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MEMORANDUM

TO: The Honorable Charles J. Colgan
Chairman, Senate Finance Committee

FROM: Peter Blake
Interim Director, State Council of Higher Education for Virginia

DATE: November 21, 2011

SUBJECT: SCHEV Recommendations Related to TJ21

The State Council of Higher Education for Virginia reviewed recommendations from the Higher Education Advisory Committee as outlined in the Virginia Higher Education Act of 2011 (TJ21). I am pleased to inform you that the State Council of Higher Education, at its November 14, 2011 meeting, passed the following resolution as required by TJ21:

WHEREAS, the Council notes that one of the distinguishing factors about the Virginia higher education system is its diversity of institutions and their missions and providing them with appropriate autonomy to achieve those missions; and

WHEREAS, in formulating recommendations for the Higher Education Opportunity Act (HEOA), the State Council of Higher Education for Virginia notes that much progress has been made under Restructuring and other innovative programs that provide a foundation upon which to implement the Higher Education Opportunity Act; and

WHEREAS, the Council is aware that an effort to build on that foundation must recognize that “one size does not fit all” and that our implementation of the Higher Education Opportunity Act should allow for that diversity; and

WHEREAS, the Council staff presented the “SENSE OF THE COUNCIL” to the Higher Education Advisory Committee in response to its recommendations at its meeting on November 7; and

WHEREAS, the Higher Education Advisory Committee made no further recommendations to the Council; therefore:

BE IT RESOLVED that the State Council of Higher Education for Virginia commends the Council of Presidents and the Higher Education Advisory Committee on its excellent work in meeting its duties under the Higher Education Opportunity Act. The Council accepts the recommendations of HEAC and recommends them with the enhancements

noted below to the Governor and the Chairs of the House Committees on Appropriations and Education and the Senate Committees on Finance and on Education and Health as required by § 23-38.87:20.B. of the Code of Virginia:

- **The Council supports an incentive for enrollment growth and has recommended amounts equal to its recommendations for the Tuition Assistance Grant program for the four-year institutions -- \$2,800 in year one and \$3,000 in year two. The Council also recommends \$1,800 in year one and \$2,000 in year two for the Virginia Community College System and Richard Bland College. The Council does not support the recommendation from the Higher Education Advisory Committee that “some degree-completion threshold be set” for institutions to receive funding for enrollment growth. The Council’s budget recommendations note that enrollment growth derives from three major events: “first time in college” students, transfer students, and retained students. Because all events contribute to the desired outcome – graduation – the Council’s budget recommendations do not include an eligibility requirement for the enrollment growth incentive.**

- **The Council supports the recommendation of the Higher Education Advisory Committee for criteria for determining which families qualify as “low-income” and “middle-income” for the provision of student financial assistance. The recommendation is that low income would fall below 200% of poverty and middle income would fall between 200% and 400% of poverty. The income limits associated with these amounts vary according to family size. The Council’s budget recommendations include an additional \$54 million for student financial aid for the next biennium. Approximately 24 percent of students receiving aid have a family income between \$50,000 and \$100,000 and, as such, the Council thinks funding for state financial aid has a direct impact on college affordability for thousands of middle-income Virginia families. The Council also recommends increases in the Expected Family Contribution cap for eligibility of the two-year transfer grant program, from \$8,000 to \$12,000. This change will allow families with incomes of more than \$60,000 to participate in the program.**

- **The Council supports the framework recommended by the Higher Education Advisory Committee for targeted economic and innovation incentive funding. It offers the following specific enhancements to the proposed funding model:**
 - **STEM-H: The Council supports the goal of increasing STEM-H graduates but recommends that policy makers review the emphasis placed on STEM-H and determine a balance that meets the needs of the Commonwealth between STEM-H and non-STEM-H programs and disciplines.**

- **Enrollment Growth:** HEAC has recommended an eligibility requirement that institutions must meet in order to receive funding for enrollment growth. The Council's budget recommendations do not include an eligibility requirement for the enrollment growth incentive.
 - **Degree Growth Incentive – Point System:** The Council recommends adding a point metric that recognizes improved performance in degree growth and improved performance of degree progression of under-represented students in addition to the volume of degrees.
 - **Degree Growth Incentive – Efficiency Factor/Revenues per Degree:** The Council recommends that the expenditures per degree metric be used as an interim measure as policy makers continue to analyze efficiency factors. The Council will develop an alternate set of peer institutions to be used in this year's calculation. The alternate set will be based on the statistical model used to determine salary peer groups and consist of an equal number of public peers unique to each Virginia institution.
 - **Degree Growth Incentive – Efficiency Factor/Graduation Rate:** The Council recommends changing the comparison of graduation rate to the salary peer group average. The emphasis should be on improvement of the institution's graduation rate over time.
- **The Council supports a funding model that includes additional general fund appropriations for the cost of education, enrollment growth, and targeted economic and innovation incentives. Because base funding is essential to the efficient and effective operations of all institutions, the Council recommends that it have priority over incentive funding. Assuming a 2:1 ratio of cost of education funding (or a 3:1 ratio of total operating budget), the Council budget recommendations would result in an incentive fund of approximately \$80 million for the biennium. These additional funds should become part of the base operating budgets of the institutions. The Council recommends that a single competitive funding pool be established for the 2012-14 biennium and be allocated to four-year institutions, Richard Bland College, and the Virginia Community College System based on an allocation methodology developed by the Council of Presidents with Council modifications.**
 - **The Council further recommends that, working with the Governor and the General Assembly, it should seek ways to incorporate elements of the incentive funding model into the cost of education funding model, i.e., degrees in addition to enrollment.**
 - **While the Higher Education Advisory Committee has made no recommendations on economic opportunity metrics outlined in the Higher Education Opportunity Act, the Council commends staff's efforts to develop a standard methodology and presentation format of earnings of graduates by**

program, one and five years post-completion. This is the first phase of a metric of economic opportunity and will provide information not only regarding earnings but also on the numbers of degree completers at all levels that remain within the state, and continuity of employment.

- **While the Higher Education Advisory Committee has made no recommendations on additional autonomy and reduced reporting, the Council has a long history of supporting efforts to improve efficiency and accountability.**
- **The Council supports the Higher Education Advisory Committee consensus on increased funding for the Tuition Assistance Grant program and including students attending private nonprofit institutions in a summer STEM-H internship grant program should such a program be established and funded. The Council also supports options to engage nonpublic institutions in addressing the goals set forth in the HEOA, such as providing incentives for additional STEM-H degrees.**

Please do not hesitate to contact me if you have any questions.

c: Ms. Betsey Daley, Staff Director, Senate Finance Committee
Ms. April Kees, Senate Finance Committee Staff