

**REPORT OF THE COUNCIL OF HIGHER  
EDUCATION ON**

**STUDYING THE FUNDING OF  
THE COMMONWEALTH'S  
PUBLIC INSTITUTIONS OF  
HIGHER EDUCATION**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 56**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1996**



**RESPONSE TO THE 1995 GENERAL ASSEMBLY**

**HOUSE JOINT RESOLUTION NO. 519**

**Presented to the 1996 General Assembly  
by the State Council of Higher Education for Virginia**



## PREFACE

House Joint Resolution No. 519, proposed by the House Committee on Rules and patroned by the Honorable Kenneth R. Plum, directed the State Council of Higher Education to study the funding of the Commonwealth's public institutions of higher education. In conducting its study, the Council was asked to consider, among other things, current funding levels and practices for comprehensive and two-year institutions in the Commonwealth and in other states; the individual missions of Virginia's institutions; recent institutional restructuring plans; and any related issues it thought appropriate. The enclosed report was approved by the State Council of Higher Education on February 12, 1996.



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RESPONSE TO THE 1995 GENERAL ASSEMBLY  
HOUSE JOINT RESOLUTION 519

Executive Summary

House Joint Resolution No. 519, proposed by the House Committee on Rules and patroned by the Honorable Kenneth R. Plum, directed the State Council of Higher Education to study the funding of the Commonwealth's public institutions of higher education. In conducting its study, the Council was asked to consider, among other things, current funding levels and practices for comprehensive and two-year institutions in the Commonwealth and in other states; the individual missions of Virginia's institutions; recent institutional restructuring plans; and any related issues.

The major findings of the study are:

- From 1990 to 1994, state general fund support decreased and total funding increases for Virginia's public colleges and universities came almost exclusively from tuition and fee increases. In 1994, with increased general fund support, tuition and fee increases moderated to about 3 percent annually.
- In 1994-95, Virginia ranked 30th among the states in total spending per student from both the state general fund and tuition and fees. When adjusted for inflation, the total expenditure per full-time-equivalent (FTE) student is almost exactly the same in 1995-96 as it was in 1989-90.
- Virginia's public system of higher education is not funded adequately to perform its mission for the remainder of the 1990s, and this is particularly true for some institutions. To address this, the Council recommended that funding for college and university educational and general programs be increased by \$197 million for 1996-98, with \$140 million of the total to be provided from the state general fund.
- Funding levels, and funding levels per student, should vary among institutions according to their different missions, characteristics, and programs.
- Seventy-seven (77) percent of the money colleges and universities will spend in 1995-96 is for faculty and staff. In other words, about three-fourths of any variation in spending among institutions is accounted for by variations in the number of people they employ and what they pay them. Personal service expenditures per student strongly correlate to staffing ratios and average salaries.
- Institutions with large numbers of students enrolled in more faculty-intensive disciplines such as engineering, sciences, and foreign languages require more faculty and staff than institutions with greater enrollment in business, education, and letters. Institutions with large numbers of students enrolled in graduate programs also require more faculty and support staff.

- Faculty salaries vary according to each institution's faculty salary peer group. Peer groups are used to reflect each institution's market for faculty. As a result, faculty are paid, on average, more at some institutions than at others.
- Nonpersonal service expenditures account for 23 percent of institutions' expenditures. There is great variation in the nonpersonal service expenditures per student among institutions. Some institutions are funded significantly below the average for all institutions of a similar type. But except for equipment, there are currently no good measures to determine whether an institution has adequate nonpersonal service funding to do its particular job.
- The two principle sources of revenue for educational and general expenditures are tuition and fees and the state general fund. Like total spending, variations in the percentage of general fund support among institutions are appropriate. In large part, these variations are dependent on the number of students from in and out of the state. According to formulas used until 1990, the more in-state students an institution had, the more support it received from the state general fund.
- Virginia students at senior institutions pay 37 percent of the <sup>of the</sup> cost of their education, with Virginia students at some institutions paying as much as 44 percent of total cost. This same percentage was 25 percent at senior institutions in 1989-90. This change creates inequities in the amount of general fund support institutions receive. It also creates inequities from the student's perspective. Virginia students at some institutions pay a higher proportion of the cost of their education than do students at other institutions. The percentage of the cost of their education paid by community college students has also significantly increased since 1989-90.
- The Council of Higher Education's 1996-98 budget recommendations address the issues identified in this study. The Council recommends that faculty salaries be increased in 1996-98 as the first two years of a four-year goal of funding every institution at the 60th percentile of its individual peer group. The Council recommends that all institutions increase their staffing productivity, that some institutions be funded for more staff based on an analysis of staffing at like institutions in other states, and that some institutions be funded to employ more staff for enrollment growth that exceeds 2 percent a year. The Council also recommends that funding be increased to begin to address inadequate funding for nonpersonal services.
- Finally, the Council recommends that the state general fund contribute the major portion of the total cost of its recommendations, thereby lowering the proportion of the total cost borne by student tuition and fees.

## Introduction

One of the concerns about state support for higher education is that there are funding variances among Virginia's institutions that are inequitable. This concern is evident in institutions' budget requests for the 1996-98 biennium. Four institutions directly identify this issue and ask for additional state support to address the perceived problem.

George Mason University states that:

...faced with the need to restructure its operation in keeping with the demands of a new era, and confronted by rising enrollments, [it] finds itself in a crisis of deferred support. This university grew in enrollment and in complexity at a time when the Commonwealth lacked the ability to fully fund its development. Each biennium GMU falls further behind. Finally today, this institution is the state's second largest in headcount and second largest in percentage of graduate enrollment. Yet it stumbles along at a funding level (\$3,800 per in-state student) far below the doctoral average in Virginia (\$6,200). The disparity has reached a level easily translated by students into its comparative deficiency. The accrued shortfall is huge and there is no way around it.

Old Dominion University said it this way:

...Conclusions resulting from the [ODU] analysis revealed a significant disparity in the general fund allocation that had developed over the years. This deficit, when applied to 1995-96 enrollment, ranges from \$9,981,594 to \$21,875,761 (adjustment made for salary differentials). Given the average funding of \$5,372 for all doctoral institutions, it would take an additional allocation of \$7.7 million in general fund support to attain the average level. This request for \$4,000,000 in general funds in each year of the biennium will offset over 50 percent of the disparity. The deficit in general funds has become even more significant as a result of recent budgetary actions. These actions have offset general fund reductions with increased tuition authority and imposed caps on the tuition charges. The university continues to accomplish its mission as effectively as the other doctoral institutions, but without a reasonable share of the general funds.

Norfolk State University expressed a similar concern:

...reductions in the university's general fund support came at a time of increasing enrollment (of Virginia residents). Those two factors (increasing enrollments and decreasing general fund support) resulted in reduced funding in all operations. This made it difficult to maintain quality services to the students. As a result, tuition and fees were increased by the highest percentage in the history of the university. In spite of the historical high tuition increase, the university still remained the lowest student cost senior institution in the Commonwealth.

And the Community College System explains part of its request as follows:

The VCCS in the 1990s has continually lost ground in general fund support for growth and tuition support... The VCCS has been mindful of scarce general fund resources and the importance of efficiency in its operation. However, revenue from general funds has diminished rapidly and the community colleges have looked to short-term methods of funding essential operations. In order to accommodate student enrollments more part-time faculty have been employed, leaving some programs without a full-time faculty member. Maintenance of facilities has been cut back, which will create additional facility problems if left unchecked. Supplies essential to an academic environment, including instructional software and lab supplies, have grown short in supply. In real dollar costs, the support of expenditures per student at the Virginia Community College System has decreased 7% from 1974 to 1994. The disparity between senior institutions and the VCCS in educational and general costs per FTES has grown substantially over the twenty-year period.

In response to previous expressions of these concerns, the 1995 General Assembly adopted House Joint Resolution 519, requesting the Council of Higher Education to study the funding of the Commonwealth's public institutions of higher education. In conducting its study, the Council was asked to consider, among other things, current funding levels and practices for comprehensive and two-year institutions in the Commonwealth and in other states; the individual missions of Virginia's institutions; recent institutional restructuring plans; and any related issues it thought appropriate.

The Council has conducted the requested study and concludes, as expressed in its budget recommendations for the 1996-98 biennium, that Virginia's public system of higher education is not funded adequately to perform its mission for the remainder of the 1990s and that this is particularly true at several institutions. To address this situation, the Council recommended that funding for higher education's educational and general programs be increased by \$197 million for 1996-98, with \$140 million of the total to be provided from the state general fund. Having concluded this, however, the Council also concludes that funding levels, and funding levels per student, should vary among institutions according to their different missions, characteristics, and programs. This latter point is particularly true in Virginia, which is fortunate to have a diverse set of colleges and universities. The important question is not whether an institution's funding is higher or lower than another institution's, but rather: does an institution have adequate funding to do its particular job?

### Funding Practices

Funding practices differ among the states, each with its own history, traditions, and terminology. In 1994, the Southern Regional Education Board (SREB) published a report on funding methods for public higher education. The report observed as follows:

Over time, funding methods (formula and non-formula) have been designed to achieve different objectives. For example, funding methods may be designed to provide "adequate" funding, to distribute funds "equitably," or to provide "stability" from year to year. The following flow-chart describes the evolution of the objectives of the funding methods over the past four decades.

**FIGURE 1**  
**EVOLUTION OF THE OBJECTIVES OF FUNDING METHODS**

<u>Adequacy</u>	<u>Growth</u>	<u>Equity</u>	<u>Stability/Quality</u>	
<u>Stability/Accountability/Reform</u>				
1950s	1960s	1970s	1980s	1990s

For the most part, each decade's new objective, to be served by the funding process, became an additional rather than a replacement purpose.

Funding methods came to rely on comparative data such as salary averages of peer institutions and quantitative elements such as student/faculty ratios to meet the objectives of adequacy, growth, and objectivity (basing requests on known elements of cost). In response to concerns that formulas had a leveling effect, equity among institutions and sectors was pursued by basing funding on known differences in program structure and activity (e.g., by adding mission, level, and program differentiations) which added complexity to funding methods. When periods of rapid enrollment growth passed, stability was pursued through "formula use" policies, "rolling average" rules, and "hold harmless" provisions. More recently, quality concerns were addressed by implementing non-formula special initiatives such as endowed chairs, centers of excellence, and incentive funding.<sup>1</sup>

Until 1990, Virginia was one of the states that used formulas to fund its public colleges and universities. This stopped in 1990 due to a lack of state general fund support to fund the formulas. From 1990 to 1994, the Governor and General Assemblies, lacking sufficient tax revenues to meet all state needs and obligations, authorized large increases in tuition and fees to maintain the colleges and universities. They also appropriated unprecedented increases in financial aid to help needy students not able to pay the higher tuition, but during this period the burden of supporting all institutions clearly shifted to their students. With increased general fund support, tuition and fee increases moderated to about 3 percent annually in the 1994-96 biennium, but there was still insufficient state general fund support to return to using the formulas. When state general fund support was increased for public colleges and universities in the first half of the 1990s, it usually was earmarked for salary increases or, in 1994-96, to allow institutions to increase tuition and fees by only 3 percent.

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<sup>1</sup>"Funding Methods for Public Higher Education in the SREB States," by J. Kent Caruthers and Joseph L. Marks. It was published by the Southern Regional Education Board in 1994.

## Funding Levels

Recent trends in funding the educational and general programs of Virginia's public colleges and universities are shown in Charts 1 and 2. These charts do not include state general fund appropriations for student aid or capital outlay.

Chart 1 is expressed in actual dollars and verifies the earlier point that, since 1990, state general fund support has decreased and funding increases for the system have come almost exclusively from tuition and fees and other nongeneral funds.

CHART 1						
VIRGINIA'S PUBLIC COLLEGES AND UNIVERSITIES EDUCATIONAL AND GENERAL PROGRAMS (Actual Dollars)						
Year	State General Fund		Tuition and Fees and Other Nongeneral Funds		All Funds	
	Amount (In Millions)	Dollars Per FTE Student	Amount (In Millions)	Dollars Per FTE Student	Amount (In Millions)	Dollars Per FTE Student
1989-90	\$829.2	\$3,894	\$424.7	\$1,995	\$1,253.8	\$5,889
1990-91	799.4	3,679	485.7	2,236	1,285.1	5,915
1991-92	732.1	3,294	563.3	2,535	1,295.4	5,829
1992-93	717.6	3,223	646.6	2,904	1,364.2	6,126
1993-94	730.4	3,309	718.4	3,254	1,448.8	6,563
1994-95	761.4	3,481	754.9	3,451	1,516.3	6,932
1995-96	777.0	3,525	812.2	3,685	1,589.2	7,209
6-Yr. Dollar Change	(\$52.2)	(\$369)	\$387.6	1,690	\$335.4	\$1,320
6-Yr. Percent Change	-6%	-9%	91%	85%	27%	22%

Chart 2 is expressed in 1989-90 dollars. The actual purchasing power of all the amounts shown for the years after 1989-90 is calculated by discounting the actual dollars to reflect increases in the Consumer Price Index. Between 1989-90 and 1995-96, consumer prices (inflation) increased 22 percent. When adjusted for inflation, the per full-time-equivalent student (FTE) expenditure of about \$5,900 is almost exactly the same in 1995-96 as it was in 1989-90. This is a function of the fact that enrollment and total appropriations grew at about the same rate, between 4 and 5 percent.

CHART 2						
VIRGINIA'S PUBLIC COLLEGES AND UNIVERSITIES EDUCATIONAL AND GENERAL PROGRAMS (1989-90 Dollars)						
	State General Fund		Tuition and Fees and Other Nongeneral Funds		All Funds	
Year	Amount (In Millions)	Dollars Per FTE Student	Amount (In Millions)	Dollars Per FTE Student	Amount (In Millions)	Dollars Per FTE Student
1989-90	\$829.2	\$3,894	\$424.7	\$1,995	\$1,253.8	\$5,889
1990-91	758.4	3,491	460.8	2,121	1,219.2	5,612
1991-92	672.8	3,028	517.7	2,329	1,190.5	5,357
1992-93	639.5	2,872	576.2	2,588	1,215.8	5,460
1993-94	635.2	2,877	624.7	2,830	1,260.0	5,707
1994-95	643.1	2,940	637.6	2,915	1,280.7	5,855
1995-96	637.2	2,890	666.1	3,022	1,303.2	5,912
6-Yr. Dollar Change	(\$192.0)	(\$1,004)	\$241.4	\$1,027	\$ 49.4	\$23
6-Yr. Percent Change	-23%	-26%	57%	51%	4%	0%

Virginia has always appropriated a moderate amount per student when compared to other states. The funding trends of the past six years result in Virginia's 1994-95 rank of 30th among the states in total spending per student (general fund and tuition and fees), as compared to 19th in 1989-90. Virginia now appropriates about \$300 less than the national average per higher education student.

#### Personal Service Funding Variations Among Institutions

It is appropriate that funding vary among Virginia's public colleges and universities. Funding for any two institutions, or funding per student for any two institutions, should not be the same because no two institutions are the same. As previously stated, the important question is whether an institution has adequate funding to do its particular job. For example, in its 1996-98 budget request George Mason points out that, as a "result of outsourcing and other forms of privatization, it can indeed operate and manage the institution with a lower staffing ratio than the other doctoral institutions." Indeed, George Mason's restructuring plan commits the university to having "the lowest per-student cost of the Virginia doctoral institutions." Similarly, Old Dominion states that "it is clearly understood that the doctoral institutions are not identical, [but] Old Dominion University is certainly not so dissimilar that it can continue at the same level of effort without assistance."

To look at variations in funding among institutions, it is useful to examine how Virginia's institutions spend their funds. This is shown in Chart 3.

CHART 3		
VIRGINIA'S COLLEGES AND UNIVERSITIES EDUCATIONAL AND GENERAL PROGRAMS 1995-96		
Object of Expenditure	Percent of Total Expenditures	Expenditures Per Student
Personal Services	77%	\$5,551
Faculty Salaries and Benefits		
Support Staff Salaries and Benefits		
Wages		
Nonpersonal Services		
Contractual Services	9	649
Continuous Charges	6	433
Equipment	5	360
Supplies and Materials	2	144
Other Nonpersonal Services	<u>1</u>	<u>72</u>
Total	100%	\$7,209

As shown in Chart 3, 77 percent of the money colleges and universities will spend in 1995-96 is for faculty and staff. It follows that about three-fourths of any variation in spending among institutions is accounted for by variations in the number of people they employ and what they pay them.

In the past, formulas determined the number of faculty and support staff funded for an institution. The formulas were student-staff ratios by academic discipline (such as English, mathematics, and engineering) and level of course (freshman/sophomore, junior/senior, masters, and doctoral). Institutions with large numbers of students enrolled in more faculty-intensive disciplines such as engineering, sciences, and foreign languages required more faculty and staff than institutions with greater enrollment in business, education, and letters. Institutions with large numbers of students enrolled in graduate programs also required more faculty and support staff. The application of these student-to-staff ratios by discipline and course level to student enrollment translated into the number of staff funded for the institution.

Faculty salaries also vary by institution. Each institution has its own faculty salary peer group to which its salary is compared for funding purposes. The University of Virginia's peer group, for example, includes major research universities such as Michigan, Maryland, Texas, and North Carolina at Chapel Hill. James Madison University's includes Appalachian State, Western Michigan, Middle Tennessee State, and North Carolina at Charlotte. These peer groups include institutions that are similar to the Virginia institutions and are representative of the institutions with which they compete for faculty. This approach means that, to reflect each institution's market for faculty, faculty are paid more at some institutions than others.



Support staff at institutions include two types: teaching and research administrators, and classified positions that are part of the state's personnel system. Within parameters set by the state, each institution sets the salaries for teaching and research administrators to reflect market conditions. Salaries for classified personnel are set by the state personnel system for each type of job. The result is that support staff salary averages vary by institution.

Chart 4 presents estimated staffing ratios and average salaries by institution. These data illustrate that varying staffing levels and average salaries (accounting for 77 percent of total expenditures) are the major factors that result in variations in funding levels among institutions. Chart 4 also shows the estimated 1995-96 personal service expenditures per student for each college and university.

CHART 4				
PERSONAL SERVICE PER STUDENT EXPENDITURES, STAFFING RATIOS, AND SALARY AVERAGES EDUCATIONAL AND GENERAL PROGRAMS (a)				
1995-96				
Institution	Personal Service Expenditures Per Student	No. of Students Per Faculty & Support Staff	Faculty Salary Average	Support Staff Salary Average
Doctoral:				
Virginia Tech	\$7,379	7.4	\$55,410	\$26,700
University of Virginia	6,967	6.3	60,140	27,800
William and Mary	6,740	7.1	54,890	29,600
Va. Commonwealth	6,305	6.6	54,080	26,400
George Mason (b)	6,042	8.5	57,500	30,600
Old Dominion	5,711	7.4	49,160	25,200
Comprehensive:				
Va. Military Institute	\$7,635	5.5	\$48,620	\$23,300
Clinch Valley	5,533	6.5	38,030	20,700
Norfolk State	5,233	9.1	44,790	22,100
Virginia State	5,225	7.6	43,700	26,500
Mary Washington	5,131	9.0	45,140	23,000
Christopher Newport	5,074	8.9	45,580	27,100
Radford	4,977	9.0	44,470	24,400
James Madison	4,925	9.2	48,260	25,600
Longwood	4,831	8.3	43,860	25,700
Two Year:				
Richard Bland	4,036	10.1	\$40,420	\$24,900
Va. Community Colleges	3,366	11.0	38,890	29,200
(a) Excludes direct and indirect costs of medicine, dentistry, and veterinary medicine, and adjusted for estimated uncollected tuition and fee revenue.				
(b) Salary figures include Northern Virginia cost-of-living differential.				

As can be seen in Chart 4, personal service expenditures per student strongly correlate to staffing ratios and average salaries. Old Dominion, for example, has a higher staffing ratio (fewer faculty and support staff) than most other doctoral institutions and lower average salaries. This results in lower personal service expenditures per student compared to other doctoral institutions.

#### Council's Personal Service (Staffing and Salary) Budget Recommendations

To prepare its 1996-98 budget recommendations, the Council of Higher Education examined the adequacy of each institution's funding, taking into account its restructuring staff productivity objectives, enrollment growth, and new buildings.

The Council recommended that selected colleges and universities receive funding for a total of 565 new positions for 1996-98. The Council's review included benchmark comparisons of staffing in Virginia to staffing at similar institutions in other states. To benchmark each of Virginia's institutions against similar institutions outside the state, the Council looked at three different groupings of institutions: the faculty salary peer groups used by Virginia for faculty salaries; groupings of doctoral, comprehensive, and two-year institutions nationally; and groupings of institutions within the southern region. As a result, the Council recommended additional positions for base staffing adjustments, for enrollment growth, and for the maintenance of new buildings. The institutions recommended for significant staffing increases were George Mason, Old Dominion, Virginia Commonwealth, James Madison, and the Virginia Community College System. The Council also recommended annual faculty salary increases ranging from 4 to 6 percent per year as the first two years of a four-year phased approach to regaining the 60th percentile of each institution's respective faculty salary peer group.

The potential results of funding the Council's budget recommendations are shown in Chart 5.

CHART 5				
COUNCIL OF HIGHER EDUCATION RECOMMENDATIONS				
PERSONAL SERVICE EXPENDITURES, STAFFING RATIOS, AND SALARY AVERAGES				
EDUCATIONAL AND GENERAL PROGRAMS (a)				
1997-98				
Institutions	Personal Service Expenditures Per Student	No. of Students Per Faculty & Support Staff	Faculty Salary Average	Support Staff Salary Average
Doctoral:				
Virginia Tech	\$7,614	7.7	\$62,260	\$27,200
University of Virginia	7,529	6.4	65,050	28,100
William and Mary	7,246	7.2	60,520	30,100
Va. Commonwealth	6,984	6.4	59,620	26,800
George Mason (b)	6,312	8.5	63,390	31,100
Old Dominion	5,839	7.6	54,200	25,600
Comprehensive:				
Va. Military Institute	\$8,027	5.5	\$53,600	\$23,700
Clinch Valley	5,706	6.7	42,730	21,100
Norfolk State	5,481	9.0	50,330	22,500
Christopher Newport	5,414	8.3	51,210	27,600
Mary Washington	5,303	8.7	50,720	23,400
Radford	5,267	8.7	49,030	24,800
Virginia State	5,031	7.8	49,100	27,000
Longwood	4,924	8.5	49,280	26,200
James Madison	4,854	9.6	52,200	25,900
Two-Year:				
Richard Bland	\$4,122	10.3	\$43,720	\$25,400
Va. Community Colleges	3,600	10.7	42,880	29,900
(a)Excludes direct and indirect costs of medicine, dentistry, and veterinary medicine, and adjusted for estimated uncollected tuition and fee revenue.				
(b)Includes Northern Virginia cost-of-living differential.				

The effects of the Council's recommendations on personal service expenditures per student are estimated in the first column of Chart 5. It shows less variation among institutions but, as appropriate, it still shows variation. There are appropriate differences in staffing and salaries that result from funding each institution based on its particular mission and its restructuring objectives.

This analysis underscores the importance of continually reviewing and updating the peer groups of individual institutions. They have to accurately reflect the Virginia institutions.

#### Nonpersonal Service Funding Variations Among Institutions

Nonpersonal service expenditures include contractual services; continuous charges, such as insurance, utilities and rent; equipment lease payments; supplies and materials; property and

improvements; and plant and improvements. They account for 23 percent of institutions' expenditures. Chart 6 shows estimated per student nonpersonal service expenditures by object of expenditure.

It is also appropriate that nonpersonal service funding varies among Virginia's public colleges and universities. But except for equipment, there are no good measures to determine whether an institution has adequate nonpersonal service funding to do its particular job.

CHART 6						
EDUCATIONAL AND GENERAL PROGRAMS						
NONPERSONAL SERVICES EXPENDITURES PER STUDENT (a)						
1995-96						
Institution	Contractual Services	Continuous Charges	Equipment	Supplies and Materials	Other	Total Nonpersonal
University of Virginia	1,655	1,113	743	134	--	3,645
Va. Commonwealth	741	688	492	104	490	2,515
William and Mary	970	361	663	134	78	2,206
Old Dominion	935	453	378	137	64	1,967
Virginia Tech	564	358	558	413	56	1,949
George Mason	642	373	392	220	7	1,634
Doctoral Average	912	580	540	214	108	2,354
Virginia State	1,090	475	767	190	185	2,707
Va. Military Institute	597	676	524	269	65	2,131
Clinch Valley	831	505	407	297	1	2,041
Mary Washington	127	567	270	231	326	1,521
Longwood	504	462	344	112	65	1,487
Christopher Newport	691	223	284	103	10	1,311
Norfolk State	329	310	269	141	11	1,060
James Madison	71	301	295	153	33	853
Radford	358	--	283	86	10	737
Comprehensive Average	391	290	339	148	61	1,229
Richard Bland	628	238	215	179	34	1,294
Va. Community Colleges	319	203	170	86	15	793
2-Year Average	323	204	171	88	16	800
Total Average	603	392	372	157	67	1,591
% of Total	9%	6%	5%	2%	1%	23%

(a) Excludes direct and indirect costs of medicine, dentistry, and veterinary medicine, and adjusted for estimated uncollected tuition and fee revenue.

As shown in Chart 6, there is great variation in the nonpersonal service expenditures per student among institutions. Old Dominion, Virginia Tech, and particularly George Mason are funded well below the average for doctoral institutions. Similarly, Norfolk State, James Madison, and Radford are funded at a much lower amount than the comprehensive college and university average. The funding per student for the community colleges also is very low compared to other institutions.

Council's Nonpersonal Service Budget Recommendations

The Council of Higher Education gave particular attention to technology and equipment, operating support for technology, and library materials in its 1996-98 budget recommendations. The effects of these recommendations on the estimated nonpersonal service expenditures per student for each institution are shown in Chart 7. It shows improvement for almost all institutions; but in a comparative sense, the same institutions appear to be under-funded in 1997-98 as in 1995-96. The Council's nonpersonal service budget recommendations should be funded for 1996-98 and more detailed study should be devoted to these apparent inadequacies.

CHART 7						
COUNCIL OF HIGHER EDUCATION RECOMMENDATIONS						
EDUCATIONAL AND GENERAL PROGRAMS						
NONPERSONAL SERVICE EXPENDITURES PER STUDENT (a)						
1997-98						
Institution	Contractual Services	Continuous Charges	Equipment	Supplies and Materials	Other	Total Nonpersonal Services
University of Virginia	1,728	1,338	817	138	--	4,021
Va. Commonwealth	781	813	545	106	501	2,746
William and Mary	1,000	480	757	135	79	2,451
Virginia Tech	575	553	583	402	54	2,167
Old Dominion	904	668	378	127	59	2,136
George Mason	660	655	409	205	7	1,936
Doctoral Average	931	779	576	208	110	2,605
Virginia State	963	464	705	167	163	2,462
Va. Military Institute	617	837	562	269	65	2,350
Clinch Valley	756	469	402	269	1	1,897
Mary Washington	131	600	291	222	313	1,557
Longwood	480	441	364	107	62	1,454
Christopher Newport	688	255	308	101	10	1,362
Norfolk State	326	318	277	138	11	1,070
James Madison	64	276	276	135	29	780
Radford	366	--	302	86	10	764
Comprehensive Average	372	296	341	140	58	1,206
Richard Bland	620	252	231	175	33	1,311
Va. Community Colleges	324	230	178	86	15	833
2-Year Average	327	230	178	88	16	839
Total Average	614	496	395	154	68	1,727
% of Total	8%	7%	5%	2%	1%	24%

(a) Excludes direct and indirect costs of medicine, dentistry, and veterinary medicine, and adjusted for estimated uncollected tuition and fee revenue.

### General Fund Support Variations Among Institutions

To this point, this study has addressed variations in total expenditures per student among institutions. The two principle sources of revenue for educational and general expenditures are tuition and fees and the state general fund. Like total spending, variations in the percentage of general fund support among institutions are appropriate.

Once the appropriate level of the expenditure for an institution is determined based on its particular mission, characteristics, and programs, it is necessary to determine how much of that total expenditure should be supported by tuition and fees and, as the reciprocal, the state general fund. Until the 1990s, this was determined by the respective number and proportion of in-state and out-of-state students at the institution. Virginia's policy is that out-of-state students pay at least 100 percent of the average cost of their educational and general program. This means that the more out-of-state students an institution has, the less support it receives from the state general fund. Since the range in the proportion of total students coming from out-of-state varies significantly among Virginia's public colleges and universities, the 100 percent out-of-state tuition and fee policy has significant influence on support from the state general fund.

In the late 1970s and the 1980s, the state's policy was that Virginians paid between 25 percent and 30 percent of the total educational and general cost. Students at the community colleges paid 20 percent of their cost. Sufficient general fund support made this policy possible until 1990. Today, Virginia students at senior institutions pay 37 percent of cost, on average, with Virginia students at some institutions paying as much as 44 percent of total cost. This has created inequities in the amount of general fund support institutions receive. It also creates inequities from the student's perspective. Virginia students at some institutions pay a higher proportion of the cost of their education than do students at other institutions. As discussed earlier, variations in expenditures among institutions are appropriate, but the state's policy before 1990 was that all Virginians paid tuition and fees that was the same proportion of the expenditure at every institution.

### Council's Tuition and Fee Recommendations

To begin to address not only high tuition and fee levels, but also inequities among institutions in the proportion of total cost paid by Virginia students, the Council of Higher Education recommended that tuition and fees for Virginia students not increase in the 1996-98 biennium and that additional state general fund support, particularly for some institutions, be provided to make this possible. The potential effect on the proportion of average cost borne by Virginia institution funding both the Council's recommendation for total expenditures in 1996-98 and its recommendation that in-state tuition not be increased is shown in Chart 8. As can be seen, the Council's recommendations have a positive effect on the proportion paid by students. As a result, institutions receive greater state general fund support.

CHART 8		
COUNCIL OF HIGHER EDUCATION RECOMMENDATIONS EDUCATIONAL AND GENERAL PROGRAMS IN-STATE TUITION AND FEES AS A PERCENT OF EXPENDITURE		
Institutions	1995-96 T&F % of Average Expenditure	Recommended 1997-98 T&F % of Average Expenditure
George Mason	40%	37%
Old Dominion	38	37
University of Va.	37	35
Va. Commonwealth	39	38
Virginia Tech	37	36
William and Mary	32	29
Doctoral Avg.	37	36
Christopher Newport	34	32
Clinch Valley	30	29
James Madison	34	35
Longwood	44	44
Mary Washington	41	40
Norfolk State	33	32
Radford	34	32
Va. Military Institute	40	38
Virginia State	29	31
Comprehensive Avg.	35	34
Richard Bland	36	35
Va. Community Colleges	33	31
Total	36%	34%

### Summary

The concerns expressed about state support for higher education appear to be rooted in inadequate funding and the inequities caused by across-the-board budget cuts required of institutions at a time when enrollment increased at selected institutions. Inequities appear to be most evident in nonpersonal services. The best way to correct inequities is to fund Virginia's colleges and universities adequately, and, in the process, to adjust the appropriations of institutions that are particularly disadvantaged.

APPENDIX

GENERAL ASSEMBLY OF VIRGINIA -- 1995 SESSION

HOUSE JOINT RESOLUTION NO. 519

*Requesting the State Council of Higher Education for Virginia to study the funding of the Commonwealth's public institutions of higher education.*

Agreed to by the House of Delegates, February 23, 1995

Agreed to by the Senate, February 21, 1995

WHEREAS, the Commonwealth's commitment to provide for the education of its citizens is evidenced in the quality of its system of higher education, comprised of 39 public and 40 private colleges and universities; and

WHEREAS, the multifaceted missions of these institutions embrace instruction, research, community service and outreach, and economic development; and

WHEREAS, as indicated by the Virginia Plan for Higher Education (1993), burgeoning enrollments, restructuring demands, and state budget constraints will significantly challenge these institutions as they seek to provide continued access to the highest quality education; and

WHEREAS, state funding for Virginia's institutions of higher education has traditionally been based upon consideration of a number of factors, including faculty, enrollments of full-time students, and curriculum offered by the particular institution; and

WHEREAS, pursuant to § 23-9.6:1 of the Code of Virginia, in preparing plans for a coordinated system of higher education, the State Council of Higher Education for Virginia ("SCHEV" or the "State Council") is to "consider the future needs for higher education in Virginia at both the undergraduate and the graduate levels, the mission, programs, facilities and location of each of the existing institutions of higher education," and, pursuant to § 23-9.9, is also directed to "develop policies, formulae and guidelines for the fair and equitable distribution and use of public funds among the public institutions of higher education, taking into account enrollment projections and recognizing differences as well as similarities in institutional missions"; and

WHEREAS, the missions of the public institutions reflect different characteristics, programmatic mixes, and strengths; and these differences cause (i) varying funding levels among the institutions, and (ii) institutions like George Mason University, Old Dominion University, and the Virginia Community College System having substantially increased enrollments without receiving additional state support over the past several years; and

WHEREAS, adequate and equitable funding for these institutions is essential to the continued success of their missions; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the State Council of Higher Education for Virginia be requested to study the funding of the Commonwealth's public institutions of higher education. In conducting its study, SCHEV shall consider, among other things, current funding levels and practices for doctoral, comprehensive, and two-year institutions in the Commonwealth and in other states; the individual missions of Virginia's institutions; recent institutional restructuring plans; and other issues as it deems appropriate.

All agencies of the Commonwealth shall provide assistance to the State Council, upon request.

The State Council shall report its findings to the Governor and the General Assembly by September 1, 1995, and shall complete its work in time to submit its findings and recommendations to the Governor and the 1996 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.





