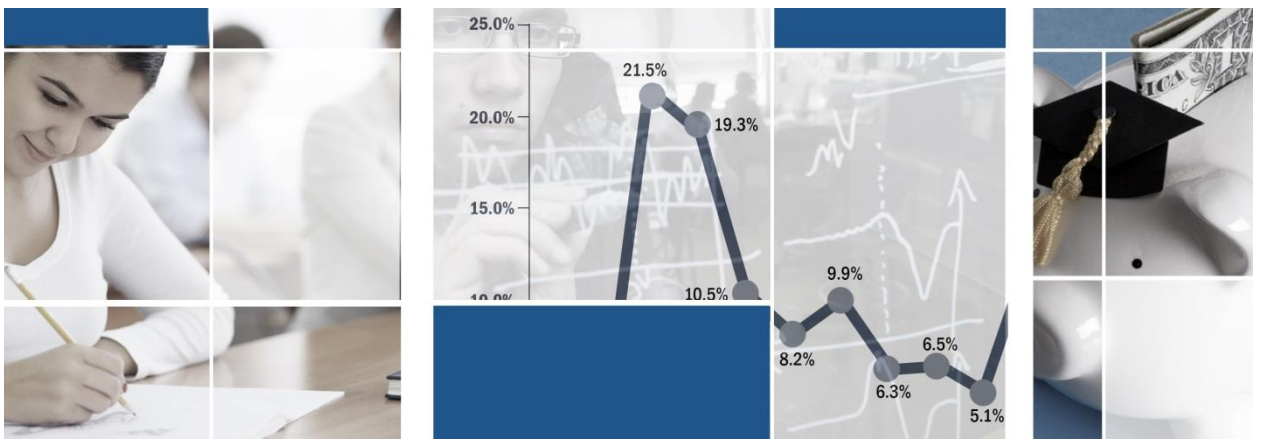


November 2016



# Virginia Higher Education Budget Amendment Recommendations

Operating and Financial Aid for the 2016-18 Biennium

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## **Statutory Rationale for Systemwide Operating Calculations**

The enabling legislation for systemwide operating calculations can be found, in part, in Sections 23.1-208 A through C, 23.1-203 and 23.1-303 of the Code of Virginia. These sections outline the responsibilities of the State Council of Higher Education for Virginia (SCHEV) as they pertain to the calculation of systemwide operating financial requirements of public higher education in Virginia.

Section 23.1-208 A through C charges the Council to develop policies, formulae, and guidelines for the fair and equitable distribution and use of public funds among the public institutions of higher education. Further, this section states that such policies, formulae, and guidelines as are developed by the Council shall include provisions for operating expenses and capital outlay programs and shall be utilized by all public institutions of higher education in preparing requests for appropriations.

Section 23.1-203 charges the Council to provide periodic updates on base adequacy funding guidelines adopted by the Joint Subcommittee for Higher Education Funding Policies.

Part A of 23.1-303 requires that SCHEV, following consultation with each institution and the Higher Education Advisory Committee, calculate each institution's basic operations and instruction funding need for each year of the next biennium and shall make that calculation available to the Governor, the General Assembly, and all public institutions of higher education.

## SCHEV 2016-18 Budget Amendment Recommendations

The 2016 General Assembly provided an additional \$314 million in general fund for public institutions in the 2016-18 biennium — a notable reinvestment in Virginia public higher education. Included here as a new initiative is the Virginia Research investment Fund (VRIF) which provided \$21 million in leveraged grant funding over the biennium along with \$29 million in bonding authority to support the purchase of research equipment or laboratory renovations associated with these incentive packages.

By FY2016, Virginia public institutions had experienced general fund budget reductions in seven of the last nine years. As a result, the state's share of E&G program operating appropriations has declined from 44% in FY2008 to 31% in FY2016. Students and their families are shouldering a much larger share of their college costs now. Although the state has increased funding for student financial aid, the increase in financial aid has not kept up with the increase in the cost of education and student financial need. Therefore, the percent of need met has been reduced from 61% to 31% during this period. And, unfortunately, state revenue collections were less than expected in FY2016, resulting in a budget shortfall in the 2016-18 biennium, and the state is in the process of making budget reductions. While the Commonwealth made significant progress in the last General Assembly session, college access and affordability remain under pressure.

We thank the Governor and General Assembly for the \$1.3 billion additional capital funding for higher education institutions in the 2016 session. Due to this strong support, the focus for our budget amendment recommendations will be on basic operating needs and student financial aid.

SCHEV staff presents the following FY2018 budget amendment recommendations for the Council's consideration. These recommendations represent a combination of funding strategies and priorities designed to meet the goals of The Virginia Plan for Higher Education with a phased approach so that the required additional support will be more moderate. We applaud the Governor's and General Assembly's expressed desire to preserve the funding they provided to higher education last session. Therefore, we assume that the budget approved by the 2016 General Assembly will be the base upon which these recommendations will be applied. Further, we recommend that the Governor and the General Assembly take a wide view of higher education and make

efforts to minimize reductions, if any, to the Eastern Virginia Medical School, the Virtual Library of Virginia (which serves all public and private non-profit institutions of higher education), regional higher education centers, and SCHEV.

**(a) Base Adequacy/Cost of Education**

Following the base adequacy guidelines, SCHEV staff used actual FY2016 student enrollment and institutions' 2016 activity-based budget to calculate the institutions' funding need in FY2016, and compared these amounts with the available resources which are composed of FY2018 general fund appropriations and estimated FY2018 nongeneral fund revenue in the 2016 six-year plans. The calculation shows that two institutions (Old Dominion University and Virginia Military Institute) remain under-funded with respect to the traditional guidelines – three including Eastern Virginia Medical School (EVMS) and its modified version of the funding guidelines. After evolving from a private non-profit entity to a quasi-public institution, the General Assembly instructed SCHEV to include EVMS in future funding requirement calculations in 2012. These modified guidelines reflect the unique instructional programs and needs at EVMS.

Staff proposes a three-year phased approach to provide additional funding for Old Dominion University, Virginia Military Institute and Virginia Eastern Medical School to reach full funding by FY2020. **The estimated additional funding need is \$4.4 million in from the general fund and \$3.8 million from nongeneral funds for a total of \$8.2 million in FY2018.**

**(b) Faculty Salaries**

Thanks to the 2% state salary increase in FY2016 and allowing institutions to use their nongeneral funds to provide additional salary increases up to 2.5% in FY2016, the ranking of average teaching and research faculty salary at 4-year institutions to national peers increased from the 33<sup>rd</sup> percentile in FY2015 to the 35<sup>th</sup> percentile in FY2016. The last time we reached the Commonwealth's 60<sup>th</sup> percentile goal was in FY2000.

The 2016 General Assembly provided a 3% salary increase to all state employees including teaching and research faculty in FY2017. However, because of the estimated budget shortfall in the 2016-18 biennium, the salary increase will not be implemented and funding for this action will be redirected to mitigate the budget shortfall.

Institutions stated in their 2016 six-year plans that faculty salaries falling behind those of their peer institutions represent the greatest threat to faculty recruitment and retention. SCHEV staff believes that maintaining the commitment to faculty salaries is critical to meeting the goals outlined in the Virginia Plan.

Staff proposes to provide a 3% salary increase in FY2018 that would begin on July 1, 2017. This option carries forward the delayed FY2017 salary increase plan. **The estimated additional funding need is \$21.6 million in general fund and \$21.6 million from nongeneral funds for a total of \$43.2 million to fund this option in FY2018.**

In addition to the state authorized amounts recommended above, it is important that our institutions have the flexibility to award additional merit-based and BOV-approved salary increases using nongeneral funds in order to attract and retain high-performing faculty and move closer to the Commonwealth's 60th percentile goal. The combination of a 3% state-authorized faculty salary increase and the flexibility for supplemental actions by the institutions may allow our institutions to maintain or perhaps slightly increase their percentile ranking in FY2018. However, it is also important that such funding should not be made by compromising affordable access for Virginia undergraduate students. Any related tuition increases should remain low. Finally, it is our hope that in future biennia, the General Assembly will use the institutional peer group goals to award larger increases to institutions that are further away from their 60th percentile goal—most notably the average faculty salary at George Mason University reaches only the 3rd percentile of the salaries in their peer group.

### **(c) Operation and Maintenance of New Facilities Coming Online**

On average, spending for operation and maintenance (O&M) of facilities represents about 13% of the total E&G spending at institutions. Without additional funding targeted to maintain new space coming online, institutions will be required to divert money from their existing budgets or increase tuition to support these needs. Most higher education institutions have submitted requests to SCHEV for additional funding to operate and maintain new facilities coming online in the 2016-18 biennium. Compared with institutions' requests for O&M funding in past years, the total funding requests this year is lower than that in previous years.

The new library at the University of Virginia's College at Wise (UVAW) opens this year. Its nongeneral fund share of the additional O&M funding is estimated at \$432,578 in FY2018. With concerns for UVAW's tuition capacity and college affordability, SCHEV staff recommends providing full funding from the general fund for the O&M of this new facility.

**The total additional funding needed for O&M is \$8.1 million in general fund and \$5.8 million from nongeneral funds for a total of \$13.9 million in FY2018.**

**(d) Higher Education Equipment Trust Fund**

The 2016 General Assembly provided \$83.0 million allocation in FY2018, of which \$68 million supports the traditional equipment replacement, including computers for instruction, and \$15 million is for research equipment.

In addition to the traditional and research equipment allocations in FY2018, the Virginia Research Investment Fund (VRIF) was created which includes \$29 million to support the purchase of research equipment or laboratory renovations as a means to support faculty incentive packages. SCHEV looks forward to working with the Virginia Research Investment Committee (VRIC) in addressing research topics such as cybersecurity, science and data analytics that are vitally important to both our state and country.

A consistent level of support is needed to replace current eligible equipment inventories as necessary and remain technologically competitive. SCHEV staff proposes \$8.9 million in additional support to meet the Council's original recommendation of \$75.9 million.

**Debt service estimated at \$1 million for the additional funding will not begin until FY2019.**

**(e) Undergraduate Student Financial Aid**

*(i) Virginia Student Financial Assistance Program - Undergraduate*

The undergraduate Virginia Student Financial Assistance program (VSFAP) is awarded to Virginia residents demonstrating financial need at public institutions. The Commonwealth allocates financial aid funds to institutions based on a funding model, the Partnership

Model, which assumes a shared responsibility between the state, the student, and other stakeholders while projecting the amount of need for an upcoming year.

The recession resulted in multiple years of dramatic increases in need identified under the model, including consecutive increases of over 11%, 26%, 22%, 19%, and 13%. The annual percent increases continue to decline and now reflect a modest 2.2% increase in need for FY18 over FY17. As a result, increases in student aid funds are no longer chasing ever larger deficits but can now gain ground on improving affordability.

Year	Projected Number of Students Demonstrating Need	Projected Need Under the Partnership Model	VSFAP Appropriation	Percent of Projected Need Met	Percent Increase in Students w/Need	Percent Increase in Need	Percent Increase in Funding	Increase in Dollars
2005-06	N/A	172,798,695	84,196,041	48.7%	N/A	N/A	N/A	
2006-07	N/A	171,363,919	95,062,986	55.5%	N/A	-0.8%	12.9%	10,866,945
2007-08	62,766	179,737,319	108,808,782	60.5%	N/A	4.9%	14.5%	13,745,796
2008-09	64,404	195,153,152	118,017,023	60.5%	2.6%	8.5%	8.5%	9,208,241
2009-10	66,103	210,108,256	127,819,523	60.9%	2.6%	7.7%	8.3%	9,802,500
2010-11	71,043	233,376,286	127,819,523	54.9%	7.5%	11.1%	0.0%	-
2011-12	80,044	295,501,432	141,206,151	47.8%	12.7%	26.6%	10.5%	13,386,628
2012-13	101,636	361,462,825	149,517,224	41.4%	27.0%	22.3%	5.9%	8,311,073
2013-14	117,628	431,766,961	158,078,595	36.6%	15.7%	19.4%	5.7%	8,561,371
2014-15	126,716	489,437,861	158,078,595	32.3%	7.7%	13.4%	0.0%	-
2015-16	128,485	539,158,258	165,889,206	30.8%	1.4%	10.2%	4.9%	7,810,611
2016-17	129,760	571,445,516	189,987,869	33.2%	1.0%	6.0%	14.5%	24,098,663
2017-18	127,207	584,193,170	189,987,869	32.5%	-2.0%	2.2%	0.0%	-

Just as the dramatic increase in need over the last decade had many causes, the declining increase in need also bears review. Of particular note is that the percent increases in students demonstrating need under the model have decreased dramatically over the past three years. After three years of sharp percent increases – FY12 to FY14 – the increase in FY15 was halved to just over 7.7% and then lowered to 1.4% and 1.0% in FY16 and FY17 respectively. From FY17 to FY18, that reduction has gone negative for the first time under the model and stands at -2.0% with an aggregate decline of 2,553.

The 2016 General Assembly provided a \$24.1 million increase in both years of the 2016-18 biennium. This increase is the highest in terms of dollars and in percentage (14.5 percent) since the program was expanded to include the Virginia Guaranteed Assistance Program in 1993. These additional funds boosted total funding to just under \$190 million and halted a six-year decline in “percent of need met” under the Partnership Model. For FY17, VSFAP funding meets 33.2 percent of the projections under the Partnership Model.



The General Assembly also took the unusual step of moving the \$24.1 million increase in FY18 out of the individual institution's budget items and placing it within SCHEV's budget. The Partnership Model has served as a basis for funding appropriations and institutional allocation since 2005. Some policymakers have expressed an interest in recent years in modifying or revising the model.

H. Out of this appropriation, \$24,098,663 the second year from the general fund is designated for need-based in-state undergraduate financial aid. Based on the recommendations of the Joint Subcommittee on the Future Competitiveness of Virginia Higher Education, the State Council of Higher Education for Virginia will allocate these funds to each institution in fiscal year 2018.

The FY18 increase in financial aid is to be allocated to the institutions by SCHEV based upon an allocation formula approved by the Joint Subcommittee. Staff notes that any reallocation of existing funds will result in "winners" and "losers" in funding. If a revised model is to be utilized with a hold-harmless (no reduction of funds relative to FY17) provision, then new dollars would be required. Without knowing what will be recommended by the Joint Subcommittee, staff has prepared an option for new funding - using current FY17 funding levels and the Partnership Model - that could be utilized to smooth out a possible reallocation. **Taking the higher of funds needed to provide a one percent increase or to maintain FY17 levels of funding will produce an \$8.9 million increase.**

### FY2018 Virginia Student Financial Assistance Program Funding Option

The Higher of: Minimum 1% Increase in Appropriations over FY17 or Maintain FY17 Percent of Need Met

Institution	FY17 PM % Met	FY17 Funds	Total FY18 Need	Increase	Total FY18 Funds	Percent Increase	FY18 PM % Met
Christopher Newport University	37.9%	\$ 4,981,000	\$ 12,380,947	\$ 49,810	\$ 5,030,810	1.0%	40.6%
College of William & Mary	55.8%	\$ 3,483,669	\$ 5,886,136	\$ 34,837	\$ 3,518,506	1.0%	59.8%
George Mason University	33.0%	\$ 19,550,931	\$ 67,086,036	\$ 2,587,461	\$ 22,138,392	13.2%	33.0%
James Madison University	35.8%	\$ 8,294,329	\$ 25,317,187	\$ 781,445	\$ 9,075,774	9.4%	35.8%
Longwood University	33.6%	\$ 4,637,111	\$ 13,389,559	\$ 46,371	\$ 4,683,482	1.0%	35.0%
Norfolk State University	38.0%	\$ 9,641,667	\$ 24,525,224	\$ 168,422	\$ 9,810,090	1.7%	40.0%
Old Dominion University	38.0%	\$ 22,218,684	\$ 61,497,908	\$ 1,150,521	\$ 23,369,205	5.2%	38.0%
Radford University	38.0%	\$ 9,450,398	\$ 26,412,218	\$ 586,245	\$ 10,036,643	6.2%	38.0%
University of Mary Washington	38.1%	\$ 3,468,383	\$ 9,039,093	\$ 34,684	\$ 3,503,067	1.0%	38.8%
University of Virginia	48.7%	\$ 6,346,308	\$ 12,305,336	\$ 63,463	\$ 6,409,771	1.0%	52.1%
University of Virginia - Wise	42.8%	\$ 2,565,576	\$ 5,308,853	\$ 25,656	\$ 2,591,232	1.0%	48.8%
Virginia Commonwealth University	38.0%	\$ 27,358,390	\$ 77,232,047	\$ 1,989,788	\$ 29,348,178	7.3%	38.0%
Virginia Military Institute	49.5%	\$ 1,058,719	\$ 1,603,016	\$ 10,587	\$ 1,069,306	1.0%	66.7%
Virginia State University	44.1%	\$ 8,274,766	\$ 17,759,093	\$ 82,748	\$ 8,357,513	1.0%	47.1%
Virginia Tech	40.2%	\$ 15,807,919	\$ 41,268,869	\$ 795,166	\$ 16,603,085	5.0%	40.2%
<b>Four-Year Institution Totals</b>	<b>38.3%</b>	<b>\$ 147,137,851</b>	<b>\$ 401,011,522</b>	<b>\$ 8,407,203</b>	<b>\$ 155,545,053</b>	<b>5.7%</b>	<b>38.8%</b>
Richard Bland College	23.5%	\$ 625,436	\$ 2,956,430	\$ 70,716	\$ 696,152	11.3%	23.5%
Virginia Community College System	22.9%	\$ 42,224,583	\$ 180,225,218	\$ 422,246	\$ 42,646,829	1.0%	23.7%
<b>Two-Year Institution Totals</b>	<b>22.9%</b>	<b>\$ 42,850,018</b>	<b>\$ 183,181,648</b>	<b>\$ 492,962</b>	<b>\$ 43,342,981</b>	<b>1.2%</b>	<b>23.7%</b>
<b>Totals</b>	<b>33.2%</b>	<b>\$ 189,987,869</b>	<b>\$ 584,193,170</b>	<b>\$ 8,900,165</b>	<b>\$ 198,888,034</b>	<b>4.7%</b>	<b>34.0%</b>

*(ii) Two Year College Transfer Grant*

The Two Year College Transfer Grant (CTG) program was adopted in 2007 and began awarding students as of 2008-09. The program encourages utilization of Virginia's two-year colleges by rewarding students who complete their Associate degree at a two-year college before then transferring to a participating Virginia four-year public or private non-profit college or university within one year. The program also requires full-time enrollment, maintenance of a 3.0 grade point average, and a maximum federally calculated Expected Family Contribution of 12,000.

Eligible students receive \$1,000 annually for up to three years. An additional \$1,000 is awarded to students enrolled into a STEM program of study.

The CTG program has grown by an increasing number of students the past three years: 200 student increase from FY13 to FY14; 380 student increase from FY14 to FY15; and 500 student increase from FY15 to FY16. However, there is little data to explain the dramatic growth as enrollments in two-year institutions have actually declined, the number of Associate degree graduates has stabilized, and the number of transfer students has stabilized. The only factor that has increased in correspondence with participation growth is the number of Associate degree earners graduating with at least a 3.0 grade point average (GPA).

	Unique Students	# Change	% Change
<b>2010-11</b>	576		
<b>2011-12</b>	799	223	38.7%
<b>2012-13</b>	812	13	1.6%
<b>2013-14</b>	1,013	201	24.8%
<b>2014-15</b>	1,395	382	37.7%
<b>2015-16</b>	1,901	506	36.3%

Until the program becomes more mature, funding projections for the Transfer Grant will continue to be subject to a substantial margin of error. When the institutions submit the fall 2016 CTG award recipient data, projections for current year recipients will solidify and may serve to clarify projections for future years. These reports will not be available until late in the fall 2016 term.

Based on current information, staff projects program participation to range between 2,100 (\$2.7 million) and 2,470 (\$3.2 million) in FY17 and between 2,300 (\$2.9 million) and 3,200 (\$4.1 million) in FY18. Current appropriations for FY17 are at \$2,850,000 but

\$600,000 of that is earmarked for the Transfer Grant incentive award. This means that \$2,250,000 is available for the base award and STEM-N bonus.

- If appropriations remain unchanged the shortage for FY17 ranges between \$430,000 (10 percent growth) and \$920,000 (30 percent growth), which would require a per student award reduction of between \$80 and \$145 for the year.
- For FY18 the shortage of between \$700,000 and \$1.9 million, which would require a per student award reduction of between \$120 and \$227.

**The fall 2016 participation reports should serve to solidify the amount needed to fully fund the program for FY17 and tighten projections for FY18; but at this time it is anticipated that an additional \$900,000 is required for FY17 and \$1.9 million for FY18.**

**(f) Virginia Tuition Assistance Grant Program (TAG)**

TAG is designed to make private colleges in Virginia more affordable for Virginia residents and thus increase the level of student choice and access in higher education. TAG was established in 1973 and will provide over \$65.8 million of assistance to over 22,300 students enrolled into 30 institutions in FY17. The maximum annual undergraduate awards are expected to be \$3,200 while graduate/professional students are expected to receive \$1,600.

TAG funding recommendations are based on the projected fall participation by priority students (returning students and on-time new applicants are prioritized; late applicants are awarded only if funds are available) and historic trends to determine the average award amounts and attrition rates. Additional factors include the current economic conditions and the periodic addition/deletion of institutions or academic programs.

It should be noted that current award amounts are supplemented by the carry forward of \$4 million in unexpended funds from the previous two years; therefore, the program is already operating under a potential \$4 million deficit for FY19 before accounting for an award increase and an increase in TAG participation, if any. While it may cost relatively little to increase the second year of the biennium to \$3,400 or \$3,500, the cost to maintain that increase would be far more substantial in the next biennium. Staff also notes that the budget language currently restricts the maximum undergraduate TAG award to \$3,300 in FY18, regardless of funding levels.

The maximum annual TAG award reached a high of \$3,200 in FY08 and then declined for three consecutive years until FY12.

**Actual maximum undergrad and graduate awards for the previous ten years:**

<b>Fiscal Year</b>	<b>Annual Award Amount</b>
2006-07	\$2,750 / \$1,900
2007-08	\$3,200 / \$1,900
2008-09	\$3,190 / \$1,890
2009-10	\$3,000 / \$1,300
2010-11	\$2,600 / \$1,130
2011-12	\$2,750 / \$1,200
2012-13	\$2,800 / \$1,300
2013-14	\$3,100 / \$1,550
2014-15	\$3,100 / \$1,550
2015-16	\$3,100 / \$1,550
2016-17	\$3,200 / \$1,600 projected

Over the past two years, TAG participation of undergraduate students has fallen short of the projected annual 2.0 percent growth. This has resulted in unspent funds for both FY15 (\$2.0 million) and FY16 (\$1.3 million), which are in addition to the \$1 million in additional general fund dollars appropriated in 2016 session. The General Assembly intends that unspent funds for FY17 be utilized to increase the TAG award in FY18 to \$3,300.

With anticipated undergraduate growth rates reduced to just 0.5 percent, the additional funds will enable the undergraduate TAG award to grow to \$3,200 in FY17 and then to \$3,300 in FY18. Staff is projecting a participation growth rate of 15 percent for graduate students for an estimated total TAG participation in fall 2017 of approximately 22,300.

With the close of the FY16 award year, staff has updated the TAG participation projections for FY18 for a total of 22,600 undergraduate and graduate award recipients. The unexpended funds are slightly higher than projected and may enable larger awards

to be considered. The projections are subject to change and the next update will take place upon receipt of the fall participation reports.

In October 2015, Council recommended that the maximum undergraduate award be raised to \$3,350 for FY18. Staff supports the attainment of this award level for FY18 and, given the current projections, no additional resources will be required to achieve it.

**Recommendations and Resolution:**

**WHEREAS, Goal #1 of the Virginia Plan for Higher Education is to provide affordable higher education access for all, with the alignment of state appropriations, financial aid, and tuition and fees being critical to attaining this goal and thereby enabling our graduates to compete in the global market place and advance the economic and cultural prosperity of the Commonwealth and its regions, now therefore,**

**BE IT RESOLVED that the State Council of Higher Education for Virginia recommends that additional operating budget appropriations be provided in FY2018 for:**

- ⊙ **Base Adequacy/Cost of Education, \$4.4 million in general fund and \$3.8 million from nongeneral funds for a total of \$8.2 million in FY2018;**
- ⊙ **Faculty Salaries, \$21.6 million in general fund and \$21.6 million from nongeneral funds for a total of \$43.2 million in FY2018;**
- ⊙ **Operation and Maintenance of New Facilities Coming Online, \$8.1 million in general fund and \$5.8 million from nongeneral funds for a total of \$13.9 million in FY2018;**
- ⊙ **The Higher Education Equipment Trust Fund, \$8.9 million in additional allocations to meet the Council's original recommendation of \$75.9 million for FY2018 to be financed through debt service payments beginning in FY2019.**
- ⊙ **Undergraduate Student Financial Aid, \$8.9 million in general fund in FY2018;**
- ⊙ **Two-Year College Transfer Grant, \$900,000 in general fund in FY2017 and \$1.9 million in general fund in FY2018;**

- © **Tuition Assistance Grant, increase the maximum award for undergraduate students to \$3,350 in FY2018, no additional funding required.**

**BE IT RESOLVED that the State Council of Higher Education for Virginia recommends that institutions be given the flexibility to award additional merit-based salary increases beyond the state-authorized three percent increase recommended above in order to attract and retain high-performing faculty and move closer to the Commonwealth's 60<sup>th</sup> percentile goal. Any such increases shall be incorporated as authorized or appropriated increases in future benchmark calculations of need. Tuition-related increases should be minimal and not compromise affordable access for Virginia undergraduate students.**

**BE IT FURTHER RESOLVED that, the State Council of Higher Education for Virginia commends our public institutions of higher education for their financial management strategies—best practices that have allowed them to maintain their viability through economic downturns—and affirms its support for the flexibility and autonomy that is provided to those institutions through the Restructured Higher Education Financial and Administrative Operation Act of 2005 and the Virginia Higher Education Opportunity Act of 2011, within the framework of accountability and transparency required of our colleges and universities to perform and be measured on that performance.**

**BE IT FINALLY RESOLVED that the State Council of Higher Education for Virginia strongly supports the protection provided the public institutions of higher education by the Code of Virginia (§23.1-101.2) which states that when measuring the extent to which the Commonwealth shall finance higher education, the availability of endowment funds and unrestricted gifts from private sources “shall neither be taken into consideration in nor used to reduce state appropriations or payments and shall be used in accordance with the wishes of the donors of such funds to strengthen the services rendered by these institutions to the people of the Commonwealth.”**

## Attachment 1

**Summary of SCHEV Budget Amendments in FY2018  
(In Millions)**

<b>Item</b>	<b>GF</b>	<b>NGF</b>	<b>Total</b>
Base Adequacy/Cost of Education	\$4.4	\$3.8	\$8.2
Faculty Salaries	\$21.6	\$21.6	\$43.2
Operation and Maintenance of New Facilities	\$8.1	\$5.8	\$13.9
Undergraduate Financial Aid	\$8.9		\$8.9
Transfer Grant <sup>1</sup>	\$2.8		\$2.8
Subtotal for Operating Budget	\$34.1	\$31.2	\$65.3
Subtotal for Financial Aid	\$11.7		\$11.7
<b>Total</b>	<b>\$45.8</b>	<b>\$31.2</b>	<b>\$77.0</b>
Higher Education Equipment Trust Fund - Allocation <sup>2</sup>	\$8.9 million for all equipment		

Notes:

(1) Includes \$900,000 in general fund in FY2017.

(2) Estimated \$1 million in general fund to finance the debt service will not be needed till FY2019.

## Attachment 2

## Calculation of Base Adequacy/Cost of Education in the 2016-18 Biennium

Inst	Calculated Need <sup>1,2</sup>	Available Resources <sup>3,4,5</sup>	% Funding to Guide	Funding Shortfall	GF Share	Full Funding over Three Years Required Funding in 2017-18		
						GF	NGF	Total
CNU	\$69,436,318	\$73,858,307	>100%		61%			
CWM	\$155,473,746	\$201,100,639	>100%		40%			
GMU	\$455,957,658	\$519,945,195	>100%		51%			
JMU	\$274,364,778	\$313,723,828	>100%		48%			
LU	\$66,030,408	\$68,504,771	>100%		63%			
NSU	\$62,581,033	\$72,988,895	>100%		56%			
ODU	\$303,612,623	\$286,955,719	95%	(\$16,656,904)	61%	\$3,409,113	\$2,143,188	\$5,552,301
RU	\$123,160,968	\$127,127,384	>100%		60%			
UMW	\$60,246,471	\$66,551,797	>100%		57%			
UVA	\$512,745,486	\$630,964,021	>100%		35%			
UVAW	\$23,913,373	\$25,464,074	>100%		60%			
VCU	\$564,843,338	\$616,937,493	>100%		49%			
VMI	\$31,020,951	\$30,231,599	97%	(\$789,352)	40%	\$105,247	\$157,870	\$263,117
VSU	\$58,779,719	\$59,396,483	>100%		49%			
VT	\$647,027,714	\$704,173,276	>100%		38%			
RBC	\$11,681,107	\$11,721,311	>100%		65%			
VCCS	\$889,144,307	\$901,088,191	>100%		63%			
Total	\$4,310,019,999	\$4,710,732,982	109%	(\$17,446,256)	50%	\$3,514,360	\$2,301,059	\$5,815,419
EVMS	\$80,416,675	\$73,157,832	91%	(\$7,258,843)	37%	\$890,518	\$1,529,096	\$2,419,614
Grand Total	\$4,390,436,674	\$4,783,890,814		(\$24,705,099)		\$4,404,878	\$3,830,155	\$8,235,033

## Notes:

- (1) Based on actual FY16 student FTE and FY14-FY16 3-year average discipline credit hours.
- (2) The blended salary is from 2016-18 Activity-Based Budget (ABB)
- (3) Available resources are from 2018 GF appropriations and FY18 nongeneral fund revenue in the 2016 six-year plan, net of financial aid.
- (4) GF adjustments are OCR funding at NSU and VSU, and VCCS central office (FY16 adjustment).
- (5) NGF includes required funding for programs 101-40, 102 and 103 made in October 2009.



## Attachment 3

## 3% Salary Increase for Virginia Teaching and Research Faculty in FY2018

Inst	FY2016		Funding Need By Fund Share		
	Appropriated Va T&R Faculty Salary	T&R Faculty Salary Percentile to Peers	GF	NGF	Total
CNU	\$74,892	37	\$422,242	\$269,958	\$692,200
CWM	\$100,677	20	\$848,631	\$1,294,376	\$2,143,007
GMU	\$85,174	3	\$2,862,340	\$2,772,188	\$5,634,529
JMU	\$79,550	40	\$1,441,850	\$1,543,346	\$2,985,196
LU	\$72,154	40	\$375,443	\$220,498	\$595,941
NSU	\$70,444	59	\$424,486	\$321,535	\$746,021
ODU	\$80,332	30	\$1,458,404	\$1,127,419	\$2,585,823
RU	\$72,752	30	\$797,042	\$492,670	\$1,289,712
UMW	\$78,398	28	\$424,367	\$287,658	\$712,025
UVA	\$103,499	32	\$2,153,569	\$3,999,486	\$6,153,055
UVAW	\$74,733	77	\$150,408	\$96,974	\$247,382
VCU	\$90,191	33	\$2,527,896	\$2,684,261	\$5,212,157
VMI	\$77,433	32	\$101,075	\$156,113	\$257,188
VSU	\$68,994	36	\$457,896	\$386,930	\$844,826
VT	\$96,362	27	\$2,404,930	\$3,714,484	\$6,119,414
RBC	\$62,671	73	\$59,992	\$32,304	\$92,296
VCCS	\$65,433	49	\$3,757,737	\$2,159,959	\$5,917,697
Inst Total			\$20,668,309	\$21,560,160	\$42,228,468
4-yr Average Ranking		35			
Average Increase					
VIMS			\$174,145	\$9,166	\$183,311
VSU ext			\$87,162	\$4,587	\$91,749
VT ext			\$644,749	\$33,934	\$678,683
UVA FP			\$13,461	\$0	\$13,461
Total			\$21,587,826	\$21,607,847	\$43,195,672

## Notes:

- (1) 2015-16 peer salary came from IPEDS 2015 SA.
- (2) Assumed peer salaries will increase by 2.5% annually in 2016-20.
- (3) n/a means Virginia institution has reached the 60th percentile of its peer salaries.
- (4) Average increase excludes institutions that are already at or above the goal.
- (5) Institutions' base salary came from 2016 activity-based budget.
- (6) Funding need based on a July 1, 2017 implementation date.**

2016-18 Systemwide Operating and Financial Aid Budget Amendments

Attachment 4

SCHEV Survey of Operation and Maintenance Costs for New E&G and Research Facilities Coming On-Line in the 2016-18 Biennium							
Institution	Building Name	Building E&G Percent	Building Research Percent	FY 18 Months	GF	SCHEV GF Recommendation FY2018	SCHEV NGF Recommendation FY2018
<b>CNU</b>	No New Request	N/A	N/A	N/A	<b>60.5%</b>	N/A	N/A
<b>Total</b>						\$0	\$0
<b>CWM</b>	Tyler Hall	100%	0%	12	<b>39.9%</b>	\$15,333	\$23,095
<b>CWM</b>	Integrated Science Center 3	100%	0%	12	<b>39.9%</b>	\$508,767	\$766,338
<b>CWM</b>	Law School Addition	100%	0%	12	<b>39.9%</b>	\$30,752	\$46,320
<b>CWM</b>	West Utility Plant	100%	0%	6	<b>39.9%</b>	\$165,115	\$248,708
<b>Total</b>						\$719,967	\$1,084,461
<b>GMU</b>	Potomac Science Center	100%	68%	12	<b>50.5%</b>	\$579,361	\$276,796
<b>GMU</b>	Academic VII	100%	19%	11	<b>50.5%</b>	\$1,422,315	\$1,149,799
<b>GMU</b>	Hylton Performing Arts Addition	100%	0%	12	<b>50.5%</b>	\$114,474	\$112,207
<b>Total</b>						\$2,116,150	\$1,538,802
<b>JMU</b>	Cancer Center (Madison Hall) Renovation	100%	0%	12	<b>48.1%</b>	\$386,431	\$416,959
<b>Total</b>						\$386,431	\$416,959
<b>LU</b>	Student Success Center	100%	0%	12	<b>62.5%</b>	\$216,589	\$129,953
<b>Total</b>						\$216,589	\$129,953
<b>NSU</b>	Replace Brown Hall	100%	0%	12	<b>56.6%</b>	\$229,796	\$176,204
<b>Total</b>						\$229,796	\$176,204
<b>ODU</b>	New Education Building - Main Campus	100%	0%	12	<b>56.3%</b>	\$584,330	\$453,557
<b>Total</b>						\$584,330	\$453,557
<b>RBC</b>	No New Request	N/A	N/A	N/A	<b>65.3%</b>	N/A	N/A
<b>Total</b>						\$0	\$0
<b>RU</b>	New Academic Building, Phases I and II	100%	0%	12	<b>61.4%</b>	\$475,016	\$298,626
<b>Total</b>						\$475,016	\$298,626
<b>UMW</b>	Jepson Science Center Addition	100%	0%	0	<b>59.6%</b>	\$69,136	\$46,864
						\$69,136	\$46,864
<b>UVA</b>	FM Shop Support & Office Building	100%	0%	12	<b>35.0%</b>	\$65,835	\$122,265
<b>UVA</b>	Newcomb Road Chiller Plant (building shell)	100%	0%	12	<b>35.0%</b>	\$11,970	\$22,230
<b>Total</b>						\$77,805	\$144,495
<b>UVA-W</b>	New Library	100%	0%	12	<b>60.3%</b>	\$1,089,618	\$0
<b>Total</b>						\$1,089,618	\$0
<b>VCCS</b>	PHCC - Motorsports/Workforce Development Ctr. Phase II	100%	0%	12	<b>63.0%</b>	\$27,227	\$15,991
<b>VCCS</b>	SSVC( Christianna) - Student Support and Learning Ctr	100%	0%	0	<b>63.0%</b>	\$0	\$0
<b>VCCS</b>	BRCC - New Academic Bldg.	100%	0%	12	<b>63.0%</b>	\$337,947	\$198,477
<b>VCCS</b>	DCC-Expand Workforce Development Center	100%	0%	12	<b>63.0%</b>	\$45,630	\$26,798
<b>Total</b>						\$410,804	\$241,266
<b>VCU</b>	Information Commons	100%	0%	1	<b>48.5%</b>	\$23,018	\$24,441
<b>Total</b>						\$23,018	\$24,441
<b>VM</b>	CPTF	80%	0%	12	<b>40.0%</b>	\$166,241	\$353,261
<b>Total</b>						\$166,241	\$353,261
<b>VSU</b>	MT Carter Addition	0%	100%	12	<b>49.0%</b>	\$0	\$0
<b>VSU</b>	Lockett Hall	100%	0%	12	<b>49.0%</b>	\$62,549	\$65,102
<b>Total</b>						\$62,549	\$65,102
<b>VT</b>	Classroom Building	100%	0%	12	<b>38.2%</b>	\$351,514	\$568,680
<b>VT</b>	Academic Building Renovations	100%	0%	9	<b>38.2%</b>	\$70,176	\$113,532
<b>VT</b>	Address Fire Alarm Systems and Access	100%	0%	12	<b>38.2%</b>	\$15,242	\$24,658
<b>Total</b>						\$436,932	\$706,870
<b>VT-Ext.</b>	Improve Kentland Facilities	0%	100%	9	<b>95.0%</b>	\$416,655	\$21,929
<b>Total</b>						\$416,655	\$21,929
<b>VIMS</b>	Consolidated Scientific Research Facility	85%	15%	12	<b>95.0%</b>	\$236,421	\$32,621
<b>VIMS</b>	Facilities Management Building	100%	0%	12	<b>95.0%</b>	\$57,475	\$3,025
<b>VIMS</b>	Research Vessel	70%	30%	11	<b>95.0%</b>	\$309,545	\$73,792
						\$603,441	\$109,439
Please note: FY 2018 are stated in dollars incremental to the base.					Total	\$8,084,477	\$5,812,229

## Attachment 5

## Required Tuition Revenue Increase to Fund the Nongeneral Fund Share of Budget Items in FY2018

Institution	FY2017	2017-18				
	Tuition Rev Net of Fin Aid	Base Adq NGF	O&M NGF	3% Fac Sal NGF	Total Add'l NGF	Required Tuit Rev Incr
CNU	\$40,436,853		\$0	\$269,958	\$269,958	0.7%
CWM	\$142,530,957		\$1,084,461	\$1,294,376	\$2,378,837	1.7%
GMU	\$318,017,100		\$1,538,802	\$2,772,188	\$4,310,990	1.4%
JMU	\$215,982,488		\$416,959	\$1,543,346	\$1,960,305	0.9%
LU	\$35,380,408		\$129,953	\$220,498	\$350,451	1.0%
NSU	\$31,311,023		\$176,204	\$321,535	\$497,739	1.6%
ODU	\$142,440,290	\$2,143,188	\$453,557	\$1,127,419	\$3,724,164	2.6%
RU	\$71,621,526		\$298,626	\$492,670	\$791,296	1.1%
UMW	\$37,275,000		\$46,864	\$287,658	\$334,522	0.9%
UVA	\$450,332,370		\$144,495	\$3,999,486	\$4,143,981	0.9%
UVAW	\$8,351,860		\$0	\$96,974	\$96,974	1.2%
VCU	\$364,360,700		\$24,441	\$2,684,261	\$2,708,702	0.7%
VMI	\$26,729,858	\$157,870	\$353,261	\$156,113	\$667,244	2.5%
VSU	\$28,751,568		\$65,102	\$386,930	\$452,032	1.6%
VT	\$452,305,700		\$706,870	\$3,714,484	\$4,421,354	1.0%
RBC	\$4,882,969		\$0	\$32,304	\$32,304	0.7%
VCCS	\$499,150,135		\$241,266	\$2,159,959	\$2,401,225	0.5%
Total	\$2,869,860,804	\$2,301,059	\$5,680,861	\$21,560,160	\$29,542,079	
Avg Incr						1.2%

## Attachment 6

**Higher Education Equipment Trust Fund (HEETF)  
Comparison of SCHEV Recommendations to Appropriations  
(2017-18)**

<b>Institution</b>	<b>Total Recommendation</b>	<b>Total Appropriation</b>	<b>Total Appropriation As Percentage of Recommendation</b>	<b>Recommended Additional Funding<sup>(1)</sup></b>
GMU	\$ 4,583,544	\$ 3,947,024	86%	\$636,520
ODU	\$ 4,998,462	\$ 5,016,192	>100%	---
UVA	\$ 13,194,051	\$ 10,458,476	79%	\$2,735,575
VCU	\$ 8,441,209	\$ 6,853,430	81%	\$1,587,779
VT	\$ 12,596,202	\$ 10,331,639	82%	\$2,264,563
W&M	\$ 1,845,812	\$ 2,300,493	>100%	---
W&M-VIMS	\$ 274,567	\$ 362,100	>100%	---
CNU	\$ 780,959	\$ 754,464	97%	\$26,495
UVA-Wise	\$ 238,256	\$ 250,681	>100%	---
JMU	\$ 2,322,291	\$ 2,309,646	99%	\$12,645
LU	\$ 800,627	\$ 743,433	93%	\$57,194
UMW	\$ 906,017	\$ 655,746	72%	\$250,271
NSU	\$ 1,132,752	\$ 1,200,108	>100%	---
RU	\$ 1,951,638	\$ 1,744,993	89%	\$206,645
VMI	\$ 1,089,226	\$ 886,084	81%	\$203,142
VSU	\$ 1,111,374	\$ 1,342,189	>100%	---
RBC	\$ 148,866	\$ 160,149	>100%	---
VCCS	\$ 17,499,709	\$ 17,596,542	>100%	---
SWVHEC	\$ 97,279	\$ 80,111	82%	\$17,168
RHEA	\$ 73,827	\$ 77,623	>100%	---
IALR	\$ 246,131	\$ 274,172	>100%	---
SVHEC	\$ 190,992	\$ 95,790	50%	\$95,202
New College	\$ 56,737	\$ 34,486	61%	\$22,251
EVMS	\$ 1,389,133	\$ 524,429	38%	\$864,704
<b>TOTAL</b>	<b>\$ 75,969,661</b>	<b>\$ 68,000,000</b>	<b>90%</b>	<b>\$ 8,980,154</b>

<sup>(1)</sup> Debt service for the additional funding will not begin until FY19. The estimated debt service need is about \$1 million in FY19.

## Attachment 7

## FY2018 Virginia Student Financial Assistance Program Funding

The Higher of: Minimum 1% Increase in Appropriations over FY17 or Maintain FY17 Percent of Need Met

Institution	FY17 PM % Met	FY17 Funds	Total FY18 Need	Increase	Total FY18 Funds	Percent Increase	FY18 PM % Met
Christopher Newport University	37.9%	\$ 4,981,000	\$ 12,380,947	\$ 49,810	\$ 5,030,810	1.0%	40.6%
College of William & Mary	55.8%	\$ 3,483,669	\$ 5,886,136	\$ 34,837	\$ 3,518,506	1.0%	59.8%
George Mason University	33.0%	\$ 19,550,931	\$ 67,086,036	\$ 2,587,461	\$ 22,138,392	13.2%	33.0%
James Madison University	35.8%	\$ 8,294,329	\$ 25,317,187	\$ 781,445	\$ 9,075,774	9.4%	35.8%
Longwood University	33.6%	\$ 4,637,111	\$ 13,389,559	\$ 46,371	\$ 4,683,482	1.0%	35.0%
Norfolk State University	38.0%	\$ 9,641,667	\$ 24,525,224	\$ 168,422	\$ 9,810,090	1.7%	40.0%
Old Dominion University	38.0%	\$ 22,218,684	\$ 61,497,908	\$ 1,150,521	\$ 23,369,205	5.2%	38.0%
Radford University	38.0%	\$ 9,450,398	\$ 26,412,218	\$ 586,245	\$ 10,036,643	6.2%	38.0%
University of Mary Washington	38.1%	\$ 3,468,383	\$ 9,039,093	\$ 34,684	\$ 3,503,067	1.0%	38.8%
University of Virginia	48.7%	\$ 6,346,308	\$ 12,305,336	\$ 63,463	\$ 6,409,771	1.0%	52.1%
University of Virginia - Wise	42.8%	\$ 2,565,576	\$ 5,308,853	\$ 25,656	\$ 2,591,232	1.0%	48.8%
Virginia Commonwealth University	38.0%	\$ 27,358,390	\$ 77,232,047	\$ 1,989,788	\$ 29,348,178	7.3%	38.0%
Virginia Military Institute	49.5%	\$ 1,058,719	\$ 1,603,016	\$ 10,587	\$ 1,069,306	1.0%	66.7%
Virginia State University	44.1%	\$ 8,274,766	\$ 17,759,093	\$ 82,748	\$ 8,357,513	1.0%	47.1%
Virginia Tech	40.2%	\$ 15,807,919	\$ 41,268,869	\$ 795,166	\$ 16,603,085	5.0%	40.2%
<b>Four-Year Institution Totals</b>	<b>38.3%</b>	<b>\$ 147,137,851</b>	<b>\$ 401,011,522</b>	<b>\$ 8,407,203</b>	<b>\$ 155,545,053</b>	<b>5.7%</b>	<b>38.8%</b>
Richard Bland College	23.5%	\$ 625,436	\$ 2,956,430	\$ 70,716	\$ 696,152	11.3%	23.5%
Virginia Community College System	22.9%	\$ 42,224,583	\$ 180,225,218	\$ 422,246	\$ 42,646,829	1.0%	23.7%
<b>Two-Year Institution Totals</b>	<b>22.9%</b>	<b>\$ 42,850,018</b>	<b>\$ 183,181,648</b>	<b>\$ 492,962</b>	<b>\$ 43,342,981</b>	<b>1.2%</b>	<b>23.7%</b>
<b>Totals</b>	<b>33.2%</b>	<b>\$ 189,987,869</b>	<b>\$ 584,193,170</b>	<b>\$ 8,900,165</b>	<b>\$ 198,888,034</b>	<b>4.7%</b>	<b>34.0%</b>