

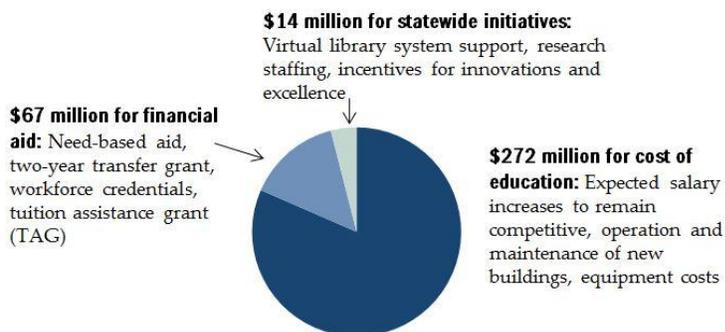
Higher Education Operating and Financial Aid Budget Recommendations for 2018-2020

The State Council of Higher Education, in its coordinating role of higher education in Virginia, annually provides budget recommendations to the governor and General Assembly. The recommendations were developed based on five principles to ensure they: (1) are aligned with The Virginia Plan for Higher Education, notably affordable access, student success and economic and cultural prosperity; (2) seek more stable and predictable funding, with the expectation that students and families will find an affordable college education; (3) incentivize efficient delivery of high-quality education; (4) are measured in light of state revenue estimates and demands for reserves; (5) reaffirm the Council's support for institutional autonomy within a framework of accountability and transparency. If these recommended levels are met, students and parents will continue to see lower than average increases in tuition and fees.

\$352 million in additional funding recommended, including 69% from the state general fund to support lower tuition and fees and maintain quality.

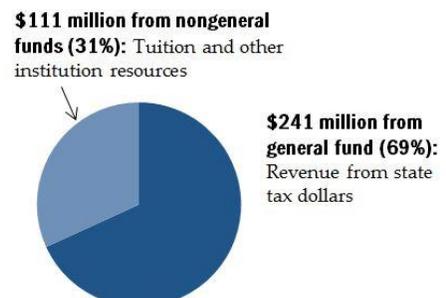
The recommendations include funding from two sources: the state general fund (tax dollars) and nongeneral funds such as tuition and other institutional resources. This amount represents a general-fund increase of 3.5% for FY 2019 and 7.9% in FY 2020 to make progress on state funding goals. Below is a brief summary of the recommendations:

Proposed allocation of \$352 million in additional funding



Figures do not total exactly due to rounding.

Source of funding: 69% from general fund



Cost of education (educational & general): \$272 million (\$163 million from state general fund)

- \$44 million to support four institutions that are operating below the state's estimates for basic operations and instructional needs (Old Dominion, Virginia Military Institute, Richard Bland and Eastern Virginia Medical School).
- \$172 million in pay increases to improve faculty recruitment and retention to maintain quality of education and meet growth in high-demand programs. Virginia faculty pay ranks in the 34th percentile compared to its peers nationally; some are as low as the 20th percentile.
- \$26 million to support maintenance of new buildings.
- \$16 million in debt service to support \$207 million for institutional and research equipment.
- \$15 million to support student access, success and completion, particularly among first-generation or other nontraditional students.

Financial Aid: \$67 million (all from state general fund)

- \$55 million to address the growing gap in financial need among students and mitigate cost increases for those with limited ability to pay.
- \$12 million to support other aid programs including the two-year college transfer grant, workforce credentials and tuition assistance for students attending private four-year nonprofit colleges in Virginia.

Statewide initiatives: \$14 million (\$12 million from state general fund)

- \$10 million in financial benefits earned by institutions. Institutions that meet performance benchmarks agreed by the state would receive interest earned on tuition and fees collected and rebates from credit card purchases. Currently, these funds are held by the state due to recent budget reductions.
- \$4 million in other funds including incentive grants to support innovations, staff support for statewide research investment and the Virginia Library consortium (VIVA) to grow open-source resources to reduce textbook costs.

Policy considerations in support of more sustainable and efficient funding

Virginia's system of higher education is among the nation's strongest. Lack of stability and predictability in state funding, however, place the system at risk. SCHEV has identified eight policy options to allow for more efficient use of funding that leads to more predictability in tuition and fees for students and parents. Some examples include:

- Authorizing institutions explicitly to retain annual balances in a reserve fund.
- Expanding out-of-state enrollments to increase revenues and support the system.
- Reducing increases in non-education related mandatory fees, such as athletics, transportation and student life, from the current cap of 5% to 3% or less annually.