

INTERIM
REPORT
OF THE
GOVERNOR'S
BLUE RIBBON
COMMISSION
ON HIGHER
EDUCATION



December 31, 1998

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December 31, 1998

Honorable James S. Gilmore III
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Gilmore:

On behalf of the Governor's Blue Ribbon Commission on Higher Education, I am pleased to submit to you the Commission's Interim Report. This Interim Report contains a summary of the work completed since our first meeting in August of 1998.

You charged the Commission with writing a blueprint to ensure for the next generation of Virginians high quality educational opportunities at affordable costs for students, their parents, and taxpayers. You asked us to examine how quality and affordability may be made compatible goals throughout Virginia's system of higher education. In addition, you asked us to ensure that Virginia's public colleges and universities remain accountable to the people of Virginia for the expenditure and use of valuable public resources.

In your keynote address at the Commission's first meeting in August, you also asked us to "go beyond the surface and to make discernible the enormous enterprise called higher education." Since our August meeting, the Commission has been engaged in an in-depth review of college funding and spending. Our review has been at a level of detail that has never been done before, and you will see the results of our efforts in this Interim Report.

Among the Commission's most significant findings are the following:

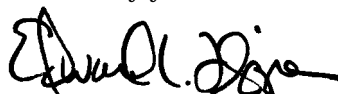
- ◆ Total spending by Virginia's colleges and universities has increased 88 percent in real dollars in 15 years.
- ◆ Tuition and fees have increased 110 percent in real dollars at Virginia's four-year doctoral universities in 15 years, 78 percent at Virginia's four-year comprehensive colleges, and 53 percent at Virginia's two-year colleges.
- ◆ General fund tax support for all students (four-year institutions only) has increased 13 percent per student in real dollars over 15 years. General fund tax support for in-state students has increased 23 percent per student in real dollars since 1993. (Virginia adopted in 1993 the policy of providing tax support for Virginia residents only).

These are just a few of the factual findings the Commission states in the Interim Report. While these findings do not answer all questions about the cost and affordability of higher education in Virginia, they contribute greatly to a discussion that too often has been characterized by conjecture and unsupported assertions and too seldom by historical context and hard data. The Commission will endeavor to go even further in analyzing issues of cost and affordability as we continue our work in 1999.

In the meantime, the Commission has begun to address the issue of what it means to offer Virginia students a high quality college education. Defining the components of a high quality college education is important if we are to make practical recommendations for the highest and best use of each dollar our colleges and universities spend. The Commission also will take up the issue of accountability, both within the institutions and to the public, as we proceed next year.

It has been my honor to serve you and the citizens of the Commonwealth of Virginia. I look forward to continuing this very important work next year.

Sincerely yours,



Edward L. Flippen
Chairman



THE GOVERNOR'S BLUE RIBBON COMMISSION

Governor Jim Gilmore created the Blue Ribbon Commission on Higher Education by signing Executive Order No. 1 during his inaugural address on January 17, 1998. Executive Order No. 1 directs, among other things, that:

The Commission should evaluate: how to make the current funding process more consistent and predictable; how to increase fiscal accountability; how to keep higher education in Virginia affordable; how to make cost and quality compatible objectives; and what incentive structures can be incorporated into the funding process that will encourage efficiency, innovation, and a focus on the quality of the students who graduate from our educational institutions instead of the quantity of resources spent.

Governor Gilmore announced the membership of the Commission on June 30, 1998. The membership includes three college presidents, fifteen former and current college board members, several college faculty members, five legislators from both political parties, and numerous business and professional people and public servants with substantial and varied public and private experiences. In announcing his appointments to the Commission, Governor Gilmore charged the Commission with writing a blueprint that will guide public policy on higher education for the next two decades. "My objective in establishing this Blue Ribbon Commission is simple," the Governor said. "The parents, the students, and the taxpayers of the 21st Century deserve a formal blueprint to guarantee them a high quality and affordable college education 25 years from now." In addition, the Governor asked the Commission to focus on three core objectives:

How to preserve and build upon the quality of college education at all of Virginia's colleges and universities.

How to keep a college education affordable for the tuition payers and taxpayers of Virginia.

How to ensure that the public employees who operate Virginia's colleges and universities remain accountable to the people of Virginia for the expenditure of billions of dollars in public resources each year.

Governor Gilmore delivered the keynote address at the Commission's first meeting, held at Virginia Commonwealth University on August 25, 1998. The Governor noted that the last public commission which studied Virginia's higher education system reported that it was struck by the "enormity of the higher education enterprise" and expressed its frustration that it had "only scratched the surface of the vast number of issues before them." That commission, chaired by Senator John Chichester and Delegate Alan Diamonstein, called for continual review and assessment of our higher education system. Picking up where they left off, Governor Gilmore asked this Commission to "go beyond the surface and to make discernible the enormous enterprise called higher education."¹



THE COMMISSION'S WORK – GOING BENEATH THE SURFACE

The Commission has begun its work in earnest. It has met three times for full day sessions, with its first meeting on August 25, 1998, at Virginia Commonwealth University, its second meeting on October 28, 1998, at George Mason University, and its third meeting at Mary Washington College on December 10, 1998, where this report was presented and adopted. The Commission has heard presentations by college presidents and senior vice presidents, including President Timothy Sullivan of the College of William and Mary, President Alan Merten of George Mason University, President William Anderson of Mary Washington College, U.Va. Executive Vice President Leonard Sandridge, and VCU Vice President Paul Timmreck. The Commission also has heard presentations by other distinguished presenters, including Dr. William Allen, Director of the State Council on Higher Education in Virginia, Mr. Scott Pattison, Ms. Phyllis Palmiero and Mr. Robert Lockridge of the Department of Planning & Budget, and Mr. William Landsidle, Comptroller of the Commonwealth of Virginia.

As charged by the Governor, the Commission is addressing issues that fall into four broad categories: Cost, Quality, Accountability, and Economic Development/Workforce Training/Research. The Commission

¹ The texts of Governor Gilmore's June 30, 1998, speech announcing the Blue Ribbon Commission and his August 25, 1998, keynote speech at Virginia Commonwealth University are included in the Appendix to this Interim Report.

has devoted two full meetings to the issue of Cost and has received an historical overview of the key components of that issue: tuition and fees, general fund appropriations, funding from all other sources, and spending practices. Before and after each meeting, the Commission has been provided detailed funding and expenditure data spanning over twenty-five years. Although there remain Cost-related issues that require further review, the key funding and spending information reported to the Commission to date is summarized below.

ASSESSING THE COST OF HIGHER EDUCATION IN VIRGINIA

Most notable among the Commission's accomplishments is the compilation of 25 years of funding data and 15 years of spending data.² These data are comprehensive and, to the Commission's knowledge, have never been compiled before. The Department of Planning & Budget staff ("DPB staff") spent several months collecting appropriations data from the Acts of Assembly and spending data from the Commonwealth's Accounting and Reporting System ("CARS").³

Given the nature of its comprehensive charge, it was important for the Commission, as a first step, to receive the concurrence of all interested parties that the compiled data are accurate. That agreement has been reached. Representatives of the college presidents and the Commission have agreed that data compiled and presented by the Department of Planning & Budget are accurate; they also have agreed that data retrieved from the Integrated Postsecondary Education Database System (IPEDS) and presented by President Sullivan at the Commission's first meeting on August 25 are accurate. Both data sets produce similar trends for any given time horizon.

Basic principles of higher education funding and spending required explanation before the Commission could undertake an in-depth analysis of cost data. It is one thing to know how much money has been appropriated or spent in a particular year, but quite another to understand how the money has been spent and for what purposes. The Department of Planning & Budget, therefore, provided the following chart to explain where higher education dollars come from and how they are spent.⁴



² The Commission's data set is compiled in a notebook which has been made available to each Commission member. Parties interested in obtaining a copy may contact the Blue Ribbon Commission's Deputy Director, Shawn M. Smith, at the Office of the Secretary of Education.

³ CARS contains spending data reported by each institution of higher education to the Commonwealth.

⁴ In addition to the chart displaying where higher education dollars come from and how they are spent, DPB staff prepared definitions for expenditure categories. Those definitions are included in the Appendix to this Interim Report. The primary educational function of public colleges and universities is captured in the spending category captioned Educational & General ("E&G"), which includes faculty salaries, libraries and academic programs, central university administration, and facility maintenance, among others.

Where the money comes from and where it goes

REVENUE SOURCES	EXPENDITURES				
	<i>E&G Programs</i>	<i>Financial Aid</i>	<i>Debt Service</i>	<i>Auxiliary Activities</i>	<i>Sponsored Research</i>
Appropriated and accounted for on books of the Commonwealth					
GENERAL FUND <i>(state tax \$)</i>	■	■			
NONGENERAL FUNDS <i>(higher education operating funds)</i>					
Tuition and fees	■				
Auxiliary enterprises:					
Room & board fees			■	■	
Athletic fees			■	■	
Bookstore sales				■	
Other			■	■	
Federal grants/contracts	■	■		■	■
NOT Appropriated and accounted for on books of the Commonwealth					
Foundation/Endowment	■	■		■	■
Other <i>(local accounts)</i>	■	■		■	■

Note: Operating appropriations and expenses are for those activities necessary to run the operations of the university. Appropriations and expenditures for capital outlay projects are not part of the operating budget. Also, note that UVA, CWM and VMI support their financial aid programs, in part, through tuition and fee revenues.

SPENDING BY PUBLIC COLLEGES AND UNIVERSITIES: 1983-1998

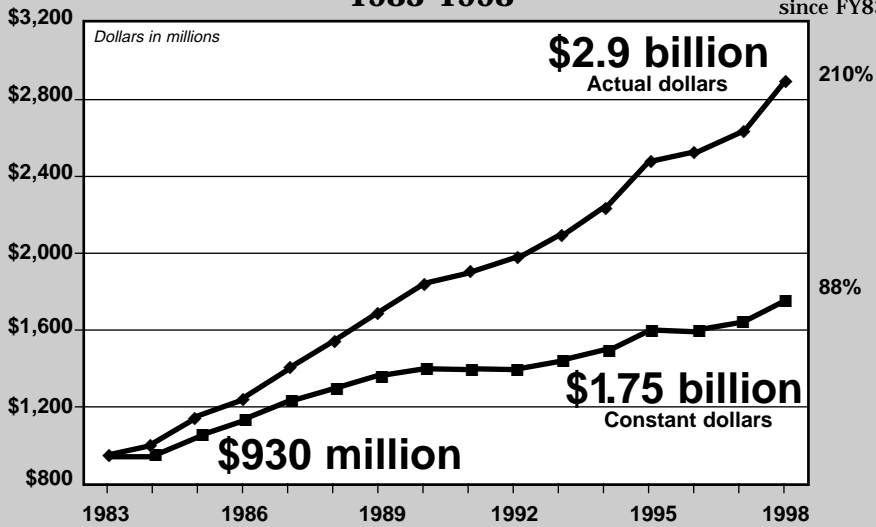
There are many ways to report institutional spending. College and university budgets are complex and spending categories vary. Nevertheless, the Commission has collected 15 years (1983-1998) of data showing the spending patterns of Virginia's colleges and universities. In addition, the Commission has determined that the spending data maintained by CARS do not capture all spending by the colleges and universities. A recent report of the State Comptroller revealed that the institutions spend approximately \$140 million annually from "local accounts" that are accounted for only in part in the CARS reporting system and are not subject to standard spending controls. Expenditures by university-affiliated foundations on behalf of colleges and universities also do not appear in the spending totals for individual colleges and universities except to the extent such funds are transferred to the colleges and universities for expenditure.

Considering only the data collected from the CARS system, however, one point is clear. Total spending by Virginia's public colleges and universities has increased substantially over the last 15 years and is at an all-time high. Total spending – considering all funding sources and all

College and university spending

1983-1998

Increase since FY83

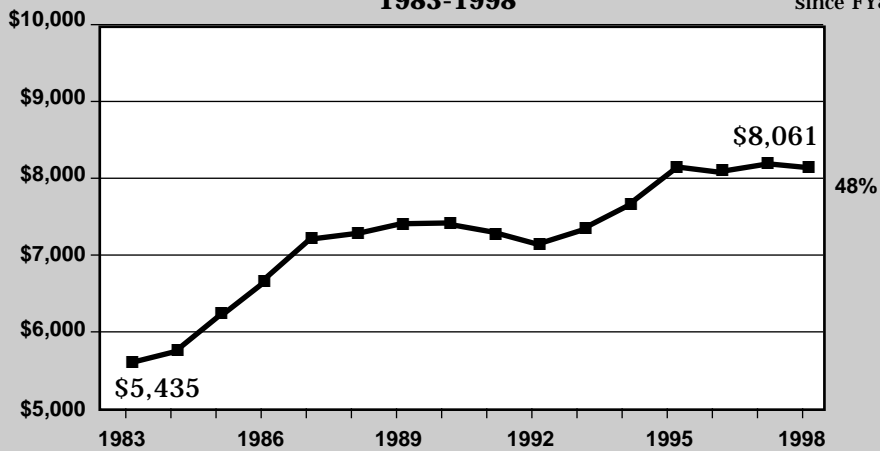


Source: Commonwealth Accounting and Reporting System.

College and university spending per FTE student

Constant dollars
1983-1998

Increase since FY83



Source: Commonwealth Accounting and Reporting System.
Note: "FTE" represents Full-time Equivalent.

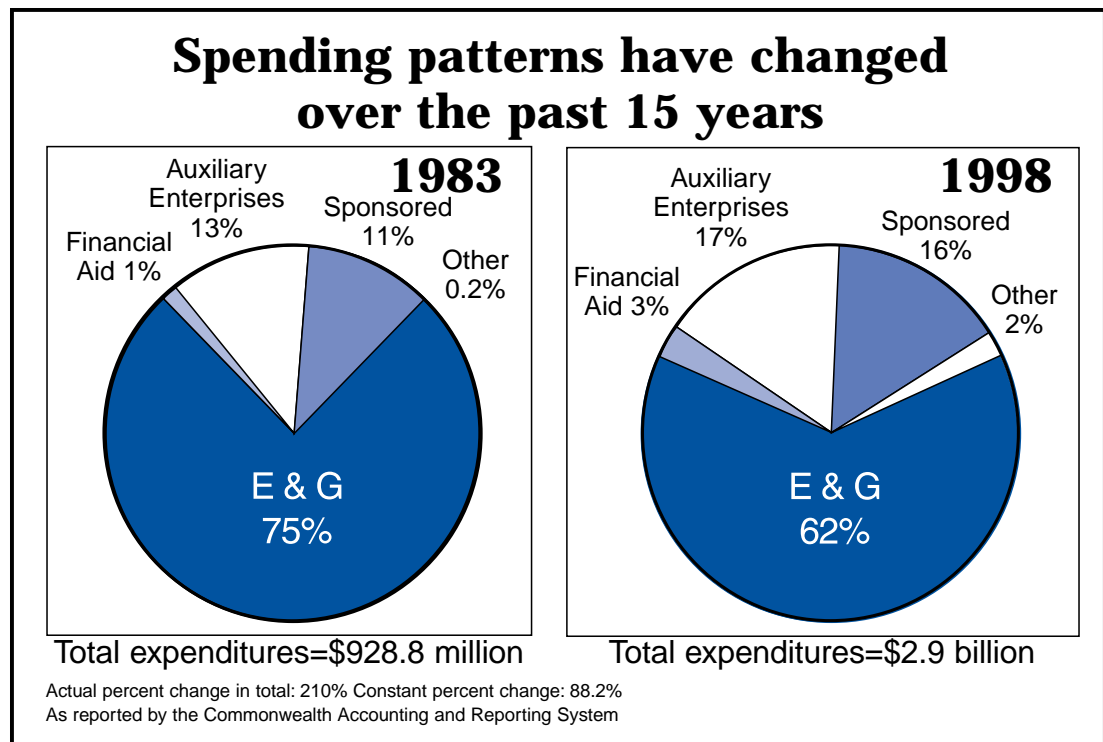
expenditure categories reported to CARS – grew 210 percent from \$929 million in 1983 to over \$2.9 billion in 1998, an increase of 88 percent in real dollars, and 48 percent in real dollars per student.

Real growth of 88 percent in total spending raises the obvious question: How are our public colleges and universities spending approximately \$3 billion annually?

WHERE DOES EACH DOLLAR GO?

The data show that spending patterns have changed significantly over the last 15 years. For example, a dramatic change has occurred in Educational & General (“E&G”) expenditures.⁵

In 1983, Virginia’s public colleges and universities spent 75 percent of their total budgets on E&G functions. By 1998, 62 percent of total budgets was spent on E&G. These data suggest that the roles and functions of colleges and universities have grown to encompass far more than the traditional role of educating students. Research sponsored by outside sources, such as the federal and state government and private corporations, increased from 11 percent of total budgets in 1983 to 16 percent in 1998. Auxiliary Enterprises, ranging from bookstores to athletic departments to dormitories, increased from 13 percent of total budgets in 1983 to 17 percent in 1998. The following chart shows such changes in spending patterns over the last 15 years:

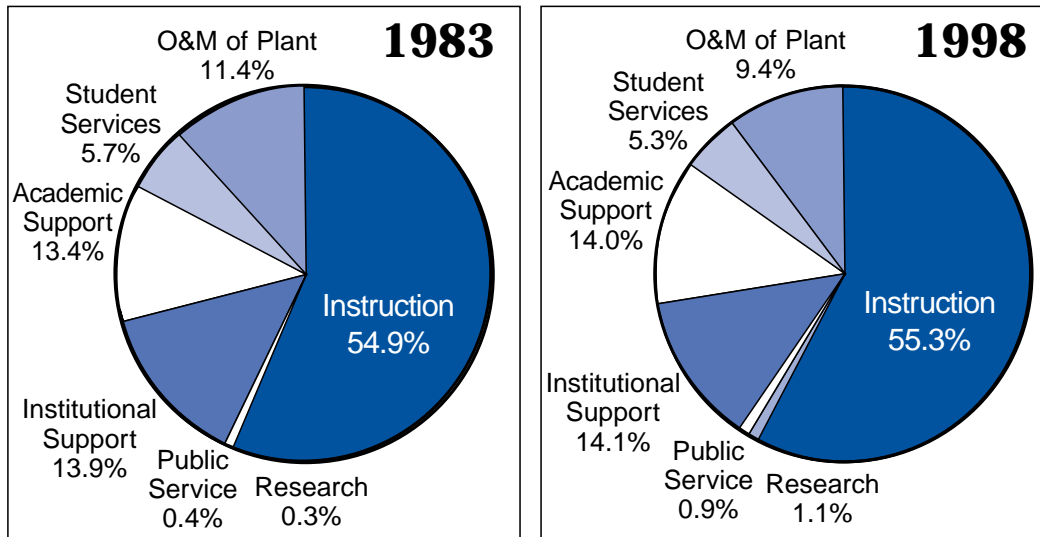


⁵ Educational & General is the category of expenditures that supports the primary educational function of a college or university. Included in this category are faculty salaries, libraries and academic programs, central administration, maintenance of buildings, faculty academic research (but not sponsored program research), and similar functions.

HOW MUCH OF E&G DOLLARS ARE DEVOTED TO TEACHING & FACULTY?

While public college and university spending on the Educational and General functions declined vis-à-vis other functions as a percent of total budgets, spending on the various components that comprise E&G remained relatively constant over the same period. In 1983, the Instruction component (e.g., faculty salaries and academic programs) accounted for 54.9 percent, while in 1998, Instruction accounted for 55.3 percent of E&G. Spending on Institutional Support (e.g., administrative salaries and central administrative functions) increased slightly from 13.9 percent in 1983 to 14.1 percent in 1998.

E & G spending for instruction remained stable



E & G expenditures: \$696.4 million

E & G expenditures: \$1.8 billion

Actual percent change in total: 159.5% Constant percent change: 57.2%
As reported by the Commonwealth Accounting and Reporting System

DO THE DATA SHOW FUNDAMENTAL CHANGES FROM RESTRUCTURING?

The data show that the same percentage of E&G dollars is spent on Institutional Support (e.g., administration) today as 15 years ago. While the Commission engaged in discussion about administrative costs (i.e., the impact of technology costs), the Commission has been unable to identify a significant reallocation of resources at this time in favor of faculty and students in the aggregate data across all colleges and universities. In fact, data reported by the institutions to CARS indicate that expenditure growth patterns within E&G do not reflect fundamental reallocations.⁶

⁶ Data presented by DPB staff showed that E&G expenditure growth each year on Instruction actually decreased relative to E&G expenditures on other functions since restructuring. A chart outlining relative growth in spending on E&G programs is located in the Appendix.

However, the Commission has seen evidence of restructuring results at some institutions. For example, according to President Merten, in the last four years George Mason University has reduced its support staff by 10 percent and the number of vice presidents and vice provost positions by 33 percent. GMU's Board of Visitors has authorized privatized parking, events management, housing and mail services, all of which now produce net income for the University. Further, GMU has consolidated departments, merged programs, closed 12 degree programs, closed or merged 34 research and service centers, and significantly increased the proportion of spending on Instruction in E&G from 45.7 percent in 1994 to 57.9 percent in 1998. As a result, GMU ranks first in its peer group in the proportion of E&G dollars spent on Instruction.

A report submitted to the Commission on behalf of Virginia Tech shows that, beginning in 1990-1991 and continuing to this day, Virginia Tech has engaged in a systematic review of operations and priorities and has continuously reallocated funds and expenditures from lower to higher priorities. In total, Virginia Tech reports \$36.2 million in base budget reallocations between 1990-1991 and 1998-1999, as well as another \$14.9 million in one-time funding changes, for a total of \$51.1 million in reallocations. Several departments have been merged and two colleges were consolidated into one to reduce redundant administrative costs. The number of line administrators has been significantly reduced, while support personnel in instructional and information technology have been increased. In some cases, privatization and outsourcing have occurred to eliminate less efficient operations such as food stores inventory and laundry operations.

INTERNAL COST TRACKING MECHANISMS

The Commission heard an encouraging presentation regarding an innovative cost tracking mechanism being developed at VCU. VCU Vice President Paul Timmreck described for the Commission VCU's new base budget review process. The new process will enable VCU to determine the cost of a degree in each of its programs and will serve several management objectives:

- ◆ It will ensure that university funds are being allocated consistently with the policy and spending priorities expressed by VCU's Board of Visitors;
- ◆ It will allow academic and administrative units within the University to provide input into decisions regarding their financial, human resource, technological and physical plant needs in a way that can be measured and verified; and
- ◆ It recognizes that in order to achieve new and productive initia-

tives within a modern university some resource reallocation will be necessary and that the taxpayers of the Commonwealth cannot fund the entire range of new initiatives that a university might wish to pursue.

Under VCU's new base budget review process, expenditures and performance data are – for the first time ever – being gathered at the school level, by program, for the last five years. Among the information being collected for review is:

- ◆ The number of degrees awarded;
- ◆ Ratios of administrators and classified employees to teaching and instructional faculty;
- ◆ E&G expenditures per FTE student;
- ◆ E&G expenditures per credit hour generated;
- ◆ Instructional expenditures (in current and constant dollars); and
- ◆ The number of course credit hours generated by each full-time equivalent faculty member.

This basic information is critical to internal assessments of cost, productivity, and the wisdom of resource allocations within a complex institution. It will facilitate an effective and thorough review and consideration of the University's operational budget. When fully developed, VCU's new base budget review system (or similar systems developed by other entities) promises a common-sense approach to institutional budgeting and could be an important management tool for use by other boards of visitors to integrate planning and budgeting and to obtain information essential to establishing (or reestablishing) institutional priorities and resource allocations.⁷

FUNDING OF PUBLIC COLLEGES AND UNIVERSITIES: 1983-2000

Understanding the sources of the \$3 billion spent annually by Virginia's institutions is as important as determining how the dollars are spent. The major sources of revenue for colleges and universities are:

- ◆ General Fund Tax Support paid by the taxpayers of Virginia.
- ◆ Tuition and Fees paid by parents and students or, in some cases, taxpayers, the institutions themselves or private benefactors in the form of financial aid.

⁷ A more complete description of VCU's new base budget review is included in the Appendix.

- ◆ Research Grants and Contracts from the federal and state government and private corporations.
- ◆ Auxiliary Enterprise revenues paid largely by students and parents (for purposes such as room and board, books, athletic fees, etc.).
- ◆ Gifts and Contributions from alumni, benefactors and university-affiliated foundations.

In its first two meetings, the Commission focused primarily on General Fund Tax Support, Tuition and Fees, and the relationship between those two primary sources of revenue. At the Commission’s first meeting, William and Mary President Timothy Sullivan alerted the Commission to what he termed a “tuition transfer tax” effected in the early 1990s, the recession era, whereby General Fund Tax Support for higher education was reduced and Tuition and Fees increased. Thus, the Commission has focused on the historical relationship between General Fund Tax Support and Tuition and Fees.

GENERAL FUND TAX SUPPORT FOR E&G PROGRAMS: 1983-2000

From 1983 to 2000, aggregate General Fund Tax Support for all Virginia colleges and universities increased 133 percent, from \$471.5 million in 1983 to \$1.1 billion in 2000. That represents a real increase (i.e., inflation adjusted) of 34 percent, and a real increase of 12 percent per student.

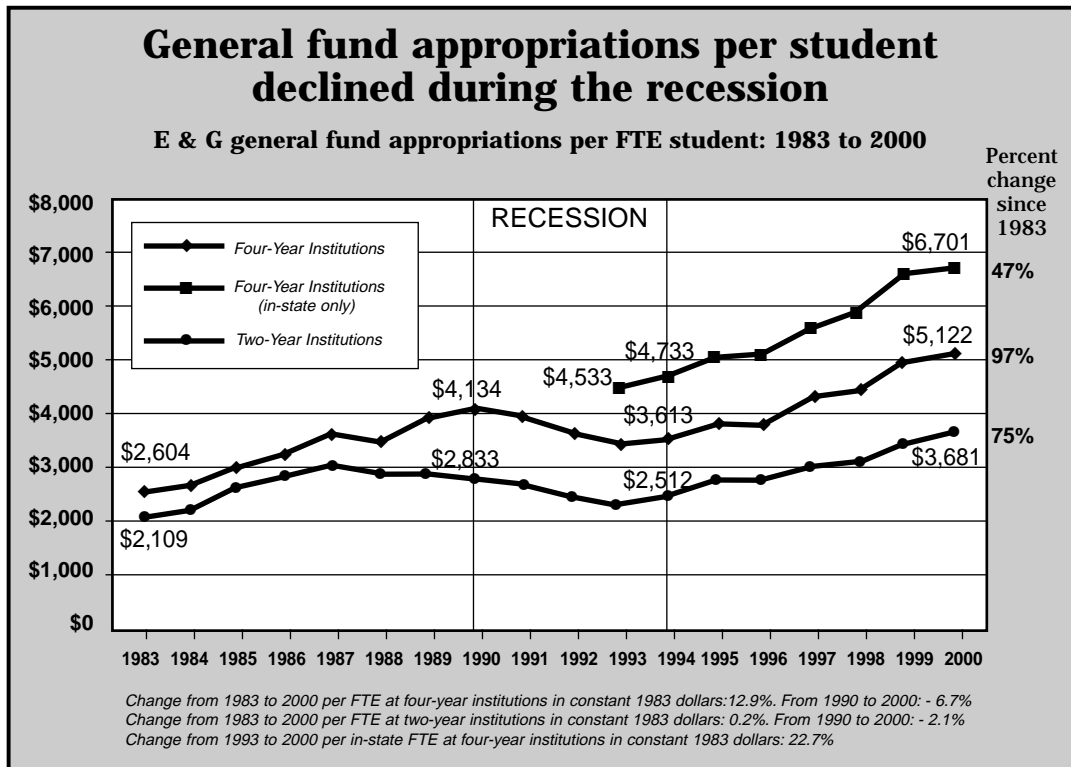
At four-year institutions, General Fund Tax Support per student (counting all students—in-state Virginia residents and out-of-state students) has increased 97 percent from \$2,604 in 1983 to \$5,122 in 2000. That represents a real increase of 13 percent in General Fund Tax Support per student.

However, that figure is artificially depressed by a formal policy change in 1993 to require out-of-state students to pay 100 percent of the cost of their education at a Virginia public college or university. The 13 percent increase per student counts both in-state and out-of-state students. When one considers General Fund Tax Support for Virginia students only (given that colleges and universities should be receiving 100 percent of their costs from out-of-state students) the increase in General Fund Tax Support per student is far more significant.

For Virginia students only, General Fund Tax Support for Educational & General pro-



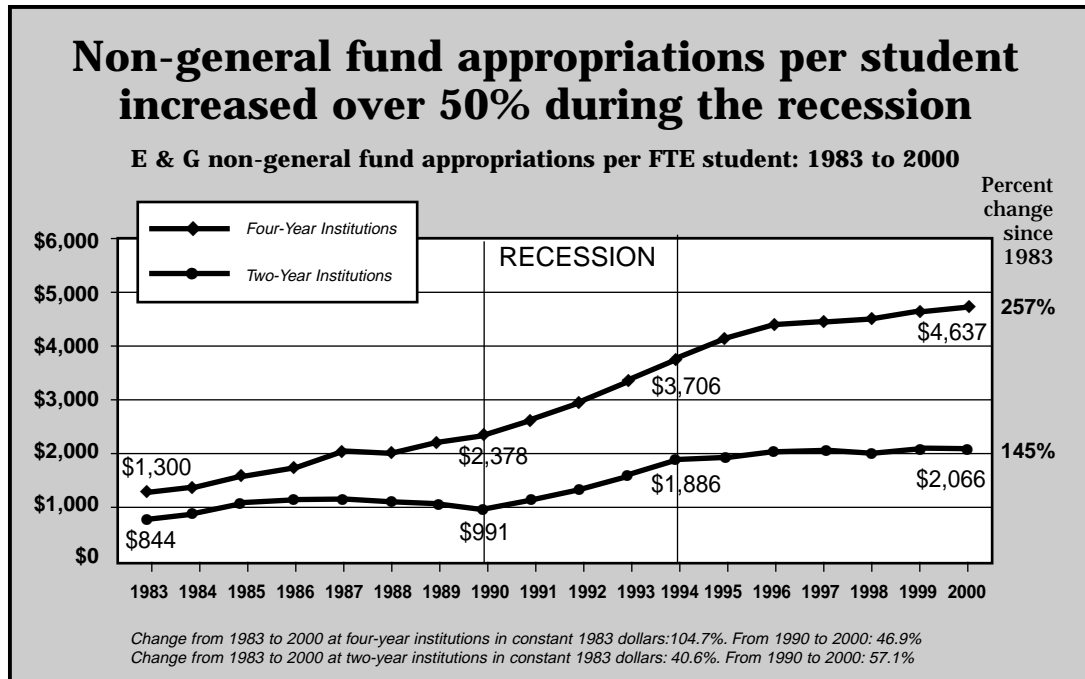
grams at four-year institutions has increased 47 percent, up from \$4,533 in 1993 to \$6,701 in 2000 – a real increase of 23 percent in seven years. At two-year institutions, General Fund Tax Support per student has increased 75 percent from \$2,109 in 1983 to \$3,681 in 2000, and has kept pace with inflation. The following chart reflects General Fund Tax Support in E&G programs per student since 1983 and reflects the policy change adopted in 1993 regarding subsidies for in-state versus out-of-state students. The increases in General Fund E&G appropriations reflected by this chart were the highest ever in 1997 and 1999, peaking at 10 percent each year.



It is important to note that, between 1993 and 2000, General Fund Tax Support for *all* programs (not just Educational & General programs) has increased by 50 percent per in-state student, from \$4,719 to \$7,079 per student. This represents an increase of 25 percent in real dollars.

NON-GENERAL FUND SUPPORT IN E&G PROGRAMS: 1983-2000

Public colleges and universities also received significant increases in Non-General Fund appropriations from 1983 to 2000. Non-General Fund appropriations include revenues the colleges and universities collect directly for tuition, mandatory and non-mandatory fees, room and board charges, athletic fees, bookstore profits, and sponsored programs.



From 1983 to 2000, Non-General Fund appropriations increased a total of 257 percent per student, or 105 percent in real dollars. This increase occurred concurrently with real increases in General Fund Tax Support over the same time period. During the same period, Non-General Fund appropriations at community colleges increased a total of 145 percent per student, or 41 percent in real dollars.

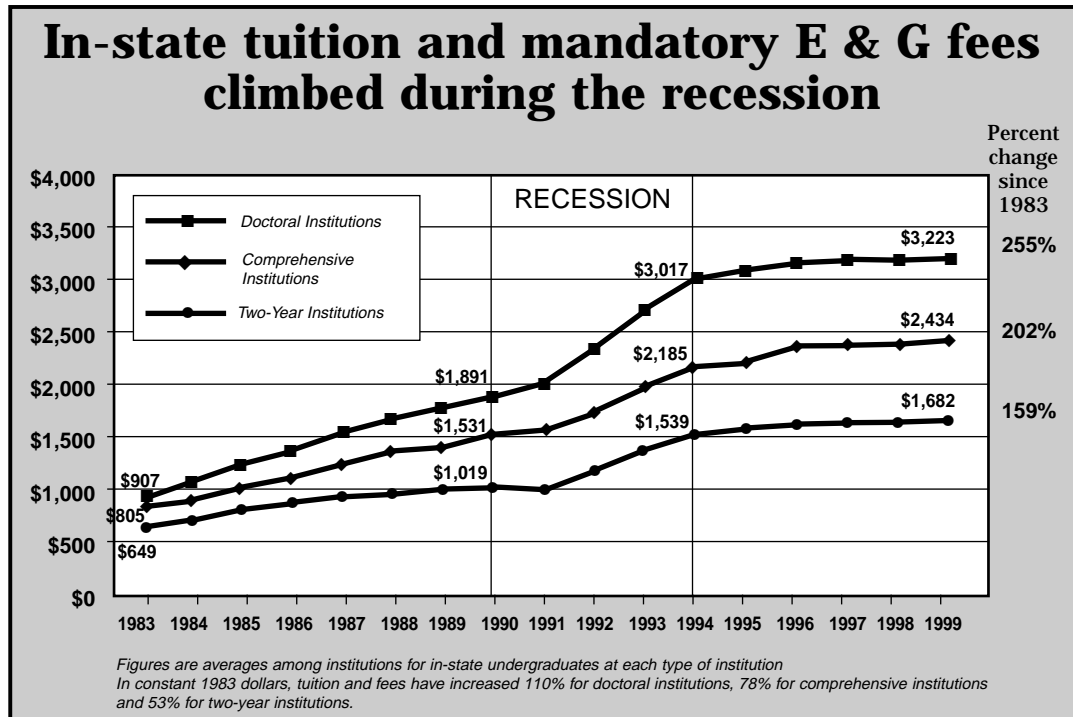
TUITION & MANDATORY E&G FEES: 1983- 2000

The most significant component of Non-General Fund appropriations for colleges and universities is the money received from Tuition and Mandatory Fee charges. For Virginia residents, in-state tuition and mandatory fees at Virginia's public doctoral universities have doubled in real dollars in just 15 years.⁸

At the public doctoral institutions, on average, tuition and fees for Virginia resident undergraduates have increased 255 percent, or 110 percent in real dollars, up from \$907 in 1983 to \$3,223 in 1999. At the comprehensive four-year institutions, tuition and fees have increased 202 percent, or 78 percent in real dollars, from \$805 in 1983 to \$2,434 in

⁸ Virginia's doctoral institutions are the University of Virginia, the College of William and Mary, Virginia Tech, George Mason University, Virginia Commonwealth University, and Old Dominion University.

1999. The price of an education at public two-year institutions has increased 159 percent, or 53 percent in real dollars, jumping from \$649 to \$1,682 over the same period.



When the Commission looked at the relationship between General Fund Tax Support and Tuition and Fees, the data showed that Tuition and Fees continued to rise even as General Fund Tax Support increased during the 1980s. The largest increases in Tuition and Fees revenue occurred during the recession between 1990 and 1993. From 1990 to 1993, General Fund Tax Support in E&G programs was reduced a total of \$102 million. Over that same time period the institutions increased Tuition and Fees for a total revenue increase of \$214 million, thus effecting a net increase in revenues of \$113 million. The cost of that increase was borne by parents and students. This was the “tuition transfer tax” referred to by President Sullivan at the Commission’s first meeting.

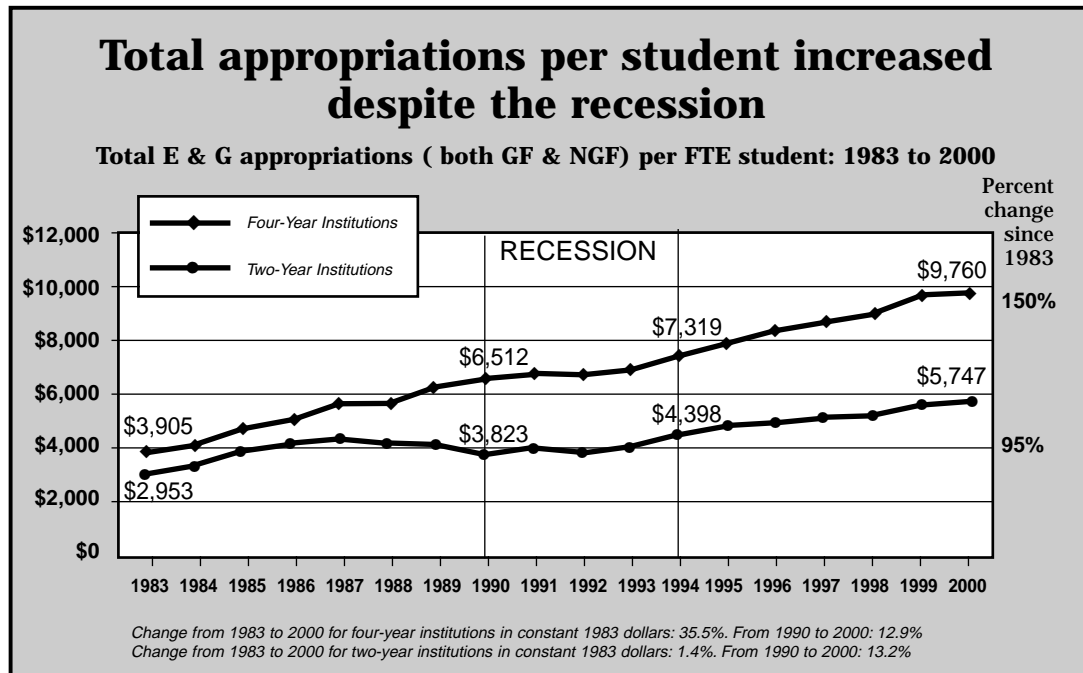
E & G NGF increases more than compensated for GF reductions during the recession (1990-1993)

Institutions	GF Reductions	NGF Increases	Net \$ Change
Four-Year	(87,454,037)	157,723,721	70,269,684
Two-Year	(14,217,553)	56,750,498	42,532,945
All	(101,671,590)	214,474,219	112,802,629

In response to the rapid escalation of costs during the short recessionary period, a policy was adopted in 1994 that tuition and fee increases would be capped at the rate of inflation. Later, in 1996, in another effort to ease the burden placed on parents and students, a tuition freeze was adopted.

TOTAL E&G APPROPRIATIONS – COMBINING GENERAL FUND TAX SUPPORT AND TUITION & FEES

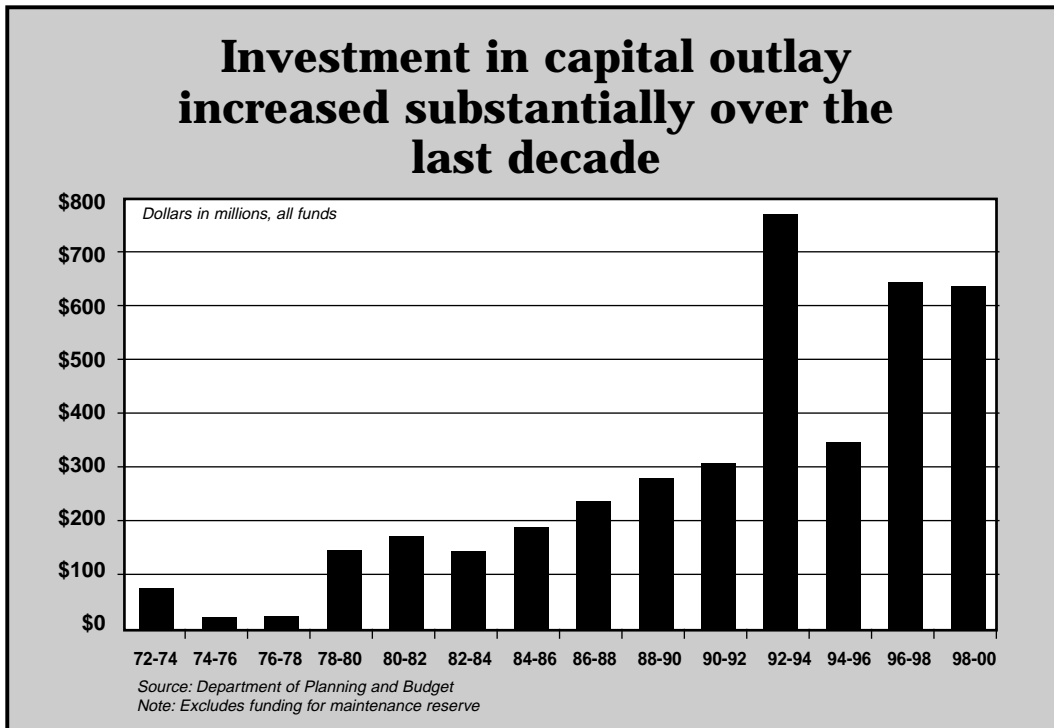
Taking into account only E&G appropriations – both General Fund and Non-General Fund appropriations designated for E&G – the data show that between 1983 and 2000 total funding per student has increased a total of 150 percent per student. This represents a real increase in funding of 35.5 percent per student at four-year schools. At two-year institutions, total E&G appropriations have increased 95 percent per student since 1983, or 1.4 percent adjusted for inflation. Total E&G appropriations increased even during the recession years of the early 1990s due primarily to Tuition and Fee increases that more than compensated for reductions in General Fund Tax Support.



CAPITAL OUTLAY

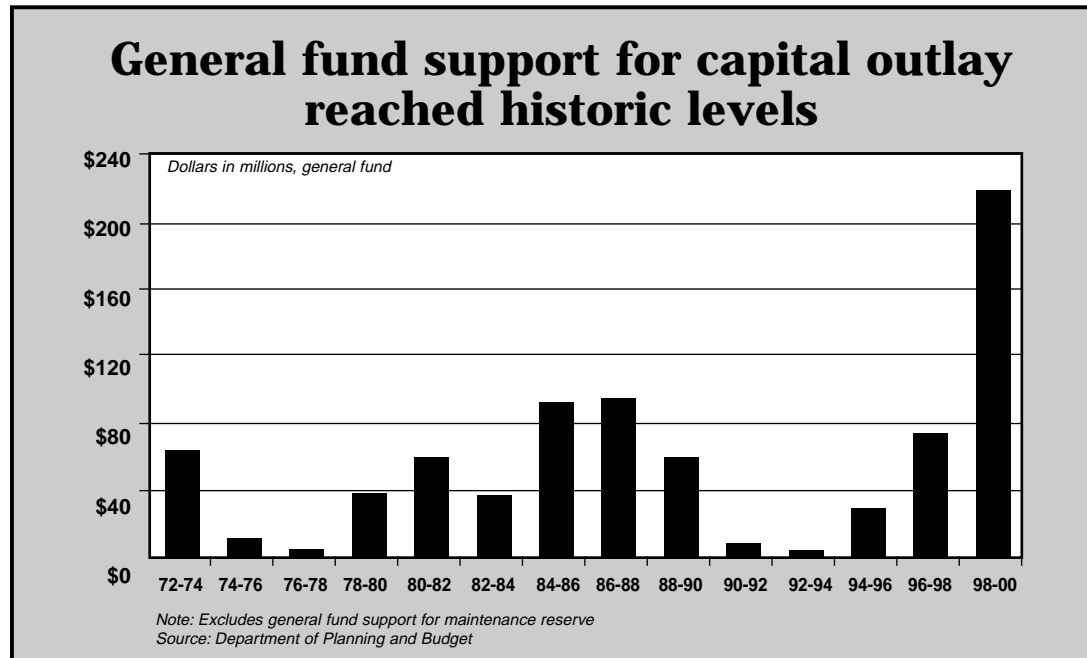
The foregoing discussion does not include dollars appropriated for capital outlay (construction and renovation projects). Capital outlay is

funded by a combination of state tax dollars (or General Fund dollars), debt, and other Non-General fund revenues such as student fees, federal grants, or private gifts. General Fund dollars are also allocated to support deferred maintenance for instructional facilities at the institutions of higher education. Although no real trend in the funding of capital projects over time is discernible from the data, from 1983 to present, the Commonwealth's investment in capital outlay increased. In more recent years (1992-2000), the rate of increase in capital outlay appropriations has grown. Considering all sources of funding for construction and renovation projects, the Commonwealth has invested in excess of \$2.5 billion in higher education capital outlay projects since 1992.



The total annual amount directed to capital outlay in higher education, when all funding sources and state support for maintenance reserve are included, peaked in the 1992-1994 biennium at \$793.2 million. Of the total, \$424.8 million was approved by the citizens of the Commonwealth as part of the bond referendum passed in November of 1992 to address higher education projects. Because of the substantial influx of funding from the bond referendum, only \$27.5 million in state tax dollars was appropriated to higher education for capital outlay in the 1992-1994 biennium. Since that time, the Commonwealth has made an effort to reduce the use of debt financing. As a result of this effort, the amount of General Fund tax dollars for capital outlay projects in higher education has increased.

The 1998-2000 biennial budget appropriated \$219 million in General Fund support to the Commonwealth's institutions of higher education to address high priority capital projects—by far the largest such appropriation ever. Additional General Fund tax dollars were provided for deferred maintenance and various other infrastructure modifications and renovations, bringing the total General Fund appropriation for capital needs in higher education for 1998-2000 to over \$260 million. Prior to the 1998-2000 biennium, the largest General Fund appropriation for capital outlay in higher education totaled \$93.1 million (with another \$15.3 million provided for deferred maintenance) in the 1986-1988 biennial budget.



LOOKING AHEAD

As noted in this report, the Commission has only begun its work. Its early focus on issues of cost and affordability has been productive. This focus has demonstrated the importance of accurate data and historical context to current discussions of higher education funding and spending in Virginia. However, it is important to note that it is premature to draw conclusions from these data about the funding of higher education, either present or future. Indeed, the Commission still has much work to do in considering this matter within the larger context of creating a blueprint for the new millennium. Toward this end, the Commission is eager to continue to consider issues of Quality and Accountability. The Commission staff is preparing a work plan for 1999, which will be distributed to the Commission in early January.

APPENDIX

- 1** Remarks by Governor Jim Gilmore Announcing the Blue Ribbon Commission on Higher Education (June 30, 1998)
- 2** Remarks of Governor Jim Gilmore to the First Meeting of the Blue Ribbon Commission on Higher Education at Virginia Commonwealth University (August 25, 1998)
- 3** Definitions for Types of Expenditures (Department of Planning & Budget)
- 4** Charts Outlining Relative Growth in Spending on E&G Programs (Department of Planning and Budget):
 - a** Spending Per-Student in Academic-Related Programs Continues to Rise
 - b** Pattern of Per-Student Spending in E&G Subprograms Changes Over Time
 - c** Pattern of Per-Student Spending in E&G Subprograms Changes Over Time
- 5** Integrated Planning and Budgeting and the Use of a Base Budget Review Process (Virginia Commonwealth University)

COMMONWEALTH OF VIRGINIA



OFFICE OF THE GOVERNOR

**Remarks by Governor Jim Gilmore
Announcing the Blue Ribbon Commission
On Higher Education
June 30, 1998**

GREETING

I want to welcome everyone here today and thank you for coming.

Today is an important day for the people of Virginia because I am announcing the membership of my Blue Ribbon Commission on Higher Education. A list of the members is being distributed. I want to take this opportunity to express my appreciation and to articulate my goals for the members of this Commission.

I look around this room and I see so many distinguished leaders from the public and the private sector, and I know that assembled here is a combination of experience and talent and vision to ensure the success of what we are gathered to accomplish – people like the Commonwealth's Secretary of Education Wil Bryant, George Mason University President Alan Merten, Sid Dewberry, Elizabeth McClanahan, and the man who will chair my Blue Ribbon Commission—Ed Flippen.

The reason I have asked these distinguished people to serve on my Blue Ribbon Commission on Higher Education is that they all share a common commitment and the integrity to serve the people of Virginia.

HIGHER EDUCATION'S IMPORTANCE FOR VIRGINIANS

Let me share a few thoughts with you about how important your work will be for the people of Virginia.

As many of you know, both Roxane and I attended public schools and the University of Virginia. I started in 1967 and she started in 1972. Between us, we have four degrees from U.Va., and Roxane has completed the course work for her Ph.D. while she teaches at Randolph Macon.

When I graduated from college in 1971, my tuition and fees were \$484. I can promise you that's the best \$484 I ever spent in my life!

Last year, tuition and fees at U.Va. were \$4,866. For those with math degrees, that's an increase of over 900 percent in about 25 years. And I might add, I am sure it's the best \$4,866 each student at U.Va. has ever spent in their young lives—whether they appreciate it yet or not.

I bring these numbers to your attention to show you the difference that a generation makes.

Now I have two sons. Jay is in the 10th grade. Ashton is in the 7th grade. I am sure that Roxane and I share the sentiments of all Virginians when we look forward to providing our children the same educational opportunities that we were afforded 25 years ago.

There are parents of young children all over Virginia today who are aspiring and saving –aspiring to provide their children a college education and saving their hard-earned dollars to make a college degree affordable.

Which brings me to the fundamental reason we are gathered here today:

How can our generation ensure the highest quality educational opportunities at affordable costs for the next generation of parents and students in Virginia?

ASSESSING WHAT WE HAVE INHERITED

Clearly we are doing some things *right* in Virginia.

I've seen the most recent rankings by *U.S. News*:

- U.Va.–again–is ranked the number 1 public university in the country, and 21st among all public and private universities in the nation;
- William & Mary is ranked 6th among public universities nationally;
- James Madison and Mary Washington rank 1 and 2, respectively, among *public* Southern regional universities, and 3 and 5, respectively, among *all* public and private Southern regional universities.

I understand that *U.S. News* rankings are not the ultimate test of a university. But they do indicate that by some objective measures Virginia is offering its people quality educational opportunities. I also understand that these great educational institutions did not come about haphazardly or by accident—they are the visions realized of prior generations of Virginians.

They are the legacy of Virginia's *first* blue ribbon commission—the Rockfish Gap Commission of 1818—appointed by Governor James Preston and chaired by Thomas Jefferson at the age of 75.

The Rockfish Gap Commission of 1818 was formed to draft a plan for the creation of Virginia's first public university—to plan a university that, in Jefferson's words, “would remain, be respected and preserved through the ages.”

The commission deliberated over several days in a tavern in Rockfish Gap. At the conclusion of their deliberations, they issued a report—authored by Thomas Jefferson—which detailed plans—from the courses to be taught to the number of professors to teach—for Virginia's first public university—the University of Virginia in Charlottesville.

Based on the work of the Rockfish Gap Commission, the University of Virginia was established. It received over \$40,000 in private contributions, an annual appropriation of \$15,000 from the Literary Fund, loans from the Literary Fund totaling \$180,000—loans that were subsequently forgiven—and a general fund appropriation of \$50,000 to build the Rotunda. It opened its doors to students six years later in March of 1825.

The rest is history—15 four-year institutions, 23 community colleges covering 38 campuses, a two-year liberal arts college, and a vast distance learning network.

Today, Virginia's system of higher education offers a variety of educational opportunities in all regions of the State.

In Northern Virginia, George Mason University is emerging as a nationally preeminent university—in economics, in law, and in software engineering. In Hampton Roads, Old Dominion is making it possible for students to attend classes via satellite, while William & Mary—Virginia's inheritance from the King and Queen of England—continues after 300 years to offer students from around the globe one of the finest liberal arts programs in the world. Here in Richmond, VCU has distinguished itself in the fine arts and is poised to become a national leader in microelectronic engineering. And in Southwest—Virginia Tech's engineering program is ranked as one of the nation's best. And if a high school graduate wants a truly unique educational experience—VMI wants a few good men—and, today, a few good *women* too.

And our community colleges continue to offer educational opportunities—bringing the first rung on the ladder of a college degree to local communities—and offering workforce training services across the Commonwealth.

We are the beneficiaries of the Rockfish Gap Commission and the hard work of many Virginians who have contributed their resources, their skills, and their ideas to higher education over the last 200 years.

And like the generations of Virginians who came before us, it is incumbent upon our generation to build upon the high quality of our institutions and their educational missions.

CREATING A BLUEPRINT FOR FUTURE GENERATIONS

Despite Virginia's global recognition as home to some of the world's best colleges and universities today, we are at a milestone in the history of Virginia's system of higher education.

The 21st Century is fast approaching and it is bringing change. Change creates challenges. The internet and other new technologies have begun to liberate the classroom from the confines of brick and mortar. Missions of our institutions are gradually evolving to fulfill the demand for further technological discoveries and for economic development.

Additionally, the Commonwealth's public policies toward higher education have at times drifted from decade to decade, or sometimes from Administration to Administration.

With changes in the times as well as policies, my goal for higher education in Virginia is to ensure that the system we have is as much the product of conscious decisions and policies as it is of accident—or I fear that some future generation of Virginians may be left with something of less quality and less opportunity—something less valuable than I was afforded.

No doubt higher education has been—from the days of Jefferson—the topic of healthy debate. More often than not this debate is over *priorities*.

Should we build more buildings or use existing facilities more efficiently? Should we hire more administrators or more professors? Is the highest use of our intellectual resources more faculty research or more instruction in the classroom? And are our students better taught by full-time professors or adjunct faculty and graduate students?

What are Virginia's priorities?

We are assembled here to answer that question.

My objective in establishing this Blue Ribbon Commission is simple: the parents, the students, and the taxpayers of the 21st Century deserve a formal blueprint to guarantee them a high quality and affordable college education 25 years from now.

This Blue Ribbon Commission will write that blueprint—just as Thomas Jefferson wrote the blueprint for Virginia's first public university in the Rockfish Gap Report of 1818.

Responsible stewardship of our vast educational resources—from the buildings on our college campuses, to the preeminent intellects of our college faculty, to the vast libraries and academic programs being offered—dictates that we set priorities and adopt goals first. And then—and only then—we should direct our resources to those priorities in order to achieve those goals.

The blueprint you write will establish Virginia's priorities for boards of visitors, policymakers, and the next generation of Virginia taxpayers, parents and students.

CHARGE TO THE BLUE RIBBON COMMISSION

As you embark upon your work, I urge you to consider these core objectives for the people of Virginia:

First, what can Virginia do to raise the *quality* of educational instruction and programs at all of its colleges and universities—not just one or two flagship universities—but *all* of our public institutions? We have a system of higher education offering a wide variety of educational opportunities. The people of Virginia deserve academic excellence across the board—from Norfolk State, to Radford, to Clinch Valley. We must guarantee all students a high quality education—an excellent curriculum

taught by qualified faculty—that will equip them for the intellectual challenges of the 21st Century.

As you consider *quality*, I ask you to consider the applications of new technologies. When a student at Virginia State University can take an economics class via satellite from Nobel laureate James Buchanan at George Mason, and a government student at Christopher Newport can attend Larry Sabato's campaigns and elections course in Charlottesville—how will earning a degree and granting a degree change? And where there are opportunities for collaboration, are there equal opportunities for cost savings while augmenting quality?

Second, as we look across the next 25 years, how can Virginia make *higher quality* and *affordable cost* compatible goals throughout its entire system of higher education? Virginia's taxpayers currently spend over \$1.3 billion each year—about 1 out of every 10 tax dollars paid to the State's general fund—on higher education. Parents and students spend a billion dollars more each year in tuition and fees. And generous alumni contribute hundreds of millions more each year. I ask you to make specific recommendations on the highest and best use for each dollar Virginia's citizens spend. How can we ensure that each dollar is spent to increase the quality of education for students and learning?

I ask you to consider the 900 percent tuition increase I mentioned earlier. Even controlled for inflation, that increase represents a real increase of 146 percent for in-state students since 1971. This increase has occurred despite real increases in general fund appropriations. The next generation of Virginians cannot afford to pay an additional 900 percent increase—they cannot afford to pay \$49,000 each year for tuition. So I charge this Commission with devising a strategy for holding tuition to historic levels.

Third, how can Virginia fulfill its fiduciary duty to the parents and students who pay tuition, to the taxpayers who subsidize tuition, and to the generous alumni who contribute their own resources to augment the Commonwealth's institutions? The people of Virginia own every brick and every book at each public college and university in Virginia. It will be incumbent upon this Commission to design an accountability structure for the use of those bricks and books.

On the subject of accountability, let me add a word about our boards of visitors. The people of Virginia elect a Governor to serve them. It is in the name of the people that the Governor appoints men and women of distinction to govern our colleges and universities. Boards of visitors are stewards of public resources and the public trust—they are accountable to the people—and they speak for their institutions. Therefore, I ask the Commission to make specific recommendations for making our college boards true governing bodies—and for empowering them to fulfill their fiduciary duties to the people of Virginia.

I close with this thought. I ask you always to remember the hopes and aspirations of the parents and students of Virginia. For almost 200 years, the Commonwealth has constructed and maintained a vast system of higher education to serve the educational and economic needs of its citizens as well as the Nation. It is in the service of the people of Virginia that we are assembled here today and that we embark on our work.

I thank you for your commitment, for your creative ideas, and for your desire to serve.

Thank you and God bless the people of the Commonwealth.

**Remarks of Governor Jim Gilmore
to the First Meeting of
The Blue Ribbon Commission on Higher Education**

Virginia Commonwealth University
Richmond, Virginia
August 25, 1998

WELCOME

Dr. Trani, thank you very much for that kind introduction. We also thank you for hosting us today on the campus of Virginia Commonwealth University. I feel like I've been in this auditorium before.

To Ed Flippen, our honorable Chairman, to the distinguished commission members assembled, and to those citizens and press representatives in attendance, let me present, as clearly and concisely as I can, a statement of the common concerns and objectives that call us together.

ENORMITY OF THE HIGHER EDUCATION ENTERPRISE

In 1995 and 1996, Senator John Chichester and Delegate Alan Diamonstein chaired a commission that conducted a review of higher education. After two years, they reported that they were struck by the "enormity of the higher education enterprise" and they expressed frustration that they had "only scratched the surface of the vast number of issues before them." They concluded their report by calling for continual review and assessment of our higher education system every four years.

I have great respect for the efforts of these two legislators. Now, it is incumbent upon you to conduct the review and assessment they called for – to go beyond the surface – and to make discernible the enormous enterprise called higher education.

When we last met, I asked you to write a blueprint to accomplish three core objectives for the next generation of Virginians:

First, to raise the quality of a college education at *all* of Virginia's colleges and universities.

Second, to make higher quality and affordable cost compatible goals over the next 25 years and hold the line on tuition.

And third, to empower our boards of visitors to fulfill their fiduciary duties to the people of Virginia.

In just a few moments, I will let you get on with that charge.

INCREASING SPENDING ON HIGHER EDUCATION

But let me raise the curtain slightly by visiting the single issue that has dominated all discussions of higher education over the last three decades. No frank discussion of higher education can avoid the issue of *cost*.

I ask you to look at this chart for a moment. This chart shows that over the last fifteen years, total spending by Virginia's colleges and universities has increased over 210 percent.

Even controlled for inflation, that amounts to an increase of over 88 percent – almost double the cost of just fifteen years ago. And if you measure this cost by the number of students we educate and control for inflation, we are spending over 45 percent more *per student* than we were in 1983.

And even during the recession of the early 1990s – when other government agencies and hard-working families reduced their budgets – spending by Virginia's colleges climbed at a steady pace.

So it is understandable why President Sullivan recently called 1998 the "best of times" for higher education in Virginia – we are spending over \$2.9 billion a year – more than we ever have in the

history of Virginia. And just this year, I approved a budget that increases general fund support by an additional 18 percent through the year 2000.

Now, that's all good news! We are thriving economically. The economy is growing. The people of Virginia are experiencing real increases in family income for the first time in decades. And our colleges and universities – several of them are ranked tops in the nation on many scores by *U.S. News & World Report*, *Kiplinger* and *Money Magazine*.

So the picture is bright by all accounts, and I am very proud of our colleges and universities and the good work they have done to achieve this recognition.

INCREASING THE QUALITY OF A COLLEGE EDUCATION

As we project the experience of the last fifteen years over the next fifteen years – for the next generation of parents and students who will expect to receive a college education – today's bright picture necessarily leads to the next logical question. It is a fundamental question that we often have been afraid to ask ourselves – much less answer.

The question is this: *While spending increased by 210 percent, has the quality of a college education in Virginia increased by 210 percent, as well?*

Put another way, is the college graduate of 1998 a more critical thinker, or a better writer, teacher or mathematician than the graduate of 1983, or 1973? How should we measure this question? Are there factors we should consider in addition to the objective criteria used by *U.S. News & World Report*?

THE CHALLENGE OF AUGMENTING QUALITY

Your challenge is to answer that question candidly for the next generation of Virginians. They will be asked to spend an additional 210 percent on higher education. That may be needed. But before they are required to pay, the people of Virginia deserve a formal blueprint to guarantee them that the Commonwealth is prepared to spend every dollar to increase the quality of teaching and learning – and to maintain the academic excellence we have achieved since the 1970s.

The people of Virginia must be assured that the content of a college education – from the courses students take, to the intellects and efforts of the faculty who teach, to the academic rigor of their degree programs, to the skills and knowledge students learn – is worth every penny the public is asked to spend.

Ladies and gentlemen, Virginia is facing a time of critical change in the way people think about the enterprise and purpose of higher education. People increasingly are coming to the conclusion that, in the words of SCHEV's new director Bill Allen, "Quality of academic life, rather than quantity of academic life, ought to be our paramount concern."

So, here we are assembled in the name of quality educational opportunity for the people of Virginia. Let us be mindful of the challenge, the true needs, and the opportunity we have before us to provide our young women and men the best possible education.

I thank you for your commitment, for your open minds and creative ideas, and for your desire to serve the people of Virginia.

Godspeed in your work and God bless the people of the Commonwealth. Thank you.

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Expenditure Definitions

Educational & General (E&G):

Consists of expenditures in the seven subprograms described below. Its structure is based on the National Association of College and University Budget Officers (NACUBO) structure. Virtually all state general fund operating support, with the exception of student financial aid, is expended in the E&G program.

Student Financial Assistance:

Consists of expenditures for scholarships and fellowships for students. The scholarships include grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to undergraduate students. The fellowships include grants-in-aid and trainee stipends to graduate students. It does not include funds for which services to the institutions must be rendered, such as payments for teaching.

Debt Service:

Expenditures in this area reflect payments on bonds for facilities that generate nongeneral fund income for an institution. Nongeneral fund revenue for debt service is generated through fees assessed to students and set aside for construction of auxiliary or sponsored facilities. Expenditures include payments on bonds for dormitories, student activity centers, and parking facilities. They are accounted for under the Auxiliary Enterprises and Sponsored Programs.

Auxiliary Enterprises:

Consists of expenditures relating to business activities involving the campus community and the institution. An auxiliary enterprise exists to furnish goods or services to students, faculty, or staff, and charges a fee directly related to, although not necessarily equal to, the cost of the goods and services. The hallmark feature of an auxiliary enterprise is that it is essentially a self-supporting activity. Such expenditures include, food services, bookstores and other stores, residential services (dorms), parking and transportation, student health services, and recreational and intramural programs.

Sponsored:

Consists of expenditures relating to activities funded entirely by sources outside the institution. Much of it relates to research activities. Expenditures in this area consist of mostly grants and contracts from government, private, and non-profit entities, and may include expenditures for other purposes, such as student aid for graduate fellowships.

Subprograms within the E&G Program

Instruction

This subprogram relates to classroom costs. It includes educational activities such as academic instruction, vocational/technical instruction, preparatory/remedial instruction and community education. Salaries for teaching faculty are included in this category. Personal services constitute about 90% of expenditures in this category.

Academic Support

This subprogram relates to services that help the student learn and support the institution's primary mission of instruction, research, and public services including libraries, museums/galleries, educational and media services (such as language tapes and audio/visual aids), academic computing, and academic administration. The salaries for deans and other non-teaching administrators are categorized here.

Institutional Support

This subprogram relates to non-academic support such as executive management, fiscal operations, general administration (computer services, human resource office, payroll), administrative computing, public relations, and development.

Student Services

This subprogram relates to services and programs that contribute to the student's overall college experience. It includes activities like student services administration, social and cultural development such as invitations to campus speakers to lecture and student awareness programs, counseling and career guidance, financial aid administration, student admissions, student records and student health services.

Operation and Maintenance of Plant

This subprogram relates to the heating, lighting, and maintenance of academic facilities including physical plant administration, building maintenance, utilities, landscaping, grounds maintenance, and major repairs and renovations. It does not include capital project appropriations or expenditures.

Public Service

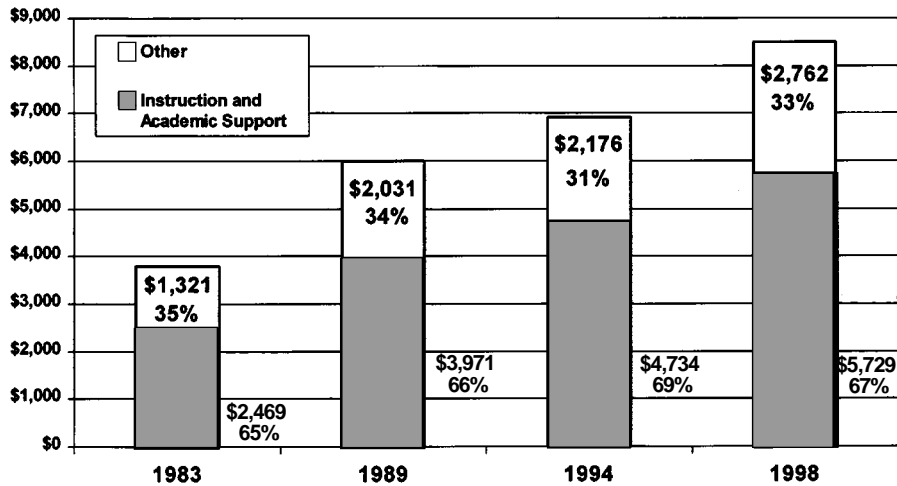
This subprogram relates to the "good neighbor" aspect of a college. It includes non-instructional services that support the community or other external groups like community service programs such as surveys or a faculty member lending his or her expertise to the community on a given issue, cooperative extension services, and public broadcasting operations.

Research

This subprogram relates to the academic research including research commissioned by an organizational unit within the institution or an external agency. This would include research at the department level in order to keep current in a particular field. It does not include sponsored program research, involving grants and contracts from state and federal agencies, and private or non-profit groups.

Spending per student in academic-related programs continues to rise

E&G expenditures per student, by program



Instruction and academic support expenditures per FTE in constant 1983 dollars: for 1983, \$2,469; for 1989, \$3,190; for 1994, \$3,179; and for 1998, \$3,478. Other expenditures per FTE in constant 1983 dollars (1983, 1989, 1994, 1998): \$1,321, \$1,632, \$1,462, and \$1,673, respectively.

Pattern of per-student spending in E&G subprograms changes over time

Average annual percentage growth per FTE student (actual)

<i>Subprogram</i>	1983 to 1989		1990 to 1994		1995 to 1998	
	<i>4-Year Institutions</i>	<i>2-Year Institutions</i>	<i>4-Year Institutions</i>	<i>2-Year Institutions</i>	<i>4-Year Institutions</i>	<i>2-Year Institutions</i>
	Instruction	8.32	6.09	3.85	1.13	4.60
Research	32.90	N/A	6.04	N/A	11.41	N/A
Public Service	11.01	6.09	0.82	2.44	12.44	30.24
Academic Support	9.34	4.25	3.68	0.06	6.18	7.01
Student Services	7.72	10.65	3.41	(0.37)	6.04	9.14
Institutional Support	9.13	6.21	(0.18)	1.16	7.12	5.59
Physical Plant	5.10	5.71	2.92	0.24	5.04	0.59
All E&G Programs	8.22	6.17	3.10	0.74	5.35	5.17

Pattern of per-student spending in E&G subprograms changes over time

Average annual growth per FTE student (based on constant 1983 dollars)

<i>Subprogram</i>	1983 to 1989		1990 to 1994		1995 to 1998	
	<i>4-Year Institutions</i>	<i>2-Year Institutions</i>	<i>4-Year Institutions</i>	<i>2-Year Institutions</i>	<i>4-Year Institutions</i>	<i>2-Year Institutions</i>
	Instruction	4.44	2.31	0.19	(2.40)	1.95
Research	28.12	N/A	2.26	N/A	8.58	N/A
Public Service	7.10	2.16	(2.73)	(1.15)	9.57	26.93
Academic Support	5.43	0.56	0.07	(3.38)	3.48	4.29
Student Services	3.87	6.68	(0.02)	(3.85)	3.35	6.37
Institutional Support	5.24	2.46	(3.67)	(2.37)	4.40	2.91
Physical Plant	1.33	1.93	(0.70)	(3.22)	2.38	(1.98)
All E&G Programs	4.35	2.36	(0.52)	(2.76)	2.67	2.50

Note: Data for these tables are as reported by institutions to the Commonwealth Accounting and Reporting System. Categories shown are based on the National Association of College and University Budget Officers (NACUBO) structure.

**INTEGRATED PLANNING AND BUDGETING
AND THE USE OF A BASE BUDGET REVIEW PROCESS
AT VIRGINIA COMMONWEALTH UNIVERSITY**

Integrated Planning and Budgeting

Virginia Commonwealth University aspires to be an innovative leader among the nation's major research universities. To achieve the vision, critical choices must be made within the context of new economic realities. At a time when public support for new initiatives is limited, the University must be efficient in the use of its resources; it must be prepared to reallocate resources to support its priorities; and it must be creative in developing new resources. The ability of the University to achieve and sustain excellence depends upon its willingness to establish such priorities and be guided by them. Strategic planning is a dynamic process, however, and if it is to guide the University's future, such planning must respond to changing conditions by resetting these priorities and allocating resources accordingly.

Historically, Virginia Commonwealth University has been able to develop effective plans for its major management areas, but the planning processes have often been conducted in isolation, with limited or no consideration of the impact of the plans on other areas or activities of the institution. In order to achieve the goal of incorporating strategic planning into the daily operations of every level of the institution, the University is implementing an integrated planning process. This integrated planning and budgeting process incorporates the following key components:

- 1. Identify resource needs and timetable for new initiatives in major planning documents. (July -March 1999)**
 - Review Strategic Plan, Master Site Plan (including Six-Year Capital Plan), Technology Plan (under development), and other campus/school level planning documents.
 - Identify resource requirements: financial, space, personnel and technology.
 - Determine whether initiative: does not require any resources; will be funded by responsible vice president; or will require new or university-reallocated resources.
 - Document and review resource requirements.
- 2. Integrate planning documents. (January - June 1999)**
 - Prioritize into single comprehensive planning document (operating and capital). Identify priorities as short-term (1998-2000), mid-term (2000-02), and long-term (2002-06).
 - Determine type of resources required to fund initiatives (e.g., new revenues, reallocations, state general funds).
 - Use results as basis for development of the 2000-02 State budget request and internal University budget.
- 3. Perform infrastructure review. (July 1998 - June 1999)**
 - Evaluate institutional performance against established peer group of institutions.
 - Perform base budget analysis to assist in allocation or reallocation of resources (discussed in more detail below).
 - Undergo program productivity review.
 - Develop fixed and variable cost data for academic degree programs for enrollment planning.
 - Perform space analysis to determine the efficiency and effectiveness of existing space allocations.

4. **Identify funds from reallocation and restructuring which will be available to fund new initiatives. (January 1999 –)**
 - Identify how and when the reallocated funds will be generated for fiscal year 1999-00 and for the 2000-02 biennium.
5. **Incorporate short-term and long-term initiatives into the budget. (January – December 2000)**
 - Develop 2000-02 budget plan incorporating priorities from comprehensive planning document, state-funded initiatives, and internally reallocated resources.
 - Submit budget plan to the Board of Visitors in May 2000.
 - Update long-range projections using 2000-02 as base, incorporating priorities identified for 2002-06.

Base Budget Review

An important part of the integrated planning and budgeting process is the base budget review of academic and administrative units within the University. This process includes a five-year analysis of expenditures, staffing, enrollments, degrees awarded, and a series of comparative ratios and trends. The data generated from these analyses will be used to ensure that resource allocations are consistent with priorities identified in the strategic plan.

The base budget review process that is underway at VCU reflects three assumptions:

1. there is a need for a mechanism to ensure that university funds are being allocated consistent with the expressed priorities of the Board of Visitors and the President,
2. the university's administration should provide a fair hearing to academic and administrative units regarding the financial, human resource, technological and physical plant needs that are essential to carrying out their respective missions, and
3. the Commonwealth will never be able to provide sufficient funding for the entire range of initiatives that the university would like to carry out. Accordingly, the university has an obligation to review how it can run its programs more efficiently and economically so as to free up resources for re-direction to other priorities.

Major features of the base budget analysis are:

- Support from University Administration and the Board of Visitors.
- Utilization of a uniform approach. Emphasis is on educational and general programs, but analysis includes all operating ledgers.
- Inclusion of all academic and administrative units. Initial emphasis on academic units.
- Use of five years of expenditure data and filled staffing including narrative addressing organizational changes, program or service changes, new support sources and ratios. Expenditure and staffing ratios include:
 - ❖ % of administrative staff to teaching and research faculty
 - ❖ % of adjunct FTE to total teaching faculty FTE
 - ❖ % of graduate teaching assistants to teaching and research faculty
 - ❖ E&G expenditures per filled staff
 - ❖ E&G expenditures per student credit hour
 - ❖ % of travel to total expenditures

- ❖ % of contracts, supplies, and materials to total expenditures
- ❖ % of equipment expenditures to total expenditures
- ❖ % of individual program expenditures (instruction, research, public service, academic support, institutional support, and student financial assistance) to total expenditures
- ❖ Instruction spending per credit hour in current and constant dollars
- Utilization of a standard set of performance indicators for each academic schools/department. These measures include:
 - ❖ Headcount of majors per E&G teaching and research faculty
 - ❖ Degrees awarded by E&G teaching and research faculty
 - ❖ Course credit hours per E&G teaching and research faculty
 - ❖ Course credit hours per E&G teaching and research and adjunct faculty
- Individual meetings with representatives from the School and appropriate Vice President, the Vice President for Finance and Administration and Budget and Resource Analysis. Based on these meetings, additional ratios and measures are being developed.
- Review of summarized data by Presidents and Vice Presidents, Executive Budget Committee and Finance and Investment Committee of the Board of Visitors.
- Incorporates results as part of 2000-02 budget development and into long-range plans.

In summary:

- The base budget review is just one part of a larger effort to integrate our planning and budgeting.
- It is not a panacea for addressing all the funding needs at the university.
- It does, however, provide a way of incorporating rationality and direction to our planning and budgeting processes.

The Governor's Commission welcomes your comments.

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