

SENATE OF VIRGINIA

Senate Finance Committee

Higher Education In Transition

November 17, 2011



SENATE FINANCE COMMITTEE

Status of Higher Education

- 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 reductions” to higher education in the coming 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.



Presentation Outline

- *Higher Education Overview*
- Higher Education Legislation
- Next Steps



Higher Education in Virginia – A Snapshot

- Virginia's **public higher education** system is the 12th 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).



How Higher Education Has Been Funded in Virginia

- **Base Adequacy** – core funding needed for institutions to adequately meet their academic mission.
- **Enrollment Growth** – Additional costs above current funding levels needed to support additional students.
- **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.
- **Student Financial Aid** – Additional funding needed to provide access to qualified students so that costs are not a barrier.
- **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 60th percentile.



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:

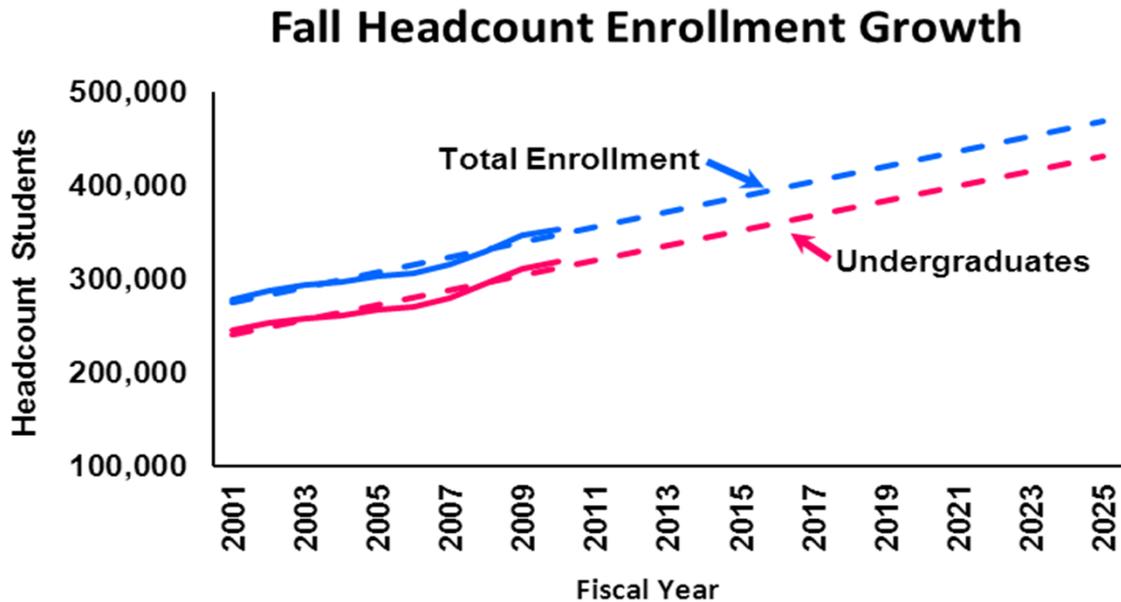
Institution	Calculated Need	Available Resources	% Funding to Guide	Funding Shortfall
CNU	\$60,868,110	\$51,920,398	85%	(\$8,947,712)
CWM	\$136,550,098	\$156,272,884	>100%	\$0
GMU	\$399,891,676	\$396,287,260	99%	(\$3,604,416)
JMU	\$238,322,284	\$227,693,695	96%	(\$10,628,589)
LU	\$57,618,035	\$50,724,373	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.



Enrollment Growth

- Enrollment growth funding for in-state undergraduate students has been given on occasion to represent some incremental or marginal funding for these additional students.
 - When no funding is given, enrollment growth will be picked up in the base adequacy model with a lag.
 - There has been enrollment growth coupled with GF reductions, or growth paid for with tuition, a total of **49,642 in-state undergraduate students since FY 2005.**

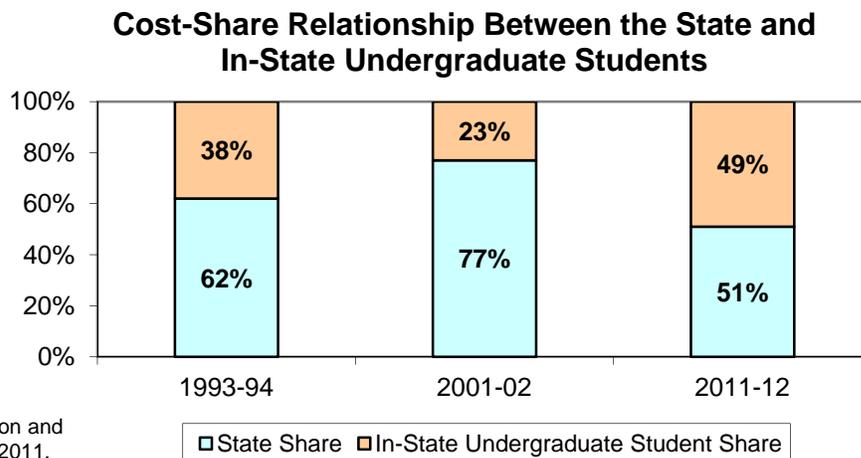


SCHEV Data, 2011.



Fund Share Policy

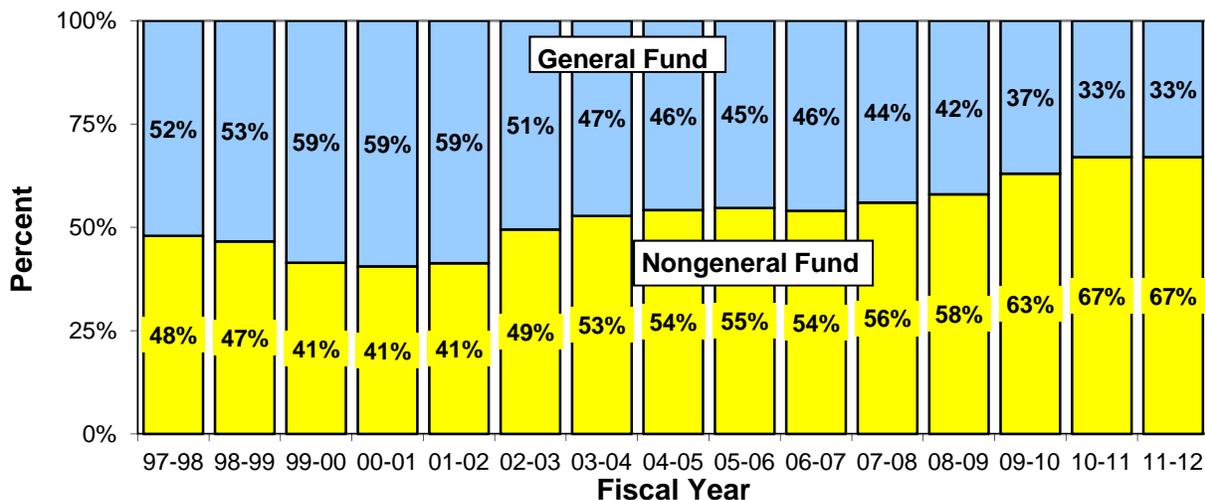
- Until the early 1990s, the general fund covered 60 to 70 percent of E&G costs at four-year institutions. With a recession in the early 1990s, a cost-sharing policy was abandoned for in-state students and out-of-state students were required to pay their full cost.
- In 2004, the General Assembly reinstated an E&G cost-sharing goal for in-state students under which the state would cover 67 percent of the costs, with tuition revenues supporting the remaining 33 percent.
 - Because the state share of cost applies only to in-state students, the general fund target varies by institution based on the mix of in-state and out-of-state students.
- Due to reductions of almost \$300 million GF and a lack of new resources, state support has not kept pace with tuition revenue.



Tuition Increasing and GF Per FTE Funding Decreasing

- The average increase for tuition and mandatory E&G fees for in-state undergraduate students for all institutions is 9.7 percent for 2011-12.
- It appears that the trend of parents and students paying a larger share of the cost of education will continue.
- Since 1992, GF per FTE decreased 23 percent and total per FTE increased by 23.7 percent (constant \$).
 - GF per FTE decrease from \$7,480 to \$5,758 (constant \$).
 - NGF per FTE increased by 72.5 percent.
- The state share of E&G funding reached a new low of 33 percent in FY 2011.

State Share of E&G Funding Over Time
FY 1998 - FY 2012



SCHEV Data, 2011.



Public Higher Education Support per Student Compared to Other States

- Virginia ranks 27th among all states in total revenue per FTE, and 40th in state and local appropriation per FTE.
 - Ranks 19th in tuition and fee revenue per FTE.
 - Virginia is on the higher side for tuition and is in the bottom third for state and local funding.
- Ranks last among competitive states (states that VA competes with for students) in state and local appropriation per FTE, and next to last in total revenue per FTE.

2010 Public Higher Education Support per Student in Competitive States

State	State & local appropriation per FTE	Ranking	Net Tuition & Fee Revenue per FTE	Ranking	Total Revenue per FTE	Ranking
NY	\$8,431	1	\$4,100	6	\$12,530	5
NC	\$8,413	2	\$2,010	7	\$10,423	7
NJ	\$7,199	3	\$7,257	3	\$14,455	2
MD	\$7,101	4	\$6,583	4	\$13,684	4
DE	\$7,039	5	\$11,819	1	\$18,650	1
PA	\$5,326	6	\$8,856	2	\$14,182	3
VA	\$5,065	7	\$5,894	5	\$10,869	6

Source: State Higher Education Executive Officers (SHEEO) SHEF 2010 Final Report.

Notes: Data excludes appropriations for independent institutions and financial aid for students attending independent institutions, research, hospitals, and medical education.



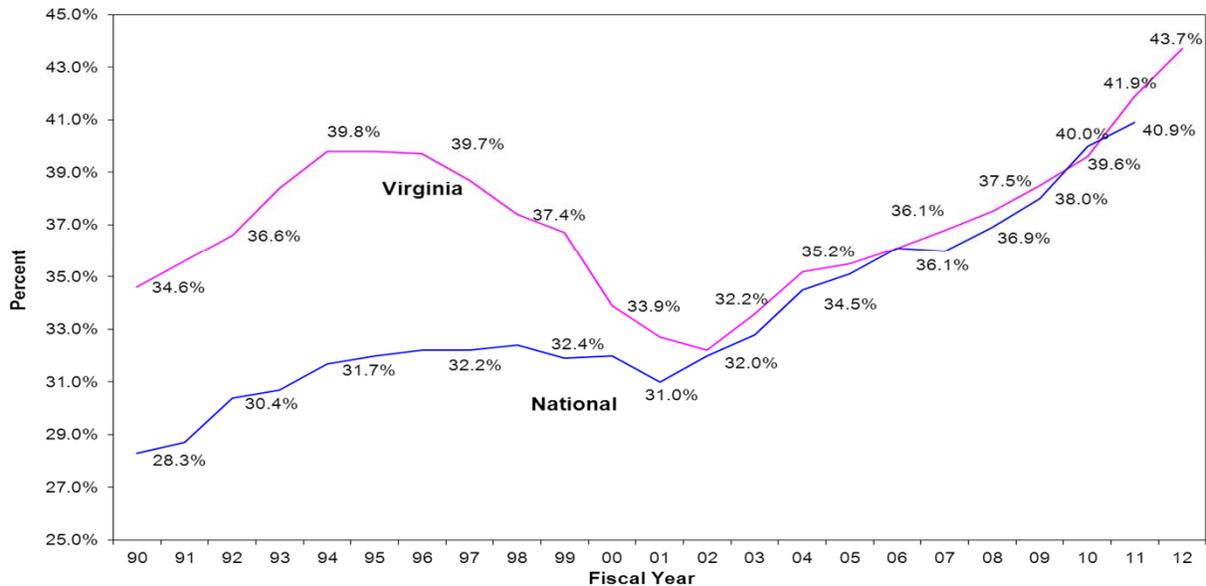
Financial Aid: a Growing Issue as Tuition Continues to Rise

- College costs continue to out-pace inflation as tuition and fees rise. Funding for financial aid has not kept pace.
 - Some relief has been provided in the form of expanded Pell Grants and tuition tax credits.
 - Funding not likely to continue at the same level.
 - Some portion of tuition used to provide aid.
- Nationally, students and parents increasingly rely on debt to finance higher education.
 - Student loan debt exceeds total credit card with average total debt well over \$20,000 (VA over \$23,000).
 - Defaults on student loans have risen.
- Rising costs have increased the percentage of per capita disposable income necessary to pay total resident undergraduate charges.
 - Costs for an in-state undergraduate student living on campus at a four-year institution averages 43.7 percent of disposable per capita income.
 - This is the highest percentage on record (see chart).
- **Institutions and SCHEV report that a larger number of students are qualifying for aid.**



Financial Aid: a Growing Issue as Tuition Continues to Rise

Average Public Four-Year Total Resident Undergraduate Charges as a Percent of Disposable Income



SCHEV Tuition and Fee Report, 2011.

- SCHEV makes recommendations annually for the Virginia Student Financial Assistance Program.
 - 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.
- SCHEV has recommended funding of \$53.9 million GF (50 percent of the amount needed to phase-in to 70 percent of the guidelines over six years) for the Partnership Model over the biennium.



Faculty Salaries

- Virginia's goal has been to raise teaching and research (T&R) faculty salaries to the 60th percentile of peer institutions nationally, to attract and retain top faculty.
- SCHEV was directed by the 2006 General Assembly to update these peer groups.
- Virginia reached the 60th percentile goal in FY 2000, but lost ground when no increases occurred for several years.
 - Dropped to the 36th percentile on average by FY 2003.
 - For FY 2008, average salaries rose to approximately the 49th percentile for the four-year institutions.
 - **For FY 2011, tied with the historical low at the 30th percentile for the four-year institutions.**
- After four years without a state salary increase, SCHEV estimates an additional \$150.1 million -- \$77.0 million GF and \$73.1 million NGF -- would be needed to reach the 60th percentile in FY 2012.
 - SCHEV recommends a two percent annual increase, \$24.6 million GF over the biennium.
 - This amount will not make progress toward the goal but should keep the percentile from dropping further.



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- Higher Education Legislation*
- Next Steps



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.



Higher Education Legislation and Jobs

- TJ21 legislation in part stemmed from the higher education business community's objective to increase the availability of a highly trained workforce and to increase the stability of funding for higher education.
- Funding stability has been a long-standing goal and was a component of prior "charter" and "restructuring" proposals.
- Even with high unemployment, there are job areas where there will be growth. However:
 - Is 100,000 degrees the right number and if so, what areas should be targeted?
 - Are delayed retirements impacting the numbers?
 - According to the Virginia Workforce Connection, below are the projections of the jobs needed from 2008 to 2018 which will have the greatest positive change by category:
 - 150,880 in the professional, scientific, and technical services (includes STEM areas),
 - 115,827 in health care and social assistance,
 - 68,655 in educational services,
 - 36,328 in administrative and support services, and
 - 30,623 in food services.



How will the Legislation Be Implemented?

- The legislation creates a Higher Education Advisory Committee (HEAC, a combination of executive, legislative, and institution representatives) that will develop and review:

<ul style="list-style-type: none">• Methodology and timing for the per student enrollment growth funding component;
<ul style="list-style-type: none">• Criteria for determining which families are “low income” and “middle income” for financial aid purposes;
<ul style="list-style-type: none">• Criteria for financial incentives and benefits or consequences for not meeting the incentives in the six-year financial plan;
<ul style="list-style-type: none">• Economic opportunity metrics;
<ul style="list-style-type: none">• Additional authority, state goals, and objective criteria for evaluating performance, and benefits and consequences for meeting and not meeting goals and objectives;
<ul style="list-style-type: none">• Role of nonpublic institutions in addressing TJ21; and
<ul style="list-style-type: none">• Utility of creating a Higher Education Revenue Stabilization Fund, as a subfund of the Revenue Stabilization Fund.

- HEAC submits recommendations to SCHEV, who then reviews and makes recommendations to the Governor and the General Assembly.
- The Administration has also placed a priority on getting all institutions to the same fund-share percentage.



Implementation

- 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 60th 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

- All 17 public higher education institutions presented a six-year plan to the Op-Six group in July and August of 2011.
 - Formal comments were provided to the institutions in September of 2011.
- 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 will be (based on assumption of no GF support in the plans).
 - Most institutions had **salary increases** and many would at least partially **fund them through tuition**.
 - Research was a priority for many institutions.
 - There will be **some growth in enrollment but most of it will come through increased retention and graduation rates**.
 - To support these efforts, almost every institution submitted options to *increase student success*.
 - **Most requested incentives were in the STEM area**.
 - Expensive to fund these options and need to balance items in other areas.



Six-Year Plan

Tuition and Fee Increases

- Most institutions reported tuition and fee increases in their six-year plans.
- Many of the institutions stated that these calculations were for modeling purposes only.

Institution	Tuition Increase in FY 2013	Tuition Increase in FY 2014	Tuition and Fees Increase in FY 2013	Tuition and Fees Increase in FY 2014
CNU	12.0%	9.9%	8.1%	7.0%
CWM	*	*	*	*
GMU	8.1%	8.4%	7.4%	7.6%
JMU	8.5%	3.0%	6.9%	3.9%
LU	9.6%	9.7%	6.3%	6.4%
NSU	7.0%	5.0%	5.5%	5.0%
ODU	6.0%	6.0%	5.2%	5.3%
RU	9.7%	7.0%	8.1%	6.3%
UMW	10.0%	10.4%	9.7%	10.3%
UVA	6.5%	6.5%	5.6%	5.9%
UVA-Wise	6.5%	6.5%	5.6%	5.9%
VCU	9.5%	12.1%	6.4%	7.8%
VMI	9.9%	6.9%	6.2%	5.5%
VSU	16.6%	0.0%	13.9%	3.1%
VT	8.5%	7.5%	8.3%	7.3%
4-year ave.	9.2%	7.1%	7.4%	6.2%
VCCS	6.9%	7.1%	6.9%	7.1%
RBC	17.0%	7.1%	13.2%	6.1%
2-year ave.	12.0%	7.1%	10.1%	6.6%

* Did not calculate a percentage. Board declined to set a rate in the plan.



Salary Increases

- Three institutions had some form of salary increase for most of their faculty and staff (UVA, GMU, and VT) in the current year.
- State has not provided a salary increase in four years.
- There are questions as to whether classified increases were prohibited and could be limited in the future.
- Most of the institutions planned for an increase for faculty and either an increase or bonus for staff, important for morale and retention.

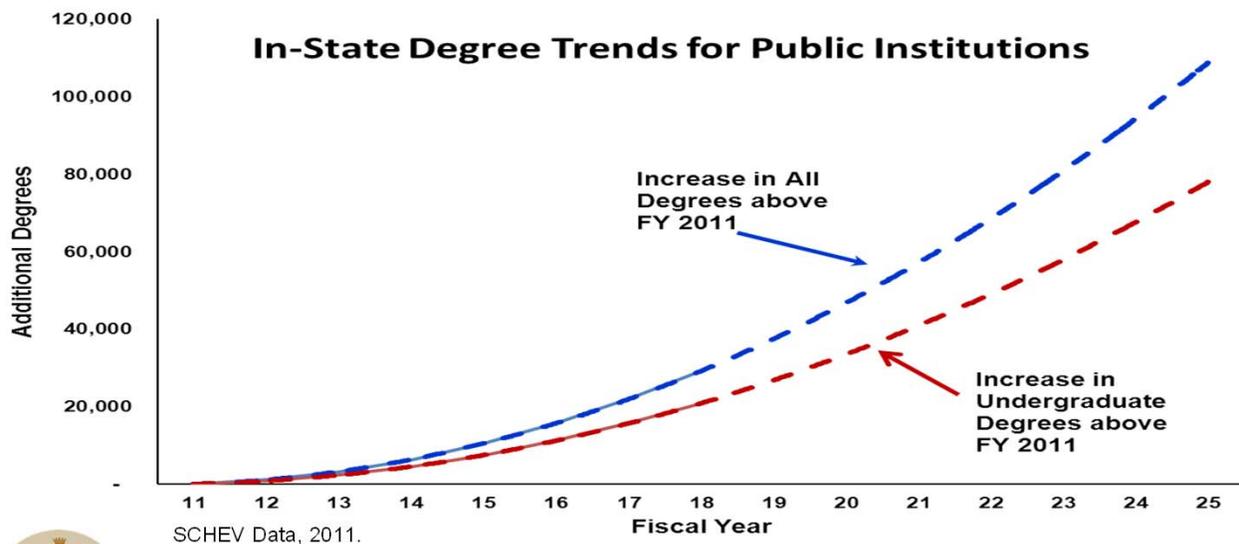
Institution	Faculty Salary Increase 2013	Faculty Salary Increase 2014	Classified Staff Increase 2013	Classified Staff Increase 2014
CNU	0.0%	0.0%	0.0%	0.0%
CWM	5.0%	5.0%	4.0%	4.0%
GMU	3.0%	3.0%	1.5%	1.5%
JMU	2.3%	2.3%	3.0%	3.0%
LU	0.0%	0.0%	0.0%	0.0%
NSU	0.5%	0.5%	3.0%*	3.0%*
ODU	4.7%	4.7%	3.0%	3.0%
RU	5.0%*	5.0%*	0.0%	0.0%
UMW	4.0%	4.0%	0.0%	0.0%
UVA	6.3%	6.3%	2.0%	2.0%
UVA-Wise	4.8%	4.8%	2.0%	2.0%
VCU	3.0%	3.0%	3.0%	3.0%
VMI	2.0%	2.0%	2.0%	2.0%
VSU	1.0%	1.0%	\$, no percent	\$, no percent
VT	4.5%*	4.5%*	\$, no percent	\$, no percent
4-year ave.	3.1%	3.1%	2.0%	2.0%
VCCS (fac. max)	6.3%	6.3%	3.0%*	3.0%*
RBC	3.0%	3.0%	\$, no percent	\$, no percent
2-year ave.	4.7%	4.7%	3.0%	3.0%

* NGF share for a GF increase.



Enrollment Growth Will Continue With Retention Increases

- The TJ21 per-student enrollment-based funding section mentions consideration of additional general fund appropriations for the unfunded enrollment growth that occurred between FY 2006 and the enactment of this legislation (51,629 in-state undergraduates).
- This previous enrollment growth funding has not been a focus of the HEAC.
 - Funding of future enrollment growth will be addressed under the per-student amount and within some incentive funding.
- While enrollment growth will continue and degree production should increase, it will mostly be through increases in transfers, retention, and graduation rates; **not additional “seats”**.



Projected Enrollment Growth and Funding

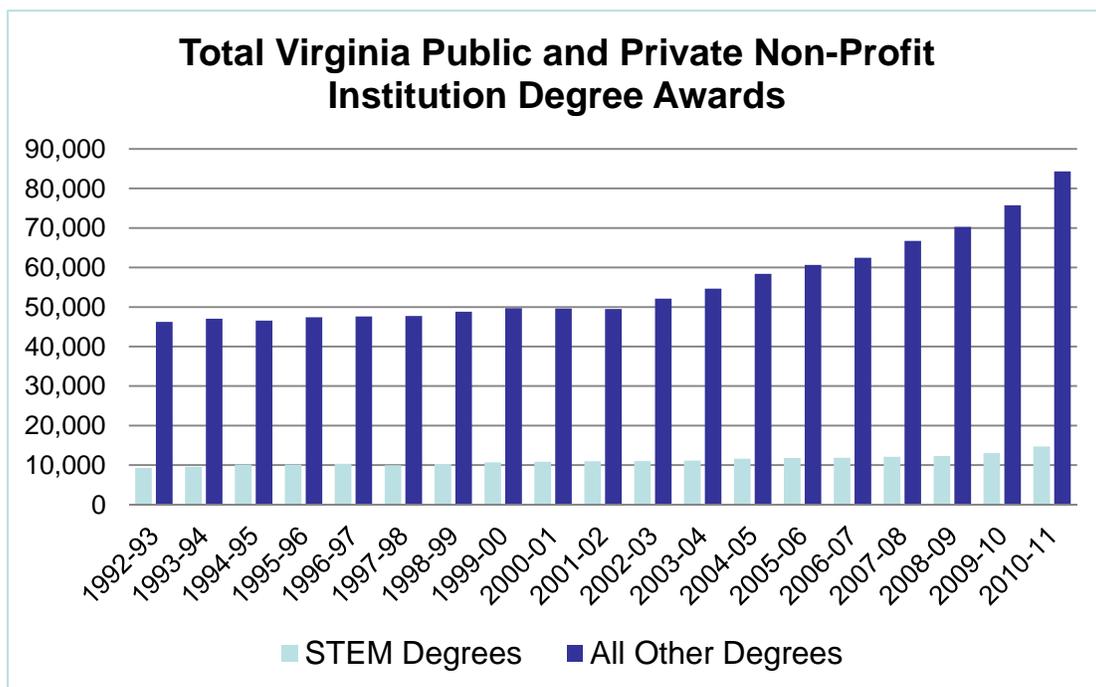
- SCHEV has calculated future per student enrollment based on projections provided by the institutions in their six-year plans and has made funding recommendations which will be at the same level as the TAG awards:
 - FY 2013:
 - \$2,800 per FTE at 4-year institutions.
 - \$1,800 per FTE at 2-year institutions.
 - FY 2014:
 - \$3,000 per FTE at 4-year institutions.
 - \$2,000 per FTE at 2-year institutions.

Institution	FTE Change		Estimated GF Need	
	FY 2012-FY 2013	FY 2012-FY 2014	FY 2013	FY 2014
CNU	45	72	126,000	216,000
CWM	28	80	78,400	240,000
GMU	130	318	364,000	954,000
JMU	323	604	904,400	1,812,000
LU	(34)	(16)	-	-
UMW	20	49	56,000	147,000
NSU	132	278	369,600	834,000
ODU	189	523	529,200	1,569,000
RU	186	499	520,800	1,497,000
UVA	88	256	246,400	768,000
UVAW	7	15	19,600	45,000
VCU	(149)	(193)	-	-
VMI	17	17	47,600	51,000
VSU	183	407	512,400	1,221,000
VT	7	19	19,600	57,000
RBC	-	-	-	-
VCCS	1,910	3,201	3,438,000	6,402,000
Total	3,082	6,129	7,232,000	15,813,000



STEM Degree Production

- For FY 2011: 14,703 STEM degrees were produced by public and private institutions in Virginia (14.8% of the total of 99,012 degrees awarded).
 - While the total number of degrees has increased, STEM as a percentage of total degrees has declined.
- STEM degrees as a percentage of total degrees (41,536) peaked in the 1986-87 school year at 20.9%.
- STEM production is heavily weighted in the incentive proposals under discussion by HEAC, concerns raised by SCHEV and “Op-Six”.



TJ21 Goal Related to General Fund Share Percentage

- TJ21 stated:
 - *C. State general funds shall be allocated and appropriated to institutions in a fair and equitable manner such that, to the extent practicable, the percentage of the cost of education for Virginia students enrolled at an institution to be funded from state general funds is the same for each institution. To the extent that the percentages differ among institutions, that fact shall be taken into account as the Governor deems appropriate in his budget bill and by the General Assembly as it deems appropriate in the appropriation act.*
- Administration officials state that this language refers to the general fund share percentage.

Institution	% GF Share in FY 2011
Christopher Newport University	61%
College of William and Mary	40%
George Mason University	51%
James Madison University	47%
Longwood University	62%
University of Mary Washington	56%
Norfolk State University	55%
Old Dominion University	55%
Radford University	62%
University of Virginia	36%
University of Virginia-Wise	64%
Virginia Commonwealth University	54%
Virginia Military Institute	40%
Virginia State University	46%
Virginia Tech	41%
Richard Bland College	66%
VCCS	61%
Total, All Institutions	51%



Implications of GF Share Goal

- State's cost-sharing policy for in-state students provides that the general fund contribute 67 percent of the cost required to educate Virginia students.
- Taking all the institutions to the same percentage of GF share without significant new resources would require increasing funding of some institutions at the expense of others. The other side of this equation is that appropriate reductions in tuition and fee revenues would be needed.
 - Current GF difference between the need and the resources is \$919.2 million.
 - Current NGF difference between the need and the resources is \$619.0 million.
 - Current total difference between the need and the resources is \$362.0 million (or the total amount needed for full base adequacy funding).
- SCHEV has recommended that institutions above 100% of guidelines would receive funds to reduce their GF shortfall by 5%. Institutions above the system average of 93% would receive funds to reduce their GF shortfall by 2.5%.
 - No tuition decrease is required under the proposal although it is stated that the funding should be used to mitigate tuition.



Financial Aid

- HEAC was tasked with determining definitions for “low- and middle-income” students.
 - It appears that recommendations will be for “middle-income” to be defined as in the range of 200-400% of the federal percent-of-poverty index.
 - 24% of students receiving financial aid in Virginia have a family income between \$50,000-\$100,000.
- SCHEV recommendations are based on the Partnership Model which drives resources to institutions with the most needy students.
 - A six-year phase-in for 70 percent funding under the partnership model would cost \$35.9 million GF in FY 2013 and \$71.8 million GF in FY 2014.
 - SCHEV recommendations were for 50% of this amount which would cause the level of funding to fall to 45.8% funding of need (FY 2012 was at 47.8%).
- Financial aid resources from the State have not kept pace with inflation and tuition increases.
- Some policies have encouraged institutions to provide aid from tuition and fee revenue.

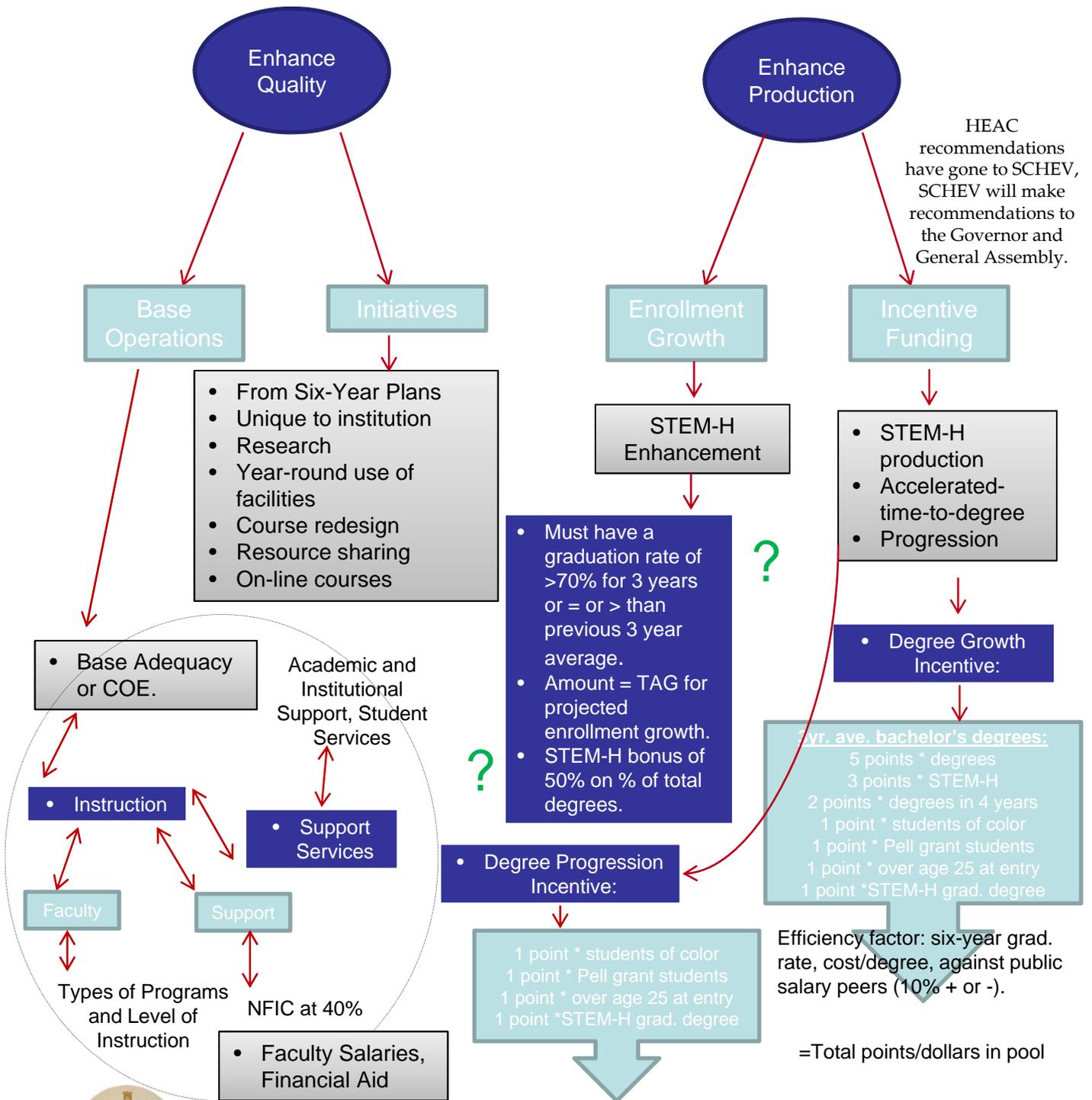


Incentive Funding

- 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 institutions indicated student success initiatives – key to reaching underrepresented populations.**
 - *“Improving graduation rates through expansion of University College (expansion of 2nd and 3rd year advising, completion of the Core Curriculum, and a focus on student engagement).”*
 - *“Establish a comprehensive Student Success System that provides centralized academic advising, support services and technology-based learning methods designed to yield enhanced learning experiences for first and second year students. ”*
 - SCHEV has recommended \$27.7 million GF for student success, efficiency and effectiveness (includes increased eligibility for two-year transfer grant).
- 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 (incentivizing institutions to do something different?).
 - SCHEV will make recommendations to Governor and General Assembly, dollar amount of \$80 million GF.
 - Have not received the plan for the VCCS and RBC.



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	
Basic Operations and Instruction Funding (BOIF)				
	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
Subtotal		\$278.8	\$233.3	\$512.1
	Paragraph C of §23-38.87:13*	\$919.2	(\$619.0)	\$362.0
Per-Student Enrollment-Based Funding				
	Future enrollment growth	\$15.8	\$0.0	\$15.8
	Past enrollment growth	Included in 100% COE above		
	Need-Based Financial Aid (100% funding)	\$245.6	\$0.0	\$245.6
	Economic and Innovation Incentives	\$80.0	\$0.0	\$80.0
	TJ21 Institutional Initiatives in Six-Year Plans	\$157.7	\$113.7	\$271.4
	Total Funding Need (including Paragraph C)	\$1,697.1	(\$272.0)	\$1,425.1
	Total Funding Need (excludes Paragraph C)	\$777.9	\$347.0	\$1,124.9
Note: *Total does not add due to institutional variations.				

SCHEV Calculations, November, 2011.



Presentation Outline

- Higher Education Overview
- Higher Education Legislation
- Next Steps*



Potential Issues for the 2012 Session

- 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?
 - What are the targeted reductions for higher education (reallocated 2%, up to an additional 1%)?
 - 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)?
- What will happen with potential salary increases?
- Will additional authority under Restructuring be proposed?



Summary of SCHEV Recommendations

Funding Area	Assumptions	FY 13-14 GF Cost (in millions)
Undergraduate Financial Aid	Phase-in to 70% of guidelines under the Partnership Model for each institution over a six-year period (at about 48% overall now). But final recommendation is modified by 50%.	\$53.9
Graduate Student Financial Aid	A six- year phase-in to achieve 70%. But final recommendation is modified by 50%.	\$10.7
Tuition Assistance Grant	This represents the funding necessary for awards of \$2,800 in FY 2013 and \$3,000 in FY 2014 for undergraduate awards.	\$21.1
Operation and Maintenance of New Facilities	52 new E&G and research facilities will come on-line between FY 2012-14.	\$16.5
Fund Share Equity/ Affordability	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%.	\$13.8
Cost of Education (Base Adequacy)	Four-Year phase-in (reflects FY 2011 student FTE, FY 2012 GF, and FY 11 NGF).	\$153.7
Projected Per-Student Enrollment-Based Funding	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.	\$23.0
Student Success, Institution Efficiency and Effectiveness	\$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.	\$27.7
Faculty Salaries	2% annual increase.	\$24.6
Incentive Funds	SCHEV recommends ~ \$80 million.	\$80.0
HEETF	Traditional HEETF guidelines with a 9-year cycle and includes research funding.	\$13.0
VIVA	Provides money for academic e-books and continuation of existing databases.	\$5.6
Total		\$443.6

