VT</b>	<b>68%</b>	<b>69%</b>	<b>42%</b>	<b>32%</b>
VSU	68%	67%	47%	48%
<b>CWM</b>	<b>63%</b>	<b>64%</b>	<b>42%</b>	<b>31%</b>
VMI	56%	60%	37%	30%
<b>UVA</b>	<b>58%</b>	<b>58%</b>	<b>39%</b>	<b>27%</b>

# Fund Split Trend

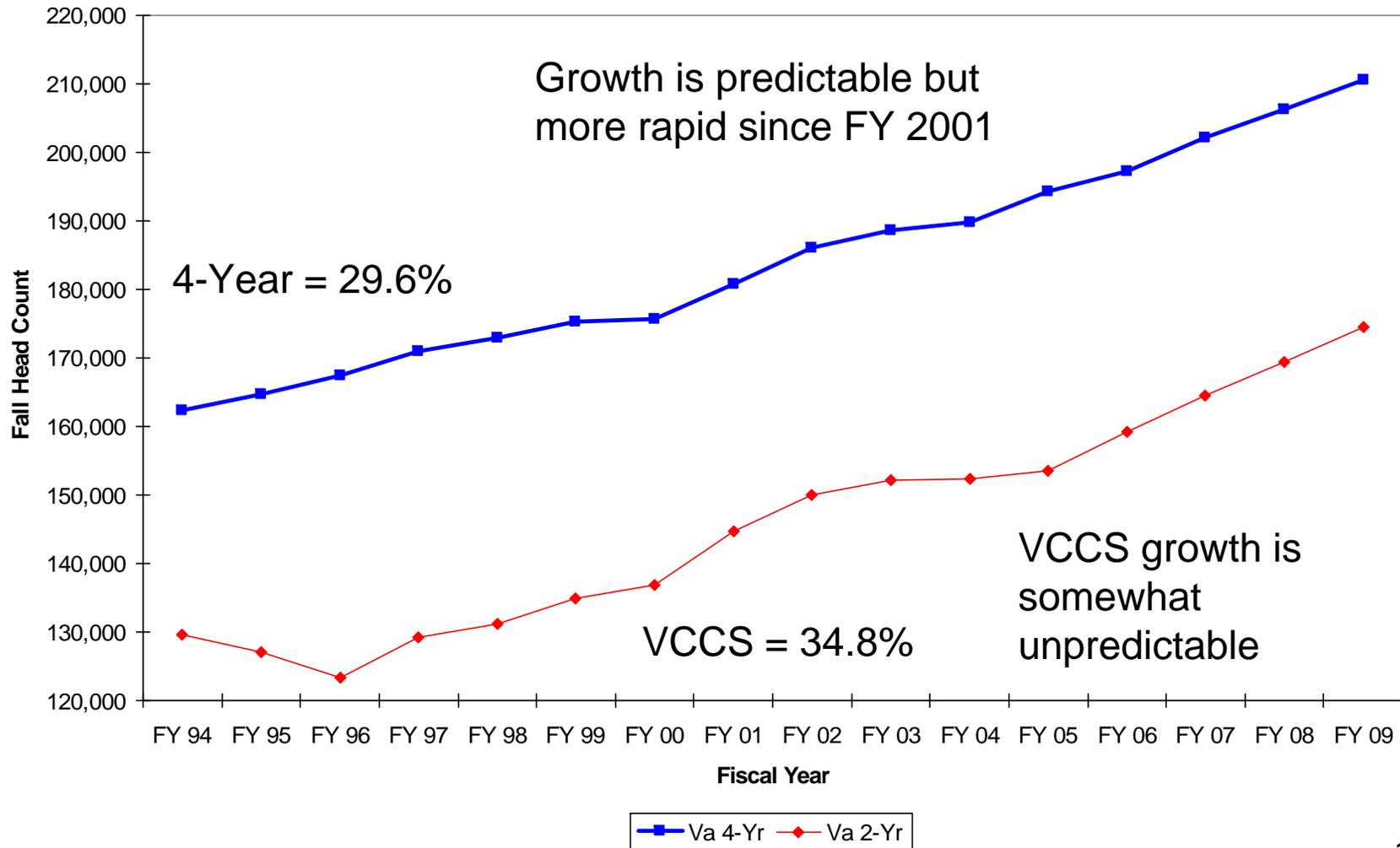
*Costs are shifting from GF to NGF*

- Reflects the rapid growth in NGF revenues
  - T & F increased even during GF growth period
  - Enrollment growth
- Revenue from O/S students
- Reflects impact of general fund reductions
  - Not just the reductions but the method in which they were allocated

# Comparison of Tuition and Fee & In-State GF Per FTE Changes 2004 to Estimated FY 2010



# Enrollment Trends



# Out-of-State Students Generate Significant NGF Resources

Institution	Student FTE		NGF Revenues	
	% In-State	% Out-of-State	% In-State	% Out-of-State
<b>RBC</b>	<b>99%</b>	<b>1%</b>	<b>99%</b>	<b>1%</b>
UVA-W	95%	5%	90%	10%
<b>CNU</b>	<b>95%</b>	<b>5%</b>	<b>89%</b>	<b>11%</b>
VCCS	95%	5%	90%	10%
<b>LU</b>	<b>94%</b>	<b>6%</b>	<b>85%</b>	<b>15%</b>
RU	92%	8%	78%	22%
<b>ODU</b>	<b>89%</b>	<b>11%</b>	<b>75%</b>	<b>25%</b>
VCU	84%	16%	66%	34%
<b>GMU</b>	<b>82%</b>	<b>18%</b>	<b>63%</b>	<b>37%</b>
NSU	82%	18%	48%	52%
<b>UMW</b>	<b>80%</b>	<b>20%</b>	<b>56%</b>	<b>44%</b>
JMU	70%	30%	38%	62%
<b>VT</b>	<b>69%</b>	<b>31%</b>	<b>53%</b>	<b>47%</b>
VSU	67%	33%	42%	58%
<b>CWM</b>	<b>64%</b>	<b>36%</b>	<b>37%</b>	<b>63%</b>
VMI	60%	40%	26%	74%
<b>UVA</b>	<b>58%</b>	<b>42%</b>	<b>39%</b>	<b>61%</b>

# Budget Reductions Have Not Been Equitable

- Budget reductions contained in the last three introduced budgets (HB 1600 in 2009 Session & HB 29 and HB 30 in 2010 Session) generally have been based on across-the-board percentages applied to the general fund base
  - Some adjustments were made to the base for special funding (OCR, lease payments)
  - Differentials applied to certain institutions
    - NSU, VSU, VCCS & RBC received slightly smaller cuts
    - In FY 09, funding guidelines were considered
- A funding disparity has emerged with the cuts proposed in FY 10 and FY 12

# Budget Reduction Actions

Inst	Budget Reductions to Ch 879 GF Base (\$ in millions)		
	Chapter 781 FY 2009	Intro. HB 29 FY 2010	Intro. HB 30 FY 12
<b>GMU</b>	<b>9.7</b>	<b>25.2</b>	<b>17.6</b>
ODU	5.6	19.9	14.2
<b>UVA</b>	<b>10.6</b>	<b>27.3</b>	<b>19.3</b>
VCU	10.1	36.1	25.2
<b>VT</b>	<b>8.9</b>	<b>31.9</b>	<b>21.8</b>
CWM	3.4	8.8	6.1
<b>CNU</b>	<b>1.4</b>	<b>5.1</b>	<b>3.6</b>
UVA-W	0.8	2.7	1.9
<b>JMU</b>	<b>5.4</b>	<b>14.0</b>	<b>9.9</b>
LU	1.4	4.9	3.5
<b>UMW</b>	<b>1.7</b>	<b>4.3</b>	<b>3.0</b>
NSU	2.0	7.4	5.2
<b>RU</b>	<b>2.5</b>	<b>9.0</b>	<b>6.4</b>
VMI	1.0	2.5	1.8
<b>VSU</b>	<b>1.3</b>	<b>4.6</b>	<b>3.4</b>
RBC	0.3	0.8	0.7
<b>VCCS</b>	<b>19.9</b>	<b>50.6</b>	<b>45.8</b>

# Budget Reduction Inequity

Inst	Budget Reductions as Percent of GF Base (Ch 879)			Budget Reductions as Percent of Total Base (GF & NGF)		
	Chapter 781 FY 2009	Intro. HB 29 FY 2010	Intro. HB 30 FY 12	Chapter 781 FY 2009	Intro. HB 29 FY 2010	Intro. HB 30 FY 12
<b>GMU</b>	<b>-7%</b>	<b>-18%</b>	<b>-31%</b>	<b>-3%</b>	<b>-7%</b>	<b>-12%</b>
ODU	-5%	-17%	-30%	-3%	-9%	-15%
<b>UVA</b>	<b>-7%</b>	<b>-18%</b>	<b>-31%</b>	<b>-2%</b>	<b>-5%</b>	<b>-9%</b>
VCU	-5%	-18%	-30%	-2%	-8%	-13%
<b>VT</b>	<b>-5%</b>	<b>-18%</b>	<b>-30%</b>	<b>-2%</b>	<b>-6%</b>	<b>-11%</b>
CWM	-7%	-18%	-30%	-2%	-6%	-10%
<b>CNU</b>	<b>-5%</b>	<b>-18%</b>	<b>-30%</b>	<b>-3%</b>	<b>-9%</b>	<b>-16%</b>
UVA-W	-5%	-18%	-31%	-4%	-13%	-22%
<b>JMU</b>	<b>-7%</b>	<b>-18%</b>	<b>-30%</b>	<b>-2%</b>	<b>-6%</b>	<b>-11%</b>
LU	-5%	-17%	-29%	-2%	-9%	-15%
<b>UMW</b>	<b>-7%</b>	<b>-18%</b>	<b>-30%</b>	<b>-3%</b>	<b>-7%</b>	<b>-12%</b>
NSU	-4%	-16%	-27%	-3%	-10%	-17%
<b>RU</b>	<b>-5%</b>	<b>-17%</b>	<b>-30%</b>	<b>-2%</b>	<b>-9%</b>	<b>-15%</b>
VMI	-7%	-18%	-30%	-3%	-7%	-13%
<b>VSU</b>	<b>-4%</b>	<b>-14%</b>	<b>-24%</b>	<b>-2%</b>	<b>-7%</b>	<b>-12%</b>
RBC	-5%	-12%	-24%	-3%	-8%	-15%
<b>VCCS</b>	<b>-5%</b>	<b>-13%</b>	<b>-24%</b>	<b>-2%</b>	<b>-6%</b>	<b>-12%</b>

# NGF Revenue Ability

## *Adding to the Budget Cut Inequity*

- The total base percentage were based on a static NGF figure using a recent revenue survey
- Each institution has the ability to generate additional NGF revenues through tuition and fee increases
  - Different yields
  - Impact on student groups

# Guidelines, NGF Revenues and Cuts

Inst	Funding Guidelines	Budget Cuts	Impact of a 1 Percent T & F Increase to All Students		
	Estimated FY 12	Intro. HB 30 FY 12	Budget Relief Factor	I/S UG Contribution	Budget Cut Percent
<b>GMU</b>	<b>92%</b>	<b>-11.9%</b>	<b>4.7%</b>	<b>45%</b>	<b>-11.3%</b>
ODU	75%	-15.5%	2.9%	61%	-15.0%
<b>UVA</b>	<b>96%</b>	<b>-9.2%</b>	<b>6.9%</b>	<b>22%</b>	<b>-8.6%</b>
VCU	82%	-13.2%	3.7%	44%	-12.7%
<b>VT</b>	<b>85%</b>	<b>-10.7%</b>	<b>5.3%</b>	<b>45%</b>	<b>-10.2%</b>
CWM	96%	-10.3%	6.0%	24%	-9.7%
<b>CNU</b>	<b>86%</b>	<b>-15.8%</b>	<b>2.7%</b>	<b>86%</b>	<b>-15.4%</b>
UVA-W	87%	-21.9%	1.3%	90%	-21.6%
<b>JMU</b>	<b>90%</b>	<b>-10.7%</b>	<b>5.9%</b>	<b>34%</b>	<b>-10.1%</b>
LU	80%	-15.4%	2.7%	77%	-15.0%
<b>UMW</b>	<b>87%</b>	<b>-12.0%</b>	<b>4.7%</b>	<b>47%</b>	<b>-11.4%</b>
NSU	93%	-16.7%	2.3%	39%	-16.3%
<b>RU</b>	<b>80%</b>	<b>-15.4%</b>	<b>3.0%</b>	<b>68%</b>	<b>-15.0%</b>
VMI	>100%	-12.6%	4.6%	26%	-12.0%
<b>VSU</b>	<b>91%</b>	<b>-12.0%</b>	<b>3.9%</b>	<b>36%</b>	<b>-11.6%</b>
RBC	85%	-15.1%	2.3%	99%	-14.8%
<b>VCCS</b>	<b>86%</b>	<b>-12.0%</b>	<b>3.3%</b>	<b>90%</b>	<b>-11.6%</b>

# Summary & Recommendations

- Higher education has absorbed significant general fund reductions since the 2008 Session
- They have offset much of those reductions with nongeneral funds from tuition and fee increases creating an imbalance across the system
- Institutions with greater revenue generating ability are typically at the higher end of the funding guideline spectrum and have a broader base to absorb the proposed budget reductions
- Staff recommends the Subcommittee review the general fund reductions using funding guidelines, revenue generating ability and revenue actions as factors in allocating cuts
- Staff recommends using the available federal stimulus funds to backfill those reductions and level the playing field with the goal of mitigating tuition and fee increases

# Questions