State Council of Higher Education for Virginia
Agenda Item

Item: TJ21 Committee Item #3 – Progress Report Since Enactment of TJ21 Legislation

Date of Meeting: May 18, 2015

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Most Recent Review/Action:
☒ No previous Council review/action
☐ Previous review/action
Date:
Action:

Background Information/Summary of Major Elements:

In April of 2011, the General Assembly approved Governor McDonnell's amendments and thereby enacted into law the "Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011," § 23-38.87:10 et seq. of the Code of Virginia ("Top Jobs Act," "TJ21," or the "Act"), which set the course for increased college degree attainment in the Commonwealth and reform, innovation and investment in Virginia's higher education system.

TJ21 took effect as law on July 1, 2011. One purpose of the legislation was to have the various components of the funding model and policies in place in time to be used by the Governor and the General Assembly to produce the 2012-14 biennial budget. To facilitate consensus at the state and institutional levels, the Act established a Higher Education Advisory Committee (HEAC) composed of cabinet level officials (Secretary of Education and Secretary of Finance), a representative from SCHEV, the House and Senate money committee staff directors, five public institution presidents, a representative from a private, nonprofit institution, and other designees as appointed by the Governor and the Advisory Committee. The Secretary of Education was designated to serve as the chair of the Advisory Committee.

TJ21 outlined several processes and expected outcomes. This included: (1) development of a four-part funding model; (2) establishment of a 6-year planning process for institutions; (3) formation of a revenue stabilization fund; and (4) expected outcomes as a result of the processes outline in items 1-3.

Summary accomplishments of the TJ21 legislation include:

- The establishment of degree goals and the importance of higher education to business and the state's economy.
- The heightened importance of the six-year planning process.
- Efficiencies that required the reallocation of two percent of institutional appropriations ($17 million in 2013 and $23 million in 2014) for TJ21 objectives.
- Re-investment in higher education after several years of state general fund budget reductions.
- A focus on keeping higher education affordable—the lowest tuition and fee increases in a decade followed the reinvestment in higher education mentioned above.

The remainder of the report provides an update of these processes and outcomes.

Funding Model

A four-part funding model was established based on the following language:

> §23-38.87:10.9. To establish a higher education funding framework and policy that promotes stable, predictable, equitable, and adequate funding, facilitates effective planning at the institutional and state levels, provides incentives for increased enrollment of Virginia students at public and private nonprofit colleges and universities in the Commonwealth, provides need-based financial aid for low-income and middle-income students and families, relieves the upward pressure on tuition associated with loss of state support due to economic downturns or other causes, and provides financial incentives to promote innovation and enhanced economic opportunity in furtherance of the objective of this chapter;

The following provides a background on the funding model and outcomes to date.

1) Basic Operations and Instructional Funding, § 23-38.87:13.

- Base Adequacy/Cost of Education Model to be based on student-faculty ratios by discipline, level and programmatic needs.
- Faculty Salary Peer Group-60th percentile salary goal of peer institutions.
- Fund Share Policy - § 23-38.87:13.C. State general funds shall be allocated and appropriated to institutions in a fair and equitable manner such that, to the extent practicable, the percentage of the cost of education for Virginia students enrolled at an institution to be funded from state general funds is the same for each institution. To the extent that the percentages differ among institutions, that fact shall be taken into account as the Governor deems appropriate in his budget bill and by the General Assembly as it deems appropriate in the appropriation act.

Outcome: Basic operations and instructional funding have been a consistently high priority for SCHEV. Between 2010 and 2014, general fund support for Educational and General (E&G) Programs across our public institutions increased by .1% on average (5.4% in 2013 and 3.3% in 2014). Over the same period, nongeneral fund support (primarily tuition revenue) increased 28.1% (11.3% in 2013 and 4.8% in 2014).

Overall, funding for E&G Programs increased by nearly 18% over the period from 2010 to 2014 (9.4% in 2013 and 4.3% in 2014). The average Base Adequacy/Cost of Education guideline attainment went from 89% in 2010 to 105% in 2014. Most of that increase can be attributed to the increases in nongeneral fund—or tuition support. Over the period, there was one faculty salary increase—a 3% across-the-board increase that was not part of the Governor's introduced budget—but was a General Assembly initiative.

2) Per Student Enrollment-Based Funding, § 23-38.87:14.

- Guidance from the Secretary of Education, Spring 2011: The four-part funding model adopted in TJ21 includes a per-student enrollment growth funding component that is intended to incentivize institutions to grow their Virginia resident undergraduate enrollment in support of the Act's 100,000 degree attainment goal. This incentive will provide incremental funding for enrollment above the levels included in the calculation of base operational and instructional funding. The amount is intended to correspond to the Tuition Assistance Grant ("TAG") grant level (for four-year institutions), so that the same amount of additional state funding will follow the student to the public or private non-profit institution of their choice.

  Outcome: While such proposals were recommended by SCHEV and consistently included in the Governor's introduced budgets between 2012 and 2014, they were never funded by the General Assembly.

3) Need-Based Financial Aid, § 23-38.87:15.

- Each institution shall include in its six-year plan required by § 23-38.87:17 an institutional student financial aid commitment that, in conjunction with general funds appropriated for that purpose, provides assistance to students from both low-income and middle-income families. Each institution's six-year plan required by § 23-38.87:17 shall take into account the information and recommendations resulting from the review of federal and state financial aid programs and institutional practices conducted pursuant to subdivisions B 2 and C 1 of § 23-38.87:20. The definitions of "low-income family" and "middle-income family" shall be developed and reviewed pursuant to subdivision B 2 of § 23-38.87:20.

  Outcome: Need-based financial aid has been a consistently high priority for SCHEV. Overall, general fund support for student financial aid increased from $145.6 million in 2010 to $177.5 million in 2014, or nearly 22% (5.3% in 2013 and 6.2% in 2014).

4) Targeted Economic and Innovation Incentives, § 23-38.87:16.

- The Governor shall consider and may recommend and the General Assembly shall consider and may fund targeted economic and innovation incentives to achieve the purposes of this chapter. Such incentives may include, but are not limited to:
  (1) Increased enrollment of Virginia students, in addition to the per-student funding provided by § 23-38.87:14;
  (2) Increased degree completion for Virginia residents who have partial credit completion for a degree;
  (3) Increased degree completion in a timely or expedited manner;
  (4) Improved retention and graduation rates;
  (5) Increased degree production in the areas of science, technology, engineering, and mathematics and other high-need areas such as the health care-related professions; (STEM-H)
  (6) Increased research, including regional and public-private collaboration;
  (7) Optimal year-round utilization of resources and other efficiency reforms designed to reduce total institutional cost;
  (8) Technology-enhanced instruction, including course redesign, online instruction, and resource sharing among institutions;
  (9) Enhanced community college transfer programs and grants and other enhanced degree path programs; and
  (10) Other incentives based on the economic opportunity metrics developed Pursuant to subdivision B 4 of § 23-38.87:20.

  Outcome: The Council supported the framework recommended by HEAC for targeted economic and innovation incentive funding. In particular, the Council recommended adding a point metric that recognized improved performance in degree growth and improved performance of degree progression of under-represented students in addition to the volume of degrees. However, the Council supported a funding model that includes additional general fund appropriations for the cost of base adequacy/cost of education, enrollment growth and targeted economic and innovation incentives. Because base funding was essential to the efficient and effective operations of all institutions, the Council recommended that it have priority over incentive funding.

  The General Assembly has not funded targeted economic and innovative incentives in the exact way proposed by either SCHEV or the Governor. However, increased base budget funding was provided that included common themes such as increased enrollment of Virginia students (new seats), improved retention and degree completion, operation and maintenance of new space coming online, year-round use of facilities, and increased numbers of transfer students.

Institutional Six-Year Plans

§ 23-38.87:17.

A. The governing board of each public institution of higher education shall develop and adopt biennially and amend or affirm annually a six-year plan for the institution and shall submit that plan to the Council, the Governor, and the Chairs of the House Committee on Appropriations and the Senate Committee on Finance no later than July 1 of each odd-numbered year, and shall submit amendments to or an affirmation of that plan no later than July 1 of each even-numbered year or at any other time permitted by the Governor or General Assembly.

B. The Secretary of Finance, Secretary of Education, Director of the Department of Planning and Budget, Executive Director of the Council, Staff Director of the House Committee on Appropriations, and Staff Director of the Senate Committee on Finance, or their designees, shall review each institution's plan or amendments and provide comments to the institution on that plan by September 1 of the relevant year. Each institution shall respond to any such comments by October 1 of that year.

C. Each plan shall be structured in accordance with, and be consistent with, the purposes of this chapter set forth in § 23-38.87:10 and the criteria developed pursuant to § 23-38.87:20, and shall be in a form and manner prescribed by the Council, in consultation with the Secretary of Finance, Secretary of Education, Director of the Department of Planning and Budget, Executive Director of the Council, Staff Director of the House Committee on Appropriations, and Staff Director of the Senate Committee on Finance, or their designees.

D. Each plan shall address the institution's academic, financial, and enrollment plans, to include the number of Virginia and out-of-state students, for the six-year period.

Outcome: While the six-year plans began as part of the Restructuring Act of 2005, the creation of a high-level workgroup composed of six Richmond-based representatives (Secretary of Finance, Secretary of Education, Director of the Department of Planning and Budget, the Director of SCHEV, and the Staff Directors of the House and Senate money committees) gave the plans a heightened sense of importance and value within the planning and budget process. Individual institutional meetings are typically scheduled for the July – August timeframe in the odd numbered years leading up to the major budget session of the General Assembly.

Higher Education Revenue Stabilization/“Rainy Day” Fund

The following language appeared near the end of the TJ21 legislation as enactment clause 4 (Be it enacted by the General Assembly of Virginia): That the Higher Education Advisory Committee created in § 28-38.87:21 of this act, in consultation with and with the assistance from the staff of the State Council of Higher Education, shall review developing a Higher Education Revenue Stabilization Fund and a Higher Education Institutional Revenue Stabilization Fund. The Advisory Committee shall submit its recommendations to the Governor, the Chairman of the House Appropriations Committee, and the Chairman of the Senate Finance Committee.

Further, guidance from the Secretary of Education, Spring 2011 stated: “In consultation with the directors of the legislative money committees, the Council, and the Virginia Business Higher Education Council, we intend to expedite development of recommendations regarding a legally and practically viable mechanism for establishing an additional reserve fund that is designated for higher education as envisioned in TJ21. We expect to provide our recommendations to the Advisory Committee as soon as practicable, but not later than September 1, 2011. The Advisory Committee is encouraged to provide its recommendations to the Governor, including a proposed legislative language, by October 1, 2011."

Outcome: The recommendations described in the TJ21 legislation and in the guidance from the Secretary of Education were not made and no such Higher Education Revenue Stabilization Fund exists today.

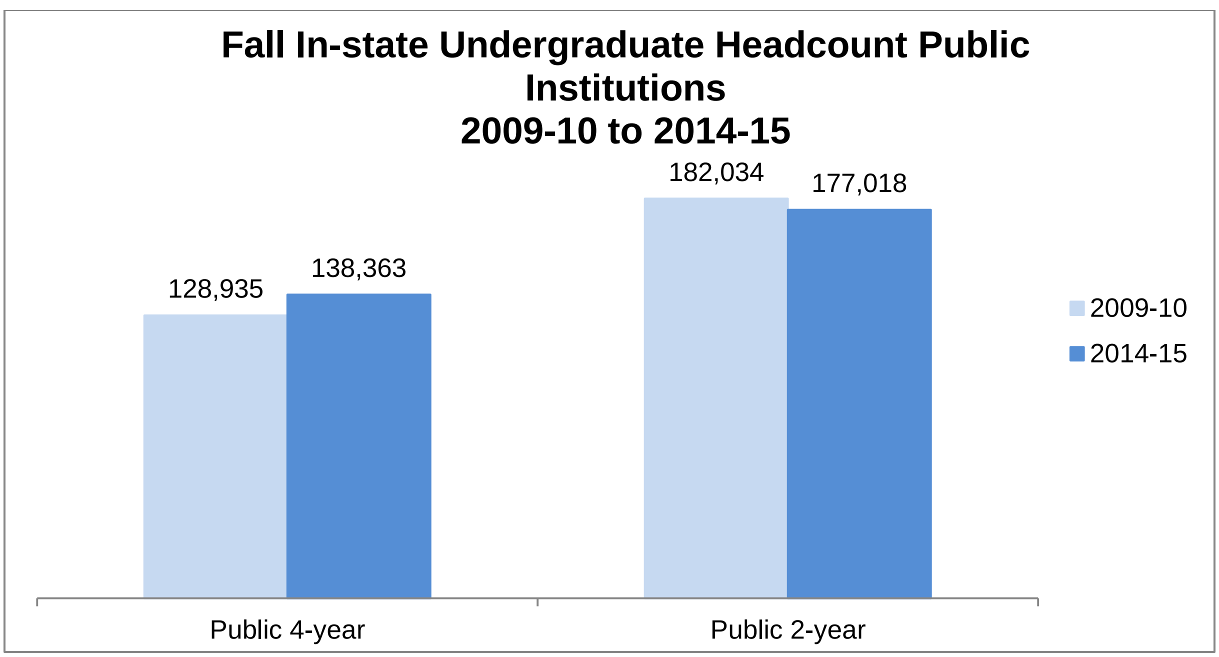
Expected Outcomes

The act outlined in the targeted economic incentives, several outcome areas that were expected to improve. While the incentives were not funded, funding targeted towards base adequacy was expected to increase outcomes in several areas including: enrollments, degrees, STEM-H production and research. The following is a brief summary of changes since TJ21 passed.

Enrollments

Fall in-state undergraduate headcount at 4-year institutions increased by 9,400 from 2009-10 to 2014-15. Nearly all institutions increased in headcounts, with the largest growth (more than a 1,000 in the five-year time period) include: George Mason, James Madison, Old Dominion, and Radford. Two-year institutions net headcount declined by over 4,900 in the same time period.

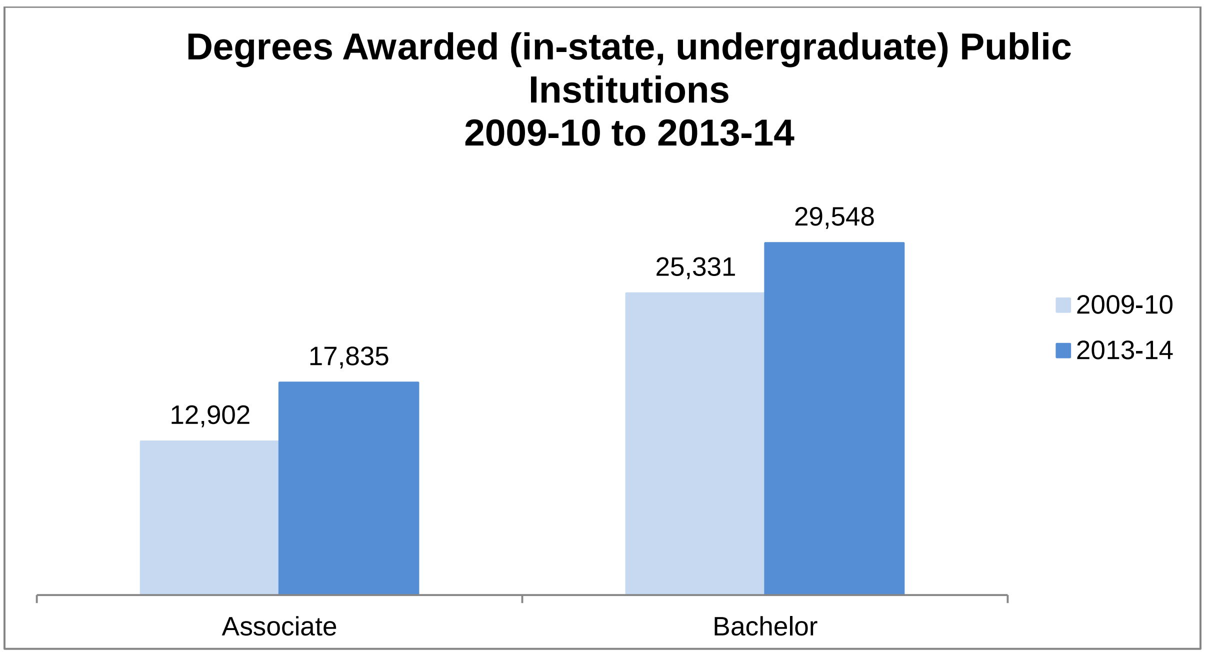
Average growth in headcount was 1.4% over for four-year institutions and -.4% for two-year institutions. The decline at two-year institutions occurred at nearly all institutions with the exception of colleges in metropolitan areas.



Degrees and STEM-H

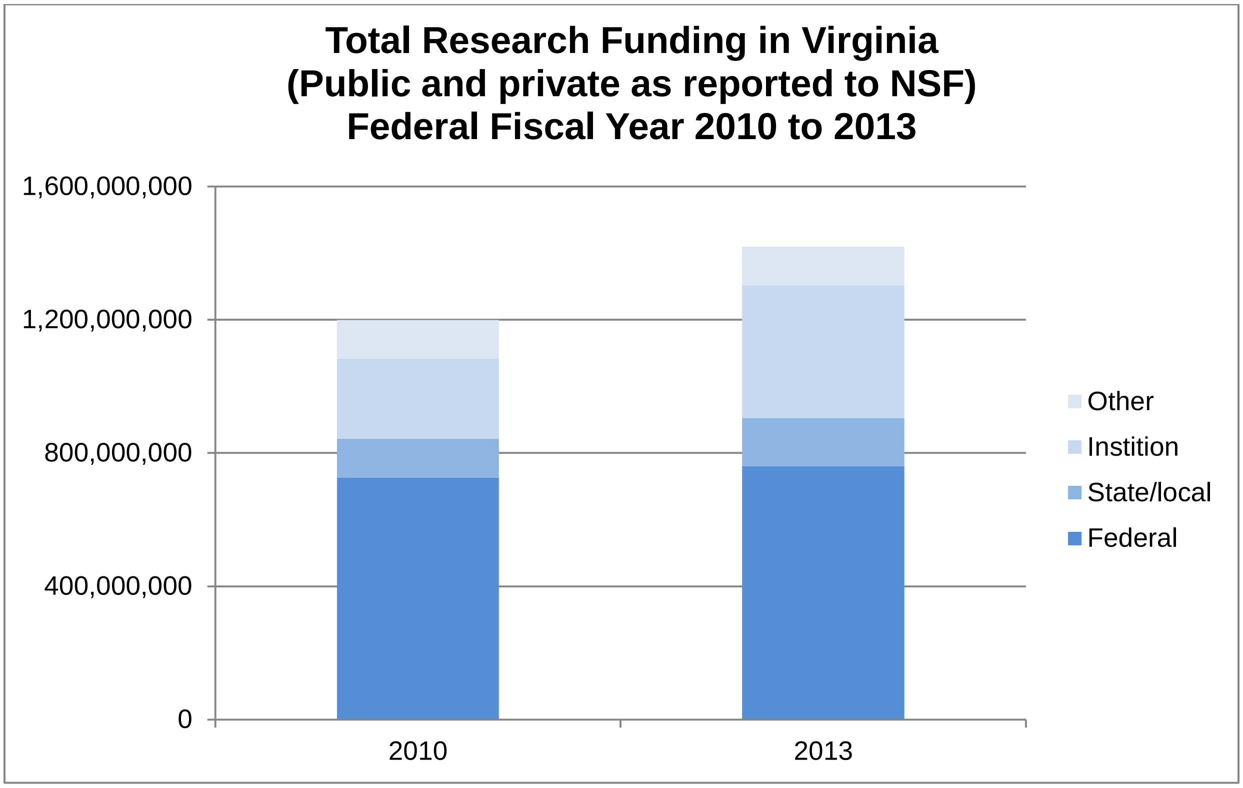
While overall degree awards grew from 2009-10, the average growth rate has slowed in the last few years as highlighted in the January 2014 Council report on in-state undergraduate degree completions. Virginia still is likely to achieve the 100,000 degree goal by 2025 set by TJ21, but average annual increases will need to improve. In addition, private non-profit institutions produced the highest number of degrees in 2013-14 (6,905). While these figures were below the degree estimate of 7,796 needed to align with estimates for their 100,000 degree, high growth in prior years offset this the degree figures for 2013-14.

TJ21 also emphasized increases in STEM-H fields. The proportion of STEM-H degrees also increased four percentage points from 37% (14,968) of total undergraduate degrees (associates and bachelors) awarded in 2009-10 to 40% of degrees in 2013-14 (20,102).



Research

Research in Virginia continued to grow from federal fiscal year 2010 to 2013 from $1.19m to $1.42m as reported by institutions for the National Science Foundation (NSF). In addition, Virginia's share as a percent of total US research funding also increased from 1.19% to 2.12%. Federal and state/local funding increased slightly while the largest increase was in institutional funding.



<u>Materials Provided</u>:

<u>Financial Impact</u>: N/A

<u>Timetable for Further Review/Action</u>: N/A

<u>Resolution</u>: N/A