

Background on the Joint Subcommittee on Higher Education Funding Policies

Creation of the Subcommittee

- The 1998 General Assembly created the Joint Subcommittee, directing that it address the absence of current funding guidelines and policies for institutions of higher education.
- Prior to the recession of the early 1990s, operating funding for higher education flowed primarily from a framework of:
 - staffing guidelines,
 - faculty salary increases benchmarked to groups of peer institutions, and
 - a tuition policy based on students paying a fixed percent of the cost of their education.
- As a result of the budget actions of the early 1990's, the funding framework that had guided higher education funding was dismantled.
 - Only the faculty salary peer group process remains substantially intact.
- Without widely accepted, objective standards, the General Assembly must decide again each session how best to judge and respond to higher education funding requests and the appropriate source of funds to support those requests.

Actions to Date

- The Subcommittee concluded its first year of work in 1998 and, in its January 13, 1999, report to the General Assembly, recommended the development of a mechanism to assess the adequacy of current funding and staffing levels. The language also called for the development of a methodology for determining funding needs related directly to enrollment growth.

- The 1999 General Assembly took action to continue the Joint Subcommittee on Higher Education Funding Policies and charged staff with reviewing and developing new guidelines in a variety of areas, with the assistance of outside consultants.

- In April 1999, the Subcommittee members agreed to the development of a Request for Proposals for consultants who could assist staff in the development of selected funding guidelines for higher education.
 - The consultant contract was awarded to MGT of America, Inc., a firm with extensive experience conducting higher education research projects and funding analyses.

 - MGT was asked to identify methodologies that would enable the Commonwealth to assess the adequacy of current funding levels for higher education, based on institutional missions, and the type and level of their academic courses and programs.

- In October 1999, the Subcommittee met with MGT staff for an initial briefing on progress to date.

- MGT detailed the potential cost drivers in each program area in higher education: Instruction, Academic Support, Institutional Support, Student Services, and Operation and Maintenance of Plant.
- Subcommittee members agreed that new funding guidelines should complement existing funding policies for faculty salaries and the Higher Education Equipment Trust Fund.
- Staff worked with the consultant and institutional representatives throughout the fall. The Subcommittee issued an interim report on their actions in December 1999, which included a number of short-term budget policy recommendations.

**Recommendations of the Joint Subcommittee on
Higher Education Funding Policies and Actions of the
2000 General Assembly**

Recommendation	General Assembly Action
1. Reaffirm the Commonwealth's commitment to the faculty salary peer group process and the 60 th percentile goal.	Provided \$59.7 million to maintain salaries at the 60 th percentile of each institution's respective peer group in FY 2001. Increases range from 3.0 percent to 4.6 percent, with an average of 3.4 percent.
2. Reaffirm the Commonwealth's commitment to the Higher Education Equipment Trust Fund as a means to maintain up-to-date equipment for instruction and research.	Provided an allocation of \$99.1 million from the Higher Education Equipment Trust Fund for new instructional and computing equipment, supported by \$13.6 million in general fund lease payments.
3. Increase the Commonwealth's investment in current facilities to extend their useful life through the Maintenance Reserve and deferred maintenance programs.	Provided \$68.1 million for the Maintenance Reserve program and \$12.4 million for operation and maintenance of new facilities. Also provided \$200,000 to examine the state's process for determining maintenance reserve needs of the various agencies and institutions.
4. Recognize the impact of enrollment growth.	Provided \$13 million GF and \$13.6 million NGF for enrollment increases in FY 2001. No additional general fund support

	<p>was provided for FY 2002, pending the development of new enrollment growth funding guidelines.</p>
<p>5. Recognize the importance of making strategic investments in higher education to meet statewide objectives, such as economic development, work force training, undergraduate education, research, and institutional performance.</p>	<p>Provided \$74.7 million for institution-specific initiatives; \$13 million GF for a Technology Research Fund; \$5 million for the Commonwealth Health Research Board; and \$2.7 million for the Virginia Virtual Library.</p>
<p>6. Support the consistent application of a policy on the share of educational costs that should be borne by students.</p>	<p>Continued language stating the General Assembly's intent that in-state students pay 20 percent of total educational costs at community colleges and 25 percent of cost at all other institutions. Provided \$337,500 to Longwood College to continue phasing the cost of education to 25 percent. Other institutions already are at or below 25 percent of cost.</p>
<p>7. Ensure that appropriations for need-based financial aid meet the Commonwealth's goals of access and affordability.</p>	<p>Provided \$2 million in FY 2001 to allow each institution to meet at least 42 percent of undergraduate unmet student aid need. Directed SCHEV to report on student aid programs to ensure compliance with guidelines and law and to determine the characteristics of students who are eligible to receive aid.</p>

Other Budget Actions Related to the Joint Subcommittee's Work

- Included language calling for an update on institutions' strategic plans. The Secretary of Education is directed to submit a progress report on institutions' strategic plans.
 - The report may include a recommendation to the 2001 General Assembly on which institutions should be considered for development of institutional performance agreements (IPAs). Such a recommendation shall include a plan for incorporating the funding recommendations of the Joint Subcommittee on Higher Education Funding Policies.
- Included language creating a Task Force on Decentralization in Higher Education, to be chaired by the Secretary of Finance.
 - The task force is directed to develop proposals that provide greater operational autonomy to institutions of higher education, while maintaining appropriate post-audit and reporting procedures, in the areas of capital outlay, real estate and property management, procurement, and personnel management.
- Included language on measures of institutional effectiveness. Directed SCHEV to develop, in consultation with the public colleges and universities, an annual report showing measures of institutional performance and other relevant statistics.

Overview of Proposed Base Funding Guideline Framework

- Key assumptions used to develop the framework:
 - Guidelines should complement the current funding policies for faculty salaries and the Higher Education Equipment Trust Fund.
 - To the extent possible, guideline factors should be developed through an assessment of actual experience, or national “best practices.”
 - No funding guidelines will completely address all facets of Virginia higher education. While guidelines should be suitable for core higher education funding needs, statewide policy should be flexible enough to encourage innovation or allow institutions to pursue opportunities as they arise.
 - To the extent possible, guidelines should balance the desire for simplicity with the need to recognize institutional differences.
 - Recognize that using actual, national data reflects prevailing practice, but may not adequately reflect anticipated changes in instructional delivery, such as in the area of instructional technology.

- Overview of work activities:
 - Dr. Dan Layzell of MGT of America conducted a variety of research and analytical activities in each of the guideline areas, including gathering information on

student/faculty ratios and discipline groupings used by other states.

- Staff has worked closely with institutional representatives to seek input on development of the guidelines:
 - Technical Advisory Group – comprised of finance vice presidents and staff; provided views and analysis on support costs, operation, and maintenance of plant.
 - Academic Advisory Group – comprised of academic vice presidents, provosts, and staff; provided views and analysis on discipline groupings and faculty staffing resources.

Preliminary Base Funding Guidelines Recommendations

- Instruction (56% of Expenditures)
 - Faculty Instructional Costs
 - Non-faculty Instructional Costs
- Support Services (34% of Expenditures)
 - Academic Support
 - Institutional Support
 - Student Services
- Plant Operation and Maintenance (10% of Expenditures)

Table 1

Instruction	Academic Support	Student Services	Institutional Support	Plant Maintenance
Faculty salaries	Academic administration	Admissions offices, registrars	Executive management and planning	Building and grounds maintenance
Instructional equipment, materials, supplies	Libraries	Guidance and counseling	Fiscal, legal, and personnel operations	Utility costs
Support staff, secretaries, lab technicians	Academic computing	Financial aid Administration Student Affairs	Campus safety and security	

Instructional technology			
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- Instruction – divided into two components:

1) Faculty Instructional Costs

- Defined as salaries and benefits for full-time and part-time faculty, and graduate teaching assistants.

Number of Instructional Faculty = Full-time equivalent (FTE) students X student/faculty ratio, by discipline and level.

Faculty Instructional Costs = No. of Instructional Faculty X Average Faculty Salary (Full-time and part-time).

- Attempted to develop a guideline that recognizes differences in instructional staffing needs across the academic disciplines and levels of instruction.
 - Consensus regarding the need for a more aggregated grouping of disciplines to maintain simplicity, while maintaining the discrete levels of instruction.
- Focused on **how instruction is generally delivered** in a specific discipline to get a sense of “faculty instruction intensity.”
 - Political science, sociology – medium to large lecture classes
 - Physical sciences, fine arts - smaller classes, lab-based.
- Also considered the level at which instruction is delivered.

- Consensus that more faculty resources are needed for upper level (junior, senior) courses, and at the graduate level.
- Developed ranges of ratios by discipline and level after reviewing guidelines developed by other states, actual data from other states, Appendix M, and recommendations by the colleges and universities. Also reviewed accreditation standards on staffing requirements.
 - The table on the following page details the proposed discipline groupings, along with the range of student/faculty ratios under consideration.
- The faculty staffing ratios are not intended to be prescriptive, but rather for use as a means to allocate resources. Institutions would continue to have the flexibility to staff classes as they see fit.

Table 2
Range of Number of Students to Faculty, Grouped by
Intensity of Faculty Effort
(Based on Selected State-Level and Institutional Data)

Group 1 Disciplines: Business & Management, Social Sciences, Public Affairs

<u>Level</u>	<u>Range</u>
Lower	22 - 28
Upper	14 - 18
Masters	10 - 13
Doctoral	8 - 10

Group 2 Disciplines: Communications, Education, Math, Psychology, English, Business Technologies

<u>Level</u>	<u>Range</u>
Lower	18 - 24
Upper	13 - 14
Masters	8 - 11
Doctoral	8 - 8

Group 3a Disciplines: Fine Arts, Architecture, Foreign Languages, Computer Sciences, Agriculture

Group 3b Disciplines: Biological Sciences, Physical Sciences, Engineering

<u>Level</u>	<u>3a</u> <u>Range</u>	<u>Level</u>	<u>3b</u> <u>Range</u>
Lower	13 - 21	Lower	13 - 21
Upper	11 - 12	Upper	11 - 12
Masters	7 - 9	Masters	6 - 8
Doctoral	6 - 7	Doctoral	6 - 7

Group 4 Disciplines: Health Professions

<u>Level</u>	<u>Range</u>
Lower	8 - 15
Upper	8 - 11

Masters 6 - 7
 Doctoral 2 - 7

Table 3

Revised Discipline Groupings Based on Intensity of Faculty Instruction					
Crosswalk to Virginia Institution Disciplines¹	Intensity of Faculty Instruction (1=Lowest, 4=Highest)				
	Group 1 Disciplines	Group 2 Disciplines	Group 3a Disciplines	Group 3b Disciplines	Group 4 Disciplines
Area Studies	X				
Business & Management	X				
Interdisciplinary Studies	X				
Law	X				
Library Science	X				
Military Sciences	X				
Public Affairs and Services	X				
Social Sciences	X				
Study Abroad	X				
Theology	X				
Business and Commerce Tech.		X			
Communications		X			
Data Processing Tech.		X			
Education		X			
Home Economics		X			
Letters		X			
Mathematics		X			
Psychology		X			
Public Service Related Tech.		X			
Fine and Applied Arts			X		
Agriculture and Natural Resources			X		
Architecture and Environmental Design			X		
Computer and Information Sciences			X		
Foreign Languages			X		
Health Services & Paramedical Tech.			X		

Mechanical & Engineering Tech.			X		
Natural Science Tech.			X		
Biological Sciences				X	
Engineering				X	
Physical Sciences				X	
Health Professions					X

2) Non-faculty instructional costs (“NFIC”)

- Defined as everything in direct instruction **other than** salaries and benefits for full-time and part-time faculty, and graduate teaching assistants.
- Includes instructional support personnel, equipment, and supplies used in faculty offices, classrooms, and laboratories.

Non-Instructional Faculty Costs (NFIC) = Instructional Faculty Costs X Non-Instructional Faculty Percentage

- No national NFIC data were available for use in development of the guideline.
 - Conducted a survey of university and community college systems to determine current NFIC expenditure patterns.
 - Received responses from nine systems representing 174 institutions.
- Data suggest that NFIC percentages vary according to institutional type, and range from about 33 to 50 percent. Staff is continuing the analysis prior to recommending an appropriate percentage.

- **Support Services**
 - Defined as those programs that provide support to the instructional enterprise. Includes academic support, institutional support, and student services.
 - General methodology – statistical analysis of the relationship between institutional costs in academic support, institutional support, and student services and potential “cost drivers” in each area.
 - Examples include the number of faculty, number and level of academic programs, number of students, and size of institutional budget.
 - Conducted analyses using three years of data (FY 96, 97, and 98).
 - Refined the list of cost drivers for each area based on statistical analyses that determined “best fit.”
 - **Academic Support** = (Expenditures for Instruction + Research Centers + Public Service) X Academic Support %
 - **Student Services** = Fixed Cost + \$ per Headcount Student
 - **Institutional Support** = Total Educational and General Expenditures, Less Inst. Support X Institutional Support %

- Calculated different guideline rates based on institutional type.

Table 4

Institution Type	Virginia Institutions
Research	UVA, VCU, VPI
Doctoral	CWM, ODU, GMU
Masters/Comprehensive	JMU, RU, NSU, VSU, LC, MWC
Baccalaureate	VMI, CNU, UVA-Wise
Two-Year	RBC, VCCS

- **Operation and Maintenance of Plant**

- Potential components of this guideline include:
 - Square Footage and Building Utilization
 - Building and Infrastructure Maintenance
 - Custodial Services
 - Total Acreage and Grounds Maintenance
 - Utilities
 - Leased Property
- Difficulty in gathering and assessing reliable national and state-level data.
- Technical Advisory Group presented a proposed methodology in May.

- Consultant and staff are conducting independent assessment of the proposed methodology to determine appropriateness for this study.

- **Next Steps**
 - Refine guidelines based on today's discussion.
 - Continue to work with institutional representatives through advisory committees.
 - Run guideline simulations and compare results against current institutional base funding levels, as well as against other funding studies to test the validity of the guidelines.
 - Develop recommendations for base funding adjustments and methodology for maintaining base funding adequacy in the future.
 - Develop recommendations for other components of Joint Subcommittee's work, including funding for enrollment growth and the appropriate share of instructional costs that should be borne by Virginia students.

**Language from the 2000 Appropriation Act (Chapter 1073),
Item 1, on the Joint Subcommittee on Higher Education
Funding Policies**

E.1. The Chairmen of the House Appropriations and Senate Finance Committees shall each appoint four members from their respective committees to a joint subcommittee to review public higher education funding policies and to make recommendations to their respective committees. The objective of the review is to develop policies and formulas to provide the public institutions of higher education with an equitable funding methodology that: (a) recognizes differences in institutional mission; (b) provides incentives for achievement and productivity; (c) recognizes enrollment growth; and (d) establishes funding objectives in areas such as faculty salaries, financial aid, and the appropriate share of educational and general costs that should be borne by resident students. In addition, the review shall include the development of comparable cost data concerning the delivery of higher education through an analysis of the relationship of each public institution to its national peers. The public institutions of higher education and the staff of the State Council of Higher Education for Virginia are directed to provide technical assistance, as required, to the joint subcommittee.

2. The Joint Subcommittee Studying Higher Education Funding Policies shall conduct an assessment of the adequacy of the current educational and general funding levels for Virginia's public institutions of higher education. The assessment shall be used to develop guidelines against which to measure funding requests for higher education. The assessment shall include, but not be limited to, the following components:

a) Updated student-to-faculty ratios based on current practice or industry norms.

b) Consideration of support staff needs and the changing requirements of support staff due to technology and privatization of services previously performed by the institutions.

c) Costs of instruction, such as equipment, utilities, facilities maintenance, and other nonpersonal services expenses.

d) Recognition of the individual mission of the institution, student characteristics, location, or other factors that may influence the costs of instruction.

e) Benchmarking of the funding guidelines against a group of peer institutions, or other appropriate comparator group, to assess the validity of the guidelines.

f) Means by which measures of institutional performance can be assessed and incorporated into funding and policy guidelines for higher education.

3. The Joint Subcommittee Studying Higher Education Funding Policies shall develop a more precise methodology for determining funding needs at Virginia's public institutions of higher education related to enrollment growth. The methodology should take into consideration that support staff and operations may need to be expanded when enrollment growth reaches certain levels.

4. The Joint Subcommittee may seek support from the staff of the Senate Finance and House Appropriations Committees, the public institutions of higher education, or other higher education or state agency representatives, as requested by the Joint Subcommittee. At its discretion, the Joint Subcommittee may contract for consulting services.

5. The work of the Joint Subcommittee shall be completed prior to the 2001 Session of the General Assembly.