



State Council of Higher Education for Virginia

Senate Finance Committee -- Education Subcommittee

Base Adequacy Overview

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Higher Education Funding Guidelines

- Prior to the recession of the early 1990's, operating funding for colleges and universities flowed from guidelines. These guidelines provided a common yardstick for measuring funding for higher education and a consistent way to evaluate funding requests.
- As a result of the recession, the framework that guided higher education funding was abandoned.
- With the absence of any funding standards, there was considerable debate about how much was required to adequately fund Virginia's colleges and universities.
- The 1998 General Assembly established the Joint Subcommittee on Higher Education Funding Policies to reestablish funding guidelines that could be used as an objective and commonly accepted yardstick for colleges and university funding.



Higher Education Funding Guidelines

- A consultant, MGT of America, Inc., was retained to study the issues and assist legislative staff in the development of the guidelines.
- The basic purpose of the funding study was to:
 - Re-establish a benchmark for determining funding adequacy.
 - Provide some standards for judging future funding requests.



Higher Education Funding Guidelines

- The Joint Subcommittee adopted four basic principles for use in developing the guidelines:
 1. The guidelines would complement current funding policies for higher education.
 2. To the extent possible, guideline factors would be developed through an assessment of actual experience, or national “best practice”.
 3. To the extent possible, the guidelines would balance the desire for simplicity with the need to recognize institutional differences.
 4. Not all institutional resource requirements would, nor should, be met through the guidelines.



Higher Education Funding Guidelines

- The objective was to find a yardstick that could be applied to Virginia's diverse colleges and universities, without having them all come out looking the same.
- The goal of the study methodology approved by the Joint Subcommittee was to determine: what drives the cost of providing higher education.
- If the cost drivers can be measured, then they can be incorporated into a funding guideline.
- The primary drivers of instructional cost are students and faculty. Two factors determine the number of faculty needed:
 - Types of programs offered (social sciences, engineering, health professions, etc.); and
 - Level of instruction (undergraduate, master's, doctoral).



Higher Education Funding Guidelines

- The task was to develop student-faculty ratios based on the number of faculty required in different kinds of programs and at different levels of instruction.
- Ultimately, the ratios were based on a combination of:
 1. Guidelines used in other states
 2. Appendix M (Virginia's old guidelines used in the 1970's and 1980's)
 3. Recommendations from Virginia's colleges and universities
 4. Accreditation standards on staffing requirements



Higher Education Funding Guidelines

Student-Faculty Ratio

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



Higher Education Funding Guidelines

- All other instructional costs are identified as “non-faculty instructional costs” or NFIC. These include support staff, equipment, and supplies used in faculty offices, classrooms and laboratories.
- The Joint Subcommittee approved a staff recommendation to calculate these costs at a ratio of 40 percent of instructional faculty costs.
- The funding need for support programs like academic support and student services is based on statistical ratios and coefficients derived from national norms.



Higher Education Funding Guidelines

- The Joint Subcommittee-approved student-faculty ratios along with the agreed-upon methodology for calculating the non-faculty instructional costs and the fund split policy (see page 15) approved in 2004, in essence, represent the Base Adequacy guidelines or model.
- SCHEV staff has never altered any of these three components in producing budget recommendations for the Council or in providing guideline assistance to the Executive or Legislative staff.



Higher Education Funding Guidelines

- The guidelines were completed and approved in 2001. Current funding for the system was calculated to be 91% of the new guidelines. The initial funding shortfall was estimated to be between \$187 million and \$206 million.
- While the guidelines were ready—the economy was not. The budget reductions and enrollment growth that took place in the 2002-04 biennium combined to reduce system funding to 84% of guidelines and produced a funding shortfall of about \$400 million.
- In 2002, the General Assembly abandoned the various forms of tuition control that had been in place for 8 years and allowed the institutions to increase tuition for in-state undergraduate students in order to help preserve the current level of services to students. Between 2002-03 and 2006-07, tuition and all mandatory fees for in-state undergraduates increased by 48%.



Higher Education Funding Guidelines

- Since 2004, the last year of the budget reductions, general fund support for higher education has increased by \$436 million or nearly 42%, representing a serious and strong commitment to higher education and a significant step in addressing the funding deficiency in base operations.
- The following summaries provide a comparison of Virginia's most recent increase in state support for higher education with increases in other states as well as an overview of higher education funding per student over time.



Ranking of One-Year Percent Change of State Tax Appropriations for Higher Education

Top Ranking	States	FY06 Appropriations (\$1,000s)	FY07 Appropriations (\$1,000s)	1-year Percent Change
1	Alabama	1,407,875	1,670,508	18.7%
2	Virginia	1,594,605	1,856,731	16.4%
3	Louisiana	1,242,769	1,420,236	14.3%
4	North Carolina	2,962,113	3,373,636	13.9%
5	Colorado	597,454	680,407	13.9%
6	Oklahoma	840,072	956,464	13.9%
7	Mississippi	795,882	904,205	13.6%
8	Maryland	1,268,850	1,436,393	13.2%
9	Alaska	252,124	285,361	13.2%
10	West Virginia	346,670	387,211	11.7%
11	Arizona	994,751	1,106,111	11.2%
12	New Mexico	705,804	784,751	11.2%
13	New York	4,390,661	4,866,947	10.8%
14	Wyoming	235,415	259,119	10.1%
15	Hawaii	461,171	503,627	9.2%
	National Total	67,420,857	72,183,609	7.1%

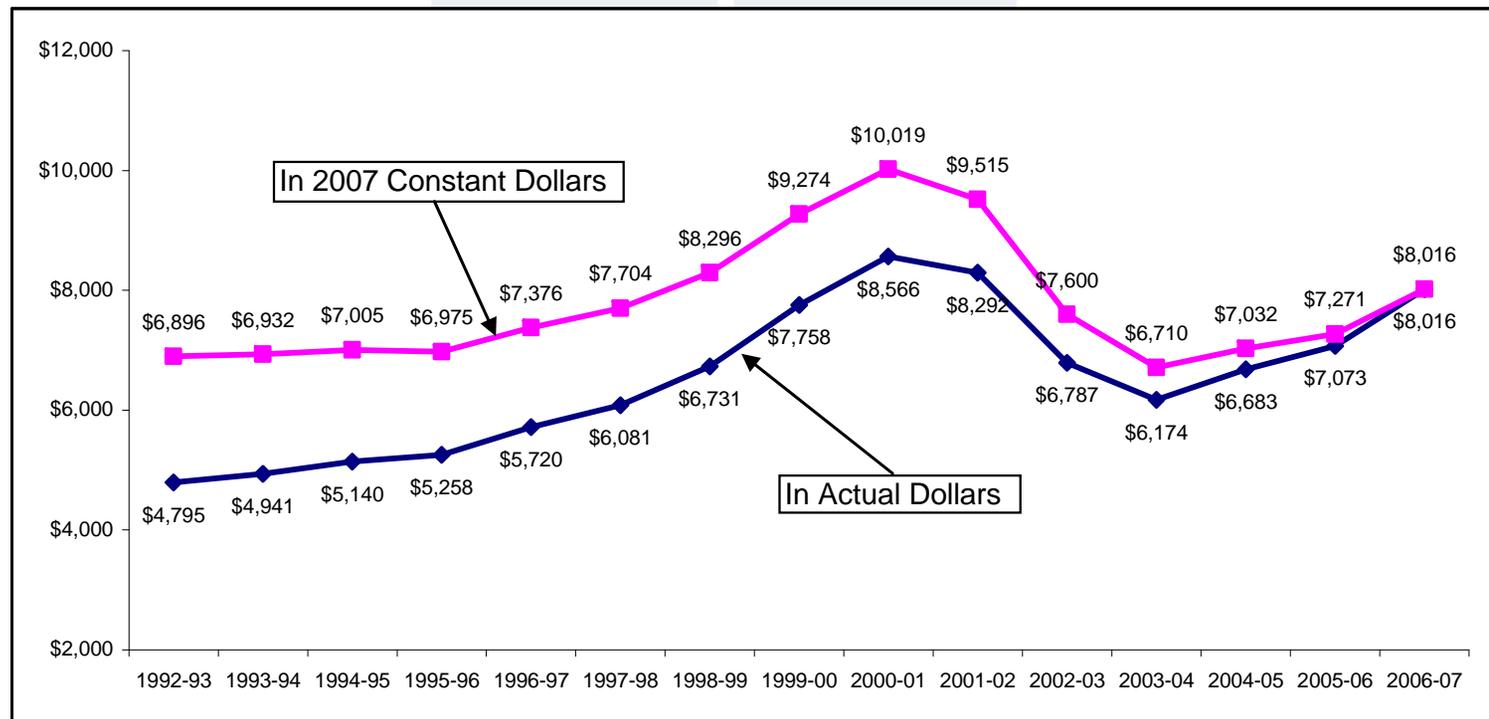
Source: Grapevine.



Virginia Public Higher Education Funding

Average General Fund per In-State Student FTE for Educational and General Programs

(Four-Year Institutions)



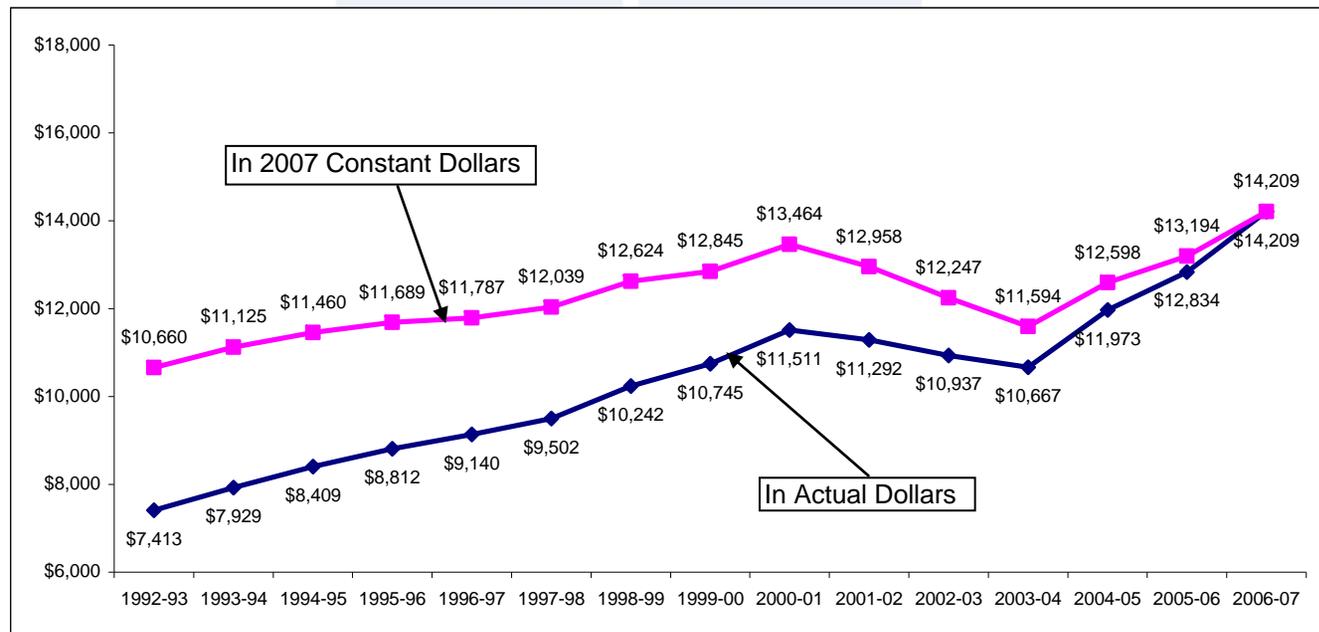
Note: Constant dollars have been adjusted for inflation, and actual dollars are as appropriated over the period.



Virginia Public Higher Education Funding

Average Total Funding per Total Student FTE for Educational and General Programs^{1,2}

(Four-Year Institutions)



Notes:

- 1) Total funding includes both general fund and nongeneral funds. Total Student FTE includes both in-state and out-of-state students.
- 2) Constant dollars have been adjusted for inflation, and actual dollars are as appropriated over the period.



An Issue for Future Consideration

- In 2004, the Joint Subcommittee on Higher Education Funding Policies adopted a state general fund share policy of 67%/33% between general fund support and tuition revenue for in-state students derived by the funding guidelines.
- Since this time, additional appropriations to higher education have been based on this fund share policy.
- However, since the budget reductions of the 2002-04 biennium, institutions have generated more revenue from tuition than they have received from state appropriations. Some institutions have over collected tuition revenue—based on the fund share policy—and at the same time are under funded in terms of general fund support.
- Last year, the cost of “realigning” current funding levels was estimated to be as high as \$175 million in general fund annually.



An Issue for Future Consideration

- Late last year, in consultation with the Council of Presidents, SCHEV endorsed the following policy statements regarding the issue of future realignment of funds:
 - Affirm the State Council's FY2006-08 base budget adequacy recommendation for the system as an expression of financial need to attain base adequacy.
 - The State Council affirms base adequacy based on 67 percent general fund support for in-state students.
 - The State Council affirms that it will recommend that the Commonwealth seek to extend the 67/33 percent fund share ratio policy developed by the Joint Subcommittee on Higher Education Funding Policies to the current base appropriation just as it is already being applied to incremental funds. Further, the State Council recommends that the Commonwealth establish a goal of completing this extension of achieving full general fund and nongeneral fund base adequacy funding by 2012.