

# **Virginia Cost and Funding Need Study Proposed Plan of Work**

**(Pursuant to Contract Awarded by SCHEV Under RFP #245-04221)**

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The National Center for Higher Education Management Systems

August 15, 2021

During 2021 session, the Virginia legislature tasked the State Council of Higher Education in Virginia (SCHEV) to undertake a review of higher education costs, funding needs, appropriations, and efficiencies. The review charged SCHEV, in consultation with representatives from House Appropriations Committee, Senate Finance and Appropriations Committee, Department of Planning and Budget, Secretary of Finance, and Secretary of Education (generally referred to as the OpSix), as well as representatives of public higher education institutions to “identify and recommend:

1. methods to determine appropriate costs, including a detailed cost analysis, of Virginia public institutions of higher education and peer institutions;
2. measures of efficiency and effectiveness, including identification of opportunities for mitigating costs, increasing financial efficiencies, and incorporating current best practices employed by Virginia institutions and other institutions nationwide;
3. provisions for any new reporting requirements, including a possible periodic review of cost data and strategies employed to implement efficient and effective operational practices;
4. strategies to allocate limited public resources based on outcomes that align with state needs related to affordability, access, completion, and workforce alignment, and the impact on tuition and pricing;
5. the impact of funding on underrepresented student populations; and
6. a timeline for implementation.”

SCHEV, in consultation with the OpSix staff members issued a Request for Proposals (RFP) in May and awarded the contract to the National Center for Higher Education Management Systems (NCHEMS), a private, non-profit 501(c)(3) organization headquartered in Boulder, Colorado with extensive experience in state postsecondary finance policy.

The attached workplan provides an overview of the work outlined in the contract with updated timeframes based on additional input and discussion with SCHEV and OpSix.

Throughout the project, SCHEV, NCHEMS and OpSix members recognize that the resulting products and recommendations will better serve the Commonwealth’s needs if certain principles are kept in the forefront of the effort. These principles require that the project be guided by the need to:

- Maintain transparency and accountability in the execution of the project. This demands that NCHEMS have regular and consistent communication with SCHEV and OpSix, and to work with them to deliberately gather input and feedback from key stakeholder groups on the project’s work products.
- Put highest priority on the needs of students and of the Commonwealth.
- Align the recommendations with the *Pathways to Opportunity* Strategic plan’s goals of achieving equitable, affordable, and transformative higher education for the Commonwealth.

- Ensure that high-quality data serve as a foundation for the development of recommendations and revisions to the funding model.

SCHEV identified four major deliverables as part of the review.

- Deliverable 1: Review of funding policies: Conduct a review of policies nationally and compare them to Virginia's current funding model.
- Deliverable 2: Efficiency and effectiveness review: Inventory Virginia institutions' practices and research those in other states to identify opportunities for mitigating costs and increasing efficiencies for incorporation by Virginia institutions.
- Deliverable 3: Identification of trends in costs and determination of estimated costs for higher education: Gather and analyze data on funding and costs for higher education and create benchmarks for evaluating performance among Virginia institutions.
- Deliverable 4: Recommendations for a new funding model: Create or modify a funding model or models for use in Virginia.

Figure 1 (on the following page) provides a revised project schedule for the main deliverables. and the following pages provide additional details regarding the approach that will be taken to develop the deliverables. SCHEV is responsible for providing an interim report on December 1, 2021, and a final report on July 1, 2022.

**Figure 1. Project Schedule Overview**

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Project Initiation													
A. Review of documents and literature	■	■	■										
B. Initial meeting		■											
C. Request data		■	■										
D. Revise and submit workplan		★											
Deliverable 1. Review of Funding Policies													
A. Conduct the national review		■	■	■									
B. Conduct the review of Virginia policies			■	■	■								
C. Prepare, review, revise, and submit as part of preliminary report				■	■	★							
D. Revise with added content and submit as part of final report								■	■				★
Deliverable 2. Efficiency and Effectiveness													
A. Review relevant literature and case studies	■	■	■				■						
B. Survey Virginia's institutions		■	■	■									
C. Conduct follow-up phone conversations					■								
D. Prepare, review, revise, and submit report on Deliverable 2					■	★							
E. Revise with added content and submit as part of final report								■	■				★
Deliverable 3. Identification of Trends in Costs and Documentation...													
A. Gather Virginia-specific data		■	■	■									
B. Develop peer groups	■	■											
C. Conduct data analyses		■	■	■	■		■	■	■	■			
D. Prepare, review, revise, and submit content as part of preliminary report					■	■							
E. Revise with added content and submit as part of final report								■	■	■			★
Deliverable 4. Recommendations for a New Funding Model													
A. Develop recommendations										■	■	■	
B. Develop an interactive tool					■	■	■	■	■	■			
C. Create accompanying documentation								■	■				
D. Review and gather feedback								■	■	■			
E. Produce and submit a final report										■	■	■	★
Presentations							★			★			★
Regular progress and update check-ins with OpSix.	●	●●	●●	●●	●●	●●	●●	●	●●	●●	●●	●●	

The most significant change in this revised schedule (from NCHEMS' original proposal) is to slow down the work on the funding formula—particularly by delaying the development of an interactive tool to be used in gathering feedback on a prospective funding model or models and the development of recommendations—until 2022, although background work to develop the tool will still begin in the fall. This delay recognizes that OpSix members will be busy with budget development and the 2023 session. As a result, more work on the second and third deliverables is shifted to the fall time period.

Stakeholder engagement is a core component of the project. SCHEV and NCHEMS expect to engage stakeholders using various methods as part of the project initiation phase and during key developmental stages of the project deliverables. The OpSix members will serve as a steering committee for the project and will advise SCHEV and NCHEMS regarding overall direction and deliverables. SCHEV and NCHEMS will meet biweekly with OpSix staff members (the OpSix working group) to provide updates to staff and to keep OpSix members informed. Information presented to OpSix for the deliverables will include input from key stakeholder

groups that include institutional leaders, legislators, business leaders, and advocacy groups as described below.

Interactions with institutional representatives will include meetings with finance officers, presidents, provosts, institution legislative liaisons and students (through the SCHEV Student Advisory Committee). The finance officers will serve as a main point of contact throughout the project.

SCHEV and NCHEMS also plan to engage with legislators, including the Joint Subcommittee on the Future Competitiveness of Higher Education in Virginia (a committee to which SCHEV must submit the project workplan) and money committee members to ensure that the project is aligned with study intent outlined in the budget language.

Finally, SCHEV and NCHEMS also will seek input from leadership and advocacy groups. Initial groups identified include the following: the Virginia Business Higher Education Council, Virginia21 and the Commonwealth Institution, Partners for Affordability and the Public Trust. Additional organizations and subject matter experts will be consulted as needed depending on specific topics of interest.

The following timeline details a proposed process and milestone events. During the project initiation phase, SCHEV and NCHEMS may adjust the timeline after receiving stakeholder input. Thus, these events are rough estimates, with many expressed in terms of the months only. But together with the Gantt charts above, they show dependencies and especially illustrate where informants will be consulted.

**Project initiation**

Initial on-site meetings (meetings are scheduled Sept. 1-3 with OpSix, SCHEV, and relevant SCHEV advisory groups, among others)	September
Compile data (all reasonable efforts will be made to reduce the burden of responding to data requests by making a deliberate initial request, though additional efforts may be required as the project evolves)	July – October
Development of peer groups	July – August
Review of peer groups by SCHEV and advisory groups	August – September
Compile relevant documents (e.g., SCHEV, JLARC reports on funding/resource allocation, efficiency, etc.)	July – September
Develop surveys (50-state survey of resource allocation policies and models, Virginia survey of institutional efficiency initiatives)	July – September
Gather feedback on surveys (from OpSix for the national survey and from OpSix and finance officers and provosts for the institutional efficiency survey)	September

## Deliverable 1. Review of Funding Policies

NCHEMS will “assess national practices related to the funding of public higher education and compare these practices to Virginia’s current funding model to identify strengths and opportunities for improvement” (as described in the RFP).

Work with SCHEV and State Higher Education Executive Officers (SHEEO) to refine and administer survey	September
Analyze data on funding trends, affordability, etc. in other states	July – September
Summarize returned surveys	October
Develop content for draft preliminary report	October – November
Review draft with OpSix, SCHEV, and the working group	November 12
Revise and incorporate into draft preliminary report for submission by December 1, 2021	November 24-30
Incorporate new insights and observations into final report draft	January – April

## Deliverable 2. Efficiency and Effectiveness Review

For this deliverable, NCHEMS will work with SCHEV and its working group to gather information about “Virginia institutions’ practices related to efficiency and effectiveness in their operations” and will also “assess and identify opportunities for mitigating costs, increasing financial efficiencies, and incorporating current best practices employed by Virginia institutions and other institutions nationwide” (as described in the RFP).

Content to be included in the preliminary December 1 report concerning this deliverable may not be complete as the timing to appropriately gather and respond to input from institutional representatives may stretch beyond the timeframe needed for gathering feedback on the draft preliminary report.

Identify and review case studies (SCHEV and working group invited to contribute cases to review)	August – October
Compile information about efficiency initiatives in other states	September – October
Administer survey to Virginia institutions	October
Summarize survey results	October
Conduct phone interviews with FAC members, others as appropriate	October – November
Develop content for draft preliminary report	November
Review draft with working group, SCHEV, and OpSix	November 12
Revise and incorporate into draft preliminary report for submission by December 1, 2021	November 24-30
Conduct additional phone interviews with institutional representatives (FAC and IPAC) as appropriate	December – January
Incorporate new insights and observations into final report draft	February – April

### Deliverable 3. Identification of Trends in Costs and Determination of Estimated Costs for Higher Education

This primarily quantitative component of the project will focus on a review of funding levels and sources and expenditures for public higher education in comparison to institutional peers in order to “help create benchmarks for determining reasonable costs and serve as a baseline for how the state might provide future funding” (as described in the RFP).

The focus of the analytical work conducted for deliverable 3 for inclusion in the preliminary report required for submission by December 1 will focus on a subset of the analyses related to institutional funding levels and efficiency. Additional analyses related to affordability and institutional adequacy will be more carefully addressed in the subsequent months for inclusion in the final report.

Discuss plans for data analyses, as well as frameworks for funding flows, affordability, and institutional funding needs as reflected in proposal with advisory groups	August/Early September
Conduct analyses concerning institutional funding levels and efficiencies.	July – October
Present analyses to working group and SCHEV and incorporate feedback	October
Present analyses to OpSix, presidents, finance officers, provosts, students (through the student advisory committee) and other key stakeholders	October
Develop content for draft preliminary report	October – November
Review draft with OpSix, SCHEV, and the working group	November 12
Revise and incorporate into draft preliminary report for submission by December 1, 2021	November 24-30
Conduct analyses concerning affordability and institutional adequacy	December – February
Present analyses to OpSix and SCHEV and incorporate feedback	February
Present analyses to working group, FAC, IPAC, SAC, and selected key stakeholders (e.g., Partners for College Affordability and Public Trust)	March
Develop content for draft final report	March – April

### Deliverable 4. Recommendations for a New Funding Model

All the components of the project, including findings from the other three deliverables and NCHEMS’ engagement activities with SCHEV, the working group, institutional representatives, and other stakeholders, will come together in this final deliverable to create a new or modified funding model or models for public higher education in Virginia. As previously discussed, the bulk of this work will take place after the December report is complete. But NCHEMS plans to begin designing the interactive tool and its functionality as early as possible, and will engage

with SCHEV and the working group in that process. These discussions will also cover elements of the model or models for funding higher education so that they are incorporated into the tool design.

Funding model(s) design meeting (with OpSix)	October
Review design principles with stakeholder groups	November – December
Interactive tool construction	November – March
First complete draft of funding model(s) and preliminary recommendations to SCHEV and the working group	March 15
Feedback from SCHEV and the working group	March 16-27
Demonstrations and discussion of funding model(s) with the working group, OpSix, SCHEV, finance officers, and members of SCHEV advisory groups	April 1 – May 15
Model(s) finalized	May 22
Draft final report and discussions with OpSix	June 1
Work with SCHEV’s communications staff to develop public messages	June
Dissemination of draft final report to advisory groups	June 8
Feedback from advisory groups due	June 22
Review of final report by OpSix, SCHEV, and the working group	June 24
Submission of final report	July 1

The proposed model(s) should consider the following:

- Current and future student demographics, enrollments, instructional delivery modes and programmatic offerings.
- Funding needs to meet statewide goals, including the Virginia Plan for Higher Education to be equitable, affordable and transformative and alignment to workforce needs.
- Unique needs and mission of institutions and how they compare to peer institutions.
- Higher education operations, with an emphasis on efficiency and effectiveness while maintaining quality.
- The impact on financial aid, tuition and fees and student affordability.
- Equity and fairness of funding.
- If full funding is not available, strategies to prioritize limited resources, such as funding for base costs, funding for new initiatives and funding for aspirational goals, and strategies if state budget cuts are required.