



State Council of Higher Education for Virginia

Senate Finance Committee Meeting
Education Sub-Committee
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The Erosion of State Funding for Virginia's Higher Education Institutions

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SCHEV Budget Recommendations for 2010-12

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Context for Budget Discussion

- Expectations for higher education
- Calls for more education and more degrees
- Global – based studies show America's fall from leadership
- Funding challenges
- Enrollment demand on the rise





The Erosion of Higher Education Funding

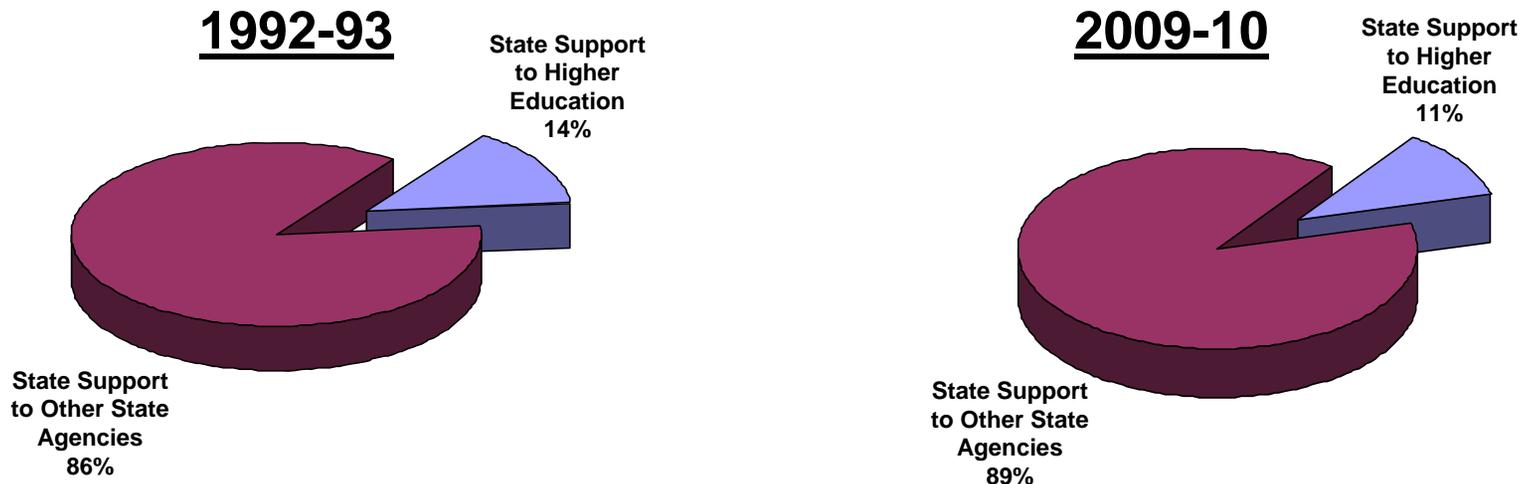
- SCHEV report – September 9, 2009
 - Effects of cyclical economic conditions
 - Aggregate decline generating tremendous challenges
 - “Tipping Point” considerations

- Report content – analysis
 - A structural problem
 - An affordability issue
 - Rationale for change





Erosion of State Funding as a Structural Problem



Note: Higher Education includes all public colleges and universities, as well as affiliated and related agencies.

Source: Appropriations Acts of Chapter 994 and Chapter 781

- On a per student basis, over the 1992-2010 period, general fund appropriations to in-state students declined by 18% at the four-year institutions and by 9% at the VCCS in constant dollars.
- Under the Governor's proposed budget for FY2012, state support at the system level would be reduced by 26% when compared to the original FY2010 appropriations.



Virginia Appropriations on a Per Student Basis

- Ranked 40th nationally
- Ranked last among SREB states (16 Southeast states)
- \$7,059 national average for educational appropriations
- \$5,805 in Virginia (-\$1,300)

Source: SHEF 2008 by State Higher Education Executive Officers





Erosion of State Funding as an Affordability Issue

- Measuring Up report card in 2008 awarded Virginia a grade of “F” in the category of Affordability (National Center for Public Policy and Higher Education”
- Reductions in state funding accompanied by tuition and E&G fee increases (5.1% in Fall 2009)
- Undergraduate charges (UC) at our 4-year institutions and per capita disposable income (PCDI) :
 - 1990 – PCDI was 6% higher than national average
 - 1990 – UC (in-state students) were 30% higher than national norm
 - Nationally: UC represented 28.1% of PCDI
 - Virginia: UC represented 34.4%
- Virginia low point (most affordable) of 33.1% in 2001-02 has grown to just over 40% in 2010 (the peak, reached in 1994-95)



Rationale for Change

- Begins with long-standing Council and institutional interest to safeguard two things:
 - Formulate a funding formula that will minimize the impact of economic fluctuations on students and their families
 - Provide sufficient resources for the Commonwealth's colleges and universities
- Seeks to sustain Virginia's "Best State for Business" designation (Forbes and CNBC) – connection between highly educated population and business investment in Virginia.
- Acceptance of the thinking that a strong higher education system provides for both private and public goods



Benefits of Higher Education

Individual Economic Potential

- Increased expected earnings level
- Employment
- Higher savings levels
- Personal/professional mobility

Individual Social Correlations

- Improved health / life expectancy
- Improved quality of life for offspring
- Better consumer decision making
- Improved self-esteem
- Improved fulfillment





Benefits of Higher Education

Societal Economic Potential

- Increased tax revenues
- Greater productivity
- Increased consumption
- Increased workload flexibility
- Decreased reliance on government

Societal Social Correlations

- Reduced crime
- Increased charitable giving / community service
- Social cohesion / appreciation of diversity
- Improved ability to adapt to and use technology



SCHEV Budget Recommendations

Budget Addendum Language **from October 2009 Council Resolution**

Long-term goals that have been supported strongly and consistently by the Council include:

1. Reaching full funding under the base adequacy funding guidelines
2. Raising average faculty salaries to the 60th percentile
3. The acquisition of new and replacement equipment for both instruction and research through the Higher Education Equipment Trust Fund
4. Securing the funds needed to properly operate and maintain new facility space, address deferred maintenance needs through the Maintenance Reserve program and construct new academic and research facilities based on guideline calculated needs.
5. Providing sufficient financial aid to needy in-state undergraduate students based on the Partnership model and adequate financial aid to graduate students to ensure competitiveness and strengthen our research efforts.



SCHEV Budget Recommendations

SCHEV Calculations of Funding Needs (General Fund)

Budget Item	Assumptions	2010-12 Cost (in millions)
Base Adequacy	Full base funding in FY2010 (based on 2008-09 actual enrollment and cost, include budget cuts in the 2009 session and September and ARRA funding.)	\$147.4
Faculty Salaries	Reaching 60 th percentile by FY2012.	\$143.0
Operation and Maintenance of New Facilities	90 new E&G and research facilities will come on-line between FY2010 and FY2012.	\$35.7
Total		\$326.1



SCHEV Budget Recommendations

SCHEV 2010-12 Biennium Budget Recommendations (General Fund)

Budget Item	Assumptions	2010-12 Cost (in millions)
Undergraduate Financial Aid	Additional funding to phase into 70% of guidelines under the Partnership Model for each institution (currently it is funded at 60% systemwide).	\$58.7
Graduate Financial Aid	Additional funding for the first two years of a four-year phase in order to return to the 1995 funding level.	\$17.7
Tuition Assistance Grant	Additional funding to maintain undergraduate and graduate awards at their current levels.	\$16.5
Higher Education Equipment Trust Fund	Additional funding for debt service needed to purchase \$148 million in equipment.	\$12.2
Total		\$105.1



SCHEV Budget Recommendations

SCHEV Estimated 2009-10 Base Adequacy Funding Needs

Option 1
(Includes ARRA/Stimulus Funding)

Institution	Calculated	Available	% Funding	Funding	GF	Incremental Funding		
	Need ^{1,2}	Resources ^{3,4,5,6}	to Guideline	Shortfall	Share	GF	NGF	Total
Christopher Newport University	59,243,751	56,396,639	95%	(2,847,112)	61%	1,725,350	1,121,762	2,847,112
College of William and Mary	135,572,513	136,290,184	101%	0	41%	0	0	0
George Mason University	361,985,562	352,196,153	97%	(9,789,409)	52%	5,090,493	4,698,916	9,789,409
James Madison University	225,439,721	214,672,164	95%	(10,767,557)	46%	4,985,379	5,782,178	10,767,557
Longwood University	57,410,103	51,690,352	90%	(5,719,751)	62%	3,540,526	2,179,225	5,719,751
University of Mary Washington	61,430,235	56,836,859	93%	(4,593,376)	53%	2,420,709	2,172,667	4,593,376
Norfolk State University	64,937,728	67,131,834	103%	0	54%	0	0	0
Old Dominion University	254,599,428	210,620,426	83%	(43,979,002)	57%	24,892,115	19,086,887	43,979,002
Radford University	104,304,290	92,628,649	89%	(11,675,641)	61%	7,110,465	4,565,176	11,675,641
University of Virginia	485,465,822	486,601,382	100%	0	37%	0	0	0
University of Virginia at Wise	20,680,127	20,480,980	99%	(199,147)	64%	126,857	72,290	199,147
Virginia Commonwealth University	502,216,533	446,288,704	89%	(55,927,829)	50%	28,187,626	27,740,203	55,927,829
Virginia Military Institute	24,984,546	29,425,974	118%	0	40%	0	0	0
Virginia State University	59,214,299	56,606,327	96%	(2,607,972)	45%	1,168,372	1,439,601	2,607,972
Virginia Tech	550,290,342	494,477,079	90%	(55,813,263)	41%	22,771,811	33,041,452	55,813,263
Richard Bland College	9,510,048	8,828,557	93%	(681,491)	66%	451,147	230,344	681,491
Virginia Community College Sys	797,008,794	729,849,036	92%	(67,159,758)	61%	40,900,293	26,259,465	67,159,758
Total, All Institutions	3,774,293,841	3,511,021,299	93%	(271,761,307)	50%	143,371,141	128,390,166	271,761,307
Eastern Virginia Medical School	13,567,572	9,565,314	71%	(4,002,258)	100%	4,002,258	0	4,002,258
Grand Total	3,787,861,414	3,520,586,613		(275,763,566)		147,373,400	128,390,166	275,763,566

Notes:

- (1) Based on actual FY09 student FTE and FY07-FY09 3-year average discipline credit hours.
- (2) The cost including blended salary is based on the 2010 activity-based budget (ABB).
- (3) Based on FY10 ABB, which reflects the approved tuition and fee increases and estimated revenues based on FY10 enrollment growth.
- (4) Includes funding from the American Recovery and Reinvestment Act of 2009.
- (5) Excludes funding for OCR at NSU and VSU, VCU Qatar campus and VCCS central office.
- (6) Including NGF adjustments to reflect the required funding for programs 101-40, 102 and 103.



SCHEV Budget Recommendations

SCHEV Estimated 2009-10 Base Adequacy Funding Needs

Option 2
(Excludes ARRA/Stimulus Funding)

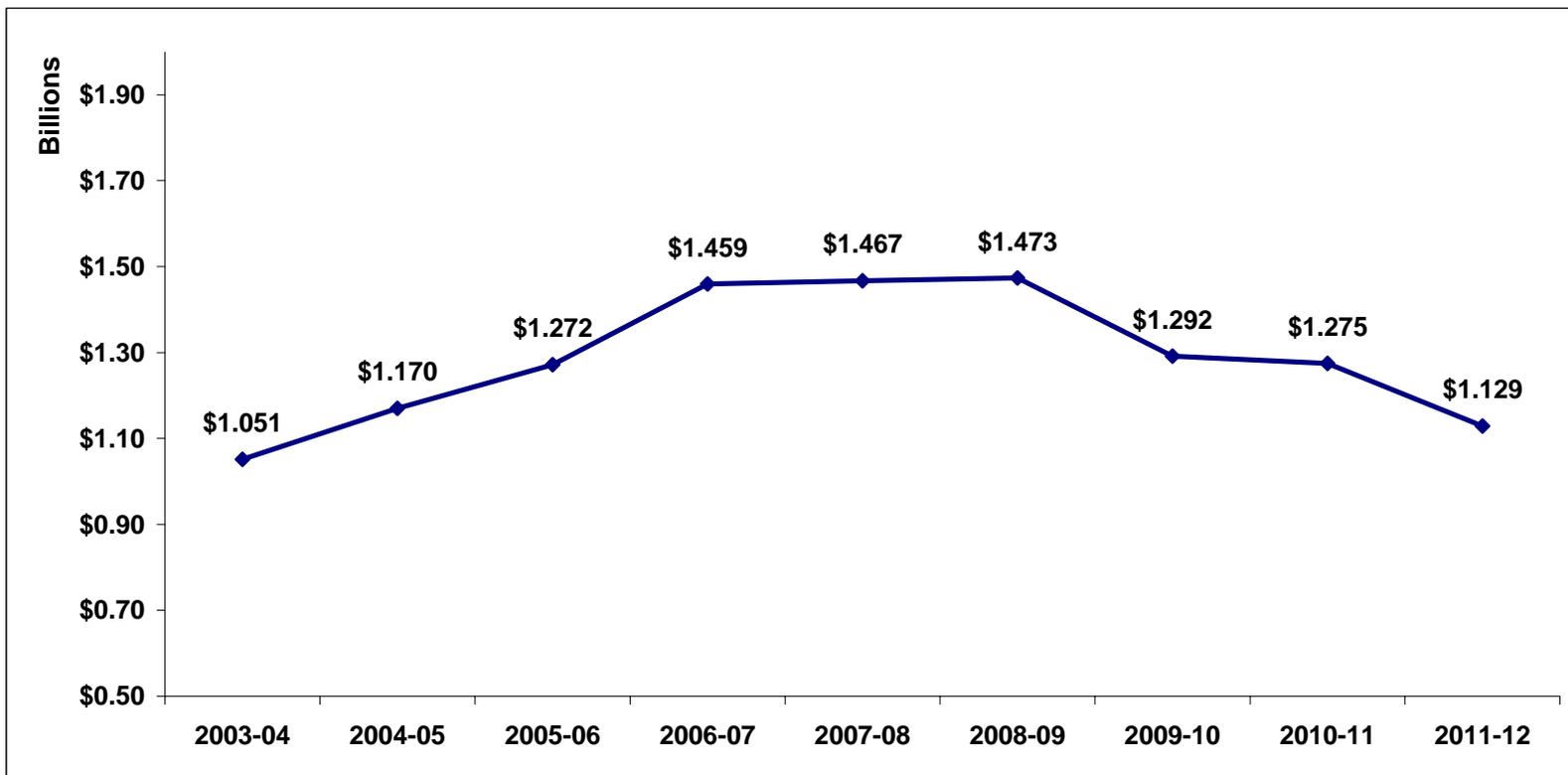
Institution	Calculated	Available	% Funding	Funding	GF	Incremental Funding		
	Need ^{1,2}	Resources ^{3,4,5,6}	to Guideline	Shortfall	Share	GF	NGF	Total
Christopher Newport University	59,243,751	51,235,030	86%	(8,008,721)	61%	4,853,285	3,155,436	8,008,721
College of William and Mary	135,572,513	129,646,039	96%	(5,926,474)	41%	2,441,707	3,484,767	5,926,474
George Mason University	361,985,562	333,107,725	92%	(28,877,837)	52%	15,016,475	13,861,362	28,877,837
James Madison University	225,439,721	202,770,013	90%	(22,669,708)	46%	10,496,075	12,173,633	22,669,708
Longwood University	57,410,103	46,880,448	82%	(10,529,655)	62%	6,517,856	4,011,798	10,529,655
University of Mary Washington	61,430,235	53,047,333	86%	(8,382,902)	53%	4,417,790	3,965,113	8,382,902
Norfolk State University	64,937,728	60,466,772	93%	(4,470,956)	54%	2,427,729	2,043,227	4,470,956
Old Dominion University	254,599,428	191,215,475	75%	(63,383,953)	57%	35,875,317	27,508,636	63,383,953
Radford University	104,304,290	84,163,600	81%	(20,140,690)	61%	12,265,680	7,875,010	20,140,690
University of Virginia	485,465,822	466,922,810	96%	(18,543,012)	37%	6,860,915	11,682,098	18,543,012
University of Virginia at Wise	20,680,127	17,960,019	87%	(2,720,108)	64%	1,732,709	987,399	2,720,108
Virginia Commonwealth University	502,216,533	414,038,922	82%	(88,177,611)	50%	44,441,516	43,736,095	88,177,611
Virginia Military Institute	24,984,546	27,355,200	109%	0	40%	0	0	0
Virginia State University	59,214,299	53,732,742	91%	(5,481,557)	45%	2,455,738	3,025,820	5,481,557
Virginia Tech	550,290,342	466,990,722	85%	(83,299,620)	41%	33,986,245	49,313,375	83,299,620
Richard Bland College	9,510,048	8,167,025	86%	(1,343,023)	66%	889,081	453,942	1,343,023
Virginia Community College Sys	797,008,794	689,152,455	86%	(107,856,339)	61%	65,684,510	42,171,829	107,856,339
Total, All Institutions	3,774,293,841	3,296,852,330	87%	(479,812,166)	50%	250,362,628	229,449,538	479,812,166
Eastern Virginia Medical School	13,567,572	9,565,314	71%	(4,002,258)	100%	4,002,258	0	4,002,258
Grand Total	3,787,861,414	3,306,417,644		(483,814,424)		254,364,886	229,449,538	483,814,424

Notes:

- (1) Based on actual FY09 student FTE and FY07-FY09 3-year average discipline credit hours.
- (2) The cost including blended salary is based on the 2010 activity-based budget (ABB).
- (3) Based on FY10 ABB, which reflects the approved tuition and fee increases and estimated revenues based on FY10 enrollment growth.
- (4) Excludes funding from the American Recovery and Reinvestment Act of 2009.
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- (6) Including NGF adjustments to reflect the required funding for programs 101-40, 102 and 103.



General Fund Appropriations to E&G Programs (in Billions)



Note: FY2011 and FY2012 data is based on the Governor's introduced 2010-12 budget.

