

**SENATE OF VIRGINIA**

# **Senate Finance Committee**

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## **Education Subcommittee Briefing: Part II**

January 19, 2012



SENATE FINANCE COMMITTEE

# Higher Education in Virginia – A Snapshot

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- Virginia's **public higher education** system is the 12<sup>th</sup> largest in the country based on enrollment. The system includes:
  - **15 four-year institutions;**
  - **23 community colleges with 40 campuses;**
  - **One two-year college;**
  - **Four regional higher education centers;**
  - **One institution focused mainly on research and graduate education;**
  - Almost 410,000 students and 46,150 FTE salaried and 10,862 wage employees (includes GF and NGF) or about 48.0 percent of the State employee workforce; and
  - 25,523 registrations for internet delivered/web based, televised, or two-way video courses.
- Virginia has **34 private non-profit institutions** of higher education.
  - Over 110,000 students.
  - 369,260 registrations for internet delivered/web based or televised courses.
- Virginia has **78 private for-profit institutions** of higher education.
  - Over 52,000 students (2008-09).



# Higher Education in Virginia – A Snapshot

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- There are six doctoral institutions:
  - College of William and Mary,
  - George Mason University,
  - James Madison University,
  - Old Dominion University,
  - University of Virginia,
  - Virginia Commonwealth University, and
  - Virginia Tech.
- There are nine comprehensive institutions:
  - Christopher Newport University,
  - James Madison University,
  - Longwood University,
  - Norfolk State University,
  - Radford University,
  - University of Mary Washington,
  - University of Virginia-Wise,
  - Virginia Military Institute, and
  - Virginia State University.
- The two-year colleges are represented by the Virginia Community College System and Richard Bland College.



# Overview

## Higher Education

### HIGHER EDUCATION: INSTITUTIONS

	FY 2012 (\$ Millions)			MEL
	GF	NGF	Total	
State Council of Higher Educ.	\$75.2	\$11.1	\$86.3	48.0
Christopher Newport University	\$26.3	\$84.2	\$110.5	813.7
College of William and Mary	\$39.2	\$214.1	\$253.3	1,411.6
George Mason University	\$122.7	\$615.3	\$738.0	3,741.7
James Madison University	\$68.8	\$357.8	\$426.6	2,934.3
Longwood University	\$25.5	\$74.6	\$100.1	716.6
Norfolk State University	\$45.0	\$98.8	\$143.8	995.1
Old Dominion University	\$109.5	\$226.3	\$335.8	2,306.2
Radford University	\$46.8	\$112.6	\$159.4	1,390.0
Richard Bland College	\$5.3	\$7.5	\$12.8	111.8
University of Mary Washington	\$21.4	\$76.2	\$97.6	692.7
University of Virginia	\$122.5	\$946.0	\$1,068.5	7,534.0
University of Virginia -Wise	\$13.2	\$24.8	\$38.0	316.5
VA Commonwealth University	\$171.1	\$736.9	\$908.0	1,507.8
VA Community College System	\$353.0	\$1,044.7	\$1,397.7	10,008.2
Virginia Military Institute	\$11.2	\$50.5	\$61.7	463.8
VA Polytechnic & State Univ.	\$212.7	\$835.2	\$1,047.9	7301.39
Virginia State University	\$38.5	\$105.0	\$143.5	855.81
VA Institute of Marine Science	\$16.7	\$24.8	\$41.5	375.07
<b>SUBTOTAL</b>	<b>\$1,524.6</b>	<b>\$5,646.4</b>	<b>\$7,171.0</b>	<b>43,524.29</b>

# Overview

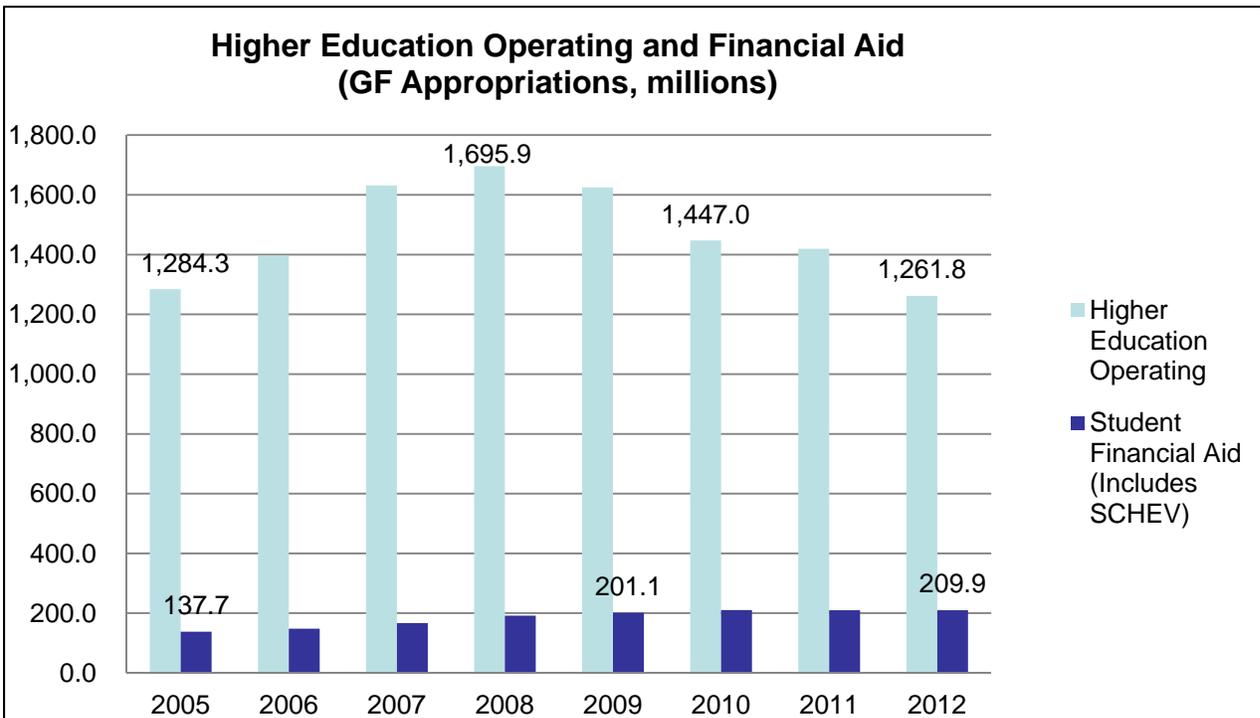
## Higher Education

- FY 2012 appropriations for higher education total almost \$1.6 billion GF and \$5.7 billion NGF for FY 2012.
- Most funding is in the higher education institution budgets (over \$1.5 billion), other higher education accounted for \$34.1 million GF in FY 2012.

	FY 2012 (\$ Millions)		
	GF	NGF	Total
Eastern Virginia Medical School (Norfolk)	\$20.6	\$0.0	\$20.6
New College Institute (Martinsville)	\$1.5	\$1.1	\$2.6
Inst. for Adv. Learning & Res. (Danville)	\$5.5	\$0.0	\$5.5
Roanoke Higher Educ. Authority	\$1.1	\$0.0	\$1.1
So. VA Higher Educ.Center (South Boston)	\$1.9	\$2.1	\$4.0
SW VA Higher Educ. Center (Abingdon)	\$1.8	\$7.2	\$9.0
Jefferson Science Associates (New port New s)	\$1.2	\$0.0	\$1.2
Higher Education Research	\$0.5	\$0.0	\$0.5
<b>SUBTOTAL</b>	<b>\$34.1</b>	<b>\$10.4</b>	<b>\$44.5</b>



# Higher Education Operating Funds and Financial Aid



- Higher education operating funds have been susceptible to substantial reductions during economic declines. Funding peaked in FY 2008, a decline of almost 23% and down to FY 2005 levels.
- Student financial aid has not had the same reductions as operating funds. However, funding has not kept pace with tuition increases.
  - SCHEV makes recommendations annually for financial aid. A Partnership Model, adopted in 2006, is used to allocate the funds to the institutions for the majority of the in-state undergraduate awards.
  - For FY 2012, funding is at 47.8 percent of the Model.



# How Higher Education Has Been Funded in Virginia

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- **Base Adequacy** – Core funding needed for institutions to adequately meet their academic mission (\$201.7 million).
- **Enrollment Growth** – Additional costs above current funding levels needed to support additional students (depends on date chosen, etc).
- **Cost-Sharing Goal** – Policy was adopted in 2004 to recognize a shared responsibility between the state and students in covering higher education costs. Goal would be that the general fund would provide 67 percent of the cost (\$919.2 million).
- **Student Financial Aid** – Additional funding needed to provide access to qualified students so that costs are not a barrier (\$245.6 million).
- **Faculty Salaries** – Salary levels needed for Virginia to be competitive with peer institutions in attracting and retaining quality teaching and research faculty. Referred to as the 60<sup>th</sup> percentile (\$77.1 million).



# Base Adequacy

- The Joint Subcommittee on Higher Education Funding Policies recommended guidelines that estimate the funding needed to support adequately the institutions' Educational and General (E&G) programs – resulting in the nickname “**base adequacy.**”
  - E&G programs support the institutions' core academic mission (instruction, advising, libraries, and computing).
  - The guidelines incorporate national staffing norms and funding patterns at public peer institutions.
- Funding at the institutions has consistently fallen short of the guidelines since their adoption in 2001:

Institution	Calculated Need	Available Resources	% Funding to Guide	Funding Shortfall
CNU	\$60,868,110	\$51,920,398	85%	(\$8,947,712)
CWM	\$136,550,098	\$156,272,884	>100%	\$0
GMU	\$399,891,676	\$396,287,260	99%	(\$3,604,416)
JMU	\$238,322,284	\$227,693,695	96%	(\$10,628,589)
LU	\$57,618,035	\$50,724,373	88%	(\$6,893,662)
NSU	\$71,848,521	\$63,498,782	88%	(\$8,349,739)
ODU	\$276,281,500	\$217,619,369	79%	(\$58,662,131)
RU	\$104,076,276	\$98,041,003	94%	(\$6,035,273)
UMW	\$62,740,842	\$58,761,432	94%	(\$3,979,410)
UVA	\$483,725,992	\$519,806,380	>100%	\$0
UVAW	\$21,779,861	\$18,956,958	87%	(\$2,822,903)
VCU	\$529,452,278	\$461,683,947	87%	(\$67,768,330)
VMI	\$25,188,885	\$31,176,313	>100%	\$0
VSU	\$66,080,759	\$60,938,459	92%	(\$5,142,301)
VT	\$572,382,905	\$525,715,801	92%	(\$46,667,105)
RBC	\$10,014,442	\$9,409,345	94%	(\$605,097)
VCCS	\$941,932,080	\$810,044,973	86%	(\$131,887,107)
Total	\$4,058,754,544	\$3,758,551,372	93%	(\$361,993,774)
EVMS	\$60,015,022	\$52,889,658	88%	(\$7,125,364)
Grand Total	\$4,118,769,566	\$3,811,441,030		(\$369,119,138)

SCHEV Calculations, October 25, 2011.



# Virginia Higher Education Opportunity Act of 2011

- Higher education has been in the spotlight this year.
- The Administration has been focused on promoting additional degrees and the *Virginia Higher Education Opportunity Act of 2011* or “Top Jobs” (TJ21) legislation passed during the 2011 Session.
  - Presents an ambitious agenda and the issues are complicated.
  - Most of the focus this year has been on funding issues.

Virginia Higher Education Opportunity Act of 2011 Purposes	
1. Ensure affordable access;	6. Enhance the security and economic competitiveness of the US;
2. Take advantage of the link between higher education and economic growth;	7. Enhance the VA higher education system through reform-based investment;
3. Confer approximately 100,000 cumulative additional undergraduate degrees on Virginians partially by improving graduation and retention rates and increasing degree completion;	8. Establish a funding framework that provides stable funding and planning, incentives for increased enrollment, need-based aid for low-income and middle-income students, incentives to promote innovation, and relieves tuition pressure;
4. Increasing degree attainment, especially in STEM;	9. Recognize the unique mission and contributions of the institutions; and
5. Promote university-based research;	10. Realize enhanced benefits from more autonomy under Restructuring.



# Implementation

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- The legislation calls for reform-based investment and affordable access through a revised higher education funding policy, including:
  1. **Basic operations and instructional funding** need (cost of education – base adequacy and 60<sup>th</sup> percentile for faculty salaries);
  2. **Per student enrollment-based funding** need determined by policies developed by HEAC and similar to the Tuition Assistance Grant (TAG) program;
  3. **Need-based financial aid**; and
  4. **Targeted economic and innovation incentives.**
- Legislation requires the institutions to submit six-year financial and academic plans that provide a roadmap for evaluating funding requirements and targeting general fund investments.
  - “Op-Six” group was tasked to review the plans.
    - Includes the Secretaries of Finance and Education, Directors of DPB and SCHEV, and the Staff Directors of the House Committee on Appropriations and the Senate Committee on Finance, or their designees.



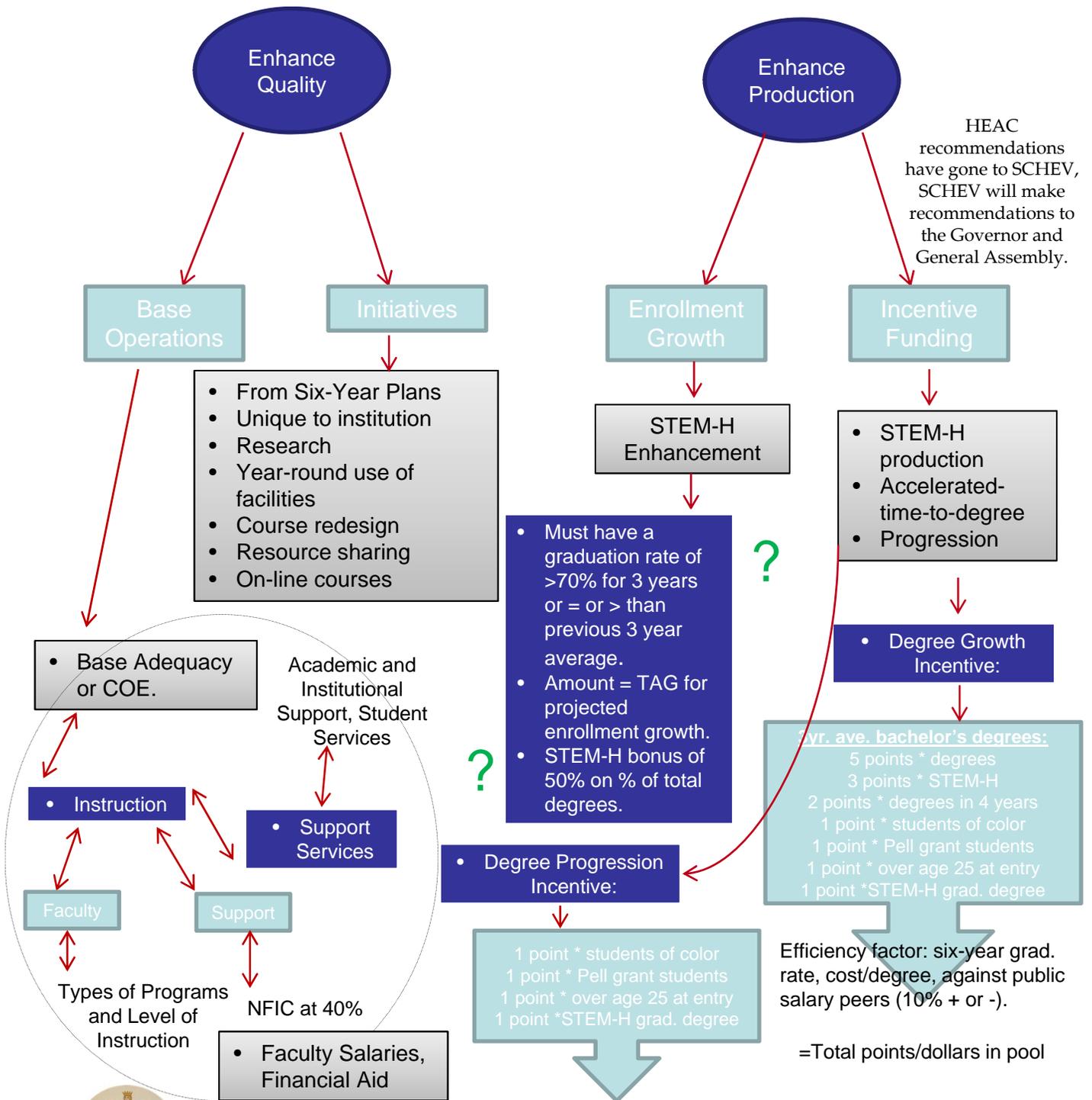
# Six-Year Plan Process and Incentive Funding

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- Summary from the plans:
  - Tuition increases will continue to fund stated objectives and goals.
    - Estimates averaged 9.2 percent in FY 2013 and 7.1 percent for FY 2014 at the four-year institutions, increases probably are higher than the actuals.
      - Most institutions had salary increases and many would at least partially fund them through tuition.
  - There will be some growth in enrollment but most of it will come through increased retention and graduation rates.
  - Most requested incentives were in the STEM area.
- Institutions presented options for initiative funding in their six-year plans, totaling \$108.2 million GF in FY 2013 and \$157.7 million GF in FY 2014.
  - Almost all had student success initiatives.
- HEAC Workgroup presented several options for incentive funding.
  - One incentive formula will likely benefit large institutions that already produce a substantial amount of STEM-H degrees.



# Base Operations, Enrollment Growth, and Incentive Funding



# Funding Needed for TJ 21

- SCHEV provided calculations for the various goals and funding streams of TJ 21, costs for full funding would be substantial.
  - The chart below summarizes the needed funding.
  - Actual SCHEV recommendations are included on Page 33.

Calculated Higher Education Funding Need Based on Higher Education Opportunity Act - TJ21 (In Millions)				
Item	Annual Cost			
	GF	NGF	Total	
<b>Basic Operations and Instruction Funding (BOIF)</b>				
100% cost of education (COE) in FY12	\$201.7	\$160.3	\$362.0	
60th percentile faculty salaries in FY12	\$77.1	\$73.0	\$150.1	
<b>Subtotal</b>	<b>\$278.8</b>	<b>\$233.3</b>	<b>\$512.1</b>	
Paragraph C of §23-38.87:13*	\$919.2	(\$619.0)	\$362.0	
<b>Per-Student Enrollment-Based Funding</b>				
Future enrollment growth	\$15.8	\$0.0	\$15.8	
Past enrollment growth	Included in 100% COE above			
<b>Need-Based Financial Aid (100% funding)</b>	<b>\$245.6</b>	<b>\$0.0</b>	<b>\$245.6</b>	
<b>Economic and Innovation Incentives</b>	<b>\$80.0</b>	<b>\$0.0</b>	<b>\$80.0</b>	
<b>TJ21 Institutional Initiatives in Six-Year Plans</b>	<b>\$157.7</b>	<b>\$113.7</b>	<b>\$271.4</b>	
<b>Total Funding Need (including Paragraph C)</b>	<b>\$1,697.1</b>	<b>(\$272.0)</b>	<b>\$1,425.1</b>	
<b>Total Funding Need (excludes Paragraph C)</b>	<b>\$777.9</b>	<b>\$347.0</b>	<b>\$1,124.9</b>	
Note: *Total does not add due to institutional variations.				

SCHEV Calculations, November, 2011.



# Summary of SCHEV Recommendations

Funding Area	Assumptions	FY 13-14 GF Cost (in millions)
<b>Undergraduate Financial Aid</b>	Phase-in to 70% of guidelines under the Partnership Model for each institution over a six-year period (at about 48% overall now). Final recommendation is modified by 50%.	<b>\$53.9</b>
<b>Graduate Student Financial Aid</b>	A six- year phase-in to achieve 70%. Final recommendation is modified by 50%.	<b>\$10.7</b>
<b>Tuition Assistance Grant</b>	This represents the funding necessary for awards of \$2,800 in FY 2013 and \$3,000 in FY 2014 for undergraduate awards.	<b>\$21.1</b>
<b>Operation and Maintenance of New Facilities</b>	52 new E&G and research facilities will come on-line between FY 2012-14.	<b>\$16.5</b>
<b>Fund Share Equity/Affordability</b>	Institutions above 100% of guidelines will receive funds to reduce their GF shortfall by 5%. Institutions above system average of 93% will receive funds to reduce their GF shortfall by 2.5%.	<b>\$13.8</b>
<b>Cost of Education (Base Adequacy)</b>	Four-Year phase-in (reflects FY 2011 student FTE, FY 2012 GF, and FY 11 NGF).	<b>\$153.7</b>
<b>Projected Per-Student Enrollment-Based Funding</b>	Amounts based on per student projections with \$2,800 per FTE in FY 2013 and \$3,000 per FTE for the 4-years. Amounts of \$1,800 in FY 2013 and \$2,000 in FY 2014 for the two-years.	<b>\$23.0</b>
<b>Student Success, Institution Efficiency and Effectiveness</b>	\$8.0 million for student success initiatives, \$2.9 million to increase EFC to \$12,000 for the two-year transfer grant, \$4.0 million for 4-VA, \$3.5 million for ODU/VCCS partnership, and \$800,000 for SCHEV Fund for Excellence and Innovation.	<b>\$27.7</b>
<b>Faculty Salaries</b>	2% annual increase.	<b>\$24.6</b>
<b>Incentive Funds</b>	SCHEV recommends ~ \$80 million.	<b>\$80.0</b>
<b>HEETF</b>	Traditional HEETF guidelines with a 9-year cycle and includes research funding.	<b>\$13.0</b>
<b>VIVA</b>	Provides money for academic e-books and continuation of existing databases.	<b>\$5.6</b>
<b>Total</b>		<b>\$443.6</b>



# Status of Higher Education

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- Increasing the number of degrees while containing costs in higher education will be difficult to do without substantial investments in this area.
  - Further compounded by “targeted reallocations” to higher education in the proposed budget and the transition to funding policies in the new legislation.
- Reductions to higher education during this recession have been substantial.
  - In the 2011 Session, an additional \$97.8 million GF was restored to higher education.
  - Higher education GF operating appropriations are still almost \$300 million below the FY 2007 appropriation.
- Tuition increases have backfilled a portion of these reductions.
  - In-state undergraduate tuition and mandatory educational and general fees increased an average of 9.7 percent in FY 2012 and 13.1 percent in FY 2011.
  - The average four-year institution undergraduate tuition and mandatory educational and general fees increase in the six-year plans was 7.4 percent in FY 2013.



# Higher Education – Key Issues for the 2012 Session and Beyond

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- Is 100,000 degrees the right number and are the right job/degree areas being targeted?
- SCHEV funding recommendations would require substantial increases. Will funding be available?
  - In the proposed budget some funding has been provided. However, targeted reallocations for higher education are also included (3% FY 2013, 5% FY 2014)?
  - Will funding be redirected from other areas to higher education (the 2,4,6 plans)?
- Where does incentive funding come in? What are the priorities?
- Where does the cost of education/base adequacy fall in comparison to incentives (SCHEV recommends a 2:1 ratio for cost of education funding versus incentive, introduced budget is 1:1)?
- What will happen with potential salary increases?
- Will additional authority under Restructuring be proposed?

