

Status report on higher education

- Virginia's public colleges and universities made significant gains in funding during the current biennium.
- Higher education received a net biennial increase of over \$450 million for support in areas such as base adequacy, a higher education research initiative, faculty salary increases, and increased undergraduate financial aid funding.
- Nationally, the affordability of a college education will continue to be a key issue.
- Restructuring initiatives are continuing and may require action during this session.

Base adequacy funding has increased

- In 1999, the General Assembly established a joint subcommittee on higher education to develop guidelines to reestablish a benchmark for determining funding adequacy and to judge higher education institutions' future requests for additional funding.
- Since the guidelines were adopted in 2001, they have not been consistently employed to allocate funding to institutions of higher education.
 - Between 2001 and 2004, estimates showed E&G funding (both GF and NGF) relative to the guidelines dropped from 91 percent to 84 percent, on average, across Virginia's public institutions.
- Prior to the 2004 Session, Virginia's institutions were funded about \$420 million below guideline levels.
- This year, an additional \$332.5 million -- \$237.3 million GF and an estimated \$95.2 million NGF -- was provided for base adequacy and enrollment growth.

Base Adequacy: The 2006-08 Biennium

Base Adequacy and Enrollment Growth (2006-08 GF \$ Increases in Millions)

<u>Institution</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>Biennial Total</u>
CNU	\$1.2	\$1.3	\$2.5
CWM	2.2	2.5	4.7
GMU	15.5	17.6	33.1
JMU	4.8	5.5	10.3
LU	2.0	2.3	4.4
NSU	0.7	0.9	1.5
ODU	14.1	16.1	30.2
RU	4.2	4.8	9.0
UMW	3.0	3.4	6.4
UVA	4.7	5.3	10.1
UVA-Wise	1.9	2.1	4.0
VCU	14.8	16.9	31.6
VMI	0.4	0.5	0.9
VSU	2.5	2.5	5.0
VT	4.5	5.2	9.7
RBC	0.7	0.8	1.5
VCCS	<u>36.2</u>	<u>36.2</u>	<u>72.4</u>
Total	\$113.4	\$123.9	\$237.3

- With the additional funding, all institutions of higher education made significant progress toward reaching 100 percent of base adequacy guidelines. Average funding for institutions is currently estimated at 96.2 percent, ranging from 88 to over 100 percent.
- Additional funding would be needed in the 2007 Session for nine institutions to reach 100 percent funding under the guidelines.

Base Adequacy: The 2006-08 Biennium

- Base adequacy recommendations from the State Council of Higher Education for Virginia (SCHEV) project additional needs of \$166.6 million – \$96.3 million GF and \$70.3 NGF (this excludes additional funding that has been provided for faculty salary increases).

Annual Funding Gap to Reach 100% of Base Adequacy Guidelines

Update for 2006-08 Biennium, \$ in Millions

Institution	Current Funding as % of Guidelines		FY08 Annual Funding Gap (All Funds)	Annual GF Share to Close the Gap
	FY06	FY08		
CNU	92%	96%	(\$1.7)	\$1.1
GMU	89%	99%	(4.3)	2.4
JMU	92%	107%	0.0	0.0
LU	84%	102%	0.0	0.0
UMW	87%	108%	0.0	0.0
NSU	100%	116%	0.0	0.0
ODU	79%	91%	(18.8)	10.5
RU	84%	96%	(3.9)	2.3
UVA	91%	99%	(5.9)	2.4
UVA-W	82%	101%	0.0	0.0
VCU	83%	91%	(38.9)	20.8
VMI	100%	142%	0.0	0.0
VSU	86%	94%	(3.1)	1.4
VT	94%	101%	0.0	0.0
W&M	96%	101%	0.0	0.0
RBC	82%	98%	(0.2)	0.1
VCCS	85%	88%	(89.8)	55.3
Total	89%	96%	(\$166.6)	\$96.3

Faculty salaries have become more competitive

- Virginia's long-stated goal has been to raise teaching and research faculty salaries to the 60th percentile of peer institutions nationally, in order to attract and retain top faculty.
 - Virginia reached this goal in FY 2000 but lost ground when no increases occurred for several years.
 - During FY 2006, salaries at four-year institutions achieved on average the 50th percentile of their peers and two-year institutions achieved on average the 59th percentile of their peers.
- Increases were provided for the salary goal during the 2006 Session in the amount of \$48.4 million GF.
 - An average increase of 4.0 percent was given for FY 2007 (Appendix A).
 - An additional 3.0 percent increase is reserved for FY 2008 as part of the salary increase for all state employees, placing salaries at an estimated 52nd percentile of their peers at four-year institutions and 59th percentile at two-year institutions.
- An additional \$24.9 million -- \$12.8 million GF and \$12.1 million NGF -- would be needed to reach the 60th percentile goal in FY 2008 (Appendix B).

Financial aid continues to be an issue

- Future enrollments in higher education are projected to come from underserved populations including low-income students and minorities.
 - Issues of affordability and financial aid will remain at the forefront of policy discussions on higher education.
- In 1985, the General Assembly established a goal to cover at least 50 percent of the costs of attending college not met by student resources (expected family contributions, scholarships, and grants).
 - The goal was met one time in 1991.
 - For the 2006-08 biennium, SCHEV estimated that \$23.9 million GF was needed to remain at 33 percent of need. To meet 50 percent of need would have required \$122.8 million GF.
- During the 2006 Session, a \$21.7 million increase in need-based undergraduate aid was provided (Appendix C).
 - Tuition assistance grant (TAG) funding was also increased to raise the annual award from \$2500 per student to about \$3100 per student over the biennium (\$17.3 million).
- SCHEV financial aid recommendations for FY 2008 are for \$43.1 million under the partnership model (according to SCHEV this model better accounts for directing limited resources to the institutions with the neediest students).

Financial aid is part of the planning process

- This recommendation is based on partial funding with the goal of reaching 100 percent of the guideline by FY 2010 (Appendix D).
- The level of financial aid funding is linked to college costs.
- Virginia has tried to minimize cost uncertainty through the institutional requirement to develop six-year academic, financial, and enrollment plans under restructuring.
 - These plans include predicted tuition and mandatory fee increases based on two scenarios: 1) that no additional state support will be provided and 2) that the state will provide support for in-state students based on the current cost-sharing policy.
 - The plans also require the institutions to have strategies for providing sufficient financial aid and minimizing the impact of increases on students and families.
- Institutions typically set tuition and fees after the General Assembly Session, sometime between March and May.
 - This year they set their rates without knowing the level of funding they would receive.
 - The planned increases for all institutions averaged 7.2 percent and the actual increases for all institutions averaged 9.2 percent (Appendix E).

Restructuring is moving forward

- The Higher Education Restructuring Act provided a new framework for aligning state and institutional priorities, state policy, and funding.
 - The Act does not alter funding goals or methodologies already in place.
- The Act clarifies the state's expectations for higher education by codifying a "public agenda" through statewide policy goals, providing a new long-term planning process, and establishing accountability tools.
- Some of the goals include: providing access to Virginia students, keeping college costs affordable, promoting the seamless transfer between two-year and four-year institutions, aligning academic programs with state workforce needs, and contributing to the state's economic development efforts.
- Campus safety and security were added to the state goals during the 2006 Session.
- As required by the Act, each Board of Visitors has adopted a resolution committing to these "public agenda" goals.
- Through newly required six-year plans, institutions have begun to identify how they will manage their resources and programs to support those goals through FY 2012.

Restructuring autonomy

- The Act also establishes a three-level process through which institutions can seek increased operational autonomy based on their individual needs and demonstrated level of administrative expertise.

Levels of Autonomy Under Restructuring

Level	Eligible Institutions	Functional Areas
1	All with BOV commitment to state goals.	<ul style="list-style-type: none"> ✓ Authority limited to specific functions. Focuses on reducing “bureaucracy.” <ul style="list-style-type: none"> ❖ Examples include: selection of project construction methodology without prior approval; certification of compliance with minority business requirements; and classification of administrative faculty positions. ✓ Institutions meeting performance criteria will qualify for financial incentives. <ul style="list-style-type: none"> ❖ Incentives include interest earnings on tuition, rebates on state credit card purchases, and refunds on state vendor fees for select purchases.
2	Those with an appropriate organizational structure to manage with limited state oversight and an approved memorandum of understanding.	<ul style="list-style-type: none"> ✓ Capital project execution for all NGF projects and selected finance/ accounting functions (already existing). ✓ Act requires Governor to assess other potential areas (e.g., IT, personnel) and provide recommendation to the General Assembly.
3	Those with an unenhanced AA- bond rating or higher; or a proven track record in two “Level 2” areas.	<ul style="list-style-type: none"> ✓ Broad range of flexibility across functional areas, including financial management, capital outlay, personnel, IT, procurement, and leases, as set forth in a management agreement.

Status of restructuring initiatives

- All public colleges and universities have Level 1 autonomy.
- The University of Virginia, Virginia Tech, and William and Mary negotiated management agreements that became effective on July 1, 2006 for Level 3 autonomy.

Key Higher Education Restructuring Dates for 2006-2008

Standards to be developed to assess whether institutions are well-managed in information technology, personnel, capital outlay, and procurement.	Fall 2006
Institutional performance agreements and targets to be published by SCHEV.	November 15, 2006
Submission of UVA, VT, and W&M action plans on working with economically distressed regions of the Commonwealth.	December 31, 2006
SCHEV certification of the institutional achievement performance benchmarks for the first time (annual process).	June 1, 2007
Potential negotiation of Memorandums of Understanding between the Governor and institutions for Level 2 autonomy (if language is placed in the budget).	July 2007
UVA, VT, and W&M to increase the number of transfer students by 300.	June 30, 2008
Institutions can receive financial incentives based on a positive certification from SCHEV.	2007

Actions for the 2007 Session and beyond

- The Governor is to include the administrative management standards in the 2006-08 Budget Bill this year, requiring the 2007 General Assembly to act on these measures before they go into effect on July 1, 2007.
- If SCHEV certifies that an institution has met the state's performance expectations (June 1, 2007), the institution will be eligible to receive financial incentives beginning sometime after July 2007.
- The autonomy envisioned under Levels 2 and 3 will potentially require action by the 2007 General Assembly in order to go into effect.
 - If pilot programs in new functional areas are going to be established in Level 2, the General Assembly will need to include language in the Appropriation Act.
 - If additional institutions request Level 3 autonomy in the future, the Governor is required to include a recommendation in the Budget Bill and the General Assembly must adopt any proposed management agreements.
 - Future amendments to the agreements or subsequent agreements would be negotiated separately with the Governor and again acted on by the General Assembly before going into effect.

Summary of 2006-2008 funding increases

- Again, the adopted budget for the 2006-2008 biennium provided an increase of 14.2 percent or over \$450 million GF to higher education institutions.
 - ❖ Higher education funding in the biennial budget accounted for a total of \$3.6 billion.
- The funding was mainly targeted to base adequacy, support for a new higher education research initiative, faculty salaries, and financial aid.
 - ❖ **Base adequacy** and enrollment growth funding were provided to bring the average institutional funding to 98 percent of the guidelines.
 - ❖ **Research initiative** funding was supplied to support new research and development initiatives. Initiatives were directed toward: biomedical research and biomaterials engineering, modeling and simulation research, supplemental debt service funding for equipment, the expansion of research programs in Danville, commercialization grants, and graduate student financial aid.
 - ❖ **Faculty salary** increases averaging four percent were provided to make progress toward reaching the 60th percentile of national peer institutions.

Summary of 2006-2008 funding increases

- ❖ **Student financial aid** was supplemented with a 12.9 percent increase in need-based undergraduate aid. Tuition assistance grant (TAG) funding was increased to raise the annual award from \$2500 per student to about \$3100 per student over the biennium.

<u>Major GF Increases</u> (2006-08 Biennium, \$ in millions)	
Enrollment Growth and Base Adequacy	\$237.3
Higher Education Research Initiative	70.3
Average 4.00% Faculty Salary Increase in FY 2007	48.4
Undergraduate Student Financial Aid	21.7
Tuition Assistance Grants (TAG)	17.3
Operation and Maintenance of New E&G Facilities	9.7
Basic Operations Adjustments	9.1
Various Program Enhancements	8.8
Eastern Virginia Medical School	8.5
Enhance Nursing Programs	5.7
Replace and Update Computing Systems	3.6
Graduate Programs at University of Mary Washington	3.5
New College Institute (Martinsville)	2.6
Regional Higher Education Centers	2.3
ODU Rolling Road Test Module	2.0
Software Engineering at UVA-Wise	1.7
Virginia Tech Extension Staffing	<u>1.3</u>
Total	\$453.8

Summary of potential 2007 Session issues

- The 2007 General Assembly will again need to make decisions about higher education funding and whether to increase core funding needs.
- Major funding issues and cost estimates are shown below:

Summary of Major Budget Issues for Higher Education *2007 Session*

Funding Area	Assumptions	2006-08 GF Cost (in millions)
Base Adequacy	Full funding by FY 2008	\$96.3
Faculty Salaries	60 th Percentile by FY 2008 (based on an addition to a 3% increase in FY 2008)	12.8
Operation and Maintenance of New Facilities	37 new E&G and research facilities will come on-line in FY 2008	\$4.9
Undergraduate Financial Aid	Fund portion of the Virginia Student Financial Assistance Program (phase-in funding by FY 2010)	43.1
Total		\$157.1

Appendix A: Faculty salaries 2006-2008

FY 2007 Faculty Salary Increases (2006-08 Increase, GF State Share)

<u>Institution</u>	<u>Avg. % Incr. for T&R Faculty</u>	<u>FY 2007 Allocation</u>	<u>FY 2008 Annualization Cost</u>	<u>Biennial Total</u>
CNU	3.62	\$289,911	\$533,048	\$821,959
CWM	4.39	624,814	1,152,790	1,777,604
GMU	4.06	1,689,683	3,117,505	4,807,188
JMU	3.84	839,597	1,549,074	2,388,671
LU	4.39	259,307	478,422	737,729
NSU	3.40	309,025	570,156	879,181
ODU	3.95	934,745	1,724,625	2,659,370
RU	2.55	360,079	672,106	1,032,185
UMW	4.39	232,312	428,614	660,926
UVA ¹	4.39	1,825,264	3,367,651	5,192,915
UVA-Wise	4.39	117,057	215,967	333,024
VCU ¹	4.39	2,355,413	4,345,788	6,701,201
VMI	4.39	99,265	183,148	282,413
VSU	3.84	208,718	385,094	593,812
VT	4.39	2,051,741	3,785,507	5,837,248
RBC	2.19	30,077	55,491	85,568
VCCS	4.39	3,782,877	6,975,794	10,756,671
VIMS	4.39	166,379	309,969	476,348
VT-Ext	4.39	805,469	1,486,104	2,291,573
VSU-Ext	3.84	<u>39,912</u>	<u>73,642</u>	<u>113,554</u>
Average/Total	4.00	\$17,018,645	\$31,410,495	\$48,429,140

¹ Includes salaries for faculty affiliated with the medical family practice programs.

Appendix B: Faculty salary requests FY 2008

SCHEV Recommendations

2007-08 Incremental T&R Faculty Salary Increases¹ Effective November 25, 2007

Institution	Additional Salary Increase Rate in FY08 ²	Additional GF Needed in FY08	Additional NGF Needed in FY08	Total Additional Funding Needed in FY08
CNU ³	0.0%	\$0	\$0	\$0
CWM	6.3%	\$735,446	\$1,058,325	\$1,793,771
GMU	2.3%	\$700,313	\$550,246	\$1,250,559
JMU	0.4%	\$70,237	\$79,203	\$149,440
LU	3.2%	\$155,668	\$91,424	\$247,092
NSU ³	0.0%	\$0	\$0	\$0
ODU	1.9%	\$331,393	\$271,139	\$602,532
RBC ³	0.0%	\$0	\$0	\$0
RU ³	0.0%	\$0	\$0	\$0
UMW	4.5%	\$196,632	\$204,658	\$401,290
UVA	6.9%	\$2,276,492	\$3,275,928	\$5,552,420
UVAW	2.7%	\$55,393	\$32,532	\$87,925
VCCS	7.1%	\$3,247,043	\$2,075,978	\$5,323,021
VCU	5.4%	\$2,150,702	\$1,689,837	\$3,840,539
VIMS	6.3%	\$201,259	\$10,593	\$211,852
VMI	5.8%	\$88,913	\$165,124	\$254,037
VSU	0.5%	\$22,817	\$25,730	\$48,547
VSU-Ext	0.5%	\$5,326	\$280	\$5,606
VT	4.8%	\$1,921,697	\$2,547,366	\$4,469,063
VT-Ext	4.8%	\$592,123	\$31,164	\$623,287
Total	3.0%	\$12,751,454	\$12,109,527	\$24,860,981

Source: SCHEV

Notes:

(1) Fund share amount is derived based on the guideline calculated funding need by fund share in FY08.

(2) These increase rates are in addition to the 3% increase already budgeted for FY08.

(3) Already at or above the 60th percentile goal.

Appendix C: Financial Aid 2006-2008

Undergraduate, Need-Based Student Aid at
Virginia's Public Colleges and Universities
(2006-08 GF \$ Increases)

<u>Institution</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>Biennial Total</u>
CNU	\$250,000	\$250,000	\$500,000
CWM	181,000	181,000	362,000
GMU	1,213,300	1,213,300	2,426,600
JMU	415,000	415,000	830,000
LU	253,100	253,100	506,200
NSU	439,200	439,200	878,400
ODU	1,254,600	1,254,600	2,509,200
RU	570,600	570,600	1,141,200
UMW	96,900	96,900	193,800
UVA	336,500	336,500	673,000
UVA-Wise	147,400	147,400	294,800
VCU	1,375,900	1,375,900	2,751,800
VMI	51,200	51,200	102,400
VSU	373,800	373,800	747,600
VT	840,400	840,400	1,680,800
RBC	19,400	19,400	38,800
VCCS	<u>3,048,700</u>	<u>3,048,700</u>	<u>6,097,400</u>
Total	\$10,867,000	\$10,867,000	\$21,734,000

Appendix D: Financial Aid Requests FY 2008

SCHEV Recommendations

Financial Aid Funding Under the Partnership Model

Institution	FY 08 SCHEV Request
CNU	\$1,003,521
CWM	\$676,031
GMU	\$4,449,896
JMU	\$1,978,869
LU	\$1,142,692
NSU	\$2,092,914
ODU	\$5,310,763
RU	\$2,270,370
UMW	\$424,150
UVA	\$910,329
UVA - Wise	\$695,700
VCU	\$6,452,632
VMI	\$78,896
VSU	\$1,807,820
VT	\$2,836,089
RBC	\$42,732
VCCS	\$10,951,354
TOTAL	\$43,124,756

Source: SCHEV

Appendix E: Tuition and Mandatory Fee Comparison

Comparison of 2006-07 Tuition and Mandatory Fees⁽¹⁾ Increase Rates

Institution	Six-Year Plan Increase*	Actual Increase	Tuition and Mandatory Fees	\$ Increases Over 2005-06
CNU	6.2%	10.9%	\$6,460	\$634
CWM	6.4%	9.2%	\$8,490	\$712
GMU	6.2%	9.0%	\$6,408	\$528
JMU	6.9%	6.9%	\$6,290	\$404
LU	9.9%	8.1%	\$7,589	\$569
NSU	1.5%	8.3%	\$5,056	\$386
ODU	8.7%	8.6%	\$6,098	\$484
RU	6.3%	12.0%	\$5,746	\$617
UMW	5.0%	8.0%	\$6,084	\$450
UVA	9.0%	9.3%	\$7,845	\$665
UVA - Wise	14.2%	12.0%	\$5,692	\$611
VCU	6.7%	8.1%	\$5,819	\$434
VMI	7.5%	9.3%	\$9,473	\$807
VSU	5.7%	12.5%	\$5,440	\$606
VT	7.2%	9.3%	\$6,973	\$595
RBC	4.0%	7.2%	\$2,520	\$170
VCCS	7.8%	6.3%	\$2,269	\$135
Average, 4-Year Institutions	7.2%	9.3%	\$6,631	\$567
Average, All Institutions	7.2%	9.2%	\$6,132	\$518

Source: SCHEV 2006-07 Tuition and Fee Report

Note: *based on the state's cost sharing scenario.

(1) Includes mandatory E&G fees as well as mandatory non-E&G fees which are charges assessed against students primarily for Auxiliary Enterprise activities such as athletics, student health services, student unions, recreational facilities and programs, campus transportation, and capital debt service.