

Higher Education Subcommittee

January 16, 2012

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

Funding Guidelines

- In 1998, the Joint Subcommittee for Higher Education Funding Policies was established and charged with developing funding
- 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
- Guides were looked at as an objective benchmark so funding could be allocated fairly

Guidelines in Practice

- Effort over the last six to eight years has been less than productive
 - The base adequacy number became to goal
- Model assumption adjustments are continually pursued in order to:
 - Pump up the need as defined the guidelines
 - Set floor to variables such as student-faculty ratios, full-time / part-time faculty mix, faculty salary goals
 - Re-categorize resources with result of greater net funding requirements
 - Move resources to non-E & G areas
 - Shift resources within E & G
- Now, the base adequacy amount represents an end as opposed to a means to achieve state objectives
 - Base adequacy does not answer the question, “What are we buying?”

Beginning to Change the Focus

- HB 2510 (Cox) – Higher Education Opportunity Act of 2011
 - Top Jobs for the 21st Century or TJ 21
- Legislation contemplates funding for:
 - Basic operations
 - In-state undergraduate enrollment growth
 - Incentives to encourage / reward progress toward policy objectives
 - Financial aid
- Legislation also provides for Six Year Plan development
 - Academic, financial & enrollment
- Six year plans incorporate all four categories of funding goals from TJ 21
- Formula versus Deliberative

Six Year Plan Results

Basic Operations

- Institutions indicated that they needed about \$113 million for basic operating items
 - Increased the number of teaching faculty
 - Full-time & Part-time
 - Increased Support Staff
 - Operations & maintenance of facilities
 - Includes utilities
 - Upgrade / maintain technology
 - Increased library costs

Six Year Plan Results

Financial Aid

- Institutions indicated that they needed about \$17 million for financial aid
- Financial aid is an issue that needs greater examination regardless of the methodology used
- Are scarce financial aid resources allocated efficiently and effectively to the institutions?
- Virginia continues to use a model that dates back to the 1980s
 - Relies on federal definitions
- Recent study highlighted some issues
 - Many costs used in the model are institution-specific allowances leading to anomalies
 - Personal allowances & transportation costs vary significantly even for institutions from common geographic areas

Six Year Plan Results

Enrollment Growth

- Institutions indicated that they needed about \$18 million for enrollment growth
 - However this includes about \$7 million in prior year growth
- The funding in HB 30 is allocated based on total in-state FTE not undergraduate as contemplated in TJ 21
- In addition, HB 30 enrollment growth reflect prior year growth as opposed to prospective growth
- Outstanding issues for this particular funding silo
 - General Assembly needs to continue its commitment to increase in-state access at CWM, JMU, UVA & VT
 - Should all projected enrollment growth be incentivized?
 - Graduation rates as a filter
 - Transfers before new first time students
 - What does this funding buy?
 - Do not want to duplicate basic operations which is essentially driven by new students

Six Year Plan Results

Incentive Funding

- Institutions indicated that they needed about \$44 million for a variety of initiatives that would:
 - produce more degrees including STEM-H
 - increase retention and graduation rates
 - increase utilization of facilities
 - leverage distance learning
- The HB 30 model was first proposed by the presidents at a Higher Education Advisory Committee (HEAC)
- Subsequent improvements by SCHEV. in collaboration with the presidents. have not been incorporated into the HB 30 model
- Other potential improvements to incentive funding
 - Establish an institutional baseline of production and reward improvement over that baseline
 - Identify expected results from the funding
 - Language in the budget bill is vague

Six Year Plan Results

Research

- Institutions indicated that they needed about \$28 million for research initiatives
- More than \$30 million per year is proposed in the budget bill for a variety of research ideas across three secretarial areas
- How should the research roadmap be utilized in focusing statewide efforts?

Outstanding Issues

Faculty Salary

- Easily the #1 issue for higher education institutions
- Every institution reflected faculty salary increases in their six year plan
 - No consistency across plans
 - Variation in ability of institution to implement based on NGF ability
- Statewide issue

Salary Increases Policy Questions

- Several factors drive the priority for salary increases:
 - Five years since the last increase
 - Colleges are unique since they compete nationally for faculty talent
 - Faculty are mobile which highlights the need to address retention & compression issues
 - Colleges employ about half of the state government workforce
 - Some anecdotal evidence of classified staff moving between agencies
 - Should point out that the compensation issues facing colleges are valid across state government
- Do institutions have the authority to provide faculty and/or staff salary increases absent a statewide initiative?
 - If so, should specific guidance, limits & calculations be provided to ensure equitable treatment across the system?
 - Is it reasonable to have some segments of state government providing salary increases?
- How should the state treat the “Haves” vs. the “Have-nots”?
 - Providing increases is cost prohibitive at some colleges
 - Several are unable to provide increases absent some new GF
 - Some institutions will not be able to provide increases to all employee groups
 - Varying methods of calculation
- Who is responsible for the impact of any increase on other items?
 - VRS & other fringe benefits
 - Salary increases drive increased funding need under higher education state funding models

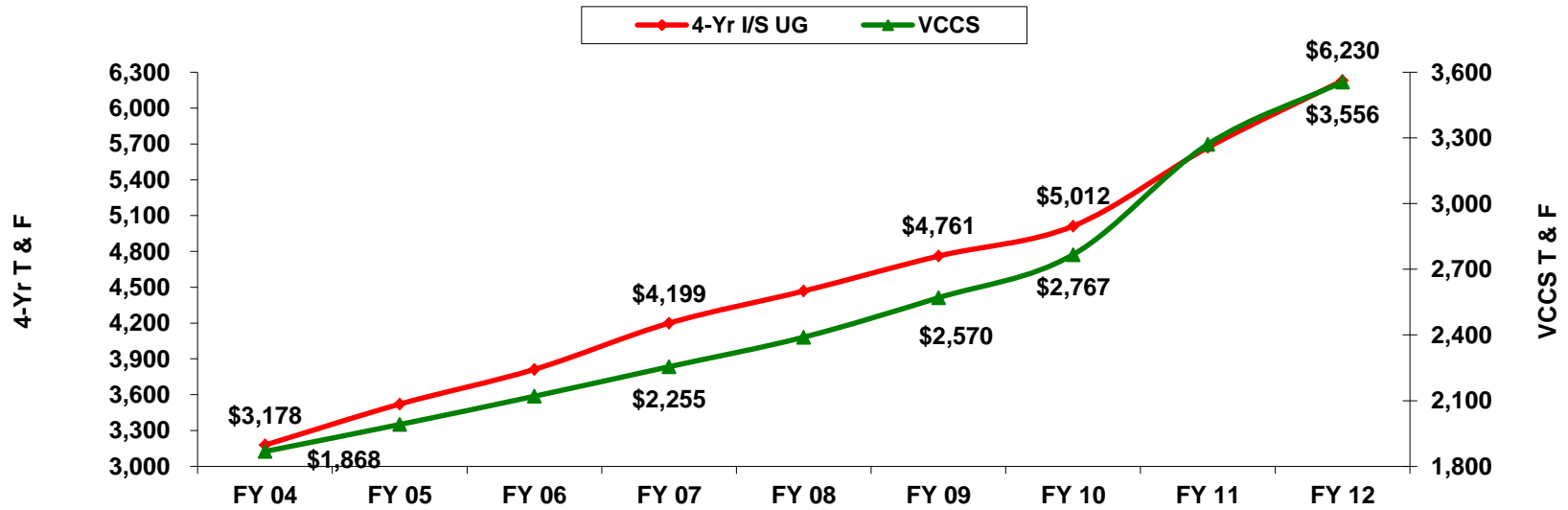
Outstanding Issues

Nongeneral Funds

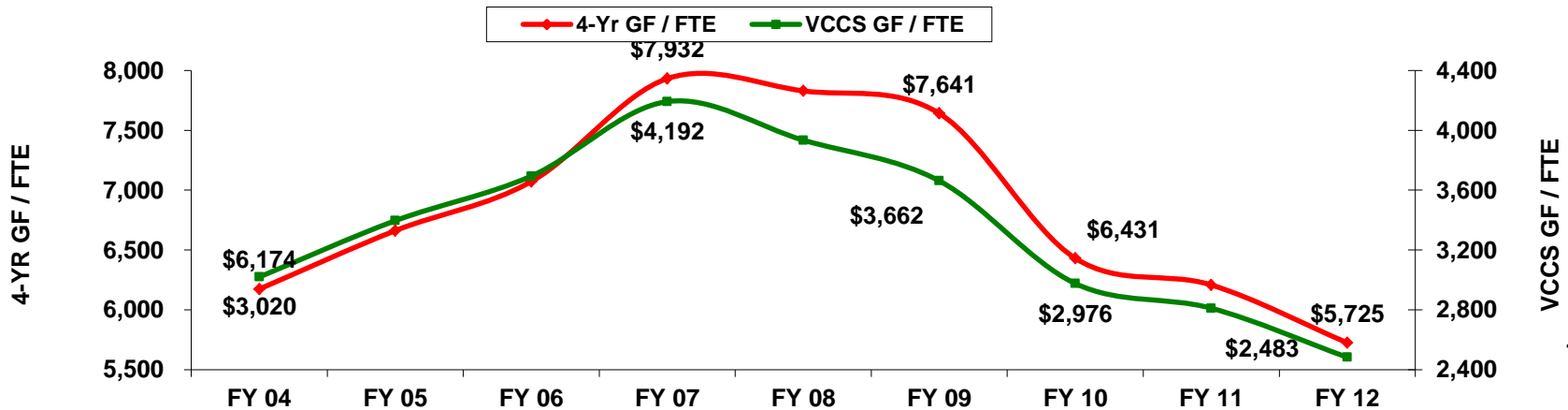
- Use and level of nongeneral fund
- Should items be fund split?
- Financial aid language
- Lack of transparency in current process
 - Over \$160 million in NGF actions have been approved administratively by DPB in FY 2012
 - No assumption about increased NGF is built into HB 30
- Different NGF generation ability by institution

Comparison of Tuition and Fee & In-State GF Per FTE Changes 2004 to Estimated FY 2012

Tuition & E & G Fees



General Fund Per FTE



Out-of-State Students Generate Significant NGF Resources

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

Questions