

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budget Amendments for Higher Education

SB 29 (Amendments to 2014-16 Budget)

SB 30 (2016-18 Biennial Budget)

January 2016



Overview of Higher Education

- **SB 29:** one technical amendment to increase the appropriation by \$25,631 GF in FY 2016 to correct the central fund distribution for the employee health insurance rates at the VT-Extension.
- **SB 30:** proposed amendments result in an increase of about \$175.6 - \$181.9 million GF per year. (About \$70.0 million per year of these actions are related to central account adjustments that have been done in the base budget in other years.)
 - **Includes almost \$50.6 million GF** per year to support initiatives identified in the *Virginia Higher Education Opportunity Act of 2011* (TJ 21).
 - \$1.5 million GF for base adequacy (Old Dominion University);
 - \$25.0 million GF for access and completion (previously called degree incentives); and
 - \$24.1 million GF for need-based undergraduate student financial aid.



Overview of Higher Education (continued)

- \$9.0 million GF in FY 2017 and \$15.6 million GF in FY 2018 for workforce initiatives at the Virginia Community College System (VCCS).
- \$1.0 million GF annually for the Tuition Assistance Grant (TAG) program to raise awards by \$300 to \$3,400/student.
- \$1.2 million GF per year for the Virtual Library of Virginia (VIVA) Library e-books initiative and contracts.
- \$6.6 million GF in FY 2017 and \$8.4 million GF in FY 2018 for cyber security initiatives at several institutions.
- \$770,246 in FY 2017 and over \$1.5 million GF in FY 2018 for additional funding at Eastern Virginia Medical School (EVMS).
- \$20.0 million GF and \$50 million in bonds per year for the Higher Education Research Initiative for inventive packages, lab renovations, and equipment purchases.
- \$17.0 million in FY 2018 for a 2% faculty salary increase contingent on revenues.



Summary of Proposed Amendments

GF Actions for the 2016-16 Biennium - (\$ in millions)	
Base Adequacy (ODU)	\$ 3.0
Access and Completion (Degree Incentives under TJ21)	50.0
Undergraduate Financial Aid	48.2
Research Initiatives (plus \$100 million in bonds)	40.0
Workforce (VCCS and Centers)	26.2
Cyber Security	15.0
Tuition Assistance Grant	2.0
VIVA (Virtual Library of Virginia)	2.5
VA Degree Completion Network	8.1
Jefferson Labs	2.4
Other	21.0
Central Accounts Actions (part of new base)	<u>139.1</u>
TOTAL	\$357.5
2% Faculty Salary Increase in Central Accounts (effective July 10, 2017 contingent on revenues)	\$17.0



Cybersecurity Initiatives

Biennial GF

Agency	Project / Initiative	GF \$
Virginia Tech	Cyber Range (skills practice)	\$4.0
State Council of HE	Cyber Scholarship (with state work commitment)	3.0
State Council of HE	Grant Funding to Qualify as a Center of Excellence	2.0
James Madison/VT	Collaborative Undergrad Cybersecurity Curriculum, Database, and Apprenticeships/Internships	3.6
VCCS	Funding to Qualify as a Center of Excellence	1.6
George Mason	Cyber Pathway for Veterans	0.8
HE SUBTOTAL		15.0
State Police	Cyber Crime and Digital Forensic Analysis, 10 positions	2.8
ISAO (at CIT)	Establish Information Sharing & Analysis Org.	1.5
VA Fusion Center	4 Cybersecurity analysts to expand cyber intel. sharing	0.7
VITA	Small agency security and vulnerability scanning	0.6
TOTAL		\$20.7

Note: Additional NGF items are funded under the Virginia Information Technologies Agency (VITA).



Research & Economic Development Initiatives Biennial GF

Agency/Item	Initiative	GF \$
HE Research Initiative	GF incentive for high-performing researchers, plus \$100 million in bond funding for research equipment and lab renovations	\$40.0
Medicaid Expansion (in Central Accounts)	Global Genomics & Bioinformation Institute	\$16.0
	VA Growth and Opportunity Fund (GO Virginia)	12.9
	Massey Cancer Center at VCU	8.5
DHCD	Virginia Growth and Opportunity Fund (GO Virginia)	\$25.9
Ec. Development Incentive Payments	Virginia Biosciences Health Research Corporation (VBHRC) – contract with private entities, foundations, and governmental sources to capture and perform research in biosciences and promote biosciences tools	\$12.5
Ec. Development Incentive Fund	Biotechnology industry funding to spinoff biotechnology companies evaluated by the VBHRC for merit and feasibility	\$60.0
Jefferson Lab	Funding to compete for the US DOE electron ion collider project	\$2.4
Tax Credits	Increases cap on existing R&D Tax Credit by \$1.0 million, creates new R&D credit with cap at \$15.0 million, & increases cap for the Angel Investor Tax Credit by \$4.0 million (total of \$8.0 million over the biennium)	\$24.0



Research Proposals will Compete with Other Higher Education Funding

- Several different groups have proposals related to research.
 - GO Virginia:
 - Developed by Virginia Higher Education Business Council, Council on Virginia's Future and the Virginia Chamber of Commerce to incentivize collaboration between business, higher education, and government **regionally**.
 - Particular emphasis on aligning education and skills training with employer needs.
 - Regional sector-specific initiatives in life sciences, cybersecurity, and medicine.
 - Proposes both a state funded grant program for regional initiatives as well as capital improvement projects for both buildings and equipment.
 - Administration discussions around:
 - Buildings,
 - Higher Education Equipment Trust Fund (HEETF),
 - Themes like Cybersecurity and BioSciences,
 - Centers of Excellence, and
 - Pool of funds to retain top talent (\$20 million GF per year for talent).
 - Pooled bond authorization to finance new or renovated facilities & equipment (\$50 million in FY 2017, \$50 million in FY 2018) plus.



Higher Education – Environment and Outlook for the Future

- Containing costs in higher education and increasing the number of degrees will be a challenge at the current investment level in this area.
- Reductions to higher education during the last recession were substantial.
 - During the 2010 Session, FY 2012 appropriations to higher education were reduced by 27 percent.
 - Currently, GF appropriations are at \$1.8 billion, still below the FY 2008 peak.
- Tuition increases have backfilled a portion of these reductions.
- Affordability for students has declined but must be examined holistically – tuition, financial aid, and debt.
- A renewed focus will be required to take actions that will foster sustainability and success for students, including completion of degrees or certifications.



Joint Subcommittee on the Future Competitiveness of Virginia Higher Education

- Budget language created this Joint Subcommittee in the 2015 Session in an effort for the legislature to lead the conversation on higher education issues.
 - Envisions significant support from the State Council of Higher Education for Virginia (SCHEV).
- The language was created due to the desire from both bodies to chart a shared vision for higher education.
- Membership includes four members appointed by the Chairman of each of the Money Committees.
 - House – Delegates Jones, Cox, Massie and Hester.
 - Senate – Senators Norment, Colgan, Saslaw and Alexander.
- Three meetings were held in 2015 to provide initial background information to the members.
- Report Due Dates:
 - Interim Report due November 2016.
 - Final Report due November 2017.



Issues for the Joint Subcommittee

- **Affordability/Access** (Enrollment, Financial Aid, etc.)
- **Innovation in Higher Education**
- **Pathways/Online Instruction** (academic or workforce pathways, non-traditional students, and types of online instruction)
- **Sustainability** (examination of the current higher education model to determine whether the system and individual institutions are sustainable in the market)
- **K-12 Linkages** (Dual enrollment, teacher preparation, etc.)
- **Review of Assessments of Other States or Similar Institutions/Best Practices**



Higher Education in Virginia

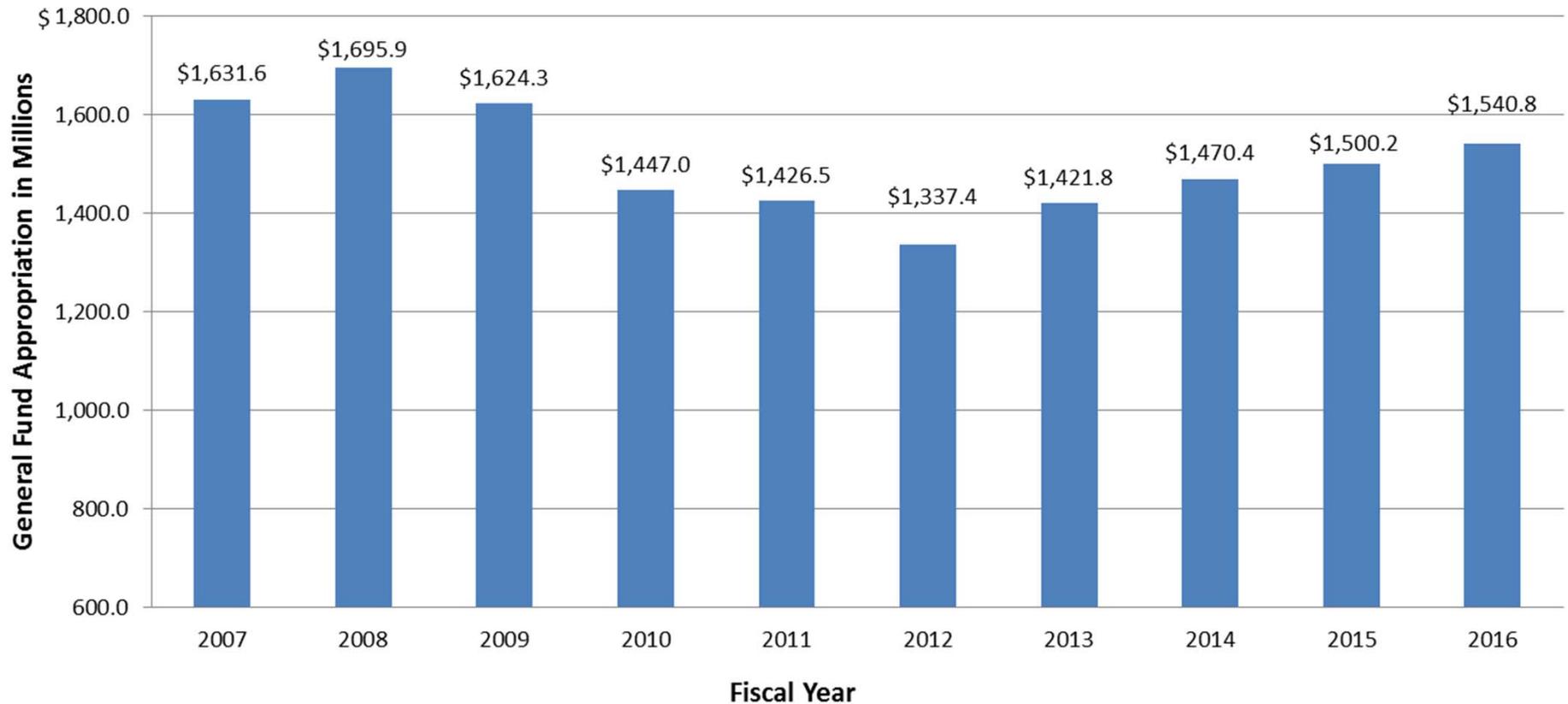
A Snapshot

- Virginia's **public higher education** system is the 11th 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; and**
 - **About 399,000 students.**
- Higher Education GF annual appropriations peaked in FY 2008 at almost \$1.9 billion.
- Current GF appropriations for FY 2016 are at almost \$1.8 billion, still about \$130 million below the peak, even after substantial investments in higher education over the past few years.



Higher Education Appropriations are Still Below the Peak

Higher Education Operating General Fund Appropriations

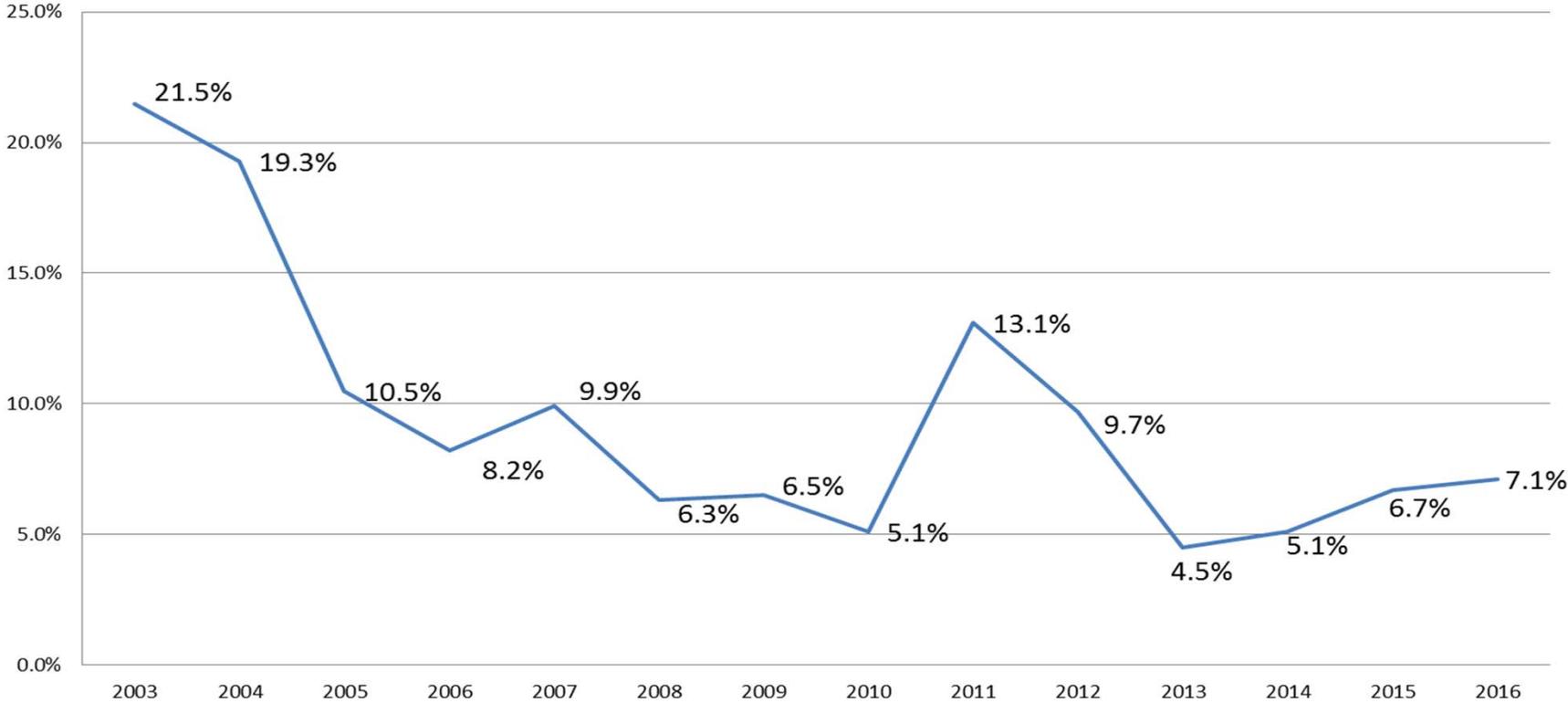


Note: This does not include GF student financial aid.



Percentage Increases for Tuition and E&G Fees Fluctuate

Average Annual Increases
Tuition and E&G Fees for In-State Undergraduate Students
2003-2016

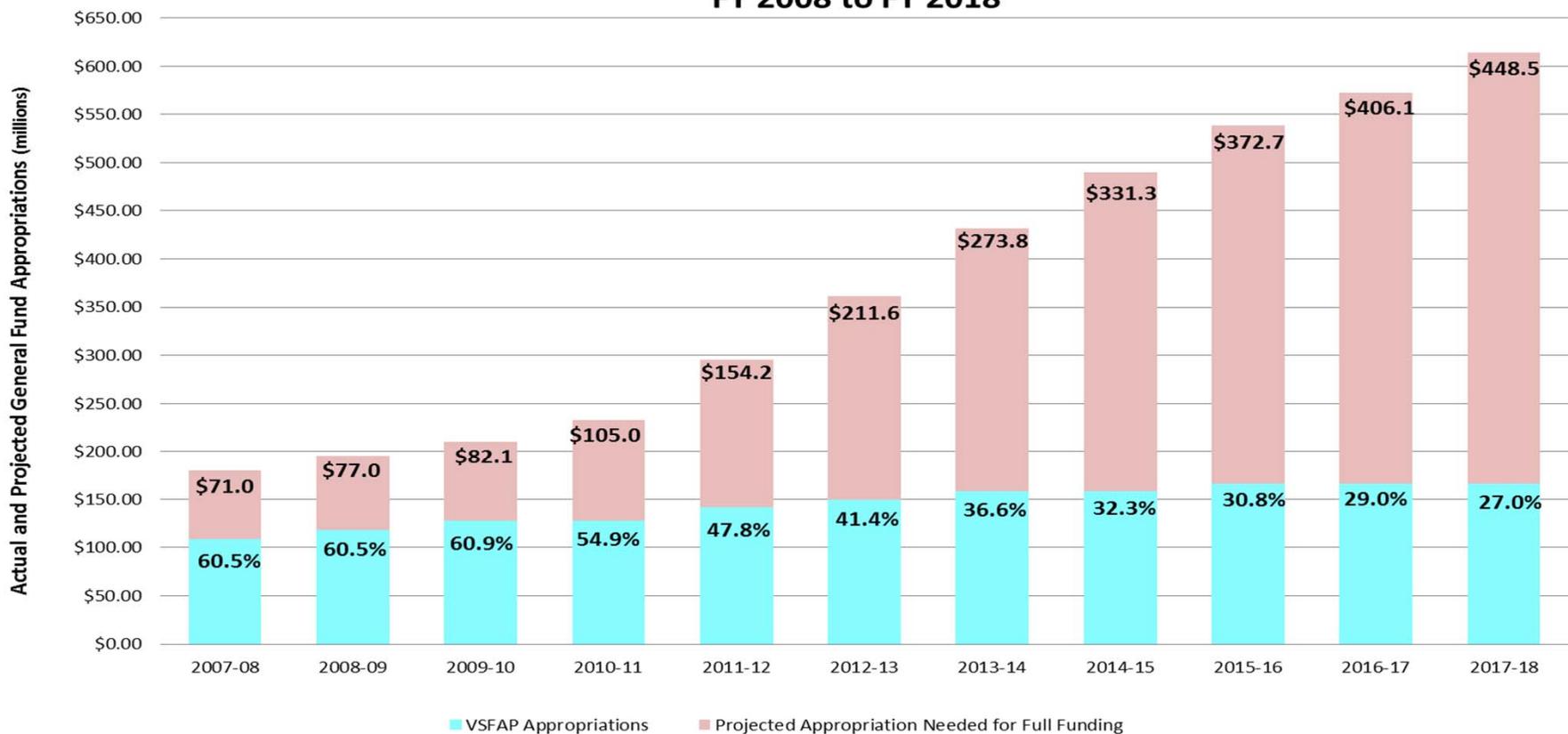


Source: SCHEV 2015-16 Tuition and Fee Report.



Percent of Need Met Under Financial Aid is Declining

Virginia Student Financial Assistance Program Appropriations (in millions) and Percent Projected Need Met
FY 2008 to FY 2018

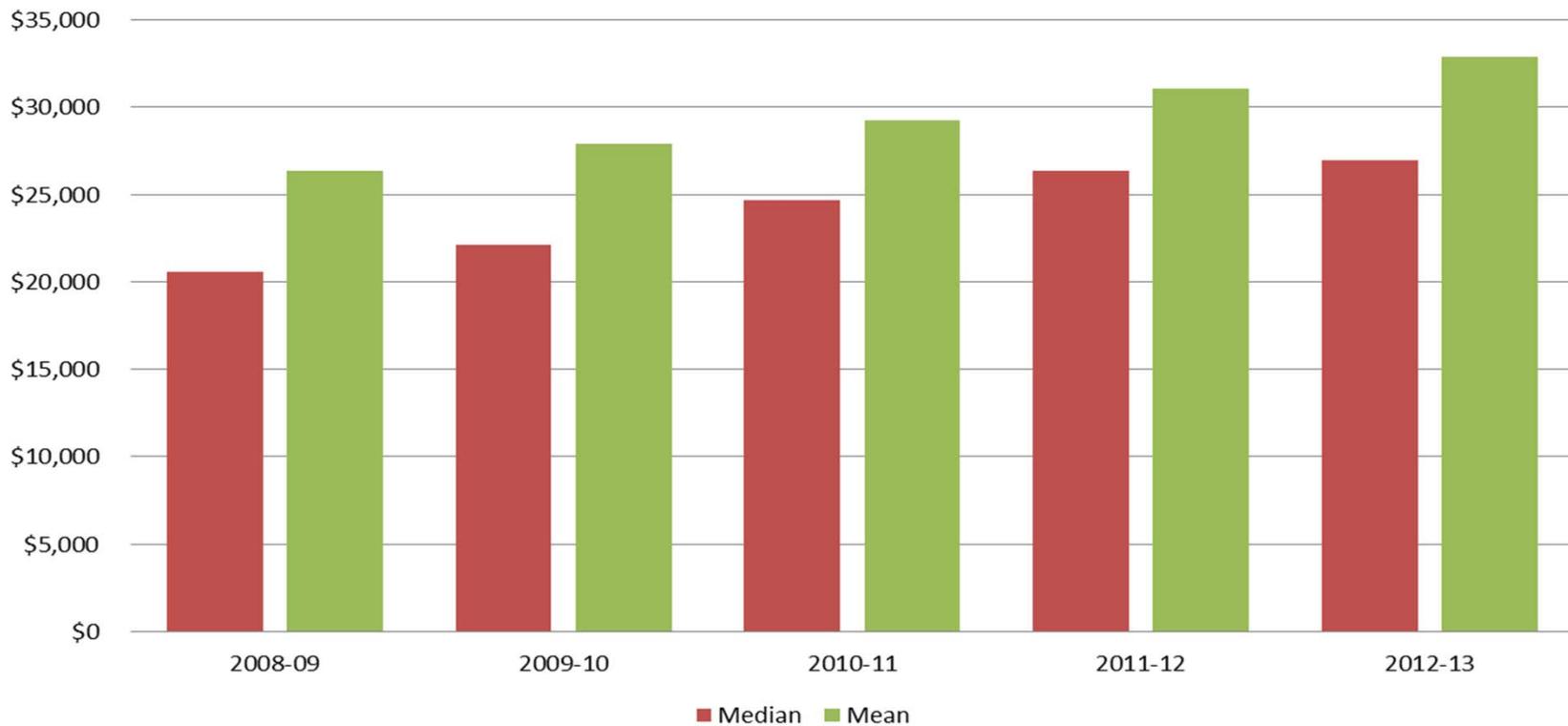


Source: SCHEV data, October 2015.



Virginia Student Debt is Increasing

Known Debt at Graduation of Student Borrowers (Public Four-Year Bachelor's Degree)



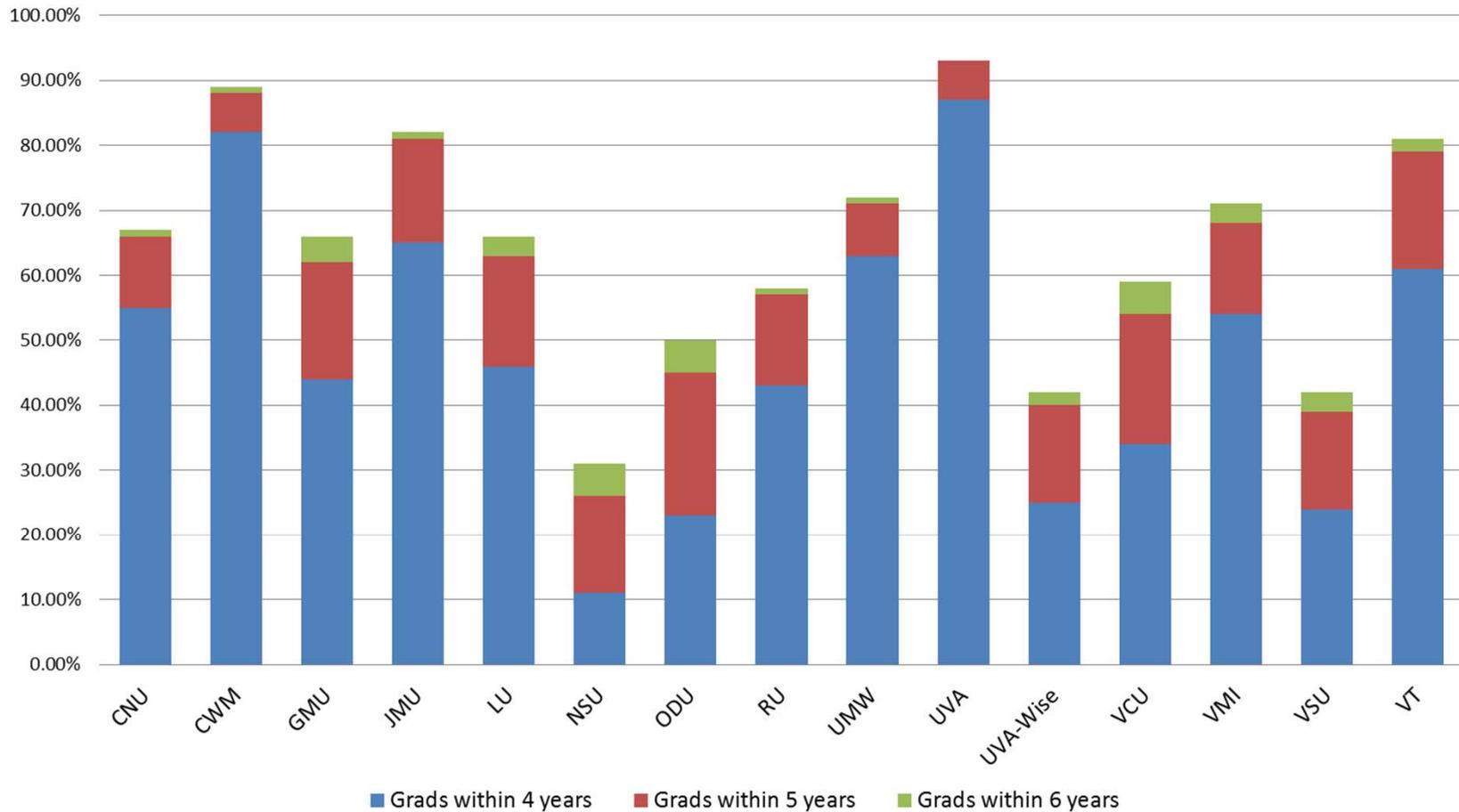
Source: SCHEV Research Data, September 2015

Note: The four-year bachelor's degree mean and median debt levels reported on this site may differ from that reported by individual institutions. Many institutions report indebtedness based on the Common Data Set definition, which limits the indebtedness level reported to include only those students who entered the institution as first-time in college (FTIC) students. The inclusion of graduates who entered as transfer students may tend to lower the overall mean or median debt level because it does not include any debt that transfer students acquired while attending previous institutions outside Virginia and relatively few transfers from Virginia's two-year colleges incur debt prior to transfer.



Virginia Four-Year Public Institution Graduation Rates Vary

Cohort Graduation Rates, Four-Year Public Institutions

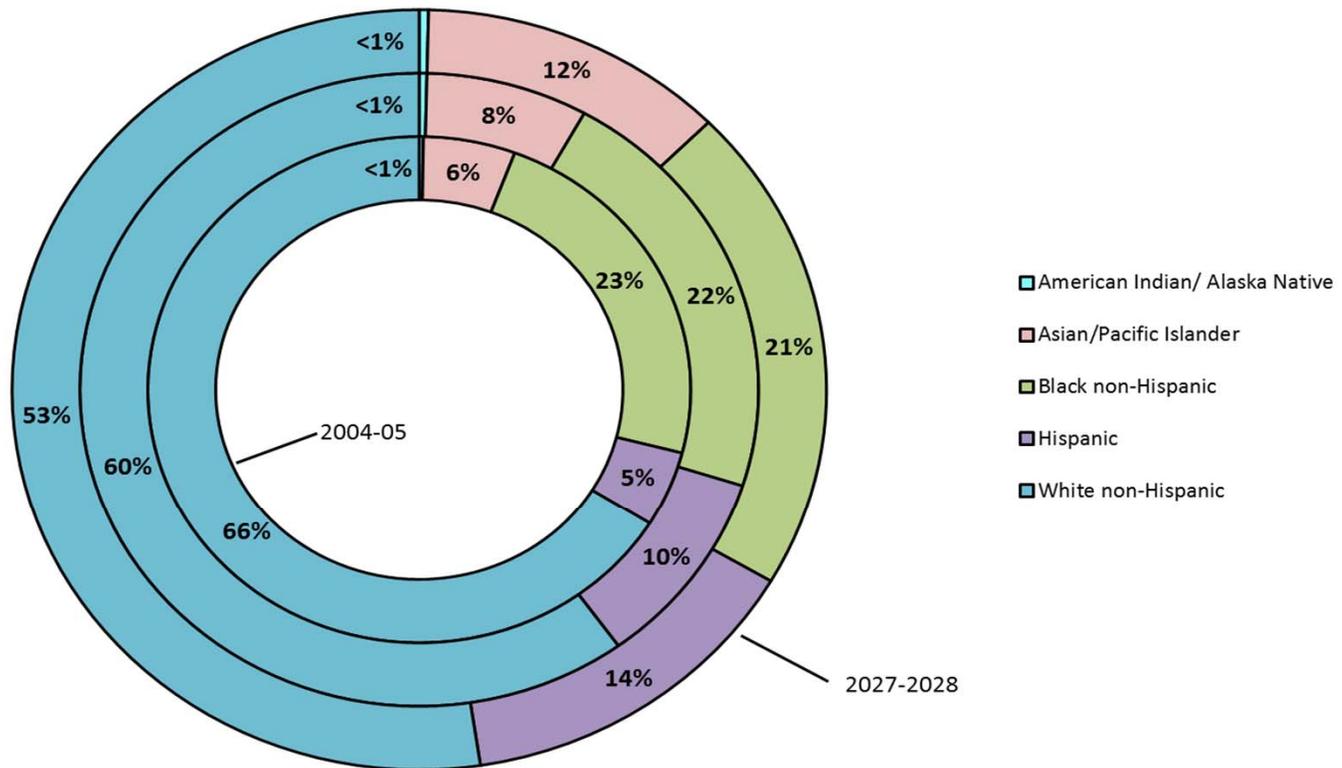


Source: SCHEV data, Cohort 08-09, August 2015.



Demographic Changes for Virginia

Virginia Public High School Graduates by Race/Ethnicity
2004-05 (Actual), 2014-15 (Actual) and 2027-2028 (Projected)



Source: WICHIE and SCHEV data.



Declining Affordability and Changing Demographics Impact Enrollment

- Changing demographics impact affordability in a number of ways.
 - Different aid needs.
 - More student success programs, can be costly.
 - Institutions may be required to be more flexible in the initial performance of students or expand reliance on alternative models (transfer and online).
- Enrollment has slowed – some institutions are already experiencing challenges.
- Workforce certifications could also begin to compete with traditional degrees.
- Performance Factors – including retention and graduation rates will also impact enrollment at the four and two-year institutions.



Virginia and Higher Education Institutions are Focused on Retaining Students

- Virginia recently joined Complete College America.
 - Performance Funding,
 - Corequisite Remediation,
 - Full-time is 15,
 - Structured Schedules, and
 - Guided Pathways to Success (GPS).
- Institutions have already initiated programs that are focused on student success, retention, and graduation.
 - Predictive analytics and early warning systems,
 - Summer bridge programs,
 - Out in four programs, and
 - Work-study options.



Six-Year Plan Initiatives

Summary of Selected Initiatives in Institutional Six-Year Plans - Summer 2015

Institution	Faculty Salaries	Enrollment Growth	Financial Aid	Alternative Degree Completion/ Non-traditional Populations	Faculty Expansion	Research	Retention/ Additional Degrees	Student Success	Transfers
CNU	✓		✓		✓	✓		✓	
CWM	✓	✓	✓	✓			✓		
GMU	✓	✓	✓	✓		✓		✓	
JMU	✓		✓	✓		✓	✓	✓	
LU	✓					✓	✓		
NSU	✓		✓	✓	✓			✓	✓
ODU	✓		✓	✓		✓			
RBC	✓			✓			✓	✓	
RU	✓		✓		✓		✓	✓	✓
UMW	✓		✓	✓			✓	✓	
UVA	✓	✓	✓	✓		✓		✓	
UVA-Wise	✓	✓				✓	✓		
VCCS	✓		✓	✓			✓	✓	✓
VCU	✓		✓	✓	✓	✓	✓	✓	
VMI	✓		✓	✓	✓	✓	✓	✓	
VT	✓	✓	✓	✓	✓	✓	✓	✓	
VSU				✓			✓	✓	

Source: SFC staff analysis of higher education six-year plans, November 2015.



2016 Session and Beyond

- Discussions will continue regarding the appropriate level of funding for operations and financial aid for Virginia's public colleges and universities.
- Requests will compete with workforce and research initiatives.
- A strong system of higher education remains vital to the economy – issues related to sustainability of our current public higher education system will continue beyond this Session.
 - Work to develop a plan to move the system forward whether state resources are available or not.
- Capital outlay requests also impact the sustainability of Virginia's public institutions.
 - Enrollment declines magnify how there must be a balance between facilities and what students and the State can afford.
 - Older facilities drive maintenance costs and new facilities drive the need to fund additional operations and maintenance.



SCHEV Recommendation Details

(GF in millions)

Item	FY 2017	FY 2018
2% Faculty Salary Increase (flexibility to provide and/or merit options)	\$28.8	\$28.8
Base Adequacy	3.1	6.3
Operations and Maintenance of New Facilities	12.5	15.3
Undergraduate Financial Aid	24.1	32.1
Performance Allocation for Student Success	15.0	15.0
Graduate Student Financial Aid	4.0	6.0
Transfer Grant and Transfer Grant Incentive	2.0	4.2
Tuition Assistance Grant (TAG)	5.7	8.5
Affordable Pathways	5.0	5.0
Virtual Library of Virginia (VIVA)	1.4	1.4
Fund for Excellence and Innovation	0.5	1.0
SCHEV Staffing	0.3	0.4
Virginia Longitudinal Data System (VLDS)	1.3	1.3
Workforce Credentials	10.0	15.0
HEETF (debt service)	0	11.8
Research Competitiveness (debt service)	\$0	\$5.7
TOTAL (does not include several small items)	\$113.6	\$158.0

