State Council of
Higher Education for Virginia

Presentation to the Higher Education Advisory Committee

Funding Guidelines Overview

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Overview

- Funding Guidelines History
  - Provides an objective measuring stick
- Current Funding Model
  - Recognizes differences among institutions
- Higher Education Opportunity Act
  - Incorporates elements of existing funding tools
- Consider the Possibilities
  - Uses model to fund incentives in HEOA
- Next Steps

Funding Guidelines History

- From at least the 1970s, funding for Virginia colleges and universities flowed from guidelines that provided a consistent way to evaluate funding requests.
- As a result of funding cuts in the 1990s, the guidelines were abandoned.
- The 1998 General Assembly established a Joint Subcommittee to reestablish guidelines that could be used as an objective yardstick for colleges and university funding.

Funding Guidelines History

The General Assembly retained a consultant to study the issues and assist in the development of the guidelines.

The basic purpose of the funding study was to:

- Reestablish a benchmark for relative need among institutions
- Provide some standards for judging future funding requests

Funding Guidelines History

The Joint Subcommittee adopted four basic principles for use in developing the guidelines:

1. **Guidelines would complement current funding policies**
2. **Guideline factors would be developed through an assessment of actual experience or national "common practice"**
3. **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**

Funding Guidelines History

- Objective: Find a yardstick that could be applied to Virginia's diverse colleges and universities.
- Goal of the study methodology: Determine what drives the cost of providing higher education.
- If the cost drivers can be approximated, 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.)
  - Level of instruction (undergraduate, master's, doctoral)

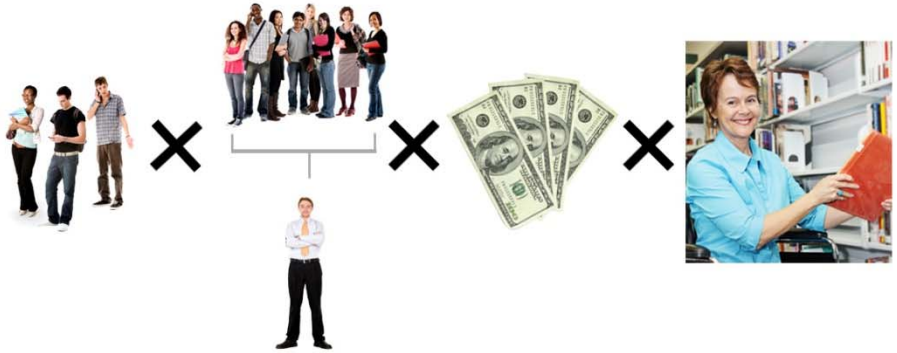
Funding Guidelines History

Guideline developed 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:

- Guidelines used in other states
- Appendix M (Virginia's old guidelines used in the 1970s and 1980s)
- Recommendations from Virginia's colleges and universities
- Accreditation standards on staffing requirements

Current Funding Model



= Direct Cost

Direct Cost

=

Total

Current Funding Model

Instructional Faculty Costs **("FIC")** Salary and benefits of full-time and part-time faculty and graduate teaching assistants.	**Student / Faculty Ratio x Student FTE by academic discipline and Student level** Average Salary of (a) Appropriated salary for Teaching and Research (T&R) Faculty; (b) Fixed part-time faculty salary, and (c) Graduate Assistant salary as a % of part-time faculty salary weighted by the budgeted faculty FTEs in these categories.
Non-Faculty Instructional Costs **("NFIC")** Support staff, instructional material, and equipment.	Faculty Cost x NFIC Rate (40%)
Fringe Benefits	3-year average of % fringe spending to total expenditures in programs 101-10, 1010-20 and 10-30
Community Education, Research, and Public Service	Based on institutional budget for these programs

Total Direct Cost

Current Funding Model

Academic Support	[(Direct cost) x Academic Support Rate] + Adjustment Factor
Student Services	$ per Headcount Student + Adjustment Factor
Physical Plant	{[Sum of (Direct Cost, Academic Support Cost and Student Services Cost)] x Physical Plant Rate} + Adjustment Factor
Institutional Support	{[Sum of (Direct Cost, Academic Support Cost and Student Services Cost)] x Physical Plant Rate} x Institutional Support Rate} + Adjustment Factor

Total Indirect Cost

Total E & G Cost = Direct + Indirect Costs

Current Funding Model: 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	12	10	7	5
Pharmacy	-	-	6	-
Health & Paramed. Tech.	10	-	-	-
Other				
Mech. & Engr. Tech.	13	-	-	-
Natural Science Tech	14	-	-	-
Law	-	-	17	-

Current Funding Model

The methodology and guidelines for the current funding model have not been altered since their inception, though they allow room for institutional input.

Neither SCHEV nor the institutions can make unilateral decisions when making budget requests or providing guideline assistance to the Executive or Legislative staff.

Current Funding Model: 2009-10 Base Adequacy Funding

Institution	Calculated Need	Available Resources	% Funding to Guideline	Funding Shortfall
Christopher Newport University	60,509,583	52,005,381	86%	(8,504,202)
College of William and Mary	136,034,267	136,223,755	100%	0
George Mason University	382,402,902	358,952,264	94%	(23,450,638)
James Madison University	231,580,236	214,401,048	93%	(17,179,188)
Longwood University	58,722,091	49,356,895	84%	(9,365,196)
University of Mary Washington	62,370,072	55,182,666	88%	(7,187,405)
Norfolk State University	70,763,468	61,371,361	87%	(9,392,107)
Old Dominion University	267,152,318	201,246,981	75%	(65,905,337)
Radford University	101,219,632	88,209,624	87%	(13,010,008)
University of Virginia	479,393,232	490,042,931	102%	0
University of Virginia at Wise	20,389,022	17,610,728	86%	(2,778,294)
Virginia Commonwealth University	512,082,392	440,052,731	86%	(72,029,660)
Virginia Military Institute	26,001,157	29,355,046	113%	0
Virginia State University	62,051,888	56,609,837	91%	(5,442,051)
Virginia Tech	555,124,834	483,844,651	87%	(71,280,183)
Richard Bland College	10,093,762	9,053,458	90%	(1,040,305)
Virginia Community College Sys	910,877,771	771,544,974	85%	(139,332,797)
Total	3,946,768,627	3,515,064,331	89%	(445,897,372)

Current Funding Model

Samples of Base Adequacy Calculations Used for Basic Operations and Instruction Funding

- Faculty salaries
- Full-time and part-time faculty positions
- Staffing need
- Equipment
- Supplies and materials
- O&M for new facilities coming online
- Utility cost
- Enrollment growth
- Enrollment by discipline changes
- New program development

Higher Education Opportunity Act

Following consultation with each institution and the Higher Education Advisory Committee, the Council shall calculate each institution's **basic operations and instruction funding need** and share it with the Governor, General Assembly, and the institutions of higher education.

Higher Education Opportunity Act

Basic Operations and Instruction Funding

(i) Cost of Education
- Faculty-student ratios by discipline and level
- Educational and general programs of instruction, academic support, student services, institutional support, and operation and maintenance of physical plant
- Adjustments based on particular state policies or specific institutional missions or conditions

(ii) Faculty Salary
- Goal is 60th percentile of peer institutions

(iii) Other Funding as the General Assembly deems appropriate

(iv) Fund-Split Policy
- Goal is 67% of COE for Virginia students is funded by the state and 33% from the student

Higher Education Opportunity Act

Faculty Salary

- National peers have been used as benchmarks to evaluate the competitiveness of faculty salaries in Virginia for more than 20 years.

- Goal: Average salary for teaching and research (T&R) faculty at Virginia public institutions be at the 60th percentile of their national peers.

- Peer group process is composed of two steps:
  1) Use a national database to identify a group of like institutions for each Virginia school.
  2) Institutions meet with SCHEV staff, money committees, Department of Planning and Budget, and the Secretary of Education to discuss selection of 25 peers.

- Peer groups are reviewed and revised periodically

Higher Education Opportunity Act

2009-10 Faculty Salaries Compared to 60th Percentile Peer Group Goal

Inst.	Virginia Appropriated Salary	60th Percentile Peer Group Goal	Va Percentile Ranking to Peers
CNU	$69,066	$77,529	30th Percentile
CWM	$92,703	$100,466	29th
GMU	$80,531	$89,542	27th
JMU	$73,833	$80,696	40th
LU	$67,573	$70,116	43rd
NSU	$64,948	$67,401	47th
ODU	$74,851	$83,815	28th
RU	$66,562	$77,589	22nd
UMW	$72,728	$71,491	65th
UVA	$95,608	$103,607	35th
UVAW	$69,076	$65,418	79th
VCU	$82,720	$90,200	31st
VMI	$72,326	$83,901	32nd
VSU	$63,857	$70,741	31st
VT	$89,215	$96,731	32nd
4-Year Avg			**38th**
RBC	$57,181	$54,852	69th
VCCS	$59,593	$69,712	40th

Peer data comes from IPEDS SA 2009.

Total Cost to Achieve 60th Percentile Goal: $81 million

Recent Faculty Salary Increases

	2008-09	2009-10	2010-11	Cumulative
Virginia	0.0%	0.0%	0.0%	0.0%
National	3.4%	1.2%	1.4%	6.0%

National data comes from the AAUP's 2010-11 Report on the Economic Status of the Profession.

Higher Education Opportunity Act

James Madison University's Faculty Salary Peer Institutions

Appalachian State University
Baylor University
Bloomsburg University of Pennsylvania
Boston College
College of Charleston
Duquesne University
Eastern Illinois University
Fairfield University
Gonzaga University
Hofstra University
Illinois State University
Loyola Marymount University
Marquette University
Miami University-Oxford
Ohio University-Main Campus
Rowan University
St. John's University-New York
Texas Christian University
The University of Alabama
Truman State University
University of North Carolina-Wilmington
University of Northern Iowa
University of Wisconsin-Eau Claire
University of Wisconsin-La Crosse
Western Washington University

Higher Education Opportunity Act

Basic Operations and Instruction Funding Need (in millions)	
Cost of Education	$445.9
Faculty Salary	$80.8
Total Funding Need	**$526.7**

Data will be updated later this year based on revised operating plans, FY11 enrollment, faculty salaries, six-year plans, and consideration of institutional requests for adjustments.

Higher Education Opportunity Act

Fund-Split Policy

- General Assembly seeks to cover at least 67% of educational costs associated with providing full funding of the Base Adequacy guidelines.
- In-state students: Goal is 67% from the state and 33% from the student.
- Out-of-state students: Tuition must be set to cover at least 100% of their cost of education.
- State support for E&G programs will also vary based on the size of various nongeneral fund activities at each institution (i.e. community service, research and public service).
- The fund splits will vary for each institution based on the proportion of in-state students enrolled and its mix of programs.

Higher Education Opportunity Act

Current Institutional Fund Splits

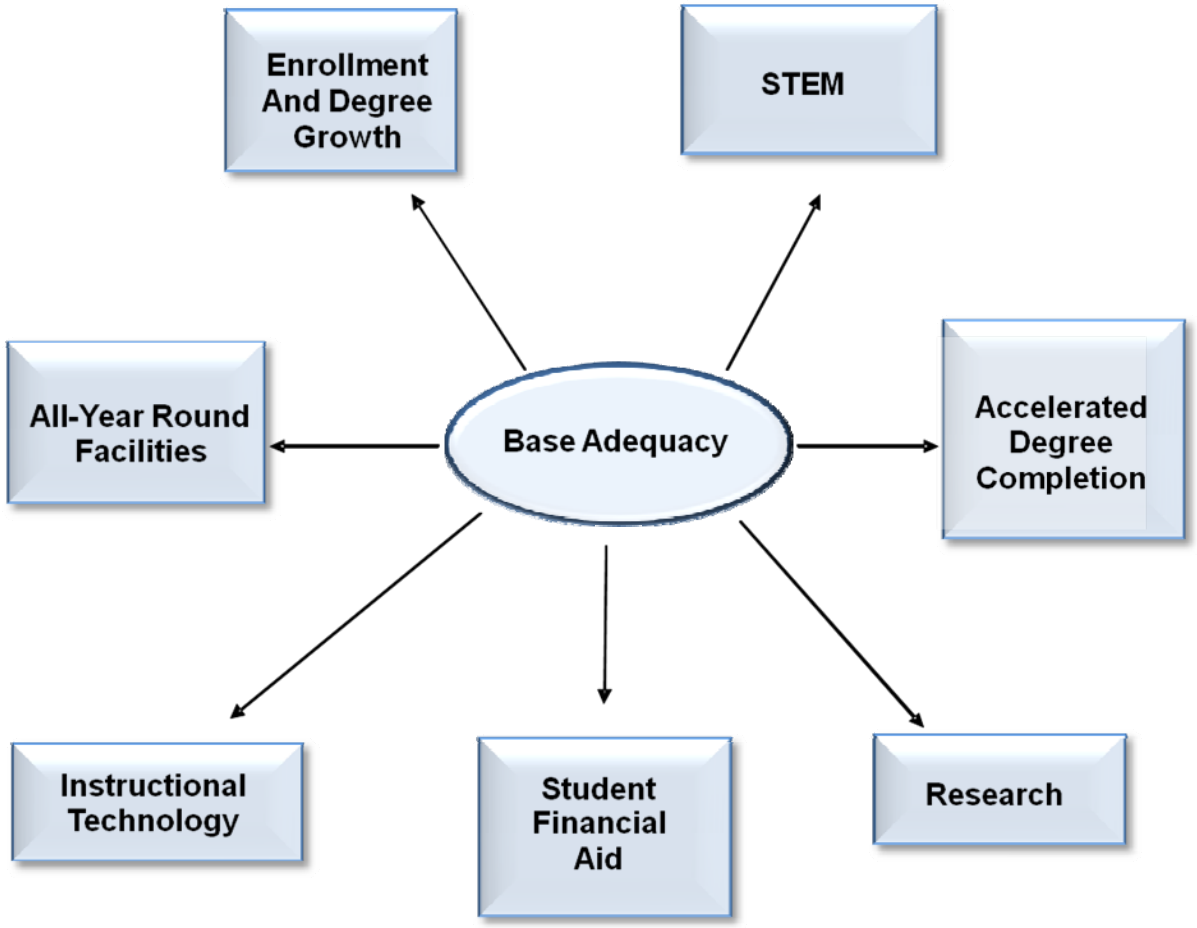
Institution	GF Share	NGF Share
Christopher Newport University	60%	40%
College of William and Mary	40%	60%
George Mason University	52%	48%
James Madison University	47%	54%
Longwood University	62%	38%
University of Mary Washington	54%	46%
Norfolk State University	55%	45%
Old Dominion University	56%	44%
Radford University	61%	39%
University of Virginia	36%	64%
University of Virginia at Wise	64%	36%
Virginia Commonwealth University	51%	49%
Virginia Military Institute	40%	60%
Virginia State University	45%	55%
Virginia Tech	42%	58%
Richard Bland College	66%	34%
Virginia Community College Sys	61%	39%
Total	**51%**	**49%**

Higher Education Opportunity Act

Basic Operations and Instruction Funding Need (in millions)			
	GF	NGF	Total
Cost of Education	$241.6	$204.3	$445.9
Faculty Salaries	$41.6	$39.2	$80.8
Total Funding Need	**$283.2**	**$243.5**	**$526.7**

Consider the Possibilities

How can Governor and General Assembly fund both “base adequacy” and “incentives”?



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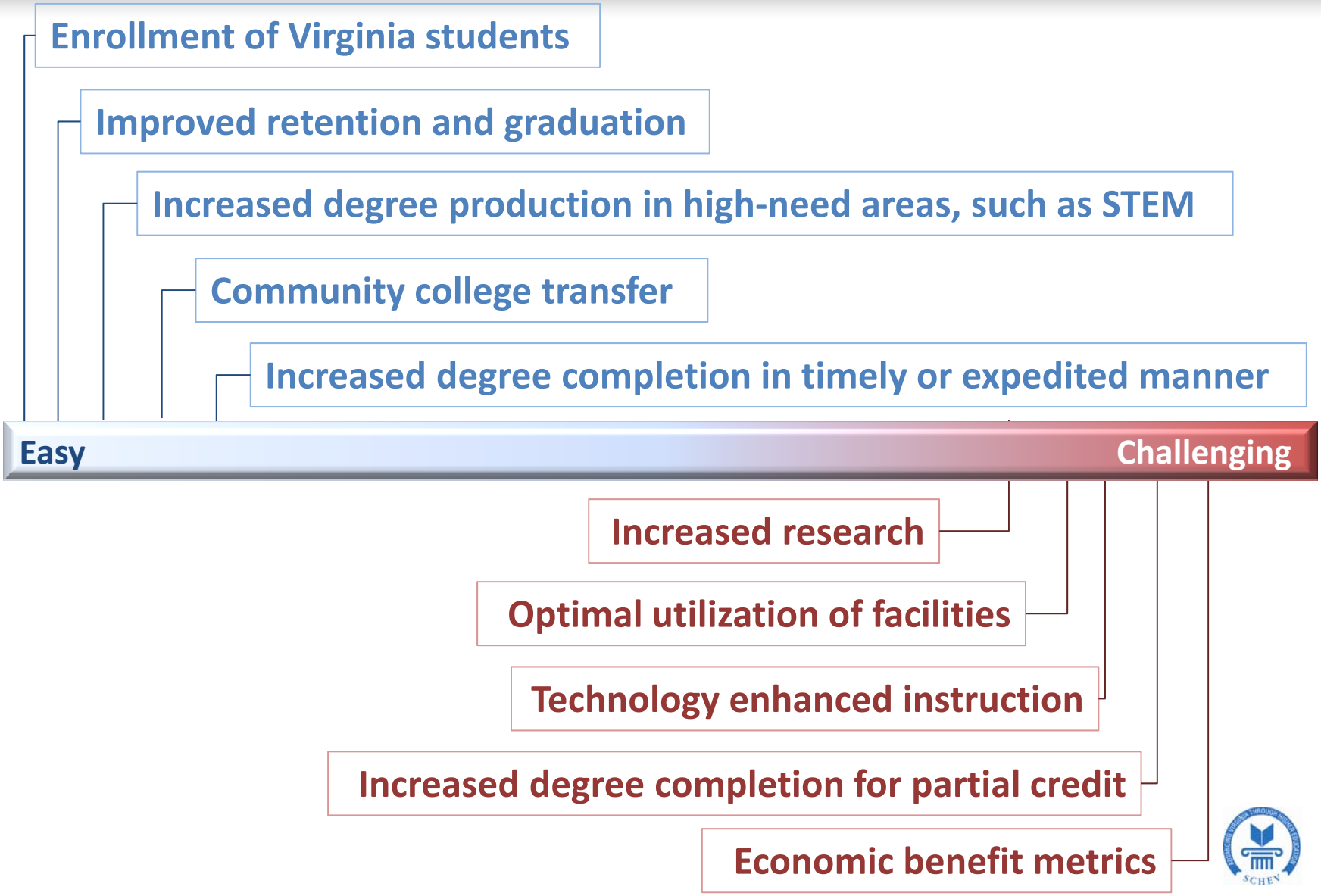

Consider the Possibilities: Student–Faculty Ratio

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Next Steps

July 21 – Consulting with Advisory Committee as required.

By **Sept 1 -** Council should make appropriate adjustments to the funding formulas and provide to the institutions and the Advisory Committee its preliminary calculations of the funding need of each institution.

By **Sept 15 –** Institutions can submit proposed corrections and adjustments to the Council's preliminary base funding need calculations**.** (Note: Institutions also may include such proposed adjustments in their six-year plan submissions).

Sept 28 - Council will consult with Advisory Committee on proposed corrections and adjustments.

By **Oct 14 -** Council should submit its calculations of base operational and instructional funding need to the Governor and General Assembly.