

# AGENDA BOOK

**October 20-21, 2008**

**Location:**  
SCHEV Offices  
Richmond, VA



State Council of  
Higher Education for Virginia

**STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA**

**Discussion and Meeting Agendas**

SCHEV Offices  
Main Conference Room  
Richmond, Virginia

**Monday, October 20, 2008**

**Restructuring Task Force Meeting**  
(all members are invited to attend)

**1:00 p.m.**

**Discussion Agenda**

**3:00 p.m.**

1. Call to Order and Announcements 3:00 p.m.
2. Discussion Topic:  
*Review of a Report from the Ad Hoc Affordability Committee*
3. Adjournment 5:00 p.m.

*(Council dinner to follow meeting – 6:00 p.m.)*

# STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA

## Meeting Agenda

*Note: Some items may be addressed upon adjournment of the October 20, 2008, meeting*

SCHEV Offices  
Main Conference Room  
Richmond, Virginia

**Tuesday, October 21, 2008**  
**9:00 a.m.**

1. Call to Order and Announcements 9:00 a.m.
2. Public Comment Period
3. Approval of Minutes (September 9, 2008) 9:00 a.m.  
Executive Committee [Page E1](#)  
Council Minutes [Page 1](#)
4. Remarks by Dr. Richard R. Shurtz 9:05 a.m.  
President and CEO of Stratford University
5. Executive Director's Report 9:30 a.m.
6. Briefings and Discussion: 9:45 a.m.
  - a. Report from Ad Hoc Affordability Committee
7. Action Items: 10:45 a.m.
  - a. Action on the Review of Eastern Virginia Medical School [Page 11](#)
  - b. Action on 2008-10 Systemwide Budget Amendment Items:
    1. Base Adequacy [Page 13](#)
    2. Faculty Salaries [Page 16](#)
    3. Operation and Maintenance of New Facilities Coming Online [Page 19](#)
    4. Undergraduate and Graduate Student Financial Aid [Page 24](#)
    5. Private Institutions and the State's Nursing Shortage [Page 35](#)
    6. Maintenance Reserve [Page 40](#)
  - c. Action on Institutional Performance Standards Targets [Page 43](#)
  - d. Action on Recommendations from the Restructuring Task Force [Page 44](#)

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|---|------------|---------|
| 8. <b>CONSENT AGENDA:</b>   | 11:45 a.m. |         |
| a. Action on Private and Out-of-State Postsecondary<br>Education Institutions |            | Page 50 |
| 9. Items Delegated to Staff   | 11:50 a.m. | Page 56 |
| 10. New Business  | 11:55 a.m. |         |
| 11. Adjournment   | 12:00 p.m. |         |

NOTE: All meeting times are approximate and may vary slightly.

**NOTE:**

Materials contained in this Agenda Book are in draft form and intended for consideration by the Council at its meeting (dated above), and may not reflect final Council action. For a final version of any item contained in these materials, please visit the Council's website at [www.schev.edu](http://www.schev.edu) or contact Lee Ann Rung at [LeeAnnRung@schev.edu](mailto:LeeAnnRung@schev.edu)

**STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA  
EXECUTIVE COMMITTEE MEETING  
SEPTEMBER 9, 2008  
MINUTES NO. 525**

Mr. Clement called the meeting of the Executive Committee to order at 8:10 a.m. in the SCHEV main conference room, Richmond, Virginia. Council members present: Bob Ashby, Whittington Clement, Eva Hardy, Christine Milliken, and Alan Wurtzel. Staff members present: Lee Andes, Ellie Boyd, Tom Daley, Joe DeFilippo, Alan Edwards, Dan Hix, Daniel LaVista, Tod Massa, Kirsten Nelson, and Lee Ann Rung. Jake Belue from the Office of the Attorney General was also present.

**APPROVAL OF MINUTES**

The Executive Committee minutes from the July 8, 2008 meeting were approved as submitted.

**UPDATE ON SCHEV BUDGET**

Ms. Boyd reviewed the FY2009 Total Appropriation and Actual Expenditures for the period ending July 31, 2008. Mr. Daley informed the Council that all state agencies have been advised to submit budget reductions at 5%, 10%, and 15% and have been instructed not to spend any discretionary funds until further notice from the Governor's office.

**DISCUSSION OF BUDGET AMENDMENTS FOR 2008-10 BIENNIUM IN SCHEV'S BUDGET**

Dr. LaVista distributed information about the current request for an additional position for financial aid administration. Mr. Andes informed the Council that while this may not seem to be an opportune time to request funds to support a new position, this position is needed to support the administration of an increasing number of programs that have been directed to SCHEV by the General Assembly. As more money is spent on financial aid, there becomes a greater need to strengthen the programs, which cannot be accomplished without additional staff. The additional programs that have been directed to staff are well beyond the capacity of the current SCHEV staff.

Ms. Milliken inquired whether the new Higher Education Act will affect the financial aid office and Ms. Andes indicated that it will have an impact, but it could take a year to determine the ways in which it will be affected.

It was suggested that a bullet be added to the request stating that federal legislation may provide an additional opportunity for Virginia to receive funds. It was also suggested that a note be added indicating that compared to other states, SCHEV has a small financial aid staff. Emphasis should also be placed on the fact that during difficult budget times, a greater amount of work is placed on financial aid offices.

## **DISCUSSION OF 2008-10 SYSTEMWIDE OPERATIONS BUDGET AMENDMENT ITEMS**

Mr. Clement indicated that while this item will be discussed by the full Council, he wanted to have a preliminary discussion about the current fiscal reality and how it affects what should be submitted to the Governor and General Assembly.

Dr. LaVista said that after the July Council meeting, he and Mr. Clement and Mr. Hix met with Secretary Morris to get a sense of how to better align SCHEV's budget recommendations with the Governor's higher education budget. Talking points in that meeting were taken directly from the one-page document that Mr. Hix distributed to members. The document was an overview of budget amendments for systemwide items. Dr. LaVista informed the Council that this list was also reviewed with the presidents and chancellors at the last General and Professional Advisory Committee (GPAC) meeting.

While he did not make promises about funding, Secretary Morris said that the Governor shared this list of priorities—particularly the Base Adequacy funding guidelines and student financial aid. Dr. LaVista also indicated that Secretary Morris did not voice support for any new initiatives.

There was some discussion on striking a balance between recommending what is needed to fund higher education while maintaining credibility with the Governor and General Assembly during tight economic times.

Mr. Clement expressed a desire to be in sync with the Governor's initiatives while recognizing the current climate.

Ms. Hardy said the legislature expects the Council to also look at reductions where needed and she felt the Council should prioritize the list. She felt that affordability and financial aid are the most important issues to be put forward.

Ms. Milliken said the Council should always put forth a dollar amount of what is needed to fund certain initiatives to serve as a reminder of what the Commonwealth should be working toward. She felt that financial aid should be this year's emphasis. She felt taxpayer dollars would best be spent to increase the number of actual Virginia consumers that could take advantage of financial aid. Dr. LaVista informed the Council that he will be airing the graduate financial aid issue with presidents, chancellors, and finance officers.

Mr. Wurtzel said the Council should decide on its philosophy. He suggested that the Council adopt a short-term versus long-term objectives approach, recognizing the current financial environment.

Dr. LaVista informed the Council that at the request of the Council of Independent Colleges in Virginia (CICV), a new resolution will be brought forward to the Council to increase the TAG appropriation to allow the state to continue the current level of funding (maximum award amount) per student. Staff is in agreement with CICV's position.

The meeting was adjourned at 8:45 a.m.

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Whittington Clement  
Chairman

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Lee Ann Rung  
Council Secretary

**STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA  
COUNCIL MEETING  
SEPTEMBER 9, 2008  
MINUTES NO. 526**

Mr. Clement called the Council meeting to order at 9:00 a.m. in the SCHEV main conference room, Richmond, Virginia. Council members present: Bob Ashby, Gilbert Bland, Whittington Clement, Mimi Elrod, Eva Hardy, Margaret Lewis, Christine Milliken, and Alan Wurtzel. Staff members present: Lee Andes, Tom Daley, Joe DeFilippo, Alan Edwards, Dan Hix, Daniel LaVista, Tod Massa, Kirsten Nelson, and Lee Ann Rung. Jake Belue from the Office of the Attorney General was also present.

**PUBLIC COMMENT PERIOD**

No requests for public comment were received.

**APPROVAL OF MINUTES**

Dr. Elrod requested a change to the minutes from the July 8, 2008 meeting. She requested a change to the first sentence of the second paragraph of General Peay's remarks. The sentence should be changed to read, "General Peay also expressed concern about the major challenges faced by VMI..." Mr. Wurtzel moved the amendment and the minutes were unanimously approved as amended.

**REMARKS BY PRESIDENT REVELEY**

Mr. Clement introduced W. Taylor Reveley, III, the newly appointed President of the College of William and Mary (CWM). While the agenda erroneously listed Mr. Reveley as "Acting" president, Mr. Clement congratulated him on his recent appointment as President and read a portion of his biography.

Mr. Reveley indicated that with the exception of a few extremes on both sides of the recent issues, the college is alive and well and moving forward vigorously and appears to be over the difficult period that began two years ago.

He discussed the three challenges that CWM will be facing this year, i.e., planning, state funding, and CWM's identity.

Mr. Reveley complimented SCHEV for its practical wisdom and commitment to higher education, and for its effective staff. He provided the following suggestions for the Council to consider:

1. Provide a true comparison of how Virginia ranks with other states in the areas of operating, capital, and other appropriate areas.

2. Raise the question of why Virginia's support for higher education is at the level it is and what accounts for that level of support.
3. Realize that state funding alone will never be enough for Virginia to hold its own nationally and internationally. It would be helpful for SCHEV to support allowing colleges and universities to take care of themselves as best they can by allowing them to choose the ways in which they explore appropriate levels of funding.

Mr. Reveley answered questions from Council members and was thanked for his comments. He reiterated his feelings that SCHEV plays a crucial role in Virginia's higher education system.

## **EXECUTIVE DIRECTOR'S REPORT**

Dr. LaVista reminded the Council that the briefing discussion on October 20 will be to expand on outcomes emerging from the Affordability subcommittee.

Dr. LaVista reported that the agency recently received notification that Virginia is a recipient of a \$1 million grant in the federal college access challenge grant program. The program was created by Congress in 2007 and the first disbursements are being made this fall. The grant assists states in providing information and services to students to help in the transition from secondary to postsecondary education and/or careers, with a priority to students whose family is below the poverty line. It is designed to help promote college preparation, financing, admission, and attendance. He indicated that staff is grateful to Governor Kaine for selecting SCHEV as the lead agency to administer the program. Implementation will be a cooperative effort among many partner agencies as well as within SCHEV. Dr. LaVista indicated that Dr. Monica Osei will serve as the grant administrator and deserves much of the credit for the successful grant application. Other SCHEV staff involved in the grant are Kathleen Kincheloe, Kirsten Nelson, Lee Andes, and Linda Woodley. The Council will be kept informed of the progress of the grant.

## **BRIEFINGS AND DISCUSSION**

### **Academic Affairs Update**

Outstanding Faculty Awards (OFA) - Dr. DeFilippo reported that the OFA process is underway for 2008-09. Peer review panels are set and nominations are due by mid-October. As the process moves forward, the panel will monitor participation by smaller institutions in an effort to promote enhanced participation.

Cultural Competency - Academic Affairs staff assisted in conducting a survey of cultural competency programs as requested by the legislature. A draft report will be submitted to the General Assembly in early October and will be available to the Council within the next few weeks.

Program Viability – Institutions are reviewing initial data; the process will begin formally October 1. Next stages include submission of the institutions' requests for exemptions and a full review of programs not exempted. Staff will report to the Council in January and a final report on recommendations for closure will be provided in March 2009.

Program approval process – Current guidelines have been in place since 2002 and staff recognize the need to update them. Institutions have been invited to a meeting in October to provide feedback about the guidelines and the approval process. Staff will bring the revised guidelines and recommendations for changes to the Council in January.

#### Report from Ad Hoc Affordability Committee

Mr. Clement provided background information and an update on the work of the committee. The committee members were thanked for their participation. Mr. Wurtzel, Ms. Milliken, Mr. Bland, Dr. Ashby and Dr. Elrod met a number of times since March to review recommendations of the panelists who provided information to the Council at its briefing in January 2008, including what is being done in other states. Affordability will be the topic for discussion at the October briefing session. Mr. Wurtzel said he would like to work to promote some of the successful partnerships in the state, expanding on what has worked well.

#### Discussion of 2008-10 Systemwide Operating Budget Amendment Items

#### **Base Adequacy**

Mr. Hix distributed an updated summary of base adequacy funding guidelines and reviewed last year's recommendations. He stated that the methodology described in the Council's 2007 report to the Governor and General Assembly, "SCHEV Review of Base Adequacy Funding Guideline Methodologies and Processes," was used in this latest application of the guidelines. A revised Table 1 was included in the distributed materials showing the detail for every institution. Final information, including the use of 2007-08 actual enrollment to drive the guidelines, will be brought to the Council in October.

#### **Faculty Salaries**

Mr. Hix briefly reviewed the chart showing the summary of additional faculty salary increases and funding needs in 2009-10 in order to reach the 60<sup>th</sup> percentile by FY2012.

#### **Operation and Maintenance of New Facilities Coming Online**

Because the state is not fully funded with regard to base adequacy, this item continues to be included as a separate item.

#### **Undergraduate and Graduate Student Financial Aid**

Three options were provided for the Council to consider. It was mentioned that it would be useful for members to have a real life explanation of the best option in order to get a true picture of what is needed as well as the gap that exists after the model is applied.

### **Private Institutions and the State's Nursing Shortage**

Mr. Hix reminded the Council of its recommendation for a 10% salary increase to nursing faculty at private institutions, which was neither included in the Governor's introduced budget for 2008-10 nor in the final actions of the 2008 General Assembly. Mr. Clement informed the Council that a Joint Legislative Subcommittee, established as part of House Joint Resolution No. 91 that was passed in the 2008 legislative session, is currently charged with "examining the ability of private colleges to provide the technology, equipment, and facilities necessary to serve Virginia students." This examination should provide an opportunity to address issues related to the state's nursing shortage.

### **Maintenance Reserve**

Mr. Hix briefly reviewed the SCHEV adjusted 2008-10 maintenance reserve recommendation calculation.

As a follow up to the discussion at the Executive Committee, for the October meeting, Mr. Wurtzel suggested that the Council adopt a short-term versus long-term objectives approach, recognizing the current financial environment. Since the amount of budget reductions is unknown, it was decided to postpone the discussion of prioritizing budget items.

Ms. Milliken asked if the cost of maintenance of a building over time could be included in the bond issue. Mr. Daley said that \$150 million of the maintenance reserve appropriation for the 2008-10 biennium is debt financed. Bill Echelberger, Legislative Analyst for the Senate Finance Committee staff indicated that constitutionally it would be possible to establish debt financed sinking funds to provide for ongoing building maintenance but the General Assembly has not employed this technique.

### **ACTION ITEMS**

#### *Programs at Public Institutions*

Dr. DeFilippo provided information about the program at George Mason University. Mr. Clement asked if requests are ever submitted indicating that new funding would be required and if so, how are these requests handled. Dr. DeFilippo indicated that the institutions must sign a statement on the program approval request that indicates that funding is not being requested from the General Assembly. On motion by Ms.

Hardy and seconded by Dr. Ashby, the following resolution was unanimously approved by the Council:

**BE IT RESOLVED that the State Council of Higher Education for Virginia grants approval to George Mason University to initiate a Doctor of Philosophy (Ph.D.) degree program in Systems Engineering and Operations Research (CIP: 14.2701), effective spring 2009.**

*New Public Participation Guidelines*

Dr. DeFilippo informed the Council that these guidelines pertain primarily to the public at large and private and out-of-state postsecondary institutions, not public higher education institutions. On motion by Ms. Hardy and seconded by Ms. Lewis, the following resolution was unanimously approved by the Council:

**BE IT RESOLVED that the State Council of Higher Education for Virginia adopts the proposed regulations pertaining to the public participation guidance developed by the Virginia Department of Planning and Budget, and delegates to the Executive Director the authority to approve any further revisions that may be necessary to satisfy the provisions of the *Administrative Process Act*.**

*Recognition of Departing Council Member*

Mr. Clement indicated that this resolution recognizes Helen Dragas for her service on the Council. Ms. Dragas resigned due to her appointment by the Governor to the Board of Visitors at the University of Virginia. On motion by Dr. Ashby and seconded by Mr. Wurtzel, the following resolution was unanimously approved by the Council. Staff was asked to frame the resolution and send it to Ms. Dragas:

**WHEREAS**, Helen Dragas ably served as a member of the State Council of Higher Education for Virginia from 2006 to 2008 and as a member of the Outreach Committee, Resources Committee, and the Executive Committee; and

**WHEREAS**, her willingness and aptitude to serve as an expert Resources Committee consultant greatly assisted staff in setting agendas and determining priorities; and

**WHEREAS**, Ms. Dragas' common sense leadership and rational demeanor served the Council well in making public policy and budget recommendations to the Governor and General Assembly; and

**WHEREAS**, Ms. Dragas conducted herself and the Council's business with a sense of stewardship and understated resolve, and an inspiring desire to ensure that Virginia's colleges and universities maintain the highest standards of excellence in higher education; and

**WHEREAS**, Ms. Dragas has always displayed a thoughtful and fair approach in her advocacy for making Virginia's outstanding system of public and private colleges and universities even better; and

**WHEREAS**, Ms. Dragas remains a trusted friend and a valued advisor as she continues her commitment of service to the Commonwealth; now therefore be it

**RESOLVED**, that the State Council of Higher Education for Virginia extends its sincere gratitude and appreciation to **Helen E. Dragas** for her commitment, distinguished service, and many contributions to advancing Virginia through higher education, and extends to her best wishes for continued success in all future endeavors.

*Budget Amendments for 2008-10 Biennium in SCHEV's Budget*

Mr. Hix reported that this is being brought to the Council to reference the long-term goal and the pass-through money needs prior to the October meeting.

**Tuition Assistance Grant (TAG)**

Mr. Andes explained the funding proposal and answered questions from members. It was suggested that the resolution be changed to state "based on current enrollment." On motion by Dr. Ashby and seconded by Ms. Hardy, the following revised resolution was unanimously approved by the Council:

**BE IT RESOLVED** that the State Council of Higher Education for Virginia affirms its commitment to increase the undergraduate and graduate maximum annual award for the Tuition Assistance Grant (TAG) program to \$3,500 and ultimately \$3,700 as originally recommended for the 2008-10 biennium, but also recognizes the Commonwealth's current financial constraints and therefore strongly recommends that funding be increased to, at the minimum, fully support the current maximum award of \$3,200 for a projected 21,500 students in FY09 and 21,800 in FY10 by increasing TAG funding by \$2,255,200 for FY09 and \$2,867,266 in FY10 for totals of \$62,281,133 and \$62,999,199 respectively.

**College Scholarship Assistance (CSAP)**

Mr. Hix discussed this item in the SCHEV budget, which is a program designed to assist students with extreme financial need that is available to both public and private institutions. Ms. Lewis expressed support of a phased-in approach and made a motion for approval. The motion was seconded by Dr. Ashby and the following resolution was unanimously approved:

**BE IT RESOLVED** that the State Council of Higher Education for Virginia recommends additional College Scholarship Assistance Program funding to be phased in over a three-year period with a \$1.5 million increase in FY10, a \$3.0 million increase in FY11, and a \$4.4 million increase in FY12 over the FY09 base

**year in order to provide state need-based aid that is specifically targeted to meet the needs of Virginia's most financially at-risk students.**

Mr. Wurtzel felt that as tuition increases, this program needs to be a higher priority. Access for students in need is limited if it is not affordable. He was hopeful that a stronger position would be taken next year.

## **CONSENT AGENDA**

Mr. Clement asked if any items needed to be removed from the consent agenda and based on Dr. Elrod's question for a definition of an "educational specialist," Ms. Hardy requested that this program approval be pulled for discussion. Dr. DeFilippo explained that it is a program to train K12 educators who wish to assume leadership roles in their schools and districts and receive a post-masters credential. This credential is meant to provide an imprimatur to someone who serves as a mentor to other teachers within a school system. Mr. Clement requested input from the representative from Virginia Commonwealth University and Henry Clark informed the Council that the degree is widely recognized in Virginia and nationally and already occurs in other institutions in the Commonwealth. On motion by Dr. Ashby and seconded by Ms. Hardy, the following resolution was approved (6-1) by the Council. Dr. Elrod was opposed:

**BE IT RESOLVED that the State Council of Higher Education for Virginia grants approval to Virginia Commonwealth University to initiate an Educational Specialist (Ed.S.) degree program in Teacher Leadership (CIP: 13.0101), effective spring 2009.**

On motion by Dr. Ashby and seconded by Ms. Hardy, the following items were moved for approval by consent:

### **Action on Programs at Public Institutions**

**BE IT RESOLVED that the State Council of Higher Education for Virginia grants approval to Longwood University to initiate a Bachelor of Science (B.S.) degree program in Athletic Training (CIP: 51.0913), effective spring 2009.**

**BE IT RESOLVED that the State Council of Higher Education for Virginia grants approval to John Tyler Community College to initiate an Associate of Science (A.S.) degree program in Engineering (CIP:14.0101) effective fall 2009.**

### **Action on Private and Out-of-state Postsecondary Education Institutions**

**BE IT RESOLVED that the State Council of Higher Education for Virginia certifies Ancestral Mountain Tuina School to operate a postsecondary institution in the Commonwealth of Virginia, effective September 9, 2008.**

**BE IT RESOLVED** that the **State Council of Higher Education for Virginia certifies Hospitality Training Institute, Inc. to operate a postsecondary institution in the Commonwealth of Virginia, effective September 9, 2008.**

**ITEMS DELEGATED TO STAFF**

The following items had been reviewed and approved by staff, as delegated by the Council. As required, this information is included as part of these minutes:

- Program Approvals – VCCS
- Program Title Change - VCU
- Organizational Changes / Off-campus Instructional Sites  
July – September 2008
- Approval of Institution State License Plate Scholarship Plan:
  - Averett University
  - Bridgewater College
  - Hollins University
  - Virginia Wesleyan College

The meeting was adjourned at 11:15 a.m.

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Whittington Clement  
Chairman

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Lee Ann Rung  
Council Secretary

### Items Delegated to Director/Staff

Pursuant to the Code of Virginia, Section 23-9:6:1 and Council's "Policies and Procedures for Program Approval and Changes," the following items were approved as delegated to staff:

#### Program Approvals Virginia Community College System (VCCS)

Institution	Degree/Program/CIP	Effective Date
Blue Ridge Community College	Associate of Applied Science (A.A.S.) in Aviation Maintenance Technology (CIP: 47.0607)	Fall 2008

#### Program Title Change

Institution	Degree/Program/CIP	Effective Date
Virginia Commonwealth University	Changing the title of the Bachelor of Science degree program in Urban Studies and Geography (CIP Code: 45.1201) to the Bachelor of Science degree program in Urban and Regional Studies (CIP Code: 45.1201).	Fall 2008

Pursuant to the Code of Virginia, Section 23-9:6:1 and Council's "Policies and Procedures for Internal and Off-Campus Organizational Changes," the following items were approved as delegated to staff:

#### Organizational Changes / Off-campus Instructional Sites July – September 2008

Institution	Change / Site	Effective Date
George Mason University	Renaming the Department of Climate Dynamics to <b>Department of Atmospheric, Oceanic and Earth Sciences</b>	July 1, 2008
George Mason University	Merging the Department of Geography and Department of Earth Systems and Geoinformation Sciences to create the <b>Department of Geography and Geoinformation Science</b>	July 1, 2008
James Madison University	Merging the Institute of Technical and Scientific Communication and the Writing Program to create the <b>School of Writing, Rhetoric and Technical Communication</b>	July 1, 2008

### **Approval of Institution State License Plate Scholarship Plan**

As authorized by the Code of Virginia, § 46.2-749, state license plates may bear the seal, symbol, emblem, or logotype of an institution. Proceeds from sales of these license plates are then used by the institution for scholarships under a plan approved by SCHEV. The License Plate Scholarship Plans for the following institutions have been reviewed and found to be in compliance with state requirements:

- Averett University
- Bridgewater College
- Hollins University
- Virginia Wesleyan College

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.a – Action on the Review of Eastern Virginia Medical School

**Date of Meeting:** October 21, 2008

## **Presenter:**

### **Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:** 09/08/2008

**Action:** Discussion of draft report

### **Background Information/Summary of Major Elements:**

Chapter 879, 2008 Virginia Acts of Assembly (the Appropriation Act) directs the State Council of Higher Education for Virginia to conduct a review of Eastern Virginia Medical School with the following language:

“Item 149.L.

1. In consultation with the Secretary of Education and the Chairmen of the House Appropriations Committee and Senate Finance Committee, or their designees, and representatives from the state-supported medical schools, the State Council of Higher Education for Virginia (SCHEV) shall review the programmatic, personnel, financial, oversight, organizational and governance issues of Eastern Virginia Medical School (EVMS) that will ensure EVMS’ continued success in addressing the health workforce, patient care and biomedical research needs of the Commonwealth. The Virginia Retirement System, Department of Human Resource Management, State Comptroller, State Treasurer, and any other appropriate state agency, as determined by SCHEV, shall cooperate in this evaluation.

2. The State Council shall submit its findings for consideration by the Governor and the General Assembly no later than November 15, 2008.”

The review was conducted according to the specifications outlined in the legislation and a draft report was presented as a discussion item to the Council at its September 8, 2008 meeting.

At that time the draft was received favorably, however, Council directed that a recommendation be added to the draft that a broader study be undertaken of the

overall fiscal health of medical education in the Commonwealth. This recommendation was added and can be found on page 32 of the final document.

**Materials Provided:**

- Final draft of the review of Eastern Virginia Medical School

**Financial Impact:** NA

**Timetable for Further Review/Action:** None

**Resolution:**

**BE IT RESOLVED that the State Council of Higher Education for Virginia approves the “Review of Eastern Virginia Medical School.”**

## **Review of Eastern Virginia Medical School**

### **As Required by Chapter 879, 2008 Virginia Acts of Assembly**

#### **Introduction**

The State Council of Higher Education (SCHEV) has broad authority to plan and coordinate post-secondary educational programs for all health professions and occupations in the Commonwealth. This mandate is set out in § 23-9.10:1 of the Code of Virginia:

“The State Council of Higher Education is hereby designated the planning and coordinating agency for all post-secondary educational programs for all health professions and occupations. The Council shall make recommendations, including those relating to financing, whereby adequate and coordinated educational programs may be provided to produce an appropriate supply of properly trained personnel. The Council is authorized to conduct such studies as it deems appropriate. All state departments and agencies shall cooperate with the Council in the execution of its responsibilities under this section.”

Pursuant to this legislative mandate SCHEV has been directed to “review the programmatic, personnel, financial, oversight, organizational and governance issues of Eastern Virginia Medical School (EVMS)” and to develop recommendations to insure EVMS’s continued “success in addressing the health workforce, patient care and biomedical research needs of the Commonwealth.”<sup>1</sup>

The impetus for this special review stems largely from the unique nature of EVMS which shares characteristics of both private and public institutions of higher education. As will be discussed below, EVMS has traditionally been considered a private institution<sup>2,3</sup> yet it receives some general fund support for its operating programs. Now, however, for the first time EVMS has received a significant appropriation from the Commonwealth for capital construction.<sup>4</sup> Included in the 2008 Bond Bill is a \$59 million appropriation for the construction of a new medical education and research facility at EVMS. Its status as a “hybrid” institution, however, prompted the General Assembly to proceed with caution in the expansion of its support for this institution. In order to insure adequate representation of the Commonwealth’s interests, this appropriation was made

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<sup>1</sup> Chapter 879, Item 149, 2008 Virginia Acts of Assembly.

<sup>2</sup> EVMS has historically reported itself as a “Private Institution” on the federal Integrated Postsecondary Educational Data System (IPEDS) administered by the Department of Education’s National Center for Education Statistics and to the Association of American Medical Colleges.

<sup>3</sup> Virginians attending EVMS are eligible for State Tuition Assistance Grant (TAG) awards. By statute, these awards are available only to students attending private institutions.

<sup>4</sup> Chapters 1 and 2, 2008 Virginia Acts of Assembly, Special Session I (the Bond Bill).

contingent on re-engineering the governance structure of EVMS such that the membership of its Board of Visitors will include legislative and gubernatorial appointees.<sup>5</sup> By this action the General Assembly has created a new type of higher education institution in Virginia.

This new type of institution requires the development of a new framework which redefines the relationship between EVMS and the Commonwealth and that clearly sets out the mutual obligations and expectations of each. Despite the shift toward greater state oversight, EVMS will continue to have organizational characteristics that set it apart from the traditional “public institution” model. The objective of this review will be to provide a framework that will; 1) reinforce those of its unique characteristics that have contributed to its success as the Commonwealth’s first community-based medical school<sup>6</sup> and 2) delineate the type and level of state support required to insure its “continued success in addressing the health workforce, patient care and biomedical research needs of the Commonwealth.”

## **Background**

This has been a remarkable year for public support for medical education in the Commonwealth. Included in the appropriation totals for higher education capital construction are: 1) \$59 million for the establishment of a new School of Medicine and Research Institute to be created by Virginia Polytechnic Institute and State University, in partnership with the Carilion Clinic, 2) \$58 million for the construction of a new School of Medicine Building at Virginia Commonwealth University, and 3) \$59 million for a medical education and research facility at Eastern Virginia Medical School.

Approval of these projects by the General Assembly comes at a critical time. The American Association of Medical Colleges warns of an impending shortage of physicians in this country and recommends that “enrollment in LCME-accredited medical schools should be increased by 30% from the 2002 level over the next decade.”<sup>7,8</sup> The Commonwealth is not immune to the projected physician shortage. A recent report prepared by the Governor’s Health Reform Commission states that, “It is estimated that

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<sup>5</sup> Under its current legislative charter, Board appointments are made by the Eastern Virginia Medical School Foundation and by the respective city councils of Chesapeake, Hampton, Portsmouth, Suffolk, Newport News, Virginia Beach and Norfolk.

<sup>6</sup> “Community-based medical schools can be distinguished by their use of community physicians and hospitals to conduct their clinical teaching programs...” from *The Association of American Medical Colleges, The Financing of Medical Schools, A Report of the AAMC Task Force on Medical School Financing*, (1996).

<sup>7</sup> Association of American Medical Colleges. *AAMC Statement on the Physician Workforce* (June 2006).

<sup>8</sup> The Liaison Committee on Medical Education (LCME) is the nationally recognized accrediting authority for allopathic medical education programs leading to the M.D. degree in U.S. and Canadian medical schools. The LCME is sponsored by the Association of American Medical Colleges and the American Medical Association.

by 2020 there will be a shortage of approximately 1,500 physicians in the Commonwealth.”<sup>9</sup> The projected physician shortage in the Commonwealth was also noted by SCHEV in its 2008-10 biennial capital outlay recommendations and in its 2008 briefing paper to the General Assembly on this topic.

Expanding the medical education program at EVMS by means of a state supported medical education and research facility constitutes a critical step in meeting the anticipated physician workforce shortfall. The capital outlay appropriation to EVMS and the related contingencies to which it is subject are set out in the Bond Bill<sup>10</sup> approved during the first 2008 Special Session of the General Assembly. The language from the relevant sections appears below:

“8. That pursuant to § [23-30.28](#) of the Code of Virginia, the General Assembly hereby authorizes the Virginia College Building Authority to issue revenue bonds in a principal amount not to exceed \$59 million plus amounts needed to fund issuance costs, reserve funds, original issue discount, interest prior to and during construction and for one year after completion thereof, and other financing expenses, for the construction of a medical education and research facility at Eastern Virginia Medical School (EVMS). The Authority shall be authorized to exercise any and all powers granted to it by law in connection with such project. The General Assembly hereby appropriates the proceeds from any such bonds for the construction of a medical education and research facility at EVMS.

Upon the effective date of this act, the Director of the Department of Planning and Budget may distribute sufficient funds to EVMS for project planning, including detailed planning. The distribution of funds by the Director for construction is contingent upon the following conditions:

a. A bill is introduced for a Special Session of the General Assembly held prior to the 2009 Regular Session of the General Assembly or for the 2009 Regular Session of the General Assembly that provides for the following: an amendment to enabling legislation of EVMS that changes the appointments of the 17 members of the Board of Visitors of EVMS such that three members are to be appointed by the Speaker of the House of Delegates, two members are to be appointed by the Senate Committee on Rules, two members are to be appointed by the Governor, six members shall continue to be appointed by the Board of the Eastern Virginia Medical School Foundation, and four members shall continue to be appointed by local governments;

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<sup>9</sup> Health Reform Commission. (September 2007). Roadmap for Virginia’s Health: A Report of the Governor’s Health Reform Commission. Richmond, VA.

<sup>10</sup> Chapters 1 and 2, 2008 Virginia Acts of Assembly (Special Session I)

b. The Board of Visitors of EVMS enters into a memorandum of understanding with the Commonwealth in which the Board promises to increase the current medical school class size; and

c. A determination by the Secretary of Finance that the Board of Visitors of EVMS has cooperated in a review of EVMS by the State Council of Higher Education for Virginia as such review may be provided for in the general appropriation act.”

As noted above, this is the first significant capital construction appropriation to EVMS and provisions in the legislation reflect the caution with which the General Assembly is proceeding in its expansion of state support for the health professions programs there. The three contingencies set out above include: 1) the modification of the composition of the governing board of Eastern Virginia Medical School to include gubernatorial and legislative appointments, 2) the execution of a memorandum of understanding requiring an increase in the size of the medical school class and 3) certification of EVMS’ cooperation with SCHEV in the conduct of this review.

A brief overview of medical education in the Commonwealth will be presented and a discussion of the evolution of that system will be used to guide the development of the recommendations in this report.

### **Overview of Medical Education in the Commonwealth**

Virginia is currently home to five schools of medicine: 1) the University of Virginia’s School of Medicine, 2) The Medical College of Virginia, Health Sciences Division of Virginia Commonwealth University, 3) Eastern Virginia Medical School, 4) the Edward Via Virginia College of Osteopathic Medicine and 5) the recently established Virginia Tech Carilion School of Medicine and Research Institute.

Although medical education may intuitively seem to be a rather well-defined, narrowly focused activity, these institutions represent a broad spectrum of institutional types exhibiting very different organizational characteristics. Among these institutions are represented a variety of governance structures, degrees of operational autonomy and levels of state support.

Not only do these organizational characteristics vary across institutions, it can also be shown that some of them vary at the same institution over time. As will be discussed below, state policies and institutional practices related to higher education in general and to medical education and affiliated medical centers in particular are continually evolving in order to adapt to changing environmental conditions and to the changing needs of the Commonwealth.

A brief description of each school will be presented below in chronological order of their creation, beginning with the oldest.

## University of Virginia

The School of Anatomy and Medicine at the University of Virginia (UVa) was one of the original eight schools authorized by the University's Board of Visitors and by the Virginia General Assembly in 1819.<sup>11</sup>

“The School of Medicine, the tenth medical school to be established in the United States, was authorized by the University of Virginia Board of Visitors at its first meeting in 1819. The school was established as one of the University's original eight in 1824, and opened in March 1825. The first degree offered at the University was that of the Doctor of Medicine in 1828. Doctor of Medicine degrees have been awarded annually since that time, except for the Civil War year 1862.”<sup>12</sup>

The enabling language for the University of Virginia begins simply enough:

“§ 23.62. The University of Virginia shall be continued. (Code 1919, § 806.)”

Subsequent sections of the Code define the institution's corporate structure, mode of governance, etc.

“§ 23-69. Board a corporation.

The board of visitors of the University of Virginia shall be and remain a corporation, under the style of "the Rector and Visitors of the University of Virginia," and shall have, in addition to its other powers, all the corporate powers given to corporations by the provisions of Title 13.1; except in those cases where, by the express terms of the provisions thereof, it is confined to corporations created under such title; and shall also have the power to accept, execute and administer any trust in which it may have an interest under the terms of the instrument creating the trust. The rector and visitors of the University of Virginia **shall be at all times subject to the control of the General Assembly.** (Code 1919, § 806.)” (Emphasis added).

The Code also provides the following description of the scope of the University's academic programs, which explicitly include “anatomy, surgery and medicine.”

“§ 23-63. Branches of learning to be taught.

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<sup>11</sup> Report of the Joint Subcommittee Studying Flexibility in Personnel and Purchasing Practices for Teaching Hospitals, House Document No. 53 (1991).

<sup>12</sup> <http://www.healthsystem.virginia.edu/internet/about/factbook/ch1.cfm>

The following branches of learning shall be taught at the University: the Latin, Greek, Hebrew, French, Spanish, Italian, German, and Anglo-Saxon languages; the different branches of mathematics, pure and physical; natural philosophy, chemistry, mineralogy, including geology; the principles of agriculture; botany, anatomy, surgery, and medicine; zoology, history, ideology, general grammar, ethics, rhetoric, and belles lettres; civil government, political economy, the law of nature and of nations and municipal law.  
(Code 1919, § 817.)”

The Code also includes UVa among the institutions that are declared to be “public bodies... constituted as governmental instrumentalities for the dissemination of education.”<sup>13</sup>

The University of Virginia School of Medicine is part of the UVa Health System which also includes the Medical Center, the School of Nursing, the Claude Moore Health Sciences Library and an affiliated physician clinical practice organization. The School of Medicine offers the Doctor of Medicine (M.D.). Teaching for the Ph.D. in Biomedical Sciences, the Master’s Degree in Health Evaluation Sciences, the Master’s Degree in Public Health and several joint programs combining the M.D. and the Master’s of Science is provided through the School of Medicine. These degrees, other than the M.D., are administered through the College and Graduate School of Arts and Sciences.<sup>14</sup> The medical school is fully accredited by the Liaison Committee on Medical Education.<sup>15</sup>

### **Virginia Commonwealth University**

The Medical College of Virginia was originally chartered as the Medical College of Richmond in 1854. However, its origin can be traced to 1837 when it was established as the Department of Medicine of Hampden Sydney College. In 1860 it came under the full ownership of the Commonwealth with legislative appropriations.<sup>16,17</sup> In 1968 the Medical College of Virginia was merged with the Richmond Professional Institute to form Virginia Commonwealth University (VCU).

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<sup>13</sup> § 23-14. Code of Virginia. Certain educational institutions declared governmental instrumentalities; powers vested in majority of members of board. [LIS Code of Virginia 23-14](#)

<sup>14</sup> This information was provided by the University of Virginia.

<sup>15</sup> The Liaison Committee on Medical Education (LCME) is the nationally recognized accrediting authority for allopathic medical education programs leading to the M.D. degree in U.S. and Canadian medical schools. The LCME is sponsored by the Association of American Medical Colleges and the American Medical Association.

<sup>16</sup> Report of the Joint Subcommittee Studying Flexibility in Personnel and Purchasing Practices for Teaching Hospitals, [House Document No. 53](#) (1991).

<sup>17</sup> W. Sanger, [Medical College of Virginia Before 1925/University College of Medicine 1893-1913](#) at 21, 24 (1973).

The enabling language from the Code of Virginia for Virginia Commonwealth University states:

“§ 23-50.4. Corporation established.

There is hereby established a corporation consisting of the board of visitors of the Virginia Commonwealth University under the style of "Virginia Commonwealth University," and **shall at all times be under the control of the General Assembly.** (1968, c. 93.)” (Emphasis added).

Subsequent language in the Code describes the actual combination of the two heretofore separate corporate entities into Virginia Commonwealth University.

“§ 23-50.5. Transfer of property, rights, duties, etc., of Medical College of Virginia and Richmond Professional Institute.

All real estate and personal property existing and standing in the name of the corporate bodies designated "Medical College of Virginia" and "Richmond Professional Institute" as of July 1, 1968, shall be transferred automatically to and, by virtue of this chapter, shall be known and taken as standing in the name and to be under the control of the corporate body designated "Virginia Commonwealth University." Such real estate and personal property shall be the property of the Commonwealth. All rights, duties, contracts and agreements of the Medical College of Virginia and Richmond Professional Institute as of July 1, 1968, are hereby vested in such corporate body designated "Virginia Commonwealth University," which shall thenceforth be responsible and liable for all the liabilities and obligations of each of the predecessor institutions. (1968, c. 93.)”

Then, in a subsequent paragraph, the name of the medical school is officially set out:

“§ 23-50.7. Purpose of corporation; redesignation of Medical College of Virginia.

The corporation is formed for the purpose of establishing and maintaining a university consisting of colleges, schools and divisions offering undergraduate and graduate programs in the liberal arts and sciences and programs of education for the professions and such other branches of learning as may be appropriate, and in connection therewith, it is empowered to maintain and conduct hospitals, infirmaries, dispensaries, laboratories, research centers, power plants and such other necessary related facilities as in the opinion of the board of visitors are deemed proper. The colleges, schools, and divisions heretofore existing as The

Medical College of Virginia shall, as of July 1, 1968, be designated **The Medical College of Virginia, Health Sciences Division of Virginia Commonwealth University.** (1968, c. 93.)” (Emphasis added).

The Code also includes VCU among the institutions that are declared to be “public bodies... constituted as governmental instrumentalities for the dissemination of education.”<sup>18</sup>

VCU’s academic health center is the largest of Virginia’s academic health centers. It includes the VCU Hospital and the schools of medicine, nursing, dentistry, allied health and pharmacy. It also includes an affiliated physician practice. Degrees offered through the school of medicine include the Doctor of Medicine (M.D.), the Ph.D. in Biomedical Sciences, the Master’s Degree in Biomedical Sciences, and the Master’s Degree in Public Health. Several joint programs combining the M.D. and the Master’s of Science are also offered. The medical school is fully accredited by the Liaison Committee on Medical Education.

As noted above, VCU was among the three medical schools in Virginia to receive funding for a significant capital construction project. The proposal for the project also provided for an expansion of the medical school enrollment by over 30%.

Please note for later reference the nearly identical highlighted passages in both UVa’s and VCU’s enabling legislation regarding their respective relationships to the Commonwealth. Both passages emphasize the notion that these institutions are at all times subject to the control of the General Assembly.

### **Eastern Virginia Medical School**

As are the University of Virginia and Virginia Commonwealth University, Eastern Virginia Medical School is included among the institutions which, in the Code of Virginia, are declared to be “public bodies... constituted as governmental instrumentalities for the dissemination of education.”<sup>19</sup> Nevertheless, as will be discussed below, there are significant differences in its corporate structure which render EVMS qualitatively different with respect to its governance, operations, funding and overall level of state control. But as will also be discussed below, these differences are becoming increasingly less pronounced.

Eastern Virginia Medical School was originally authorized by Chapter 471, 1964 Virginia Acts of Assembly as the Medical College of Hampton Roads with the following language:

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<sup>18</sup> § 23-14. Code of Virginia. Certain educational institutions declared governmental instrumentalities; powers vested in majority of members of board. [LIS Code of Virginia 23-14](#)

<sup>19</sup> Ibid.

“§ 1. There is hereby created a public body politic and corporate to be known as the "Medical College of Hampton Roads" hereinafter referred to as "the Medical College," with such public and corporate powers as are hereinafter set forth.”

Although legally established in 1964, the school did not admit its first class until 1973 after several years of fundraising.<sup>20</sup>

In 2002 with the enactment of Chapters 87 and 478, the charter under which EVMS was established underwent significant revision. The original charter was amended as follows:

“§ 1. There is hereby created a public body politic and corporate *and a political subdivision of the Commonwealth* to be known as the "~~Medical College of Hampton Roads~~ *Eastern Virginia Medical School*" hereinafter referred to as "~~the Medical College~~ *School*", with such public and corporate powers as are hereinafter set forth...<sup>21</sup>

3. The ~~Medical College~~ *School* shall be deemed to be a public instrumentality, *having its primary offices and facilities located in the Hampton Roads area of the Commonwealth of Virginia. The Medical School shall have the power to exercise and the purpose of exercising public and essential governmental functions to provide for the public health, welfare, convenience, knowledge, benefit, and prosperity of the residents of the Commonwealth of Virginia and such other persons who might as may be served by the Medical College School, and to provide medical education and improved. In the exercise of such power and purpose, the Medical School shall deliver and support the delivery of high quality medical and health care and related services to such residents and persons regardless of their ability to pay, by providing educational opportunities and conducting and facilitating research and. Further, the Medical School is hereby authorized to exercise the powers conferred by the following sections, consistent with the approval authority of the State Council of Higher Education pursuant to the Code of Virginia this chapter.*”

Among the major provisions of the legislation are:<sup>22</sup>

- revises the legal name of the Medical College of Hampton Roads to be consistent with the commonly accepted popular name, i.e., “Eastern

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<sup>20</sup> <http://www.evms.edu/about/history.html>

<sup>21</sup> Chapters 87 and 478, 2002 Virginia Acts of Assembly.

<sup>22</sup> Extracted from Legislative Information Services legislative summary at <http://leg1.state.va.us/cgi-bin/legp504.exe?021+sum+SB35>

Virginia Medical School” and strengthens and modernizes the school’s authorities and status,

- designates the institution as a *political subdivision*<sup>23</sup> of the Commonwealth,
- provides that the school may operate and own medical and health care, education, research and associated programs and establish satellite offices and facilities for such programs within or without the Commonwealth or the United States;
- gives the board of visitors the authority to contract with domestic and foreign entities for its activities,
- gives the board of visitors the authority to obtain patents, copyrights, and trademarks for intellectual properties and to administer, manage, market, transfer, and convey any interest in such intellectual properties.
- provides exceptions, parallel to those exceptions provided for publicly supported institutions of higher education or the publicly supported medical schools, from the prohibited contracts provisions of the conflicts of interest law, and the records disclosure and closed meeting provisions of the Freedom of Information Act.
- reinforces the fact that the Administrative Process Act and the Public Procurement Act do not apply to Eastern Virginia Medical School, which, although established in law, is not a state-owned institution of higher education.
- includes numerous technical amendments to change the institution's legal name in the enabling chapter and the Code and to update the language of the enabling chapter.” (Emphasis added).

In the context of this review, it is interesting to note two specific elements of this legislation. The first is the designation of EVMS as a “political subdivision” and the second is the explicit exemption of EVMS from the Administrative Process Act and the Public Procurement Act. The designation of EVMS as a “political subdivision” and the other exemptions noted above parallel in many respects the proposed provisions that would have applied to certain Virginia public institutions of higher education under the Chartered Universities and Colleges Act of 2004 (SB638/HB1359).

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<sup>23</sup> U.S. Treasury Regulations Subchapter A, §1.103-1(b) provides that the term “political subdivision” denotes any division of any state or local governmental unit which is a municipal corporation or which has been delegated the right to exercise part of the sovereign power of the unit.

Provisions of that act would have declared certain public universities to be “political subdivisions.” And, although the measure provided that chartered institutions continue to be "public institutions of higher education" and "educational institutions," it also provided that these institutions are not "subject to local law or regulation except as the General Assembly may explicitly authorize."

Although this bill was never enacted its introduction did provide the impetus for the establishment in 2004 of a joint subcommittee to study the administrative and financial relationships between the Commonwealth and its institutions of higher education.<sup>24</sup> The recommendations of the Joint Subcommittee<sup>25</sup> ultimately led to the introduction and subsequent passage of the Restructured Higher Education Administrative and Financial Operations Act of 2005.<sup>26</sup> A further discussion of this legislation and its impact on the organizational characteristics of certain institutions, especially those classified as Level 3 institutions under the Act, will be presented later in this review.

In its 2000 report to the General Assembly regarding academic health centers, the Joint Commission on Health Care noted the following,<sup>27</sup>

“While there are different ways of defining an Academic Health Center (AHC), it would appear that under most any definition, EVMS, VCU and UVA would be considered an AHC. Of these three institutions, EVMS is unique in that it does not own or operate a hospital. In addition to its teaching mission, EVMS provides physician services through its faculty practice plan to a number of hospitals in the Tidewater area.”

The Joint Commission on Health Care’s designation of EVMS as a component of an academic health center is significant because of its implication for the development of a new operating framework for EVMS. The interrelationships among the school, its clinical practice and its affiliated hospitals will need to be considered when defining the mutual obligations and expectations between EVMS and the Commonwealth.

Degrees offered by EVMS include the Doctor of Medicine (M.D.), the Ph.D. in Biomedical Sciences, the Master’s Degree in Biomedical Sciences, and the Master’s Degree in Public Health. Several joint programs combining the M.D. and the Master’s of

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<sup>24</sup> Senate Joint Resolution 90, Virginia General Assembly, 2004.

<sup>25</sup> Report of the Joint Subcommittee to Study the Administrative and Financial Relationships Between the Commonwealth and its Institutions of Higher Education, Senate Document 17, (2005).

<sup>26</sup> Chapters 933 and 945, 2006 Virginia Acts of Assembly.

<sup>27</sup> Report of the Joint Commission on Health Care: Academic Health Centers’ Study Pursuant to SJR 464, Senate Document No. 47 (2000).

Science are also offered in conjunction with Old Dominion University. The medical school is fully accredited by the Liaison Committee on Medical Education.

### **Edward Via Virginia College of Osteopathic Medicine**

Founded in 2002, the Edward Via Virginia College of Osteopathic Medicine<sup>28</sup> (VCOM) is a private non-for-profit post-baccalaureate professional medical college in Blacksburg, Virginia. It was initially funded through several foundations that were established by the late Marion Bradley Via. “The vision for the College was to provide healthcare for Southwest Virginia and the Appalachian region, and to promote biomedical research with Virginia Tech.”<sup>29</sup>

VCOM, unlike the three previously discussed institutions, does not appear among the list of institutions designated as “public bodies and constituted as governmental instrumentalities for the dissemination of education.” Further, VCOM classifies itself as a “private institution” for reporting purposes to the AAMC and to the NCES.<sup>30</sup> Finally, VCOM has sought, and received, eligibility to participate in the Commonwealth’s Tuition Assistance Grant (TAG) financial aid program. Established in the Code of Virginia, TAG is:

“a program of tuition assistance in the form of grants, as hereinafter provided, to or on behalf of bona fide residents of Virginia who attend private, accredited and nonprofit institutions of collegiate education in the Commonwealth whose primary purpose is to provide collegiate, graduate, or professional education and not to provide religious training or theological education.”<sup>31</sup>

Among the Commonwealth’s medical colleges, VCOM most nearly resembles the traditional “private” school model. Even so, it has a close relationship with Virginia Tech. It is located in Virginia Tech’s corporate research center and operates under a collaborative agreement with Virginia Tech for research and for student activities. “This collaboration offers the student an opportunity to participate in the campus activities with students from Virginia Tech, including use of the library, recreational facilities, student center, arts and theatre programs, intramural programs, and access to Virginia Tech football and other athletic event tickets.”<sup>32</sup>

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<sup>28</sup> The training of osteopathic (D.O.) physicians is virtually identical to that of allopathic (M.D.) physicians. Osteopathic physicians use all conventional methods of diagnosis and treatment but are trained to place additional emphasis on the achievement of normal body mechanics as central to maintaining good health.

<sup>29</sup> <http://www.vcom.vt.edu/general/history.html>

<sup>30</sup> Please see note #2.

<sup>31</sup> § 23-38.12 Code of Virginia. Also, please see note #3.

<sup>32</sup> <http://www.vcom.vt.edu/general/collaboration.html>

VCOM offers the Doctor of Osteopathic Medicine Degree (D.O.). It also offers joint programs with Virginia Tech leading to the D.O./Master of Science and D.O./Ph.D. The College is fully accredited by the Commission on Osteopathic College Accreditation (COCA) of the American Osteopathic Association, which is the only accrediting agency for predoctoral osteopathic medical education, and is recognized by the United States Department of Education.

VCOM is a registered 501(c)(3) corporation.<sup>33</sup> Its Board of Directors is determined as set forth in its articles of incorporation under the Virginia Nonstock Corporation Act (§13.1-801).

### **Virginia Tech Carilion School of Medicine and Research Institute**

The Virginia Tech Carilion School of Medicine was authorized in Chapters 1 and 2, 2008 Acts of Assembly (Special Session I) with the following language:

“That the General Assembly hereby approves the proposal for establishing a new School of Medicine and Research Institute to be created by Virginia Polytechnic Institute and State University (Virginia Tech), in partnership with the Carilion Clinic (Carilion), in downtown Roanoke, Virginia. Virginia Tech is hereby granted approval, pursuant to the Public-Private Educational Facilities and Infrastructure Act of 2002 (§ [56-575.1](#) et seq.) of the Code of Virginia (PPEA), to enter into an interim and/or comprehensive agreement with a private entity for the design and construction of the School of Medicine and Research Institute.”

This institution was established to provide for high quality, advanced medical care in Southwest Virginia with an emphasis on research and education.

The private medical school will be formed as a nonstock, nonprofit corporation availing itself of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The new corporation shall be controlled jointly by Virginia Tech and Carilion. The composition of its governing board will be determined as follows:

“Four members shall be appointed by the Board of Visitors of Virginia Tech, Four members shall be appointed by the Board of Directors of Carilion, three outside Board members shall be approved by each of the Board of Directors of Carilion and the Board of Visitors of Virginia Tech.”<sup>34</sup>

The Virginia Tech Carilion School of Medicine will offer the Doctor of Medicine degree. The current plan calls for the submission of accreditation materials to the LCME

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<sup>33</sup>United States Internal Revenue Code (26 U.S.C. § 501(c)).

<sup>34</sup> Memorandum of Understanding among Virginia Tech, Carilion and the Virginia Tech Foundation.

in August 2008 with preliminary accreditation coming in February 2009. The LCME prohibits the recruitment of students until the school receives preliminary accreditation. Also under the current plan, the charter class would enter in August 2010.

The brief descriptions of the Commonwealth's medical schools provided above serve to illustrate the wide variety of organizational characteristics exhibited by each. Among these institutions are represented several distinct governance structures, degrees of operational autonomy and levels of state support. Each of these institutions can be said to lie along a "continuum of state control" extending from limited or no state control to full state control. Similarly, each can be said to lie along a "continuum of state support," its position on that continuum determined by its funding structure *vis a vis* the state.

### **Governance**

The form of the governing boards of UVa and VCU are set out in their respective enabling legislation as is the form of the governing board of Eastern Virginia Medical School. With respect to the fundamental rights, powers and duties of their respective boards, there exists a great deal of similarity. Each has the power to enact and amend bylaws, select a president or chief executive officer, enact rules and regulations, confer degrees and to generally direct the affairs and business of the institution.

Where the significant differences occur between UVa and VCU on the one hand and EVMS on the other are: 1) the power of appointment to the boards of visitors and 2) the explicit level of control over the institution exercised by the General Assembly. This second point was alluded to above.

At UVa and VCU, the boards of visitors consist of sixteen members appointed by the Governor subject to confirmation by the General Assembly. Also, as noted above explicit language in their respective Code sections clearly defines them as state agencies.

- "the University of Virginia shall be at all times subject to the control of the General Assembly..."
- "Virginia Commonwealth University... shall at all times be under the control of the General Assembly."

The board of visitors of EVMS, on the other hand, consists of seventeen members, six of whom are appointed by the Eastern Virginia Medical School Foundation and eleven of whom are appointed by the respective city councils of Chesapeake, Hampton, Portsmouth, Suffolk, Newport News, Virginia Beach and Norfolk. These appointments are not subject to confirmation by the General Assembly, nor is there any language which explicitly authorizes control over the institution by the General Assembly.

From a public policy perspective, two qualitative differences have historically distinguished the paradigms under which these institutions operated. The first is the degree of state control, reflected in the power of appointment and in other explicit language. The second is the level of state funding.

The Educational and General programs at the “state” schools, UVa and VCU, were supported with significant contributions from the general fund but these institutions were also subject to extensive operational control and detailed reporting requirements as determined by central government. The “nonstate” school received significantly less state funding but had significantly more institutional autonomy, especially with respect to procurement, personnel administration and contracting authority.

Looking forward, however, as a result of the requirements of the 2008 Budget Bill, a profound change in the power of appointment to the EVMS Board of Visitors is imminent. As noted above, the Governor and General Assembly will have appointive powers to the EVMS Board of Visitors. By establishing this contingency, the General Assembly has significantly enhanced the State’s influence over the affairs of EVMS and has significantly enhanced the state’s oversight of the institution, assuming passage of the legislation. This change in the composition of its Board will move EVMS closer to the traditional “public” institutional model, represented by UVa and VCU.

The composition of the governing boards of VCOM and the Virginia Tech Carilion Medical School are set out in their respective articles of incorporation and, in the case of Virginia Tech Carilion, in its memorandum of understanding with Carilion Clinic and the Virginia Tech Research Foundation, Inc. Appointments to the governing boards of these two institutions are made by corporate foundation officers and/or by the existing board of visitors, in the case of Virginia Tech Carilion.

The Federal higher education nomenclature provides the following definition of a private higher educational institution:

“An educational institution controlled by a private individual(s) or by a nongovernmental agency, usually supported primarily by other than public funds, and operated by other than publicly elected or appointed officials. These institutions may be either for-profit or not-for-profit.”<sup>35</sup>

Then, the definition of a “not-for-profit” private institution is provided:

“A private institution in which the individual(s) or agency in control receives no compensation, other than wages, rent, or other expenses for the assumption of risk. These include both independent not-for-profit schools and those affiliated with a religious organization.”<sup>36</sup>

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<sup>35</sup> Extracted from the National Center for Education Statistic’s [Integrated Postsecondary Education Data System Glossary](http://nces.ed.gov/ipeds/glossary/index.asp?id=511); (<http://nces.ed.gov/ipeds/glossary/index.asp?id=511>)

<sup>36</sup> Ibid.

This federal definition of a “private” institution is clearly consistent with the use of that term to describe VCOM and Virginia Tech Carilion in the preceding section.

Also, the federal definition of a “private” institution reinforces the notion that the two most important qualitative factors that determine the operative paradigm for an institution of higher education are: 1) the presence or absence of extensive state control of the institution and 2) the presence or absence of significant public funding to support the institution.

For purposes of this review, VCOM and Virginia Tech Carilion represent examples of institutions that appear at the opposite end of the “continuum of state control” and the “continuum of state funding” from UVa, VCU and, to a certain extent, EVMS. The paradigm under which they operate, or will operate in the case of Virginia Tech Carilion, includes virtually no operational oversight from central government<sup>37</sup> and includes no state financial support for operations. In fact, Article VIII, Section 9 of the Constitution of Virginia prohibits the appropriation of public funds, with certain limited exceptions, to private educational institutions.<sup>38,39</sup>

One additional note regarding governance and appointive powers is relevant here. The cognizant regional accrediting agency for public and private institutions in Virginia, the Commission on Colleges of the Southern Association of Colleges and Schools, includes standards regarding the composition and duties of governing boards among its accreditation criteria which would, therefore, be applicable to all degree-granting institutions in Virginia. An excerpt from those criteria is shown below.

“The institution has a governing board of at least five members that is the legal body with specific authority over the institution. The board is an active policy-making body for the institution and is ultimately responsible for ensuring that the financial resources of the institution are adequate to provide a sound educational program. The board is not controlled by a minority of board members or by organizations or interests separate from it. Neither the presiding officer of the board nor the majority of other voting members of the board have contractual, employment, or personal

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<sup>37</sup> SCHEV approval to award degrees and/or certificates would still be required.

<sup>38</sup> “No appropriation of public funds shall be made to any school or institution of learning not owned or exclusively controlled by the State or some political subdivision thereof; provided, first, that the General Assembly may, and the governing bodies of the several counties, cities and towns may, subject to such limitations as may be imposed by the General Assembly, appropriate funds for educational purposes which may be expended in furtherance of elementary, secondary, collegiate or graduate education of Virginia students in public and nonsectarian private schools and institutions of learning, in addition to those owned or exclusively controlled by the State or any such county, city or town;”

<sup>39</sup> Several interesting books and articles on this topic are available. A notable example is, Breneman, David W. and Chester Finn, Jr., Public Policy and Private Higher Education, Washington D.C.: The Brookings Institute, 1978.

or familial financial interest in the institution... The board has broad and significant influence upon the institution's programs and operations, plays an active role in policy-making, and ensures that the financial resources of the institution are used to provide a sound educational program. The board is not controlled by a minority of board members or by organizations or interests separate from the board except as specified by the authorizing legislation. Neither the presiding officer of the board nor the majority of other voting board members have contractual, employment, or personal or familial financial interest in the institution."<sup>40</sup>

Furthermore, the accrediting bodies for allopathic and osteopathic medical schools, the LCME and COCA, respectively, also include standards regarding the composition and duties of governing boards among their accreditation criteria. Excerpts from the LCME<sup>41</sup> and COCA<sup>42</sup> accreditation standards are shown below:

#### LCME

“A medical school should be, or be part of, a not-for-profit institution legally authorized under applicable law to provide medical education leading to the M.D. degree. If not a component of a regionally accredited institution, a U.S. medical school must achieve institutional accreditation from the appropriate regional accrediting body. The manner in which the medical school is organized, including the responsibilities and privileges of administrative officers, faculty, students and committees must be promulgated in medical school or university bylaws.

The governing board responsible for oversight of the medical school must have and follow formal policies and procedures to avoid the impact of conflicts of interest of members in the operation of the school, its associated hospitals, or any related enterprises. Terms of governing board members should be overlapping and sufficiently long to permit them to gain an understanding of the programs of the medical school. Administrative officers and members of a medical school faculty must be appointed by, or on the authority of, the governing board of the medical school or its parent university...

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<sup>40</sup> Commission on Colleges of the Southern Association of Colleges and Schools, Principles of Accreditation: Foundations for Quality Enhancement, (Revised 2008)

<sup>41</sup> Liaison Committee on Medical Education, Standards for Accreditation of Medical Education Programs Leading to the M.D. Degree, (2008).

<sup>42</sup> American Osteopathic Association, Commission on Osteopathic College Accreditation (COCA). Accreditation of Colleges of Osteopathic Medicine: College of Medicine Accreditation Standards and Procedures, (2008).

... The present and anticipated financial resources of a medical school must be adequate to sustain a sound program of medical education and to accomplish other institutional goals.”

## COCA

“Standards 2.1 The College of Medicine (COM), and/or its parent institution, must develop and implement bylaws, or equivalent documents, that clearly define the governance and organizational structure that enables the COM to fulfill its mission and objectives.

2.1.1 Responsibilities of the COM administrative and academic officers and faculty must be clearly defined in the COM, and/or its parent institution’s, bylaws, or other equivalent documents.

*Guideline: Clearly defining the COM’s, and/or its parent institution’s, governance and organizational structure enables others to clearly identify lines of authority and to understand how the COM will meet its mission and objectives.*

2.1.2 The COM’s, and/or its parent institution’s, bylaws or equivalent documents must include, but not be limited to, conflict of interest, due process, disclosure, nondiscrimination, confidentiality of records, and fiscal accountability.

2.1.3 The COM, and/or its parent institution, must satisfy such provisions as may be required by applicable law and regulations.

2.2 The governing body will confer the degree Doctor of Osteopathy (D.O.) or Doctor of Osteopathic Medicine (D.O.) upon those students who have satisfactorily completed the requirements for graduation and have been recommended for graduation by faculty.

2.3 The COM must have financial resources and reserves to achieve and sustain its educational mission and objectives.

2.4 The Chief Academic Officer must have the responsibility and authority for fiscal management of the COM.”

These excerpts are important because they highlight the common priorities of the national and regional accrediting bodies: an orderly, well-regulated system of governance, avoidance of conflict of interest by and among members of the governing body, and adequacy of financial resources.

## Operating Principles

Public higher education in the Commonwealth is evolving along a continuum of operational autonomy, moving from a state of less operational autonomy to a state of greater operational autonomy. Earlier in this review it was noted that the Commonwealth's medical schools represented a variety of governance structures, degrees of operational autonomy and levels of state support and that not only do these organizational characteristics vary across institutions, but they can also be shown to vary at the same institution over time. This is no more evident than in an analysis of the changing degree of operational autonomy afforded to the public institutions in Virginia.

The first program of planned, substantive increases in the level of autonomy under which the public institutions in the Commonwealth operated was referred to as "higher education decentralization." A 1993 report by the State Council of Higher Education captured the essence of the rationale for this program.

"Central state government should adopt a corporate management model of operation, at least in regard to higher education. It should set general policy, provide service to institutions in their decisions on how to implement those policies, and monitor results. Operational decisions should be made at the closest point to the delivery of services -- at the college or university. The term often used to describe this approach is **decentralization**... When the state simplifies its relationships with colleges and universities, they will have additional flexibility to restructure internally and concentrate resources -- on instruction in particular, but also on research and service. Central state government, which currently provides a high level of expertness and professionalism to the institutions, could strengthen the quality of its work as well as save money by adopting this management model.

This flexibility should permit those institutions that have the capacity and wish to do so to operate their own financial, personnel, purchasing, and capital outlay systems. The institutions, of course, would comply with both state law and state policy and generally accepted accounting principles and other standards. Other models should be established to accommodate colleges and universities that do not have the capacity to decentralize to this degree... The objective of these changes is to give institutions maximum flexibility to concentrate their resources on direct services to their clients."<sup>43</sup> (Emphasis added).

Among the earliest practical applications of this new "decentralized" approach to higher education management came in 1996.<sup>44,45</sup> Included in the Appropriation Act that

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<sup>43</sup> State Council of Higher Education for Virginia, *Change and Improvement in Virginia Higher Education: A preliminary Report to the Governor and General Assembly*, 1993

<sup>44</sup> Chapter 912, 1996 Virginia Acts of Assembly, §4-5.01

year were provisions that exempted a select group of institutions from post-appropriation review and approval procedures related to nongeneral fund capital outlay projects. Initially, this was considered an experimental two-year pilot project but its success ultimately led to its permanent adoption.

Although participation in the “decentralized” programs was limited to a select group of institution and although in reality the degree of additional autonomy granted to these institutions was quite modest, this program set a valuable precedent and provided the momentum for additional grants of autonomy.

The next major development in the evolution of the public institutions toward more operational autonomy came in 2004 with the introduction of the Chartered Universities and Colleges Act. (SB638/HB1359). As was discussed above, this ambitious legislation would have declared certain public universities to be “political subdivisions” and it would have exempted them from “local law or regulation except as the General Assembly may explicitly authorize.”

As was also discussed above, this bill was never enacted but it set in motion events that culminated in the passage of the Restructured Higher Education Administrative and Financial Operations Act of 2005 (the Restructuring Act) which profoundly reshaped several features of the public higher education landscape in Virginia. A brief description of the legislation appears below.

“Sets forth enabling legislation for the restructuring of public institutions of higher education (institutions) that will extend, upon the satisfaction of various conditions, autonomy, which includes but is not limited to, capital building projects, procurement and personnel, while providing oversight mechanisms and establishing certain expectations. Under the bill, three levels of autonomy will be available to all public institutions of higher education with the level of autonomy depending on each institution's financial strength and ability to manage day-to-day operations. The bill also requires such institutions to develop six-year academic, financial and enrollment plans that outline tuition and fee estimates as well as enrollment projections, to develop detailed plans for meeting statewide objectives, and to accept a number of accountability measures, including meeting benchmarks related to accessibility and affordability. The Governor is required to submit his recommendations for the third level of autonomy as part of the budget bill or amendments to the budget bill for review and approval by the General Assembly.”<sup>46</sup>

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<sup>45</sup> An earlier reference to the principles of decentralization was included in Chapter 966, 1994 Virginia Acts of Assembly, Item 330.E.1, with the following language, “(T)he Secretary of Finance, in consultation with the Secretaries of Administration and Education and the Director of the State Council of Higher Education, shall approve not less than five pilot programs... to grant relief from rules, regulations, and reporting requirements in such areas as finance and accounting, the purchase of goods and services and personnel.”

<sup>46</sup> From the Legislative Information System, <http://leg1.state.va.us/cgi-bin/legp504.exe?051+sum+HB2866>

The bill provides for three levels of autonomy “depending on each institution's financial strength and ability to manage day-to-day operations.” The highest level, Level 3, provides the greatest degree of operational autonomy. To become a Level 3 institution, it must negotiate and execute a “management agreement” with the Commonwealth detailing the mutual rights and obligations of each party. Currently, four institutions, the University of Virginia, Virginia Tech, the College of William and Mary and Virginia Commonwealth University have executed management agreements and are considered Level 3 institutions. Please note that the two parent institutions of the public medical schools are included in this list.

### **The New Framework**

The key to understanding the basis of the recommended framework lies in perceiving the movement of EVMS toward the traditional public educational model in Virginia and the movement of the two public medical schools away from it. Thus, the organizational and operational models are converging. EVMS, as a result of the proposed change in the composition of its Board of Visitors and its memorandum of understanding with the Commonwealth will be drawn closer into the State’s orbit. By contrast, the public medical schools, as a result of greater operational autonomy awarded to their parent institutions under the Higher Education Restructuring Act are moving farther from the State’s orbit. Under mandate of the General Assembly, their organizational and operational models are converging in a middle ground that is most appropriate to their respective missions.

The cornerstone of the Restructuring Act was the satisfactory negotiation of mutually beneficial changes in the Commonwealth’s statewide higher education policies. For its part, the Commonwealth negotiated a more systematic means to improve coordination between institutional objectives and statewide goals, measure actual performance against established standards, and improve financial and academic planning. The institutions, on the other hand, received the operational autonomy required to make business decisions more rapidly and strategically, the benefits of performance-based financial incentives, and the right to continue to participate fully in state programs established to provide financial support for Virginia’s public institutions.

The practical implications for the development of the new framework for EVMS are clear. The proposed “hybrid” framework will preserve those organizational characteristics which have contributed to EVMS’ successful track record but will also incorporate the most important elements of the negotiated policy changes described above if, indeed, they are not already in place.

The logic of this approach is compelling: With respect to the policy changes negotiated by the Commonwealth:

- The memorandum of understanding already required by Chapters 1 and 2, can serve as the equivalent of the “management agreement” applicable to “covered” institutions under the Restructuring Act. This will provide a more systematic

means to improve coordination between institutional objectives and statewide goals;

- The memorandum of understanding will also provide the means to measure actual performance against established standards. In the case of EVMS the performance target will be, at a minimum, to increase the size of the medical class,
- Adding the requirement that EVMS submit a Six-Year Plan identical in form and function to that required of other institutions under the Restructuring Act will improve financial and academic planning.

With respect to the policy changes negotiated by the institutions:

- As a “political subdivision” EVMS already enjoys exemption from procurement, personnel, capital outlay, and other regulations that have been granted to Level 3 institutions, thus grants of additional operational autonomy required to make business decisions more rapidly and strategically would be unnecessary. It should be noted here that the level of operational autonomy granted under the Restructuring Act is predicated on an institution’s demonstrated ability to perform the delegated activities. In the case of EVMS, it has, throughout its thirty-five years of operation, demonstrated its ability to successfully conduct all aspects of the medical education enterprise,
- Insofar as EVMS does not participate in the programs with which these are associated, (*e.g.*, interest income on tuition deposited with the State Treasurer, small purchase charge card, eVa sole source procurement, *etc.*) the benefits of performance-based financial incentives would not be applicable to EVMS. However, the provision of the Restructuring Act which provides for the retention of unexpended appropriations should be included in the framework,
- And the right to continue to participate fully in state programs established to provide financial support for Virginia’s public institutions has an entirely different meaning when applied to EVMS. The successful development of the new framework depends on addressing the need to establish an agreed-upon calculus to determine the appropriate level of state support for EVMS. The balance of this report will focus on this issue.

## Financial Structure of Medical Schools

“Medical schools are financed through a complex array of state, federal and private sources.”<sup>47</sup> The primary revenue sources that have traditionally supported medical education programs are state appropriated general funds, tuition, patient revenues from faculty clinical practice, hospital funds, research grants, and private gifts and endowment income. These sources constitute varying proportions of the total revenue depending on the nature of the institution.

Nevertheless, there is a surprising consistency across several institutional types regarding the proportion of support they derive from selected nongeneral fund sources. For example, public research-intensive, private research-intensive and community-based schools are all dependent on faculty practice plan revenue for about 29 percent of their total revenue, on average. Another example is revenue from hospitals which constitutes approximately 13% of the total revenue for these three categories of institution.<sup>48</sup>

## Challenges Facing Medical Schools

The decade of the 1990s was a turbulent period for the health care industry. Changes in the medical marketplace began to threaten the traditional revenue sources available to finance medical education. In its comprehensive review of the condition of higher education in Virginia, *The Case for Change*, the Virginia Commission on the University of the 21<sup>st</sup> Century stated,

“We are particularly concerned about the future of medical education. Changes in federal health care programs, in medical practice, and in the health needs of the population make future financial support for medical education and the teaching hospitals usually associated with medical schools a potentially critical issue.”<sup>49</sup> The Commission went on to state that, “Medical education ought to be the first professional program the Council studies.”<sup>50</sup>

At the national level, a Task Force on Medical School Financing was appointed by the Association of American Medical Colleges in 1994 in response to concerns among its membership regarding these changes. The Task Force found that,

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<sup>47</sup> *Financing Medical Education in the Commonwealth of Virginia*, (p.4), a report prepared by UVa, VCU and EVMS submitted to SCHEV pursuant to language in Chapter 912, 1996 Virginia Acts of Assembly - Items 169.I, 187.L, and 262.I

<sup>48</sup> *The Financing of Medical Schools, A Report of the AAMC Task Force on Medical School Financing*, Association of American Medical Colleges, (1996), p. 4.

<sup>49</sup> *The Case for Change*, Virginia Commission on the University of the 21<sup>st</sup> Century, Richmond, (1989). This passage was also quoted in #46, p.1.

<sup>50</sup> *Ibid.*, the reference here is to the State Council of Higher Education for Virginia.

“Medical schools are indeed vulnerable in the current economic environment. The growth of managed care, consolidation of providers, and price competition have the potential to unravel the traditional financial basis upon which academic programs have been constructed and long depended.”<sup>51</sup>

Other changes in the health care industry which threatened traditional sources of medical school revenue included reduced Medicare reimbursement rates, the rising cost of uncompensated care, and the leveling and targeting of research funding.<sup>52,53</sup>

Perhaps the most important of these changes, though, was the increased penetration of managed care organizations into the marketplace.<sup>54</sup> It was anticipated that “aggressive cost containment” strategies employed by these organizations would significantly reduce the revenue of faculty practice plans affiliated with teaching hospitals and medical schools. The importance of faculty practice plan revenue to support medical education is universal. The AAMC Task Force described it this way,

“All medical schools share in common a major dependence on clinical support for academic programs. This support comes in various forms: direct transfers of faculty practice revenues to academic department and schools, the underwriting of clinical faculty time in teaching and research, contributed teaching services of voluntary clinical faculty, and hospital underwriting of educational and research expenses.”<sup>55</sup>

An expanded explanation of this problem was provided by Virginia’s Joint Commission on Health Care in its Report on Academic Health Centers<sup>56</sup>,

“(O)ne widely used technique by managed care organizations to control health care costs was to aggressively negotiate with providers on price,

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<sup>51</sup> *The Financing of Medical Schools, A Report of the AAMC Task Force on Medical School Financing*, Association of American Medical Colleges, (1996), vii.

<sup>52</sup> Senate Joint Resolution 464, 1999, Virginia General Assembly.

<sup>53</sup> Although a thorough treatment of this topic is beyond the scope of this review, the environmental threats outlined here prompted major legislative responses on the part of the Virginia General Assembly to support the teaching hospitals affiliated with Virginia’s public medical schools. Among these were Chapter 933, 1996 granting the UVa Medical Center significant operational autonomy, Chapter 1046, 1966 creating the Medical College of Virginia Hospitals Authority as a political subdivision and Chapter 574, 2002 allowing the UVa Medical Center to retain the imputed interest earned on its nongeneral fund operating cash balances.

<sup>54</sup> Please see #46, p. 2.

<sup>55</sup> Please see #49, p. 42.

<sup>56</sup> Please see #26, p. 4.

promising a large volume of patients in return for more favorable payment rates... academic health centers are particularly challenged by the growth of managed care. The reimbursement levels offered by managed care organizations often does not meet the higher costs incurred by health centers.”

The seriousness of this situation was amplified by the fact that, “Clinical income generated by the medical schools’ faculty practice groups is the largest single source of revenue for Virginia’s medical schools...”<sup>57</sup>

In order to develop a strategic system-wide response to these threats to medical education funding, the General Assembly included the following language in the 1996 Appropriation Act (Chapter 912, Items 169.I, 187.L, and 262.I).

“It is the intent of the General Assembly to assist the three Virginia medical schools as they respond to changes in the need for delivery and financing of medical education, both undergraduate and graduate. The University of Virginia, Virginia Commonwealth University, and the Medical College of Hampton Roads shall present a report to the Council of Higher Education and the Secretary of Education by October 1, 1996, that describes the costs of medical education and current revenues from all sources to meet these costs, and that documents the actual and projected loss of revenues from sources other than the general fund. The Council and the Secretary shall recommend to the Governor and the General Assembly a funding methodology for medical education, including the Generalist Initiative, for the 1997-98 fiscal year.”

UVa, VCU and EVMS (formerly the Medical College of Hampton Roads) responded to this legislative mandate with an impressive report which provided an analysis of medical education financial activity based on a sophisticated costing methodology, projections of declining revenue across several primary sources, and a description of the steps these institutions had already taken to reduce costs and improve efficiency. The report also contained a unanimous recommendation from the three schools of medicine that,

“(T)he Commonwealth adopt a funding policy for undergraduate medical education that recognizes the State’s responsibility and obligation to support these programs. The medical schools believe that a strong case has been made for increased State support to undergraduate medical education. This increased support is vital to maintain the level of service and excellence so critical to the health care needs of the Commonwealth.”<sup>58</sup>

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<sup>57</sup> Please see #46, p. 2.

<sup>58</sup> Please see #46, p. 13.

Specifically, the recommendation called for the State to adopt an undergraduate medical education funding policy to shore up medical school resources in response to declining revenue, "... wherein general funds will provide at least fifty percent of the total cost."

### **Undergraduate Medical Education (UME) Funding Guidelines**

In response to this recommendation, and acting in consultation with the institutions, the Secretary of Education, the Department of Planning and Budget, and the staffs of the House Appropriations and Senate Finance Committees, the State Council of Higher Education did develop funding guidelines for undergraduate medical education. The guidelines, formally adopted in January 1998, provided for the state general fund to pay 50 percent of the direct cost of undergraduate medical education for in-state students and 100 percent of the indirect cost of undergraduate medical education for all students. The remaining direct cost for in-state students and the total direct cost for out-of-state students must come from a combination of tuition and patient care revenue.

For the next several years, these guidelines formed the basis for SCHEV's funding recommendations to the Governor and General Assembly. **Although not formally part of the adopted guidelines, in practice only that part of the formula related to the direct cost of in-state students was applied to EVMS.** The language from the 1998 Appropriation Act related to funding undergraduate medical education at EVMS under the newly adopted guidelines is shown below. Though based on the formula, it was phrased in terms more consistent with a "capitation rate."

"Chapter 464 Item 274 - A. Out of this appropriation, state aid for educational and general activities of the Eastern Virginia Medical School of the Medical College of Hampton Roads is provided in the amount of \$4,087,194 the first year and \$4,087,194 the second year from the general fund. Funding is provided on the basis of an average enrollment of 270 in-state students. As long as the actual enrollment includes not less than 257 in-state students the full appropriation will be provided to the Medical College. Actual enrollment below 257 in-state students shall result in a per capita reduction in the appropriation for each in-state student or vacancy below 257 in-state students. Funding is provided based on support of \$15,138 per in-state student the first year and \$15,138 the second year. The College shall submit, to the Department of Planning and Budget on September 30 of each year, a report on in-state enrollment."

Thus, the state support provided to EVMS for UME during this period included approximately fifty percent of the direct cost of undergraduate medical education for in-state students. Not included was support for the indirect cost for in-state students nor for either the direct or indirect cost for out-of-state students.

It should be noted here that another important funding component for Virginia's medical schools at this time was the Generalist Initiative.

“In recognition of a downward trend nationwide in the production of generalist physicians, the General Assembly, in collaboration with the Robert Wood Johnson Foundation, began funding the Virginia Generalist Initiative program (VGI) in 1994. The purpose of the program is to enhance generalist physician education in the Commonwealth and to increase the number of medical school graduates entering generalist medical fields at the Eastern Virginia Medical School (EVMS), the University of Virginia (UVA), and the Virginia Commonwealth University (VCU). Since the program’s inception in 1994, the General Assembly has provided over \$33.3 million from the general fund for the VGI program, or approximately \$2.4 million per year on average.

When the program was established, the Commonwealth set two specific goals for VGI and funding was contingent upon school performance.

- a. At least 50 percent of Virginia medical school graduates shall enter generalist residency programs; and
- b. At least 50 percent of Virginia generalist residency graduates shall enter generalist practice upon completion of residency training and at least 50 percent of those graduates shall practice in Virginia.

Since 1996, the program has produced about 1,600 generalist physicians and over 900 of them practice generalist medicine in Virginia upon graduation. The VGI program has thus been successful, particularly in retention of graduates practicing generalist medicine in Virginia.”<sup>59</sup>

Although not formally a component of SCHEV’s funding guidelines, all three of Virginia’s medical schools participated in the program.

### **Base Adequacy**

In order to restore continuity and predictability to the Commonwealth’s higher education funding policies, and in order to develop a replacement for the previous funding model, which had fallen into disuse, the 1998 General Assembly created the Joint Subcommittee on Higher Education Funding Policies with the following language<sup>60</sup>

“The Chairmen of the House Appropriations and Senate Finance Committees shall each appoint four members from their respective committees to a joint subcommittee to review public higher education

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<sup>59</sup> 2007 Progress Report on the Virginia Generalist Initiative Program, State Council of Higher Education for Virginia, Report Document No. 256.

<sup>60</sup> Chapter 464, 1998 Virginia Acts of Assembly, Item 1.

funding policies and to make recommendations to their respective committees prior to the 1999 Session of the General Assembly. The objective of the review is to develop policies and formulas to provide the public institutions of higher education with an equitable funding methodology that: (a) recognizes differences in institutional mission; (b) provides incentives for achievement and productivity; (c) recognizes enrollment growth; and (d) establishes funding objectives in areas such as faculty salaries, financial aid, and the appropriate share of educational and general costs that should be borne by resident students...”

The policies and formulae required by the legislation took several years to develop. Led by a team of national consultants under contract to the Joint Subcommittee, a collaborative process was undertaken to achieve consensus among the Subcommittee members, institutional representatives and other stakeholders. Finally, in 2001 the Subcommittee formally endorsed what came to be known as the “Base Adequacy Model.” However, it was not until 2003 that the remaining unfinished components of the model were finalized. Among these last items were the guideline for undergraduate medical education.

Today, the funding guidelines developed and adopted by the Joint Subcommittee form the basis of SCHEV’s higher education operating budget recommendations to the Governor and General Assembly.

The Base Adequacy funding model is an enrollment driven model that estimates resource requirements associated with the direct cost of education based on institution-specific faculty salary averages and fringe benefit rates, student:faculty ratios by discipline and academic level, and a state-wide rate for other nonfaculty instructional costs. The model also estimates resource requirements for the indirect cost of education (e.g., academic support, student services, institutional support and operation and maintenance of plant) based on relationships derived from national finance and enrollment data.

The model not only estimates total resource requirements but also the “fund split” to be applied to them. The Joint Subcommittee adopted a policy that supports 67 percent of the cost of in-state students with general funds while the remaining 33 percent must come from nongeneral fund sources. The policy does not provide any general fund support for the cost of out-of-state students.

Finally, it is important to note that the UME enrollments are treated separately from other health professions enrollments in the Base Adequacy Model.

### **EVMS and Base Adequacy - UME**

Heretofore, SCHEV has not included EVMS in its state-wide higher education operating budget recommendations using the Base Adequacy model, as adopted by the Joint Subcommittee. However, in 2005 SCHEV did include EVMS in its state-wide

operating budget recommendations for the 2006-08 Biennium using a technique derived from the Base Adequacy model. In consultation with DPB, legislative staff and EVMS, a funding recommendation for EVMS was developed that included general fund support for EVMS' in-state UME students at fifty percent of the average full UME direct and indirect costs calculated for UVa and VCU.<sup>61</sup>

The net effect, of course, of this calculation of EVMS' UME resource needs is that it provides the Commonwealth with a substantial discount from the resource requirements that would have otherwise resulted from a normal application of the funding policies. This was no accident. The decision to use a "modified guideline" that reflects EVMS unique status as a state-assisted independent community-based medical school represents a consensus that ultimately has been accepted by the Governor and General Assembly, as evidenced by their previous appropriation of general fund support at the level suggested by the "modified guideline." Within the new framework for EVMS, no change to this arrangement is anticipated. However, as will be discussed below, operating on such a narrow base of state support places EVMS at a higher risk of fiscal distress thus making full funding of this "modified guideline" a high priority for the Commonwealth.

This section would be incomplete without emphasizing the magnitude of the discount accruing to the Commonwealth by using a "modified guideline" to estimate EVMS' resource needs in lieu of Base Adequacy. It is estimated that EVMS' UME resource needs, if calculated through the normal Base Adequacy process, would be approximately \$21 million, about twice the current actual appropriated amount it receives for medical instruction.

Finally, this section would also be incomplete without a reiteration of the importance of providing a stable, predictable funding stream to support Virginia's existing medical education community. Earlier in this review reference was made to the AAMC's warning of an impending physician shortage in the U.S. The expanded text from its report is shown below.

"The AAMC believes that sufficient evidence is at hand to recommend that entry level positions in both U.S. medical schools and graduate medical education programs should be increased over the coming decade. This conclusion is bolstered by the realization that a shortage of physicians would undeniably make access to care more problematic for all citizens. Such shortages would increase the delays individuals encounter in scheduling appointments and the distances they will need to travel for various types of healthcare services. Shortages would be especially problematic for the disadvantaged who already encounter substantial barriers to healthcare services. It is further recognized that, given the extended time required to increase U.S. medical school capacity, and to educate and train additional physicians, the nation must begin to increase

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<sup>61</sup> October 2005 SCHEV Agenda Book.

medical school and GME (Graduate Medical Education) capacity now to meet the needs of the nation in 2015 and beyond.”

The Governor’s Health Reform Commission agrees with this prognosis as it relates to the Commonwealth. Therefore, the development of a new operating framework for EVMS provides a valuable avenue to help address the larger statewide issue of the need to train significantly more physicians to meet the growing demand generated, in large part, by the graying of Virginia’s population. In order to meet this need, the Commonwealth will be called upon to fully fund UME guidelines for the public institutions and the “modified guidelines” applicable to EVMS in order to maintain a sufficient number of new physicians in the educational pipeline.

### **Other Health Professions Programs**

It was noted above that UME enrollments are treated separately from other health professions enrollments in the Base Adequacy Model. This is an important point to consider in the development of a new operating framework for EVMS. Historically, general fund support for instruction provided to EVMS has explicitly been for undergraduate medical education. Other programmatic activities have also been explicitly funded as stand-alone initiatives (e.g., Family Practice Residency, Eastern Virginia Area Health Education Center, the Generalist Initiative, etc.) but these did not include EVMS’ other academic health professions degree programs.

Recently, however, the General Assembly did provide general fund support for two such programs, the Clinical Psychology Ph.D. and the Master’s of Public Health programs, as stand-alone initiatives. The combined amount included in the budget for these programs is \$288,000. However, other important health professions programs continue to lack this type of support. For example, Physician Assistants, EVMS’ largest health professions degree program is projected to be among the fastest growing health profession occupation in the Commonwealth,<sup>62</sup> yet it receives no general fund support.

In the framework being developed for EVMS, a stable, predictable general fund revenue source for the education of critical health professions practitioners should be adopted in lieu of ad hoc stand-alone initiative funding. This stable, predictable funding stream should be established through the use of a modified version of the Base Budget Adequacy recommendations that recognizes EVMS’ unique mission as a state-assisted independent community-based medical school. It would be entirely consistent with the UME guidelines applied to EVMS to establish the Health Professions guideline at fifty percent of the amount normally generated through use of the Base Adequacy guidelines for the public institutions and apply this to the programs currently receiving initiative funding, the Clinical Psychology Ph.D. and the Master of Public Health.

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<sup>62</sup> Bureau of Health Professions. *HRSAs State Health Workforce Profiles - Virginia (2000)*, p. 21, (published 2004). Health Resources and Services Administration, U.S. Department of Health and Human Services.

## **Recommendations**

Chapters 1 and 2, 2008 Virginia Acts of Assembly (Special Session I) appropriates \$59 million to the Eastern Virginia Medical School for the construction of a new medical education and research facility. The legislation sets three conditions which must be met prior to the release of construction funding:

1. that legislation is submitted by the 2009 session of the General Assembly that will provide for gubernatorial and legislative appointments to the EVMS Board of Visitors,
2. that the Board of Visitors of EVMS enters into a memorandum of understanding with the Commonwealth in which the Board promises to increase the current medical school class size; and
3. that a determination is made by the Secretary of Finance that the Board of Visitors of EVMS has cooperated in a review of EVMS by the State Council of Higher Education for Virginia as such review may be provided for in the general appropriation act.

The State Council of Higher Education considers that, upon passage of the legislation called for in item 1 above, the General Assembly will have created a new type of higher education institution in the Commonwealth of Virginia. The distinguishing characteristics of this institutional type are: 1) its legal status as a political subdivision of the Commonwealth, and 2) the presence on its Board of Visitors of gubernatorial and legislative appointees. The creation of this new type of institution necessarily requires the creation of a new policy framework within which it will operate.

The new institutional type can best be described as a “state-assisted independent community-based medical school.” The new policy framework, described below, will have as its objective the continued success of EVMS in its mission of, “achieving excellence and fostering the highest ethical standards in medical and health professions education, research, and patient care.”

The Council recommends that the guiding principles of its operating framework be:

- enhanced coordination between institutional objectives and statewide educational goals,
- accountability through the establishment of measurable performance standards,
- improved academic and financial planning,
- operational autonomy sufficient to make business decisions rapidly and strategically and to preserve its character as a political subdivision, and

- a commitment on the part of the Commonwealth to provide a stable and predictable level of general fund support.

The Council recommends that the guiding principles of this new framework be operationalized by the following policies:

- Pursuant to provisions in Chapters 1 and 2, 2008 Virginia Acts of Assembly (Session I), EVMS will enter into a memorandum of understanding with the Commonwealth that commits to an increase in the medical class size. The magnitude and timing of this increase will be negotiated with SCHEV as part of its legislatively mandated enrollment projection process. It is anticipated that the long-term increase will approximate the 30% increase in medical school enrollment recommended by the AAMC, dependent on the sufficiency of educational plant at EVMS, such sufficiency to be evaluated by SCHEV,
- EVMS will submit to SCHEV a Six-Year Academic and Financial Plan similar in form and function to that required of Virginia's other public institutions under the Higher Education Restructuring Act,
- Henceforth, SCHEV will routinely include estimated resource requirements for EVMS' academic and support programs in its formal statewide higher education operating budget recommendations to the Governor and General Assembly,
  - SCHEV will estimate EVMS' Undergraduate Medical Education (UME) resource requirements employing a methodology identical to that used in its October 2005 recommendations which provides general fund support for EVMS in-state students equal to fifty percent of the average direct and indirect UME general fund support calculated for UVa and VCU,
  - SCHEV will estimate EVMS' Graduate Education resource requirements for the Master of Public Health and Doctor of Clinical Psychology programs employing a methodology that provides general fund support for EVMS' in-state graduate students at one half the rate normally generated through the use of the Base Adequacy Model.
  - SCHEV will include EVMS resource needs calculated as described above in its statewide funding recommendations as soon as practicable.
- Consistent with its status as a political subdivision of the Commonwealth, EVMS should retain administrative oversight of its business affairs consistent with applicable state and federal law

Finally, the Council recommends that a review be undertaken of the overall fiscal health of medical education in the Commonwealth, generally. In forwarding this

recommendation, the Council would like to note that several years have passed since the legislatively mandated study of medical education finance was conducted by Virginia's public medical schools (Chapter 912, 1996) and that several years have passed since the legislatively mandated study of Academic Health Centers (SJR 464, 1999). During that time significant changes have occurred in the health care industry which require a reexamination of the Commonwealth's medical education funding policies.

In presenting these recommendations, the Council would like to gratefully acknowledge the thorough cooperation of the President and staff of Eastern Virginia Medical School during the conduct of this review.

## State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.b.1. – Action on 2008-10 Systemwide Operating Budget Amendment  
Items: Base Adequacy

**Date of Meeting:** October 21, 2008

**Presenter:** Dan Hix, Finance Policy Director

**Most Recent Review/Action:**

No previous Council review/action

Previous review/action

**Date:** September 9, 2008

**Review:** Staff presented to the Council a preliminary estimate of base adequacy funding need by using projected 2007-08 enrollment.

**Background Information/Summary of Major Elements:**

- Item 1H, Chapter 1, 1998 Acts of Assembly, established the Joint Subcommittee on Higher Education Funding Policies to develop funding guidelines. The Joint Subcommittee adopted higher education funding guidelines for Virginia public institutions in December 2000. The funding guidelines for operation and maintenance of plant were developed and added to the higher education funding guidelines in 2001.
- In addition, the Joint Subcommittee on Higher Education Funding Policies adopted a fund share policy of 67/33 between general fund support and tuition revenue for in-state students in base funding estimates derived by the funding guidelines in 2003.
- The staff of the Joint Subcommittee on Higher Education Funding Policy estimated that there was a funding shortfall of over \$400 million in base operations across the public institutions in FY04.
- Between 2004 and 2008, the General Assembly appropriated \$499 million in additional general fund and \$680 million in additional nongeneral funds for higher education base operations. The additional general fund appropriations represented a serious commitment to higher education and a significant step in addressing the identified funding deficiency in higher education base operations. However, a state budget shortfall necessitated a reduction of \$84 million in general fund support to higher education last fall, a cut of more than 5%.

- The 2007 General Assembly directed SCHEV to review the funding guideline methodologies and processes related to base adequacy and report the findings by September 1. Staff held a series of meetings with institution fiscal analysts and representatives from the related state agencies regarding the scope of the review and recommendations in the spring and summer. It was decided that the review should focus on (1) input data and frequency of the data updates; (2) frequency of the base adequacy calculations; (3) treatment of enrollment; and (4) phasing in of the realignment of the fund shares in base adequacy. Staff presented the report and findings to the Council at its September meeting.
- The Council approved the staff report and adopted the funding methodology that would use actual enrollment rather than projected enrollment in the guideline calculation. The Council also approved that the base adequacy calculation shall be run with complete updated data biennially prior to the even year legislative session. For the short legislative session in the odd year, the base adequacy calculation is only updated to include the latest actual enrollment on the need side of the equation and the latest operating appropriations on the available resources side.
- Consistent with the Council-approved methodology, staff made a preliminary calculation of the 2007-08 funding need by using projected 2007-08 enrollment as a proxy and briefed the Council on the result in September.
- Based on the 2007-08 actual enrollment, at the system level, higher education is currently funded at 91% of guidelines. A total of \$350.2 million (\$181.8 million from the general fund) is necessary to reach full funding under the guidelines.

**Materials Provided:** Table 1 Estimated 2007-08 Base Adequacy.

**Financial Impact:** See attached summary table.

**Timetable for Further Review/Action:** None.

**Recommendation:**

Staff recommends an additional appropriation of \$181,750,602 from the general fund and \$168,403,102 from nongeneral funds for a total of \$350,153,704 in FY 2010 in order to reach FY 2008 full base funding.

**Resolution:**

**A special addendum resolution will be offered at the October 21 Council meeting.**

**Table 1**  
**Estimated 2007-08 Base Adequacy Funding**

Institution	Calculated	Available	% Funding	Funding	GF	Incremental Funding		
	Need <sup>1,2</sup>	Resources <sup>3,4</sup>	to Guideline	Shortfall	Share	GF	NGF	Total
Christopher Newport University	54,947,434	51,119,910	93%	(3,827,524)	64%	2,457,270	1,370,254	3,827,524
College of William and Mary	132,415,393	127,681,835	96%	(4,733,558)	42%	2,007,029	2,726,529	4,733,558
George Mason University	338,843,477	332,884,827	98%	(5,958,650)	53%	3,152,126	2,806,524	5,958,650
James Madison University	216,002,127	200,960,580	93%	(15,041,547)	47%	7,024,402	8,017,144	15,041,547
Longwood University	54,241,444	48,775,228	90%	(5,466,216)	62%	3,367,189	2,099,027	5,466,216
University of Mary Washington	58,769,170	56,516,165	96%	(2,253,005)	53%	1,189,587	1,063,418	2,253,005
Norfolk State University	62,550,479	70,294,744	112%	0	54%	0	0	0
Old Dominion University	234,516,214	206,099,105	88%	(28,417,109)	57%	16,197,752	12,219,357	28,417,109
Radford University	102,682,746	97,454,464	95%	(5,228,282)	61%	3,184,023	2,044,258	5,228,282
University of Virginia	490,534,410	462,097,394	94%	(28,437,016)	39%	11,061,999	17,375,017	28,437,016
University of Virginia at Wise	20,292,656	22,047,898	109%	0	63%	0	0	0
Virginia Commonwealth University	498,150,242	431,379,221	87%	(66,771,021)	52%	34,654,160	32,116,861	66,771,021
Virginia Military Institute	22,940,513	29,991,236	131%	0	39%	0	0	0
Virginia State University	49,906,316	55,513,334	111%	0	48%	0	0	0
Virginia Tech	538,323,033	470,766,310	87%	(67,556,723)	42%	28,508,937	39,047,786	67,556,723
Richard Bland College	8,001,945	8,963,085	112%	0	66%	0	0	0
Virginia Community College Sys	806,051,624	689,588,571	86%	(116,463,053)	59%	68,946,127	47,516,925	116,463,053
<b>Total, All Institutions</b>	<b>3,689,169,223</b>	<b>3,362,133,907</b>	<b>91%</b>	<b>(350,153,704)</b>	<b>51%</b>	<b>181,750,602</b>	<b>168,403,102</b>	<b>350,153,704</b>

Notes:

- (1) Based on actual FY08 student FTE and FY06-FY08 3-year average discipline credit hours.
- (2) The cost including blended salary is based on the 2008-10 activity-based budget (ABB).
- (3) Include Chapter 879 FY09 appropriations, October budget reduction, and Tuition Moderation Incentive Fund.
- (4) Excludes funding for OCR at NSU and VSU, VCU Qatar campus and VCCS central office.

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.b.2. – Action on 2008-10 Systemwide Operating Budget Amendment  
Items: Faculty Salaries

**Date of Meeting:** October 21, 2008

**Presenter:** Dan Hix, Finance Policy Director

**Most Recent Review/Action:**

No previous Council review/action

Previous review/action

**Date:** September 9, 2008

**Review:** Staff presented a preliminary estimate of the additional funding needed for Virginia teaching and research (T&R) faculty salaries to reach the 60<sup>th</sup> percentile of their peers by FY2012.

**Background Information/Summary of Major Elements:**

- Since the mid 1980s, the Governor and General Assembly have been committed to ensuring that the average salary for teaching and research (T&R) faculty at Virginia public institutions is at the 60<sup>th</sup> percentile of their national peers. Most of the institutions met or exceeded the 60<sup>th</sup> percentile of their peers by the 1998-2000 biennium.
- Between FY01 and FY04, impacted by the budget impasse in FY02 and the economic recession in subsequent years, the General Assembly was not able to provide the additional funding to keep up with the national faculty salary increases. As a result, Virginia T&R faculty salaries once again fell short of the stated goal. In FY04, T&R faculty salaries at Virginia four-year institutions ranked, on average, at the 38<sup>th</sup> percentile of their peers, with rankings ranging between the 24<sup>th</sup> and 52<sup>nd</sup> percentile. Virginia two-year colleges ranked, on average, at the 53<sup>rd</sup> percentile of their peers nationally.
- Between 2004 and 2008, the General Assembly provided additional funding for faculty salaries with an annual increase rate between 4% and 5%. In comparison, nationally the average faculty salary at public institutions increased by less than 4% annually. As a result, Virginia T&R faculty salary ranking to peers increased. In FY08, the average T&R faculty salary at the four-year institution was at the 52<sup>nd</sup> percentile of their peers. Virginia two-year colleges ranked at the 61<sup>st</sup> percentile of their peers on average. (VCCS is at the 46<sup>th</sup> percentile and RBC is at the 77<sup>th</sup> percentile).

- In 2007, directed by the General Assembly, institutions' peers were revised and re-benchmarked for faculty salaries. In addition, SCHEV changed the national data source for faculty salaries from the American Association of University Professors (AAUP) database to the Integrated Postsecondary Education Data system (IPEDS) database because IPEDS data has more participating institutions and is publicly accessible.
- The 2008 General Assembly provided funding for an annual 2% salary increase for all state employees including all types of faculty at public institutions in the 2008-10 biennium. However, due to projected state budget shortfalls in the biennium, the Governor made a budget reduction in October, including delaying salary increases in FY09 but keeping the planned 2% increase in FY10. This agenda item only focuses on T&R faculty salary increases.
- In September, staff presented to the Council a preliminary estimate of required T&R faculty salary increases and additional funding needs for institutions to reach the 60<sup>th</sup> percentile goal by FY2012. The estimate was based on the appropriated 2008-09 resources and budgeted annual 2% salary increases.
- Using the institutions' 2008-09 operating plans which are typically more accurate and detailed than the appropriations, it is estimated that an average salary increase of 4.9% annually (on top of the 2% increase budgeted for FY10) would be necessary in order to reach the 60th percentile goal by FY12 – the targeted year set by the Council. Institutional salary increases would range from 0% to 7.1% in addition to the budgeted 2% increase starting July 1 2009. This increase would require an additional \$29.8 million in general fund and \$27.6 million in nongeneral funds, for a total of \$57.4 million in 2009-10.
- The estimated funding assumed for peer faculty salaries would increase by 3% annually between 2009-12. Institutions with appropriated salary averages above the 60<sup>th</sup> percentile were held harmless in the calculation.

**Materials Provided:** Summary of additional faculty salary increases and funding need in 2009-10 in order to reach the 60<sup>th</sup> percentile by FY2012.

**Financial Impact:** See summary table.

**Timetable for Further Review/Action:** None.

**Recommendation:**

Staff recommends an additional appropriation of \$29,822,858 from the general fund and \$27,614,378 from nongeneral funds for a total of \$57,437,236 for faculty salary increases in order to raise average faculty salaries to the 60<sup>th</sup> percentile goal by FY 2012.

**Resolution:**

**A special addendum resolution will be offered at the October 21 Council meeting.**

**Additional Salary Increases and Funding Need  
For Teaching and Research Faculty in 2009-10  
Effective July 1, 2009**

	Salary Increase <sup>1,2</sup>	Additional Funding Need <sup>3</sup>		
		GF	NGF	Total
CWM	4.4%	1,039,857	1,412,635	2,452,492
UVa	4.6%	2,755,460	4,327,985	7,083,445
VT	4.4%	3,424,847	4,690,904	8,115,751
VMI	6.7%	225,581	346,960	572,541
VSU	5.1%	418,825	461,059	879,885
NSU	3.0%	356,913	306,494	663,406
LU	2.8%	257,435	160,479	417,914
UMW	1.3%	145,635	130,189	275,825
JMU	4.8%	1,735,918	1,981,251	3,717,169
RU	6.7%	1,304,500	837,536	2,142,036
ODU	5.2%	1,973,268	1,488,605	3,461,873
VT-extension	4.4%	1,030,830	54,254	1,085,084
VSU-extension	5.1%	103,226	5,433	108,659
VCU <sup>4</sup>	4.6%	3,483,726	3,130,670	6,614,395
RBC	0.9%	14,093	7,228	21,321
CNU	5.6%	715,707	399,101	1,114,808
UVAW <sup>5</sup>	0.0%	0	0	0
GMU	5.1%	3,582,441	3,039,446	6,621,887
VCCS	7.1%	6,994,381	4,820,452	11,814,833
VIMS	4.4%	260,216	13,696	273,912
Total Funding		29,822,858	27,614,378	57,437,236
Average Increase	4.5%			

Notes:

- (1) Salary increase rate is in addition to the budgeted 2% increase in FY2010.
- (2) Assuming peer salary increase by 3% annually.
- (3) Fund amounts are derived based on the FY08 base adequacy fund share.
- (4) Includes funding for family practice program.
- (5) Already at or above the 60th percentile goal.

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.b.3. – Action on 2008-10 Systemwide Operating Budget  
Amendment Items: Operation and Maintenance of New  
Facilities Coming On-Line

**Date of Meeting:** October 21, 2008

**Presenter:** Dan Hix, Finance Policy Director

**Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:** September 9, 2008

**Review:** Staff briefed the Council members on the estimated additional funding need in FY2010.

**Background Information/Summary of Major Elements:**

SCHEV has traditionally included incremental resources needed by the institutions to operate new facilities in its biennial budget recommendations. As new E&G and Research facilities come on-line, incremental resources are needed to provide general maintenance, housekeeping, supervision, grounds maintenance, preventive maintenance, utilities and service contracts expenses.

Institutional requests being considered under this item total \$23.3 million GF and \$23.7 million NGF for the biennium. In all likelihood, amounts equal to or greater than this will be requested in subsequent years. Requests for operating funds for those projects not included in this request will be included in the 2010-12 and 2012-14 biennial recommendations.

**Materials Provided:**

- Results of the August 2008 SCHEV Survey of Operation and Maintenance Costs for New E&G and Research Facilities Coming On-Line in FY 2009 and FY 2010.
- PowerPoint presentation to the Senate Finance Committee, Education Sub-Committee, on Funding for Operation and Maintenance of Physical Plant.

**Financial Impact:** Please see attached spreadsheet.

**Timetable for Further Review/Action:** None.

**Recommendation:**

Staff recommends an additional appropriation of \$23,254,579 million from the general fund and \$23,692,279 million from nongeneral funds for a total of \$46,946,858 for the operation and maintenance of new facilities coming on-line in the 2008-10 biennium.

**Resolution:**

**A special addendum resolution will be offered at the October 21 Council meeting.**

## SCHEV Survey of Operation and Maintenance Costs for New E&G and Research Facilities Coming On-Line in FY 2009 and FY 2010

Institution	Building Name	Building E&G Percent	Building Research Percent	FY 09 Months	FY 10 Months	SCHEV GF Recommendation FY 2009	SCHEV NGF Recommendation FY 2009	SCHEV GF Recommendation FY 2010	SCHEV NGF Recommendation FY 2010
CNU	McMurrin Hall	100%	0%	0	7	\$0	\$0	\$189,390	\$105,610
CWM	1306 Mt Vernon** ++	100%	0%	5	12	\$6,653	\$9,038	\$27,588	\$38,254
CWM	1310 Mt Vernon**	100%	0%	5	12	\$0	\$0	\$0	\$0
CWM	1312 Mt Vernon**	100%	0%	5	12	\$0	\$0	\$0	\$0
CWM	Phase V (Swem Plant for ISC)	100%	0%	11	12	\$32,454	\$44,088	\$37,174	\$50,501
CWM	New School of Business	100%	0%	2	12	\$116,832	\$158,715	\$736,041	\$999,904
CWM	Small Hall Addition	100%	0%	0	10	\$0	\$0	\$101,656	\$138,098
CWM	Main Power Plant Addition	48%	0%	0	3	\$0	\$0	\$17,085	\$23,209
CWM	New School of Education	100%	0%	0	2	\$0	\$0	\$88,200	\$119,819
GMU	Academic VI/Research I	64.0%	36.0%	5	12	\$326,426	\$276,949	\$783,422	\$664,678
GMU	PE Building	100.0%	0.0%	5	12	\$93,796	\$79,579	\$225,110	\$190,990
GMU	Academic V	100.0%	0.0%	3	12	\$97,529	\$82,746	\$390,115	\$330,985
GMU	Surge Space Building	100.0%	0.0%	0	5	\$0	\$0	\$127,789	\$108,420
GMU	Regional Biomedical Lab	100.0%	0.0%	0	5	\$0	\$0	\$133,735	\$113,465
GMU	Arlington II *	96.0%	0.0%	0	3	\$0	\$0	\$297,577	\$252,473
GMU	Fairfax Performing Arts	100.0%	0.0%	0	3	\$0	\$0	\$20,883	\$17,717
GMU	Public Safety Building	100.0%	0.0%	0	3	\$0	\$0	\$53,613	\$45,091
JMU	Center for the Arts	100%	0%	0	4	\$0	\$0	\$195,308	\$222,911
JMU	Music Recital Hall	100%	0%	0	4	\$0	\$0	\$90,790	\$103,621
LU	Comm & Theater Bldg	100%	0%	6	12	\$123,200	\$76,800	\$246,400	\$153,600
NSU	Marie V. McDemmond	60%	40%	12	12	\$376,600	\$323,400	\$489,580	\$420,420
NSU	Police Building	100%	0%	12	12	\$107,600	\$92,400	\$121,050	\$103,950
NSU	New Library	100%	0%	0	12	\$0	\$0	\$333,560	\$286,440
ODU	Central Cooling Plant	100%	0%	12	12	\$167,580	\$126,420	\$177,270	\$133,730
ODU	Physical Sciences, Phase II	100%	0%	6	12	\$205,485	\$155,015	\$432,630	\$326,370
ODU	Recreation Center	70%	0%	6	12	\$283,290	\$213,710	\$594,909	\$448,791
ODU	Village Arts Building (New VAB)	100%	0%	0	4	\$0	\$0	\$70,680	\$53,320
RBC	No Request			0	0	\$0	\$0	\$0	\$0
RU	The Covington Center for Visual and Performing Arts	100%	0%	9	12	\$122,433	\$78,607	\$163,244	\$104,809

Institution	Building Name	Building E&G Percent	Building Research Percent	FY 09 Months	FY 10 Months	SCHEV GF Recommendation FY 2009	SCHEV NGF Recommendation FY 2009	SCHEV GF Recommendation FY 2010	SCHEV NGF Recommendation FY 2010
UMW	Lee Hall Addition	100%	0%	7	12	\$73,920	\$66,080	\$113,280	\$113,280
UMW	1201 William Street	100%	0%	10	12	\$39,600	\$35,400	\$47,520	\$42,480
UMW	1004 College Avenue	100%	0%	6	12	\$20,064	\$17,936	\$40,128	\$35,872
UVA	Claude Moore Medical Education Building	100%	0%	0	2	\$0	\$0	\$80,808	\$126,925
UVA	SEAS Projects Building (on O Hill)	100%	0%	0	10	\$0	\$0	\$48,949	\$76,884
UVA	South Lawn	100%	0%	0	6	\$0	\$0	\$457,814	\$719,086
UVA	Bavaro Hall	100%	0%	0	2	\$0	\$0	\$67,005	\$105,245
UVA	Claude Moore Nursing Education Building	100%	0%	12	12	\$206,160	\$323,815	\$227,800	\$357,804
UVA	Carter-Harrison Research Bldg (MR-6)	50%	50%	4	12	\$482,184	\$757,363	\$1,619,946	\$2,544,440
UVA	South Chiller Plant Addition	100%	0%	9	12	\$147,681	\$231,962	\$211,203	\$331,735
UVA	Ruffin Hall	100%	0%	11	12	\$287,886	\$452,181	\$345,642	\$542,897
UVA	Campbell Hall Additions	100%	0%	11	12	\$151,617	\$238,144	\$180,641	\$283,731
UVA	480 Ray C. Hunt Drive Annex (LiSA)	0%	100%	9	12	\$243,328	\$382,194	\$357,254	\$561,137
UVA	Montesano	100%	0%	2	12	\$6,042	\$9,490	\$39,165	\$61,516
UVA-W	Drama Building	100%	0%	3	12	\$71,297	\$41,515	\$285,545	\$166,267
VCCS	Maintenance Building, DCC	100%	100%	10	12	\$34,256	\$23,609	\$41,107	\$28,330
VCCS	Health Sciences - DCC	100%	100%	3	12	\$37,269	\$25,685	\$149,074	\$102,741
VCCS	Business Development and Workforce Training Center, ESCC	100%	100%	9	12	\$141,856	\$97,766	\$189,142	\$130,354
VCCS	Maintenance Building, GCC	100%	100%	10	12	\$34,547	\$23,810	\$41,457	\$28,571
VCCS	Construct Workforce Training and Technology Center, JSRCC	100%	100%	0	7	\$0	\$0	\$82,242	\$56,680
VCCS	Midlothian Phase II - JTCC	100%	100%	0	10	\$0	\$0	\$266,061	\$183,366
VCCS	Science Laboratory Building, LFCC	100%	100%	11	12	\$211,849	\$146,004	\$231,108	\$159,277
VCCS	LFCC	100%	100%	0	6	\$0	\$0	\$77,732	\$53,572
VCCS	Maintenance Building, MECC	100%	100%	11	12	\$40,899	\$28,187	\$44,617	\$30,749
VCCS	Maintenance Building, NRCC	100%	100%	12	12	\$39,776	\$27,414	\$39,776	\$27,414
VCCS	Computer Services Expansion, NRCC	100%	100%	11	12	\$11,050	\$7,616	\$12,055	\$8,308
VCCS	Addition to HVAC Building (Woodbridge), NVCC	100%	100%	12	12	\$74,732	\$51,505	\$74,732	\$51,505
VCCS	Phase III and Renovate Phase I & II, Alexandria, NVCC	100%	100%	11	12	\$447,742	\$308,579	\$488,446	\$336,632
VCCS	Phase III Academic Building, NVCC-Manassas	100%	100%	0	6	\$0	\$0	\$171,149	\$117,954
VCCS	Science and Technology Building, PVCC	100%	100%	0	6	\$0	\$0	\$95,742	\$65,984
VCCS	Maintenance Building, SWVCC	100%	100%	6	12	\$14,954	\$10,306	\$29,908	\$20,612
VCCS	Learning Resources Building, SWVCC	100%	100%	6	12	\$177,784	\$122,527	\$355,568	\$245,054
VCCS	District Administrative Facility, TCC*	100%	100%	12	12	\$340,341	\$234,559	\$340,341	\$234,559
VCCS	Regional Automotive Technology/Workforce Development Center, TCC	100%	100%	11	12	\$139,318	\$96,016	\$151,983	\$104,745
VCCS	Portsmouth Campus Relocation - TCC	100%	100%	0	10	\$0	\$0	\$637,110	\$439,089
VCCS	Regional Health Professions Center - TCC	100%	100%	0	3	\$0	\$0	\$76,219	\$52,529
VCCS	Acquire Hampton III Building, TNCC*	100%	100%	12	12	\$205,737	\$141,791	\$205,737	\$141,791
VCCS	Historic Triangle Campus, TNCC	100%	100%	3	12	\$151,983	\$104,745	\$607,932	\$418,980
VCCS	Snyder Auditorium - WCC	100%	100%	0	8	\$0	\$0	\$20,120	\$13,867

Institution	Building Name	Building E&G Percent	Building Research Percent	FY 09 Months	FY 10 Months	SCHEV GF Recommendation FY 2009	SCHEV NGF Recommendation FY 2009	SCHEV GF Recommendation FY 2010	SCHEV NGF Recommendation FY 2010
VCU	School of Engineering2 - Life and Health Sciences	0%	100%	8	12	104,008	\$96,392	217,409	\$201,491
VCU	Medical Sciences Building II	19%	81%	6	12	350,104	\$324,470	714,013	\$661,734
VCU	School of Dentistry Addition	67%	33%	0	12	0	\$0	200,853	\$186,147
VMI	Kilbourne (Bldg 45/Infill)	100%	0%	12	12	15,760	\$104,240	17,467	\$ 115,533
VMI	Kilbourne (Main ROTC)	100%	0%	10	12	13,790	\$28,210	16,548	\$ 25,452
VMI	Mallory Hall	100%	0%	12	12	8,865	\$36,135	8,865	\$ 36,135
VMI	Leadership Center	100%	0%	8	12	74,335	\$208,665	121,746	\$ 187,254
VSU	No Request			0	0	\$0	\$0	\$0	\$0
VT	Cowgill Hall Renovations - HVAC & Power	100%	0%	12	12	\$59,840	\$81,961	\$59,840	\$81,961
VT	Agnew Hall Renovations	100%	0%	11	12	\$6,158	\$8,434	\$6,718	\$9,201
VT	Henderson Hall Renovations/Black Box Theater	100%	0%	1	12	\$11,225	\$15,375	\$84,905	\$116,292
VT	Campus Heat Plant	100%	0%	6	12	\$163,246	\$223,594	\$328,603	\$450,077
VT	Hazardous Waste Facility	100%	0%		1	\$0	\$0	\$7,124	\$9,758
VT	Institute for Critical Technologies and Applied Sciences II	0%	100%		1	\$0	\$0	\$52,118	\$71,384
VT	Hampton Roads Classroom Addition	100%	0%	8	12	\$3,895	\$5,335	\$3,100	\$4,245
VIMS	No Request					\$0	\$0	\$0	\$0
Grand Total						\$6,704,975	\$6,856,476	\$16,549,604	\$16,835,803

Please note: Both FY 2009 and FY 2010 are stated in dollars incremental to the base.



# State Council of Higher Education for Virginia

## Senate Finance Committee Meeting Education Sub-Committee

January 22, 2008

# Funding for Operation and Maintenance of Physical Plant

Dan Hix  
Finance Policy Director  
State Council of Higher Education for Virginia

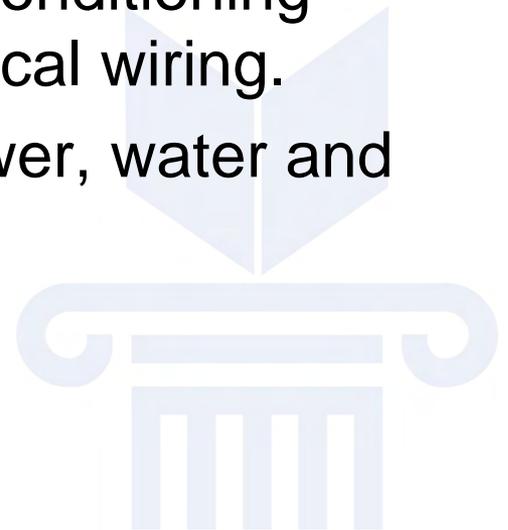




# Funding for Operation and Maintenance of Plant

## Costs Associated with the Operation and Maintenance (O&M) of Physical Plant

- Janitorial/custodial services such as keeping the facility clean and safe.
- Minor building repairs to roofs, exterior walls, floors, foundations, heating/air conditioning equipment, plumbing and electrical wiring.
- Utilities including heat, light, power, water and gas.
- Property and liability insurance.
- Preventive maintenance.





# Funding for Operation and Maintenance of Plant

## Calculation of the O&M Funding Need

- **Appendix M** -- funding guidelines prior to the current higher education funding guidelines,
  - based on the ratio of total square feet and positions in the physical plant program at an institution.
- **Base Adequacy** -- the current higher education funding guidelines,
  - based on student enrollment and is calculated as a percent of total funding excluding the program of institutional support—an administrative program .



# Funding for Operation and Maintenance of Plant

## Chapter 847, General Provisions § 4-4.01.3.o7

“It is the policy of the Commonwealth that the institutions of higher education shall treat the maintenance of their facilities as a priority for the allocation of resources. No appropriations shall be transferred from the "Operation and Maintenance of Plant" subprogram except for closely and definitely related purposes, as approved by the Director, Department of Planning and Budget, or his designee. A report providing the rationale for each approved transfer shall be made to the Chairmen of the House Appropriations and Senate Finance Committees.”



# Funding for Operation and Maintenance of Plant

## O&M Budget and Spending

- On average, O&M spending consistently represents about 10 percent of total Educational and General spending at our Virginia public institutions.
- This level of spending is comparable to the national average—typically varying by no more than 1 percentage point.
- SCHEV recommended total additional funding of about \$30 million per year for new space coming online in 2008-10. This represents a 1 percent increase over the current O&M spending.



# Funding for Operation and Maintenance of Plant

## Base Adequacy and O&M Funding

- The Base Adequacy funding guidelines address an institution's need for O&M funding based on the size of enrollment.
- Once the system is fully funded under the guidelines—there will no longer be a need to address O&M as a separate budget issue.
- However, given the importance of the O&M program, the requirements in the General Provisions section of the Act, and the fact that the system is not currently fully funded under the guidelines—SCHEV supports a separate recommendation for the O&M costs associated with new space coming online.

## State Council of Higher Education for Virginia Agenda Item

**Item:** 7.b.4. - Action on 2008-10 Systemwide Operating Budget Amendment  
Items: Undergraduate and Graduate Student Financial Aid

**Date of Meeting:** October 21, 2008

**Presenter:** Dan Hix, Finance Policy Director/Lee Andes, Asst. Director for Financial Aid

**Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:** September 9, 2008

**Review:** Staff presented three options for additional undergraduate student financial aid funding and two options for additional graduate student financial aid funding.

### **UNDERGRADUATE STUDENT FINANCIAL ASSISTANCE**

**Background Information/Summary of Major Elements:**

- **The 2008 session of the General Assembly provided an annual increase of over \$9.1 million – \$18.2 million for the biennium – increasing VSFAP funds to just over \$118 million per year.**

**The Funding Model**

- The State Council of Higher Education for Virginia annually recommends funds for the Virginia Student Financial Assistance Program (VSFAP). Absent sufficient resources to fully fund the approved goal the funding methodology also serves as an allocation model for distributing limited funds to the institutions.
- The Partnership Model was adopted by the Governor's Office and the General Assembly in 2006. For historical context and tracking purposes, SCHEV will continue to provide the percent of Remaining Need being met by VSFAP funds; however, the Partnership Model should be used to establish the funding goal and for allocation of funds among the institutions.

<u>Year</u>	<u>Remaining Need</u>	<u>Partnership Model</u>
1999-00	43%	
2000-01	43%	
2001-02	42.1%	
2002-03	38.9%	
2003-04	35.9%	
2004-05	33.6%	56.4%
2005-06	32.7%	46.4%
2006-07	34.4%	55.5%
2007-08	37.8%	60.5%
2008-09	37.0%	60.5%

### **Need for additional resources**

- In 2005, the General Assembly authorized an Affordability Study to compare Virginia institutions with selected states. The study revealed that the lowest income students – average median income of just under \$20,000 – face significant financial obstacles when paying for higher education. These students attending a Virginia two-year institution have a net price – cost of attendance less grants and scholarships – that is on average 24.3 percent of their median family income; at four-year public institutions that percentage climbs to 43.8 percent. For students in the second quartile - average median income of \$40,000 - the numbers are 15 percent and 23.8 percent respectively. These are the results after all gift aid is considered, meaning that the only resources left are out-of-pocket payments, student loans, work, and reduction of expenses. To make an impact on these numbers, student financial aid must increase beyond the minimums required to maintain the current percentage of need met.
- On September 17, 2008, an on-line article from the New York Times reported that the federal Pell grant program is facing a \$6 billion shortfall in 2009-10. This is the result of a near record increase in the number of students applying for the Pell grant. The article quoted Thomas P. Skelly, the Department of Education’s director of budget service, who sent a memo to Congress. He said, “There are a lot of things going on – more people are applying for student aid, more people are going to college, more people who qualify for aid are showing up at school.” This report suggests that future projections for student financial need may be underreported due to an increasing number of low income students applying for college and completing the FAFSA. This emphasizes the need for more assistance from all sources, including state programs.
- The current budget deficit will almost surely result in reduced state funding to colleges and universities this biennium. These reductions may very well result in increased tuition and fees for both 2008-09 and 2009-10 beyond the current projections used in these calculations, which would result in increased student need.

**Materials Provided:**

- Summary tables showing results of the Partnership Model are provided.
- VSFAP funding model summary.

**Financial Impact:**

**Option 1**

Raise each institution's Percent of Partnership Model being met up to a minimum of 55% - **\$9.4 million**

**Option 2**

Maintain FY09 Percent of Partnership Model met for each institution to offset increased FY10 costs - **\$13.8 million**

**Option 3**

Phase-in to full funding under the Partnership Model over a three-year period – annual increases of: **\$43.2 million**

Details for each Option are provided in the tables that follow.

**Timetable for Further Review/Action:** None.

**Recommendation:**

Staff recommends that, at a minimum, the Commonwealth maintain the percent of need currently being met by increasing VSFAP funding by \$13,814,818 for FY 2010.

**Resolution:**

**A special addendum resolution will be offered at the October 21 Council meeting.**

## GRADUATE STUDENT FINANCIAL ASSISTANCE

### Background Information/Summary of Major Elements:

- **The 2008 session of the General Assembly did not appropriate new funds for the graduate portion of the VSFAP.**
- The Virginia Graduate Commonwealth Award provides funding for graduate students attending Virginia's public four-year institutions. Institutions may award these funds as need-based grants, merit-based scholarships, or awards for duties which require work. Not more than 50 percent of funds awarded as grants or scholarships may be used for non-resident students.
- The primary purpose of the program is to help Virginia public institutions attract the best possible students by providing competitive financial packages.
- In FY1995, appropriations averaged \$569 per full-time graduate student, representing 13.17 percent of the average graduate tuition and fees. To regain FY1995 equivalent effectiveness, the average funding per full-time student for FY2010 needs to increase to \$1,351.
- Funding remained stable from FY95 until FY07 when significant increases were provided to the major Research institutions.
- The impact of graduate financial aid is diminishing from the average award that is 8.42% of average tuition/fees in FY08 to 7.58% in FY09.

**Materials Provided:** Table showing the calculations and funding recommendation.

### **Financial Impact:**

**Option 1** – Bring Funding to FY95 in One Year - **\$13.8**  
**million**

**Option 2** – Three Year Phase-in to FY95 Level of Funding – per year: **\$6.1**  
**million**

Details for each Option are provided in the tables that follow.

**Timetable for Further Review/Action:** None.

### **Recommendation:**

Staff recommends an increase to VSFAP graduate funding of \$6,052,632 in FY 2010, \$12,105,264 in FY 2011, and \$18,341,309 in FY 2012 in order to return graduate financial aid appropriations to FY 1995 levels.

**Resolution:**

**A special addendum resolution will be offered at the October 21 Council meeting.**



## Virginia Graduate Commonwealth Award Calculations Table

Erosion of Financial Aid Impact	1994-95					2007-08				
	Graduate Tuition / Fees	Grad & Prof. Students	Graduate Aid Funding	Average Award	Award as % of Tuition/Fees	07/08 Graduate Tuition / Fees	06/07 Grad & Prof. Students <sup>1</sup>	Graduate Aid Funding	Average Award	Award as % of Tuition/Fees
<b>PUBLIC 4-YEAR INSTITUTIONS</b>										
Christopher Newport University	3,192	14	0	0	0.00%	6,264	72	0	0	0.00%
Clg of William & Mary / Va Inst. Marine Sc	4,556	1,409	549,634	390	8.56%	10,260	1,541	922,846	599	5.84%
George Mason University	4,044	1,884	1,149,358	610	15.09%	8,880	2,369	1,620,718	684	7.70%
James Madison University	3,024	443	390,222	881	29.13%	7,008	862	390,222	453	6.46%
Longwood University	4,616	87	5,560	64	1.38%	7,354	81	5,560	69	0.93%
University of Mary Washington	2,520	0	0	0	0.00%	5,472	138	0	0	0.00%
Norfolk State University	3,154	406	340,727	839	26.61%	7,658	411	340,727	829	10.83%
Old Dominion University	4,066	1,678	1,787,850	1,065	26.20%	7,902	1,557	2,021,528	1,298	16.43%
Radford University	3,186	440	570,400	1,296	40.69%	7,194	480	570,400	1,188	16.52%
University of Virginia	4,480	5,664	2,219,339	392	8.75%	12,140	6,231	4,165,121	668	5.51%
Virginia Commonwealth University	4,457	3,209	1,487,880	464	10.40%	9,478	4,785	2,635,249	551	5.81%
Virginia Tech	4,557	3,851	2,184,552	567	12.45%	9,735	4,418	4,393,580	994	10.22%
Virginia State University	3,479	74	219,888	2,971	85.41%	7,094	82	219,888	2,682	37.80%
<b>TOTAL 4-YEAR INSTITUTIONS</b>	<b>4,322</b>	<b>19,159</b>	<b>\$10,905,410</b>	<b>569</b>	<b>13.17%</b>	<b>9,909</b>	<b>23,027</b>	<b>17,285,839</b>	<b>751</b>	<b>7.58%</b>

PUBLIC 4-YEAR INSTITUTIONS	2009-10				2010-2011			2011-2012		
	2009-10 Tuition/ Fees <sup>3</sup>	Graduate Aid Funding	Option 1: Full Funding	Option 2: 3-Year Phase-In	2010-11 Tuition/ Fees <sup>3</sup>	Graduate Aid Funding	Option 2: 3-Year Phase-In	2011-12 Tuition/ Fees <sup>3</sup>	Graduate Aid Funding	Option 2: 3-Year Phase-In
Christopher Newport University	6,702	38,606	38,606	14,586	7,172	41,309	29,172	7,674	44,200	44,200
Clg of William & Mary / Va Inst. Marine Sc	10,978	1,448,481	525,635	242,721	11,747	1,549,874	485,443	12,569	1,658,365	735,519
George Mason University	9,502	3,395,667	1,774,949	748,104	10,167	3,633,364	1,496,207	10,878	3,887,699	2,266,981
James Madison University	7,499	1,882,831	1,492,609	582,592	8,023	2,014,629	1,165,185	8,585	2,155,653	1,765,431
Longwood University	7,869	50,990	45,430	17,430	8,420	54,559	34,860	9,009	58,378	52,818
University of Mary Washington	5,855	64,640	64,640	24,422	6,265	69,164	48,844	6,703	74,006	74,006
Norfolk State University	8,194	896,107	555,380	226,124	8,768	958,834	452,249	9,381	1,025,953	685,226
Old Dominion University	8,455	3,449,699	1,428,171	636,251	9,047	3,691,178	1,272,501	9,680	3,949,560	1,928,032
Radford University	7,698	1,503,407	933,007	379,781	8,236	1,608,645	759,561	8,813	1,721,250	1,150,850
University of Virginia	12,990	7,079,174	2,914,053	1,300,142	13,899	7,574,716	2,600,285	14,872	8,104,947	3,939,826
Virginia Commonwealth University	10,141	5,048,217	2,412,968	1,037,670	10,851	5,401,592	2,075,340	11,611	15,779,703	3,144,454
Virginia Tech	10,416	5,728,690	1,335,110	714,515	11,146	6,129,698	1,429,030	11,926	6,558,777	2,165,197
Virginia State University	7,591	531,624	311,736	128,293	8,122	568,837	256,587	8,690	608,656	368,768
<b>TOTAL 4-YEAR INSTITUTIONS</b>	<b>10,603</b>	<b>31,118,130</b>	<b>13,832,291</b>	<b>6,052,632</b>	<b>11,345</b>	<b>33,296,400</b>	<b>12,105,264</b>	<b>12,139</b>	<b>35,627,148</b>	<b>18,341,309</b>

1 – Aside from FY95, all calculations based on fall 2007 full-time enrollments (E2 report)

2 - Goal to increase average awards to FY95 levels per institution – with 8 percent minimum affecting CNU, LU, and UMW.

3 - 2009-10 tuition & fees based on annual increase of 7 percent.

# Virginia Student Financial Assistance Program

~ Partnership Model Detail ~

## **PURPOSE:**

The function of the Virginia Student Financial Assistance Program (VSFAP) funding formula – currently the Partnership Model - is to serve as a basis for recommending state financial aid funding levels and for allocating those funds among the senior public colleges and universities, Richard Bland College, and the Virginia Community College System (VCCS).

## **What it does.**

- **Provides a basis for recommending state financial aid funds for public institutions.**  
State goals for financial aid determine how the funding formula is designed. The formula then determines the appropriate state funding level for each institution.
- **Provides a basis to allocate limited state funds.**  
This may be the formula's most significant function as funds have rarely been sufficient to provide full funding for any variation of the funding formula. When funding is limited, it is important to determine how to equitably divide limited funds among the institutions.

## **What it does not do.**

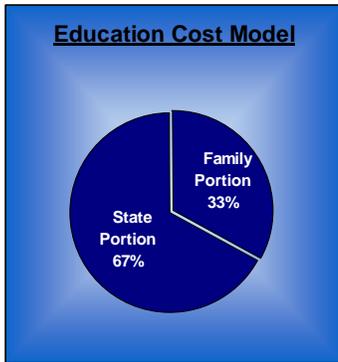
- **Does not determine the actual total “financial need” on an individual student basis or in the institutional aggregate.**
  - By law, most actual VSFAP awards to students are capped at “tuition and fees,” so the funding formula similarly caps the calculated individual student need and ignores any need in excess of “tuition and fees.”
  - In order to determine the relative impact tuition and fee increases have on students, SCHEV computes Cost of Attendance based on standardized indirect cost allowances. Varying methodologies in determining amounts and differences due to geography result in significant differences among the institutions when calculating indirect student cost allowances such as Books, Supplies, Transportation, and Personal Expenses. SCHEV standardizes these numbers based primarily upon sector averages.
  - All calculations use student data and behaviors (i.e. enrollment level and Expected Family Contribution) from the latest available year of actual data and then project increases in costs; however, student data changes and actual cost increases will differ from projections.

For the above reasons, the “actual” need, individual or aggregate, for each institution may be greater or less than the calculations demonstrate.
- **Does not determine individual student awards.**  
Virginia's decentralized financial aid system enables institutions to take into account student circumstances and campus demographics when determining individual student awards. This enables the institution to use information important to the awarding process, but not available at the system level. Additionally, state law allows for the use of different award schedules among the colleges and universities.
- **Does not provide a student affordability index.**
  - The VSFAP program supports affordability but does not directly address affordability. An affordability index requires an in-depth analysis of student resources compared to educational cost; including a study of the role of student borrowing/indebtedness and lifestyle choices. Further, no policy has been developed to describe the state definition of affordability or state affordability goals (i.e. “all students should be able to afford ANY state institution” or “all students should afford at least ONE state institution”).
  - In addition, state financial aid is not structured to address affordability because the maximum award is “tuition and fees” regardless of the student's calculated need in excess of that amount.
  - Finally, current funding models use data for students who enrolled into college. The models do not address those students who were not able to enroll due to lack of finances. If fewer low-income students enroll as costs continue to climb, then the “percent of need met” calculations may actually show improvement while masking the decreasing affordability of an institution.

## **BASIC PROCESS:**

The Partnership Model uses institutional data providing the federal Expected Family Contributions, grants, and enrollment levels from the most recent available year (normally a three-year lag, as FY07 data is used to project FY10 need). Projections are made for anticipated increases in future direct costs at each institution and for increases of standardized indirect costs. As a result, behavior and circumstances of actual students from a recent year are compared against anticipated future costs in order to determine state funding levels for each institution. Since the VSFAP awards are primarily limited to Tuition and Fees, student need for state funding calculations is capped at this amount for each institution.

**Step 1: Determine cost split which affects student Tuition and Mandatory E&G Fees**

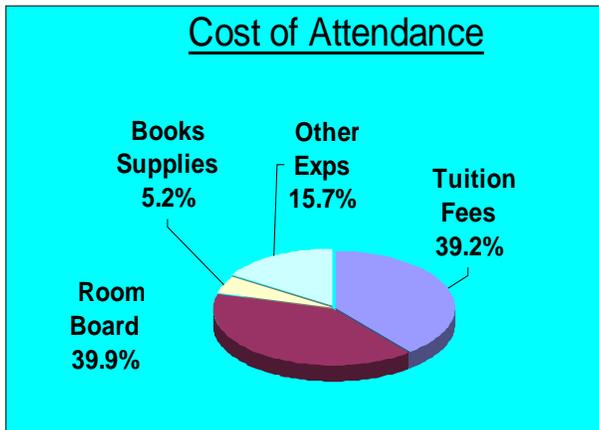


Educational cost to students begins with the state calculation of the Cost to Educate. This cost is a summary of actual educational costs including the buildings, faculty, and basic services but does not include incidental costs born by the student such as room/board and books/supplies. The state cost sharing model says that the state should seek to assign two-thirds of the cost to the state and one-third to the student. The family portion becomes the student’s Tuition and Mandatory E&G fees while the state portion is in the form of general fund appropriations to the institutions.

**Step 2: Build the Cost of Attendance**

Added to Tuition and Mandatory E&G fees are activity fees, sport fees, parking fees which make up the mandatory non-E&G fees which result in total cost of Tuition and Fees. Students experience other costs such as Room and Board, Books and Supplies, and - per federal financial aid rules - other incidental expenses such as Transportation and Personal Expenses are considered. These combine to produce a student’s estimated Cost of Attendance.

*(Percentages displayed are approximate and may vary by institution and year.)*



**Cost of Attendance Components:**

- Tuition & Fees: Take most current actual charges and multiply by the estimated percentage increase for tuition & E&G fees and non-E&G fees.
- Room & Board: The formula uses actual on-campus and average estimated off-campus cost for Room & Board. Estimate percentage increase for each.
- Indirect Costs: Books, Supplies, Transportation, and Personal Expense allowance. These cost items are estimated and standardized for two- year and four- year institutions.

### Step 3: Calculate Estimated Student Need

- The student's resources are subtracted from the SCHEV calculated Cost of Attendance (COA) for each institution on a student-by-student basis.

#### Cost of Attendance

- **30% of COA** Portion of the total COA that is not assigned as state responsibility
- **EFC** Expected Family Contribution (adjusted to state minimum)
- **Gift Aid** From any source; however, does not include inst. endowments
- = **Student Need** If Need exceeds Tuition & Fees, then reduce to Tuition & Fees

- Total the need calculated for each student and aggregate for Institutional Student Need.

#### Notes:

- The Partnership Model does not take into consideration student loans or work-study.
- Because other sources (such as the family, institution, and federal government) also have a responsibility in providing funds, the state is not obligated to cover the entire cost of attendance so a portion of COA is subtracted out in the formula; for two-year institutions, only 20% of COA is subtracted out.

### Step 4: Determine portion of need that should be met by VSFAP funding

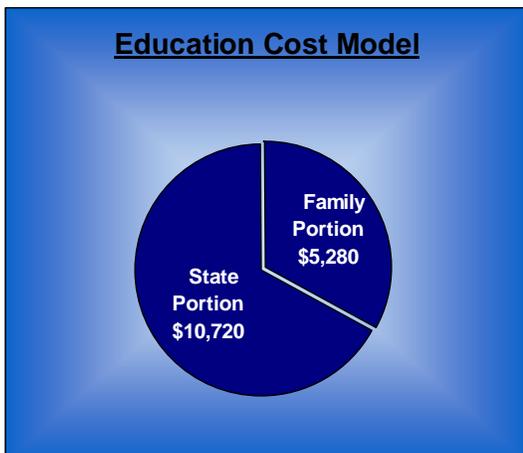
As student costs increase, additional funding is required in order to meet the growing need. The question becomes "How much financial aid should be contributed by the state?" Lack of a formal state policy for meeting need has hindered the development of a universally accepted formula. The historic model is the "50% of Remaining Need" model but SCHEV has introduced other models, most recently the Partnership Model, that better address affordability, other sources of assistance, and equity of allocations to the institutions.

**NOTE:** Since significant need remains after EFC and gift aid, it would appear that the average student is unable to attend college. However, ALL of the students in the calculations were enrolled during the academic year. Students meet their "remaining" need in a variety of ways:

1. **State Assistance** – VSFAP funding is not included in Gift Aid calculations.
2. **Self-help** – Students borrow from federal government and private resources or obtain employment.
3. **Increases from current sources** – Just as cost increases, it is anticipated that resources, including family contributions, federal, institutional, and other gift aid, will also increase in the future.
4. **Lifestyle Choices** – Students will find cost savings by cutting back in other non-education related areas.
5. **Reduced Cost of Attendance** – Students enroll part-time or otherwise may not incur the full estimated allowance for indirect costs.
6. **Hidden gift aid** - Students may receive assistance from other resources not reported to the college. A gift from a relative or church may be simply recorded by the institution as a student payment. Student and parent payments are not included in the student need calculations.
7. **Endowments** – Some students receive support from institutional endowments (private donations administered by the institution). By law, these are not included in institutional funding calculations.

**Example:**

If an institution's cost to educate is determined to be \$16,000



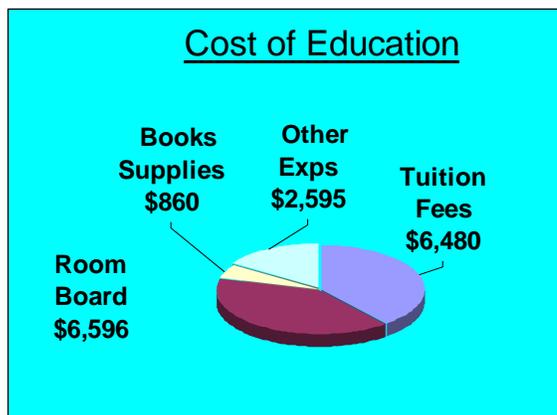
Per the state's cost sharing model, the state would seek to assign one-third of the total - \$5,280 - tuition and E&G fees. The institution then determines the cost of non E&G fees to create the total Tuition and Fees charged to the student.

$$\begin{aligned}
 & \$5,280 \text{ tuition \& mandatory E\&G fees} \\
 + & \underline{\$1,200 \text{ mandatory non E\&G fees}} \\
 = & \$6,480 \text{ total Tuition \& mandatory Fees charged to a full-time student}
 \end{aligned}$$

While the one-third is the goal, the actual portion covered by tuition and fees is slightly higher, 36 percent on average.

The institution determines charges for Room and Board and makes allowances for off-campus housing, personal, transportation, and other expenses to create the Cost of Attendance.

For financial aid recommendations, the cost of attendance is comprised of actual FY09 tuition and fees increased by 7 percent on-campus room and board increased by 5 percent. All other costs – indirect and books/supplies – are standardized for all institutions by taking sector averages and multiplied by 5 percent.



and

<b>Student A</b>	
<b>Tuition &amp; Fees</b>	<b>= \$6,480</b>
<b>EFC</b>	<b>= 900</b>
<b>Gift Aid</b>	<b>= \$3,000</b>
\$16,531 COA	
- \$4,959 30% COA	
- 900 EFC	
- \$3,000 Gift Aid	
= \$7,672 Student Need	
\$6,480 Reduce to T&F	
<b>Student B</b>	
<b>EFC</b>	<b>= 5000</b>
<b>Gift Aid</b>	<b>= \$2,500</b>
\$16,531 COA	
- \$4,959 30% COA	
- 5000 EFC	
- \$2,500 Gift Aid	
= \$4,072 Student Need	
Aggregate inst need	= \$10,552

Per the example, 100% funding of the Partnership Model would result in \$10,552 for this institution. However, the Model is not fully funded with the average actually at 60.4 percent of the funding recommendation or, in this case, \$6,384. Some institutions are funded at even lower rates.

Also, indirect costs are averaged, so actual COA will vary. If we assume that this institution's Books & Supplies and Other Expenses were higher by \$500 each, then the actual COA for the students would be \$17,531. Adding back the 30 percent COA offset, the actual student need is \$13,631 and \$10,031 for a total of \$23,662.

Back to the \$6,384 available funding to the institution, if the institution's award policy is to provide full tuition and fees to the neediest student, then all of the funding would go to Student A with no funds remaining for Student B. In fact, each institution has many eligible students who receive no state award.

Under any award scenario, even under full funding, not all of the students will receive a state award that fully covers their need primarily because this is a Tuition and Fee grant and is not intended to cover increasing cost in other educational expenses. Also, because the data is three years old, it is anticipated that student EFC and Gift Aid will also increase over time. See "Note" on previous page for list of ways students handle unmet need.

## State Council of Higher Education for Virginia Agenda Item

**Item:** Item # 7.b.5. – Action on 2008-10 Systemwide Operating Budget Amendment  
Items: Private Institutions and the State’s Nursing Shortage

**Date of Meeting:** October 21, 2008

**Presenter:** Dan Hix, Finance Policy Director

**Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:** September 9, 2008

**Review:** Staff briefed the Council on the current status of this initiative.

**Background Information/Summary of Major Elements:**

- At the May 2007 Private College Advisory Board (PCAB) meeting, an agreement was made to form a task force between the private institutions and SCHEV to determine ways in which the private institutions could work more closely with the state on issues other than the Tuition Assistance Grant (TAG). A task force meeting was held in July and several initiative areas were discussed including: nursing faculty salary increases, facilities/capital outlay, technology, and loan forgiveness and scholarship programs for nursing educators to earn advanced degrees.
- At the September 2007 Resources Committee meeting, Robert Lambeth, the president of the Council of Independent Colleges in Virginia (CICV), requested that the Council consider making a budget recommendation to increase the nursing faculty salaries at private nonprofit institutions to match the 10% increase appropriated to the nursing faculty at the public institutions this year.
- At the October 2007 Council meeting, Council approved (9-1) the following resolution: Be it resolved that the State Council of Higher Education for Virginia recommends an appropriation of just under \$795,000 per year from the general fund in the 2008-10 biennium to fund up to a 10% salary increase for nursing faculty at the 7 private nonprofit colleges and universities with nursing programs—Easter Mennonite University, Hampton University, Jefferson College of Health Sciences, Liberty University, Lynchburg College, Marymount University and Shenandoah University. Based on Article VIII, Section 11 of the Virginia Constitution, the Commonwealth may contract with private nonprofit colleges for

educational services, Council requests that SCHEV staff prepare such contract to include financial accountability measures and program outcomes.

- Funding for the Council's recommendation of a 10% salary increase to nursing faculty at private institutions was not included in the Governor's introduced budget for 2008-10 nor the final actions of the 2008 General Assembly.
- Prior to the September 2008 Council meeting, Robert Lambeth, the president of the Council of Independent Colleges in Virginia (CICV), requested that Council consider a request for an \$800,000 equipment grant program rather than the 10% salary increase to nursing faculty at private institutions.
- In March 2008 the General Assembly, through House Joint Resolution No. 91, established a joint subcommittee to study ways in which the Commonwealth may work more closely with Virginia's private, nonprofit colleges to meet state higher education needs. The joint subcommittee's two-year mandate ends November 30, 2009. Based on the study resolution language, one of the areas to be examined is "the ability of private institutions to provide technology, equipment, and facilities necessary to serve Virginia students".

**Materials Provided:**

House Joint Resolution No. 91.

**Resolution:**

**BE IT RESOLVED that the State Council of Higher Education for Virginia remains concerned about the challenges facing Virginia private, nonprofit colleges to recruit and retain sufficient nursing faculty and considers it a high priority of the Commonwealth to examine ways to expand enrollment capacity at the 7 private institutions with nursing programs.**

**The joint subcommittee established by House Joint Resolution No. 91 is encouraged to review existing state programs, such as graduate scholarships for nurses or nursing students committed to teaching; consider modifications to these programs that would help private colleges build capacity; and explore other partnership opportunities between the Commonwealth and private, nonprofit institutions to address the shortage of nurses and nursing faculty in Virginia.**

## **HOUSE JOINT RESOLUTION NO. 91**

*Establishing a joint subcommittee to study ways in which the Commonwealth may work more closely with Virginia's private, nonprofit colleges to meet state higher education needs.  
Report.*

Agreed to by the House of Delegates, March 5, 2008

Agreed to by the Senate, March 4, 2008

WHEREAS, the Commonwealth's system of higher education is one of the best in the country and Virginia's private colleges have contributed to this success; and

WHEREAS, private colleges and universities have educated the Commonwealth's citizens since the 1700s and offer a variety of educational options, including four single-sex institutions, three historically Black colleges and universities, nationally ranked liberal arts colleges, and 17 institutions with graduate and professional programs; and

WHEREAS, Virginia's 31 private, nonprofit colleges are a valuable and often underutilized resource of the Commonwealth, with 70,000 students and 15,000 employees; and

WHEREAS, Virginia's private colleges are serving a public mission and have an enrollment that includes 21 percent African-American students and 28 percent Pell Grant recipients; and

WHEREAS, private institutions offer Virginia students personal attention, small classes, leadership opportunities, and a well-rounded education in the liberal arts and sciences; and

WHEREAS, Article VIII, Section 11 of the Constitution of Virginia permits the Commonwealth to contract with private, nonprofit colleges for educational services; and

WHEREAS, the shortage of nurses is a pressing concern in the Commonwealth, and seven private colleges offer nursing programs, and private colleges confer 31 percent of all four-year degrees in the health professions; and

WHEREAS, there is also a shortage of teachers in the Commonwealth, and 24 private institutions offer teacher preparation programs, and 15,200 licensed Virginia K-12 instructional personnel have earned a degree from a Virginia private college; and

WHEREAS, the Commonwealth realizes substantial savings in general fund and capital expenditures when Virginia students enroll in a private college; and

WHEREAS, in 2008, 20,000 Virginia residents will receive the Virginia Tuition Assistance Grant (TAG), a tuition equalization program that began in 1973 and currently represents less than five percent of the state's annual higher education budget; and

WHEREAS, trends show an increasing demand for enrollment in the Commonwealth's institutions of higher education; and

WHEREAS, Virginia's private colleges have existing capacity to enroll more Virginia students and have no financial incentive to enroll out-of-state students; and

WHEREAS, enrollment projections for the years [2007-2014](#) for four-year public institutions of higher education indicate limited enrollment capacity for new, in-state undergraduate students, and the projected availability of only 1,537 additional new spaces in 2014 over the current enrollment; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to study ways in which the Commonwealth may work more closely with Virginia's private, nonprofit colleges to meet state higher education needs. The joint subcommittee shall have a total membership of 15 members that shall consist of eight legislative members, four nonlegislative citizen members, and three ex officio members. Members shall be appointed as follows: five members of the House of Delegates to be appointed by the Speaker of the House of Delegates in accordance with the principles of proportional representation contained in the Rules of the House of Delegates; three members of the Senate to be appointed by the Senate Committee on Rules; one nonlegislative citizen member who shall be the president of a private institution of higher education in the Commonwealth, and one nonlegislative citizen member at-large to be appointed by the Speaker of the House of Delegates; and one nonlegislative citizen member who shall be the president of a public institution of higher education in the Commonwealth, and one nonlegislative citizen member at-large to be appointed by the Senate Committee on Rules. The Secretary of Education, the Secretary of Commerce and Trade, and the Chairman of the State Council of Higher Education for Virginia or their designees shall serve ex officio with voting privileges. In addition, the joint subcommittee shall provide for the participation of representatives of private, nonprofit colleges in Virginia, who shall participate without voting privileges and without compensation or reimbursement for travel expenses. Nonlegislative citizen members of the joint subcommittee shall be citizens of the Commonwealth of Virginia. Unless otherwise approved in writing by the chairman of the joint subcommittee and the respective Clerk, nonlegislative citizen members shall only be reimbursed for travel originating and ending within the Commonwealth of Virginia for the purpose of attending meetings. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required. The joint subcommittee shall elect a chairman and vice-chairman from among its membership, who shall be members of the General Assembly.

In conducting its study, the joint subcommittee shall (i) review the success of the Tuition Assistance Grant Program and develop recommendations to increase the effectiveness and awareness of the program among Virginia families; (ii) evaluate current and future higher education enrollment needs and identify ways in which the Commonwealth can partner or enter into contracts with Virginia private colleges to meet these needs; (iii) examine the ability of private colleges to provide the technology, equipment, and facilities necessary to serve Virginia students; (iv) review publicly supported programs for private higher education in other states and consider the applicability of such programs to Virginia; and (v) examine

the success of private colleges in educating disadvantaged students and recommend ways in which the Commonwealth can help private colleges continue this important public mission.

Administrative staff support shall be provided by the Office of the Clerk of the House of Delegates. Legal, research, policy analysis, and other services as requested by the joint subcommittee shall be provided by the Division of Legislative Services. Technical assistance shall be provided by the State Council of Higher Education for Virginia, and the staffs of the House Committee on Appropriations and the Senate Committee on Finance. All agencies of the Commonwealth shall provide assistance to the joint subcommittee for this study, upon request.

The joint subcommittee shall be limited to four meetings for the 2008 interim and four meetings for the 2009 interim, and the direct costs of this study shall not exceed \$9,600 for each year without approval as set out in this resolution. Approval for unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the joint subcommittee and the respective Clerk. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required.

No recommendation of the joint subcommittee shall be adopted if a majority of the House members or a majority of the Senate members appointed to the joint subcommittee (i) vote against the recommendation and (ii) vote for the recommendation to fail notwithstanding the majority vote of the joint subcommittee.

The joint subcommittee shall complete its meetings for the first year by November 30, 2008, and for the second year by November 30, 2009, and the chairman shall submit to the Division of Legislative Automated Systems an executive summary of its findings and recommendations no later than the first day of the next Regular Session of the General Assembly for each year. Each executive summary shall state whether the joint subcommittee intends to submit to the General Assembly and the Governor a report of its findings and recommendations for publication as a House or Senate document. The executive summaries and reports shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or delay the period for the conduct of the study, or authorize additional meetings during the 2008 and 2009 interims.

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.b.6. – Action on 2008-10 Higher Education System Capital Outlay  
Budget: Maintenance Reserve

**Date of Meeting:** October 21, 2008

**Presenters:** Dan Hix, Finance Policy Director/Tom Daley, Deputy Director

**Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:** September 9, 2008

**Review:** Staff briefed the Council members on the estimated additional funding need in FY2010.

**Background Information/Summary of Major Elements:**

Funding provided through the Maintenance Reserve Program constitutes a critical component of the Commonwealth's capital outlay support for its public colleges and universities. In fact, the Department of Planning and Budget requires that institutions make Maintenance Reserve requests their highest capital outlay priority. These requests address the needs for facilities renewal and replacement that are not addressed in the institutions' operating budget but which are generally too small to qualify for capital outlay funding as stand-alone projects. Examples of typical Maintenance Reserve projects are roof repair and replacement, boiler and chiller replacement, major electrical system upgrades, etc.

In order to allow SCHEV to develop meaningful budget recommendations, institutions submit to SCHEV on a regular basis detailed information regarding the condition of their buildings and infrastructure assets. These data include the current replacement value and the dollar value of the existing backlog of deferred maintenance. Using this information, staff prepared and Council adopted a ten-year Maintenance Reserve funding formula beginning with the 2004-06 Biennium. The goal of this funding program was to allow each institution to achieve a campus-wide Facility Condition Index (FCI) of "Good" over a ten year period through a series of scheduled appropriations. The Facility Condition Index articulates the dollar value of deficiencies as a percentage of current replacement value. The "Good" designation applies to assets whose deferred maintenance requirements are five percent or less of the asset value.

Since the inception of this ten year phased approach to achieving a target FCI, actual funding has fallen far short of Council's recommendations. The cumulative shortfall through two biennia is approximately \$160 million. Evidence of the effect of

this under funding can be seen in the continuing growth in the statewide FCI which rose to 14.92% in 2006 from 12.75% in 2002. To get back on schedule for the 2008-10 Biennium Council adopted a recommendation that included the next scheduled amount combined with one-third of the accumulated shortfall and a continuation of this pattern through the next two biennia. This approach ultimately provided for the full amount of the ten-year plan but moderated the catch-up required in any given year.

Under the original plan, the scheduled recommendation amount for the 2008-10 Biennium is \$158.9 million. The amount of the catch up funding described above would be \$52.7 million for a total recommendation of \$211.6 million. Further, institutions' FY 2008 Maintenance Reserve budgets were reduced as part of the recently announced 5% statewide budget reduction. Restoration of these funds, estimated at \$2.6 million, was also required to fully restore SCHEV's ten-year plan. Thus, the recommendation for a phased return to full funding of the ten year program was \$214.3. Chapter 879, 2008 Virginia Acts of Assembly included an appropriation of \$102,464,000 for higher education Maintenance Reserve. This recommendation, therefore, requests the balance of the original request in the amount of \$116,748,908.

**Materials Provided:**

- Adjusted SCHEV 2008-10 Maintenance Reserve Recommendation Calculation

**Financial Impact:** Please see attached table.

**Timetable for Further Review/Action:** None

**Recommendation:**

Staff recommends an additional appropriation of \$116,748,908 from the general fund to the Maintenance Reserve program for higher education in FY 2010.

**Resolution:**

**A special addendum resolution will be offered at the October 21 Council meeting.**

**SCHEV Adjusted 2008-10 Maintenance Reserve Recommendation Calculation**

Institution	SCHEV 2008-10 Biennial Recommendation (10 Year Plan)	SCHEV 2008-10 Biennial Recommendation + 1/3 Shortfall (G+H)	Restoration of the 5% FY 2008 Reduction	SCHEV Final 2008-10 Biennial Recommendation including 5% (I+J)	2008-10 Appropriation	SCHEV Adjusted 2008-10 Biennial Recommendation (K-L)
	(H)	(I)	(J)	(K)	(L)	(M)
Christopher Newport	\$797,680	\$797,680	\$30,248	\$827,928	\$1,182,000	\$0
William & Mary	10,463,028	\$14,746,372	\$124,424	\$14,870,796	\$4,864,000	\$10,006,796
George Mason	8,763,602	\$11,232,778	\$165,830	\$11,398,608	\$6,484,000	\$4,914,608
James Madison	10,604,734	\$14,987,149	\$128,921	\$15,116,070	\$5,041,000	\$10,075,070
Longwood University	4,458,902	\$5,920,190	\$68,799	\$5,988,989	\$2,689,000	\$3,299,989
Mary Washington	961,299	\$961,299	\$31,865	\$993,164	\$1,246,000	\$0
Norfolk State (OCR accord)	3,940,148	\$3,940,148	\$241,150	\$4,181,298	\$8,451,000	\$0
Old Dominion University	3,818,676	\$4,449,359	\$95,209	\$4,544,569	\$3,723,000	\$821,569
Radford	3,417,475	\$4,641,557	\$49,045	\$4,690,602	\$1,918,000	\$2,772,602
University of Virginia	33,623,099	\$47,884,507	\$370,886	\$48,255,393	\$14,501,000	\$33,754,393
UVA's College at Wise	796,505	\$897,815	\$19,637	\$917,452	\$767,000	\$150,452
VCU	14,465,701	\$18,644,950	\$254,887	\$18,899,837	\$9,966,000	\$8,933,837
Virginia Military Institute	5,147,772	\$7,224,130	\$60,986	\$7,285,117	\$2,385,000	\$4,900,117
Virginia Tech	24,471,999	\$31,813,210	\$432,249	\$32,245,459	\$16,900,000	\$15,345,459
Virginia State (OCR accord)	10,844,810	\$14,026,017	\$183,450	\$14,209,467	\$7,173,000	\$7,036,467
Richard Bland	84,853	\$84,853	\$3,984	\$88,837	\$156,000	\$0
Community College System	21,014,450	\$27,730,710	\$362,995	\$28,093,705	\$14,193,000	\$13,900,705
Virginia Inst. Marine Science	1,269,415	\$1,640,750	\$21,094	\$1,661,844	\$825,000	\$836,844
<b>Total</b>	<b>\$158,944,148</b>	<b>\$211,623,475</b>	<b>\$2,645,659</b>	<b>\$214,269,135</b>	<b>\$102,464,000</b>	<b>\$116,748,908</b>

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.c. – Action on Institutional Performance Standard Targets

**Date of Meeting:** October 21, 2008

**Presenter:** Jim Alessio, Director of Higher Education Restructuring  
jamesalessio@schev.edu

**Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:** November 13, 2006

**Action:** Approved targets for the Institutional Performance Standards for the years 2006-07, 2007-08, and 2008-09.

**Background Information/Summary of Major Elements:**

The Council is charged by the General Assembly to develop, in cooperation with the institutions, targets for the performance standards outlined in the Appropriation Act. A subcommittee of the Council – Alan Wurtzel and Gilbert Bland – has been reviewing the targets submitted by the institutions based on meetings this summer with Council staff. The subcommittee review is continuing and it is expected that a final set of targets will be provided to the Council at the October 21<sup>st</sup> meeting.

**Materials Provided:** None

**Financial Impact:** None

**Timetable for Further Review/Action:** The next update of institutional performance standards targets will take place in fall 2010.

**Resolution:**

**BE IT RESOLVED** that the State Council of Higher Education for Virginia approves the targets and thresholds for the Institutional Performance Standards submitted by Virginia's public institutions for 2008-09 through 2013-14.

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #7.d. – Action on Report from the Restructuring Task Force

**Date of Meeting:** October 21, 2008

**Presenter:** Jim Alessio, Director of Higher Education Restructuring  
jamesalessio@schev.edu

**Most Recent Review/Action:**

No previous Council review/action

Previous review/action

**Date:** May 13, 2008

**Action:** Created the Restructuring Task Force

**Background Information/Summary of Major Elements:**

The Council at its May 13, 2008 meeting created the Restructuring Task Force “composed of Council members, Council staff, and college representatives (with input from legislators or legislative staff) to recommend to the Council technical corrections to the Higher Education Restructuring Act or to the certification process that will enhance the effectiveness and the intent of the Act.”

The following were members of the Task Force:

Council -	Alan Wurtzel (Chair) Robert Ashby Gilbert Bland Eva Hardy Susan Magill	Institution -	John Bennett (VCU) Robert Green (VMI) Linwood Rose (JMU) Leonard Sandridge (UVA) Wil Stanton (RU) Monty Sullivan (VCCS)
Staff -	Daniel LaVista Jim Alessio Tod Massa		

The Task Force reviewed the restructuring legislation and institutional responses based on a survey conducted by SCHEV staff. The result of the Task Force’s review is a extensive revision to the performance standards outlined in the Appropriation Act. A draft of the proposed standards is included in the agenda materials. This draft has been shared with the institutions for their review and comment. The Task Force is planning to meet on Monday, October 20, before the meeting of the full Council. Based on feedback from the institutions and discussion among the Task Force members, there could be additional changes to the draft document. Any changes will be presented to the Council at its meeting.

**Materials Provided:**

- Draft of proposed performance standards outlined in the Appropriations Act.

**Financial Impact: None**

**Timetable for Further Review/Action:** The Task Force may recommend to continue to explore enhancements to restructuring.

**Resolution:**

**BE IT RESOLVED** that the State Council of Higher Education for Virginia approves the changes to the performance standards and directs the staff to forward the changes to the Governor and General Assembly.

# **DRAFT Institutional Performance Measures**

## **§4-9.02 Assessment of Institutional Performance**

Consistent with §23-9.6:1.01., Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than June 1 of each year. Institutional performance on measures set forth in paragraph x of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before June 1 of each year. Financial benefits provided to each institution in accordance with §2.2-5005 will be evaluated in light of that institution's performance.

In general, institutions are expected to achieve their agreed upon targets and standards on all performance measures in order to be certified by SCHEV. However, the State Council, in working with each institution, shall establish a range of permitted variance from annual targets for each education-related measure, as appropriate.

Further, the State Council shall have broad authority to certify institutions as having met the standards on education-related measures where the Council determines that an institution's failure to meet one or more measures was beyond the control of the institution or the institution has already achieved high levels of performance in order that it may focus resources toward achieving similar levels of performance on other measures. The State Council shall likewise have the authority to exempt institutions from certification on education-related measures that the State Council deems unrelated to an institution's mission or overall performance.

The State Council shall develop, adopt, and publish standards for granting exemptions and ongoing modifications to the certification process.

### **A. ANNUAL ASSESSMENTS**

#### **1. Access**

- a. Institution meets at least 95 percent of its State Council-approved biennial projection of total in-state student enrollment.
- b. Institution increases, where appropriate, the percentage of in-state undergraduate students from under-represented populations. (Such populations include low income, first-generation college status, geographic origin within Virginia, race, and ethnicity, or other populations as may be identified by the State Council.)
- c. Institution annually meets at least 95 percent of its undergraduate and 90 percent of its graduate and first-professional State Council-approved estimates of degrees awarded.

#### **2. Affordability**

Institution establishes annual targets of graduation rates according to financial aid status with the intent of achieving, where appropriate, a similar graduation rate for each cohort of students. Three cohorts of students shall be used for this measure, as they are identified in their first year of enrollment at the institution:

- i. Students receiving Pell grants.
- ii. Students receiving other forms of need-based financial assistance other than Pell grants.
- iii. Students receiving no need-based financial assistance.

Four-year institutions shall set targets based on a four-year graduation rate.

VCCS and RBC shall use a two-year graduation rate.

### **3. Breadth of Academics**

Institution maintains acceptable progress towards an agreed upon target for the total number of graduates in high-need areas, as identified by the State Council of Higher Education.

### **4. Academic Standards**

Institution reports on total programs reviewed under Southern Association of Colleges and Schools assessment of student learning outcomes criteria within the institution's established assessment cycle in which continuous improvement plans addressing recommended policy and program changes were implemented.

### **5. Student Retention and Timely Graduation**

- a. Institution maintains or improves, where appropriate, the average annual retention and progression rates of degree-seeking undergraduate students.
- b. Institution increases, where appropriate, the ratio of total undergraduate degree awards to the number of annual full-time equivalent, degree-seeking undergraduate students.

### **6. Articulation Agreements and Dual Enrollment**

- a. Institution increases, where appropriate, the total number of transfer students from Virginia's public two-year colleges with the expectation that the general education credits from those institutions apply toward general education baccalaureate degree requirements.
- b. The Virginia Community College System and Richard Bland College increases, where appropriate, the number of students involved in dual enrollment programs.

### **7. Research, Patents, and Licenses**

Institution maintains or increases, where appropriate, the three-year moving average of total expenditures in grants and contracts for research according to targets mutually agreed upon with the State Council.

## **B. BIENNIAL ASSESSMENTS**

### **1. Affordability**

- a. Institution includes in its six-year plan the average borrowing of in-state students with established financial need, and the percentage of those students who borrow, and states its commitment to limit, where possible, the average borrowing to a level that maintains or increases access while not unduly compromising affordability.
- b. Institution conducts a biennial assessment of the impact of tuition and fee levels net of financial aid on student indebtedness incurred for the payment of tuition and fees and provides the State Council with a copy of this study upon its completion and makes appropriate reference to its use within the required six-year plans. The institution shall also

make a parent- and student-friendly version of this assessment widely available on the institution's website. The assessment should include, but is not limited to, the following information for in-state undergraduate students: a five-year historical overview of average tuition and fees, average federal loans and grants, average institutional aid, average state support, and average total debt burden.

This report, along with institutional tuition and fee information shall be located on the institution's web site at: [www.{institution}.edu/collegcosts/index.html](http://www.{institution}.edu/collegcosts/index.html).

Institution will provide an addendum to the six-year plan identifying the steps it is taking to maintain effort to meet the needs of in-state undergraduate financially-needy students taking into account tuition, and fees, state appropriations, and financial need of these students.

## **2. Academic Standards**

Institution reports biennially the ratio of degrees conferred per full-time equivalent instructional faculty member.

## **3. Articulation Agreements and Dual Enrollment**

Institution increases, where appropriate, the number of undergraduate programs or schools for which it has established a uniform articulation agreement by program or school for associate degree graduates transferring from all colleges of the Virginia Community College System and Richard Bland College.

## **4. Economic Development**

Institution develops a specific set of actions to help address local and/or regional economic development needs consisting of specific partners, activities, fiscal support, and desired outcomes. A summary of activities will be reported to the State Council biennially.

## **5. Research, Patents, and Licenses**

Institution reports biennially to the State Council the annual number of new patent awards and licenses.

## **6. Elementary and Secondary Education**

Institution develops a specific set of actions with schools or school district administrations with specific goals to improve student achievement, upgrade the knowledge and skills of teachers, or strengthen the leadership skills of school administrators. A summary of activities and the improvements in student learning, if any, will be reported to the State Council biennially.

The Virginia Department of Education shall share data on teachers, including identifying information, with the State Council of Higher Education for Virginia in order to evaluate the efficacy of approved programs of teacher education, the production and retention of teachers, and the exiting of teachers from the teaching profession.

The Virginia Department of Education and the State Council of Higher Education for Virginia shall share personally identifiable information from education records in order to evaluate and study student preparation for and enrollment and performance at state institutions of higher education in order to improve educational policy and instruction in the Commonwealth. However, such study shall be conducted in such a manner as to not permit the personal identification of students by persons other than representatives of the Department of Education or the State Council for Higher Education for Virginia, and such shared information shall be destroyed when no longer needed for purposes of the study.

## **7. Campus Safety and Security**

The institution shall work to adopt an acceptable number of the 27 Best Practice Recommendations for Campus Safety adopted by the Virginia Crime Commission on January 10, 2006. Each practice should be considered by the institution as to how it fits in with current practices and the needs of the institution. Following each year of reporting and certification, the institution shall enumerate those practices adopted by the institution.

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #8.a – Action on Private and Out-of-State Postsecondary Education Institutions (**Consent Agenda**)

**Date of Meeting:** October 21, 2008

**Presenter:** Dr. Joseph G. DeFilippo  
Director of Academic Affairs & Planning  
[JoeDeFilippo@schev.edu](mailto:JoeDeFilippo@schev.edu)

Linda H. Woodley  
Director, Private and Out-of-State Postsecondary Education  
[LindaWoodley@schev.edu](mailto:LindaWoodley@schev.edu)

**Most Recent Review/Action:**

- No previous Council review/action  
 Previous review/action

**Date:**

**Action:**

**Background Information/Summary of Major Elements:**

Two private postsecondary institutions, Bon Secours Memorial School of Nursing and Saint Michael College of Allied Health, are seeking certification to operate in Virginia.

**Materials Provided:**

- Bon Secours Memorial School of Nursing application summary
- Saint Michael College of Allied Health application summary

**Financial Impact:**

Both institutions have submitted the required \$2,500 certification fee to operate career/technical institutions in Virginia.

**Timetable for Further Review/Action:** n/a

**Resolutions:**

**BE IT RESOLVED** that the State Council of Higher Education for Virginia certifies Bon Secours Memorial School of Nursing to operate a postsecondary institution in the Commonwealth of Virginia, effective October 21, 2008.

**BE IT RESOLVED** that the State Council of Higher Education for Virginia certifies Saint Michael College of Allied Health to operate a postsecondary institution in the Commonwealth of Virginia, effective October 21, 2008.

## **Bon Secours Memorial School of Nursing** **Application Summary**

### **School Overview**

Bon Secours Memorial School of Nursing, a division of Bon Secours Memorial Regional Medical Center of the Bon Secours Virginia Health System, is approved by the Virginia Board of Nursing and accredited by the National League for Nursing Accrediting Commission. The School is a member of the Assembly of Hospital Schools of Nursing in Virginia and the Fuld Institute for Technology in Nursing Education. Bon Secours Memorial Regional Medical Center is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations. The School of Nursing receives support from Bon Secours Memorial Regional Medical Center, which is responsible for the School's operations.

### **School Officer**

Director, Institutional Research – Regina Welch

### **School Mission Statement**

The school's mission statement is as follows:

*The mission of our school is to provide compassionate, quality healthcare services to those in need, including the poor and dying, for the purpose of alleviating human suffering and bringing people to wholeness in the midst of pain and loss.*

### **Proposed Educational Programs and Credentials Conferred**

Diploma – Registered Nursing

### **Proposed Location**

Bon Secours Memorial School of Nursing operates from the following address:

8550 Magellan Parkway, Suite 1100  
Richmond, VA 23227

### **Financial Stability Indicator**

Bon Secours Memorial School of Nursing submitted an audited financial statement prepared by KPMG, LLP. Using the information provided by the audited financial statement, SCHEV staff calculated the school's financial composite score as 2.2 out of a possible 3.0, which indicates that the institution demonstrates overall financial health, as defined by the U.S. Department of Education.

### **Guaranty Instrument**

Bon Secours Memorial School of Nursing submitted a \$5,000 surety instrument, which is adequate to provide refunds to students for the unearned non-Title IV portion of tuition and fees for any given enrollment period in the event of the school closure, pursuant to 8 VAC 40-31-160 (I).

**Evidence of Compliance**

Bon Secours Memorial School of Nursing provided the appropriate evidence to demonstrate compliance with each of the following requirements of the *Virginia Administrative Code*.

<b><u>Virginia Administrative Code Citation</u></b>	<b><u>Area of Compliance</u></b>
8 VAC 40-31-30	Advertising/Publications
8 VAC 40-31-160 (E) (5)	Maintenance of Student Records
8 VAC 40-31-140 and 150	Faculty Qualifications
8 VAC 40-31-160	Student Services
8 VAC 40-31-160 (M)	Library Resources and Services
8 VAC 40-31-160 (E)	Student Admissions Standards

**Staff Recommendation**

Bon Secours Memorial School of Nursing has demonstrated compliance with § 23-276.3 (B) of the *Code of Virginia*, which outlines the minimal standards for operating a postsecondary institution in the Commonwealth of Virginia. As such, staff recommends that Council adopt the following resolution:

**BE IT RESOLVED that the State Council of Higher Education for Virginia certifies Bon Secours Memorial School of Nursing to operate a postsecondary institution in the Commonwealth of Virginia, effective October 21, 2008.**

## **Saint Michael College of Allied Health** **Application Summary**

### **School Overview**

Saint Michael College of Allied Health is a newly formed, private corporation that will provide the AAS degree in Nursing. The school is seeking approval from the Virginia Board of Nursing. The CEO of Saint Michael College of Allied Health previously served as the Vice President/Program Administrator of the Comprehensive Health Academy School of Practical Nursing in Washington, DC. The school is incorporated by the State Corporation Commission and plans to seek accreditation through the Accrediting Council for Independent Colleges and Schools (ACICS).

### **School Officer**

Chief Executive Officer – Michael Adedokun

### **School Mission Statement**

The school's mission statement is as follows:

*The mission of the Saint Michael College of Allied Health is to provide professional nursing education to men and women from diverse background and cultures. Upon completion of the program, society, the community and the surrounding areas will be provided with intellectual, socially aware, competent and compassionate Registered Nurses to meet their health care needs.*

### **Proposed Educational Programs and Credentials Conferred**

Associate of Applied Science - Nursing

### **Proposed Location**

Saint Michael College of Allied Health will operate from the following address:

8305 Richmond Highway, Suite 10A  
Alexandria, VA 22309

### **Financial Stability Indicator**

Saint Michael College of Allied Health completed the Projected Accounting Budget developed by SCHEV staff. Using the information provided by the school, SCHEV staff calculated the school's financial composite score as 3.0 out of a possible 3.0, which indicates that the institution demonstrates overall financial health, as defined by the U.S. Department of Education.

**Guaranty Instrument**

Saint Michael College of Allied Health has submitted a \$50,000 surety instrument, which is adequate to provide refunds to students for the unearned non-Title IV portion of tuition and fees for any given enrollment period in the event of the school closure, pursuant to 8 VAC 40-31-160 (I).

**Evidence of Compliance**

Saint Michael College of Allied Health provided the appropriate evidence to demonstrate compliance with each of the following requirements of the *Virginia Administrative Code*.

<b><u>Virginia Administrative Code Citation</u></b>	<b><u>Area of Compliance</u></b>
8 VAC 40-31-30	Advertising/Publications
8 VAC 40-31-160 (E) (5)	Maintenance of Student Records
8 VAC 40-31-140 and 150	Faculty Qualifications
8 VAC 40-31-160	Student Services
8 VAC 40-31-160 (M)	Library Resources and Services
8 VAC 40-31-160 (E)	Student Admissions Standards

**Staff Recommendation**

Saint Michael College of Allied Health has demonstrated compliance with § 23-276.3 (B) of the *Code of Virginia*, which outlines the minimal standards for operating a postsecondary institution in the Commonwealth of Virginia. As such, staff recommends that Council adopt the following resolution:

**BE IT RESOLVED that the State Council of Higher Education for Virginia certifies Saint Michael College of Allied Health to operate a postsecondary institution in the Commonwealth of Virginia, effective October 21, 2008.**

# State Council of Higher Education for Virginia Agenda Item

**Item:** Item #9 – Items Delegated to Staff

**Date of Meeting:** October 21, 2008

**Presenter:** Daniel LaVista, Executive Director  
[DanielLaVista@schev.edu](mailto:DanielLaVista@schev.edu)

**Most Recent Review/Action:**

No previous Council review/action

Previous review/action

**Date:** March 20, 2002, July, 2002, September 2006

**Action:** The Council approved delegation of certain items to staff

**Background Information/Summary of Major Elements:**

Council delegated certain items to staff for approval and reporting to the Council on a regular basis.

**Materials Provided:**

- Program Actions
  - George Mason University
  - Old Dominion University
- Organizational Changes / Off-campus Instructional Sites
  - Old Dominion University

**Financial Impact:** N/A

**Timetable for Further Review/Action:** N/A

**Resolution:** N/A

### Items Delegated to Director/Staff

Pursuant to the Code of Virginia, Section 23-9:6:1 and Council's "Policies and Procedures for Program Approval and Changes," the following items were approved as delegated to staff:

#### Program Actions

Institution	Degree/Program/CIP	Effective Date
George Mason University	Discontinue the Master of Arts in Music (CIP Code: 50.0999)	August 29, 2008
Old Dominion University	<ol style="list-style-type: none"> <li>1) Dissolve its partnership with Eastern Virginia Medical School in offering a joint Doctor of Philosophy (PhD) degree program in Biomedical Sciences (CIP Code: 26.0699); and</li> <li>2) Offer (solely) the Doctor of Philosophy (PhD) degree program in Biomedical Sciences (CIP Code: 26.0699).</li> </ol>	September 1, 2008

Pursuant to the Code of Virginia, Section 23-9:6:1 and Council's "Policies and Procedures for Internal and Off-Campus Organizational Changes," the following items were approved as delegated to staff:

#### Organizational Changes / Off-campus Instructional Sites

Institution Site	Change	Effective Date
Old Dominion University at Rappahannock Community College (Warsaw) 52 Campus Drive Warsaw, VA 22572	Consolidated	December 2007
Old Dominion University at Germanna Community College (Locust Grove) 2130 Germanna Highway Locust Grove, VA 22508	Consolidated	December 2007

Old Dominion University at Northern Virginia Community College (Annandale) 833 Little River Turnpike Annandale, VA 22003	Consolidated	December 2007
Old Dominion University at Danville Community College 1008 South Main Street Danville, VA 24541	Closed	May 2008
Old Dominion University at Dabney S. Lancaster Community College 100 Dabney Drive Clifton Forge, VA 24422	Closed	May 2008
Old Dominion University at Paul D. Camp Community College 100 North College Drive Franklin, VA 23851	Closed	May 2008