

**2014-16 Systemwide Budget Recommendations on
Operations, Financial Assistance and Capital Outlay
for Virginia Public Higher Education Institutions**



**State Council of
Higher Education for Virginia**

November 2013

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Statutory Basis for Systemwide Operating Funding Recommendations

The State Council of Higher Education for Virginia (SCHEV) is statutorily required to make systemwide operating budget recommendations for Virginia public higher education institutions. SCHEV's responsibilities can be found, in part, in Sections 23-9.9, 23-9.6:1 and 23-38.87:13 of the Code of Virginia as they pertain to the calculation of systemwide operating financial requirements of public institutions.

Section 23-9.9 charges the Council to develop policies, formulae, and guidelines for the fair and equitable distribution and use of public funds among the public institutions of higher education. Further, this section states that such policies, formulae, and guidelines as are developed by the Council shall include provisions for operating expenses and capital outlay programs and shall be utilized by all public institutions of higher education in preparing requests for appropriations.

Section 23-9.6:1(19) charges the Council to provide periodic updates on base adequacy funding guidelines adopted by the Joint Subcommittee for Higher Education Funding Policies.

Part A of 23-38.87:13 requires that SCHEV, following consultation with each institution and the Higher Education Advisory Committee, calculate each institution's basic operations and instruction funding need for each year of the next biennium and shall make that calculation available to the Governor, the General Assembly, and all public institutions of higher education.

SCHEV 2014-16 Budget Recommendations for Operations and Financial Assistance

The 2013 General Assembly provided \$46.5 million in additional general fund support to higher education in the 2012-14 biennium for base operations, faculty salaries, enrollment growth, STEM degrees, incentives to support TJ21 initiatives, student financial aid and research. This brings the total additional general fund for higher education institutions to about \$200 million in the 2012-14 biennium. The general fund appropriations for educational and general programs (E&G) increased by 8.8% (5.0% in FY2013 and 3.3% additional increase in FY2014) and the support for undergraduate financial aid increased by 5.7% in FY2014. The additional funding represents a measured step towards the reinvestment in Virginia's public higher education system.

In fall 2012, with concerns of a sluggish economy and a cloudy state budget picture, the Council adopted a phased approach to making the 2012-14 budget amendments. The recommendations represented a combination of funding strategies and priorities designed to meet the goals of the Higher Education Opportunity Act of 2011. Taken together, they provide a balanced approach to improving quality, expanding access, and incentivizing change and improvement. SCHEV staff proposes to continue such a phased approach for the 2014-16 budget recommendations.

SCHEV staff presents the following budget recommendations with the assumptions that the total recommended additional general fund for the 2014-16 biennium is consistent with the amounts appropriated by the General Assembly for the 2012-14 biennium. Staff estimates that general fund increases in this range would result in moderate tuition and fee increases for the 2014-16 biennium. The recommended funding items are grouped into three categories: base operation funding, incentive funding and systemic budget items within the SCHEV budget.

Summary of Recommended Funding Based on TJ21 Calculated Funding Needs for the 2014-16 Biennium
(In Millions)

Item	2014-15		2015-16		Biennial Total	
	GF	NGF	GF	NGF	GF	NGF
(A) Base Operation Funding						
Faculty recruitment and retention	\$23.7	\$24.1	\$48.2	\$49.0	\$71.9	\$73.1
Operation and maintenance of new facilities	\$8.7	\$8.6	\$12.7	\$12.3	\$21.4	\$20.9
Undergraduate financial aid	\$12.9	\$0.0	\$24.9	\$0.0	\$37.8	\$0.0
Graduate financial aid	\$3.6	\$0.0	\$5.3	\$0.0	\$8.9	\$0.0
Higher Education Equipment Trust Fund (debt service)			\$13.5	\$0.0	\$13.5	\$0.0
Subtotal	\$48.9	\$32.7	\$104.6	\$61.3	\$153.5	\$94.0
(B) Incentive Funding						
Access and retention	\$21.9	\$16.5	\$43.8	\$33.0	\$65.7	\$49.5
Tuition moderation	\$9.0	(\$9.0)	\$18.0	(\$18.0)	\$27.0	(\$27.0)
Completion and efficiency	\$21.9	\$0.0	\$43.8	\$0.0	\$65.7	\$0.0
TJ21 initiatives	\$11.0	\$11.0	\$21.9	\$21.9	\$32.9	\$32.9
Subtotal	\$63.8	\$18.5	\$127.5	\$36.9	\$191.3	\$55.4
Subtotal for Operating Budget	\$96.2	\$51.2	\$201.9	\$98.2	\$298.1	\$149.4
Subtotal for Financial Aid	\$16.5	\$0.0	\$30.2	\$0.0	\$46.7	\$0.0
Total	\$112.7	\$51.2	\$232.1	\$98.2	\$344.8	\$149.4
(C) Systemic Budget Items within the SCHEV Budget						
Virtual Library of Virginia (VIVA)	\$1.9	\$0.0	\$2.2	\$0.0	\$4.1	\$0.0
Tuition Assistant Grant (TAG)	\$3.8	\$0.0	\$6.4	\$0.0	\$10.2	\$0.0
Two-year transfer grant	\$8.8	\$0.0	\$10.0	\$0.0	\$18.8	\$0.0
Va military survivor and dependent education program	\$0.1	\$0.0	\$0.2	\$0.0	\$0.3	\$0.0
Fund for excellence and innovation	\$1.0	\$0.0	\$1.5	\$0.0	\$2.5	\$0.0
SCHEV initiatives*	\$1.6	\$0.0	\$1.2	\$0.0	\$2.8	\$0.0
Subtotal	\$17.1	\$0.0	\$21.5	\$0.0	\$38.6	\$0.0
Grand Total	\$129.8	\$51.2	\$253.6	\$98.2	\$383.4	\$149.4

Note: * includes funding for military student support initiatives, research fellows program, e-content matching grant, technology fellows program, and staff support for TJ 21 initiatives.

(A) Base Operation Funding

(a) Faculty Salaries

- The 2013 General Assembly provided an additional 1% salary increase for faculty at public institutions and \$65 per year of continuing service for other types of employees at all state agencies in FY2014. The increases are on top of the authorized 2% salary increase for all state employees in FY2014 by the 2012 legislation.
- This is the first salary increase for Virginia state employees including faculty in five years since the economy went into recession in 2008. Although most states and all walks of life are experiencing the similar economic situation, the American Association of University Professors reports that faculty salaries have continued to increase moderately over these years nationally. The gap to reach the 60th percentile of peers' salaries, the state's goal, widened. The average teaching and research faculty salary at our four-year institutions ranked at the 34th percentile in FY2013.
- Including the state authorized 3% salary increase in FY2014 and assuming a 2% salary increase for peers in FY2014, the average teaching and research faculty salary (T&R) at our four-year institutions is estimated to rank at the 36th percentile of peers in FY2014. The average for the VCCS will rank at the 49th percentile while RBC is at the 67th in FY2014. Thus, the gap to reach the goal for Virginia institutions has narrowed somewhat thanks to Virginia's above-average salary increase in FY2014.
- Institutions contend that the absence of significant faculty salary increases for half a decade is the greatest threat to the recruitment and retention of faculty. Institutions also believe salary increases can be used as an incentive for faculty performance. The Governor and the General Assembly made an important investment in salaries for all state employees in the 2013 General Assembly Session. SCHEV staff believes that maintaining the commitment to faculty and staff salaries in the 2014 General Assembly Session is critical to meeting the goals outlined in the Higher Education Opportunity Act.
- Recognizing the disparity of percentile ranking in T&R faculty salary to peers among institutions, staff recommends peer-group-based salary increases in 2014-16. It is proposed to provide an annual 4% salary increase for institutions with ranking below the 40th percentile, 3% for institutions between 40th and 60th percentile, and 2% for institutions that

are at or above the 60th percentile in the 2014-16 biennium. It is estimated the required additional funding will be \$71.9 million in general fund and \$73.1 million in nongeneral fund for a total of \$145 million in 2014-16 biennium.

- Salary increases for faculty should be based on merit and provided as an incentive for meeting state and institutional priorities.
- While administrative faculty, part-time faculty and other support staff (classified employees) are not included in this recommendation, the institutions and the Commonwealth ultimately will need to address the appropriate level of compensation needed to attract and retain high-performing employees.

Recommended Salary Increase for Teaching and Research Faculty in 2014-16 Biennium
Effective July 1, 2014

Institution	Annual Salary Increase	Peer Group Based Salary Increases								
		2014-15			2015-16			Biennial Total		
		GF	NGF	Total	GF	NGF	Total	GF	NGF	Total
CWM	4%	\$986,201	\$1,529,618	\$2,515,819	\$2,011,850	\$3,120,421	\$5,132,271	\$2,998,052	\$4,650,039	\$7,648,091
UVA	4%	\$2,376,833	\$4,283,717	\$6,660,550	\$4,848,740	\$8,738,783	\$13,587,523	\$7,225,573	\$13,022,500	\$20,248,073
VT	4%	\$3,499,933	\$5,163,268	\$8,663,201	\$7,139,863	\$10,533,066	\$17,672,929	\$10,639,796	\$15,696,333	\$26,336,130
VMI	4%	\$151,942	\$229,822	\$381,764	\$309,962	\$468,837	\$778,799	\$461,904	\$698,659	\$1,160,563
VSU	4%	\$367,587	\$419,537	\$787,125	\$749,878	\$855,856	\$1,605,734	\$1,117,465	\$1,275,394	\$2,392,859
NSU	2%	\$173,267	\$137,247	\$310,515	\$350,000	\$277,240	\$627,240	\$523,267	\$414,487	\$937,754
LU	3%	\$312,873	\$181,397	\$494,270	\$635,132	\$368,236	\$1,003,368	\$948,004	\$549,633	\$1,497,637
UMW	4%	\$480,166	\$343,446	\$823,612	\$979,538	\$700,630	\$1,680,168	\$1,459,703	\$1,044,076	\$2,503,779
JMU	3%	\$1,332,286	\$1,454,923	\$2,787,209	\$2,704,541	\$2,953,494	\$5,658,035	\$4,036,827	\$4,408,418	\$8,445,244
RU	4%	\$923,980	\$568,718	\$1,492,698	\$1,884,919	\$1,160,185	\$3,045,104	\$2,808,899	\$1,728,902	\$4,537,802
ODU	4%	\$1,605,144	\$1,240,856	\$2,846,000	\$3,274,494	\$2,531,347	\$5,805,841	\$4,879,639	\$3,772,203	\$8,651,841
VT-extension	4%	\$868,036	\$45,686	\$913,722	\$1,770,794	\$93,200	\$1,863,994	\$2,638,830	\$138,886	\$2,777,716
VSU-extension	4%	\$68,849	\$3,624	\$72,473	\$140,452	\$7,392	\$147,844	\$209,301	\$11,016	\$220,317
VCU	4%	\$2,789,946	\$2,846,841	\$5,636,787	\$5,691,490	\$5,807,556	\$11,499,046	\$8,481,436	\$8,654,397	\$17,135,833
RBC	2%	\$30,647	\$15,717	\$46,364	\$61,906	\$31,749	\$93,655	\$92,553	\$47,467	\$140,019
CNU	4%	\$514,560	\$326,225	\$840,785	\$1,049,703	\$665,498	\$1,715,202	\$1,564,264	\$991,723	\$2,555,987
UVAW	2%	\$86,383	\$52,274	\$138,657	\$174,494	\$105,593	\$280,087	\$260,878	\$157,867	\$418,744
GMU	4%	\$2,848,966	\$2,826,265	\$5,675,230	\$5,811,890	\$5,765,580	\$11,577,470	\$8,660,856	\$8,591,845	\$17,252,700
VCCS	3%	\$3,988,386	\$2,372,676	\$6,361,063	\$8,096,424	\$4,816,533	\$12,912,957	\$12,084,811	\$7,189,209	\$19,274,020
VIMS	4%	\$257,636	\$13,560	\$271,196	\$525,577	\$27,662	\$553,239	\$783,213	\$41,222	\$824,434
Total Funding	3.5%	\$23,663,622	\$24,055,418	\$47,719,040	\$48,211,647	\$49,028,857	\$97,240,505	\$71,875,269	\$73,084,275	\$144,959,545

Notes:

- (1) Faculty base salary is from institutions' Fy2014 activity-based budget.
- (2) General fund share is derived based on the FY 13 base adequacy calculation for October council meeting.
- (3) UVA and VCU amounts include funding for family practice program.

(b) Operation and Maintenance of New Facilities Coming Online

- On average, spending for operation and maintenance (O&M) of facilities represents about 13% of the total E&G spending at institutions. This level of spending is comparable to the national average. The 2013 General Assembly provided \$11 million additional funding to support college and university base operations, some of which will be used to support O&M. Without additional funding targeted to maintain new space coming online in the next biennium, institutions will be required to divert money from their existing budgets to support these needs.
- The 57 institutional requests being considered under this item total \$21.4 million GF and \$20.9 million NGF for the biennium. Requests for operating funds for those projects not included in this request will be included in the 2016-18 biennial recommendations.
- As noted in the Capital Outlay recommendations, staff believes that the Commonwealth should place a higher priority on maintaining its facilities. This applies to both capital appropriations and for operating appropriations, which is why the Council continues to recommend additional support for O&M.

SCHEV Survey of Operation and Maintenance Costs for New E&G and Research Facilities Coming On-Line in FY 2015 and FY 2016

Institution	Building Name	Building E&G Percent	Building Research Percent	FY 15 Months	FY 16 Months	GF Share	SCHEV GF Recommendation FY2015	SCHEV NGF Recommendation FY2015	SCHEV GF Recommendation FY2016	SCHEV NGF Recommendation FY2016
CNU	Student Success Center	100%	0%	0	9	61.2%	\$0	\$0	\$304,470	\$193,030
Total							\$0	\$0	\$304,470	\$193,030
CWM	Tyler Hall	100%	0%	1	12	39.2%	\$4,580	\$7,104	\$56,611	\$87,805
CWM	Integrated Science Center 3	100%	0%	0	2	39.2%	\$0	\$0	\$91,120	\$141,328
CWM	427 Scotland Street	100%	0%	12	12	39.2%	\$17,979	\$27,885	\$18,518	\$28,722
CWM	101 Chandler Court	100%	0%	12	12	39.2%	\$5,901	\$9,152	\$6,078	\$9,426
Total							\$28,460	\$44,141	\$172,326	\$267,282
GMU	Fenwick Addition	100%	0%	2	12	50.2%	\$174,395	\$173,005	\$1,046,670	\$1,038,330
GMU	Central Heat/Cooling Plant Addition	40%	0%	10	12	50.2%	\$29,277	\$116,523	\$35,140	\$139,860
GMU	Life Science Lab PPEA	100%	0.0%	12	12	50.2%	\$527,100	\$522,900	\$527,100	\$522,900
GMU	Point of View Center (new facility)	100%	0.0%	12	12	50.2%	\$190,760	\$189,240	\$190,760	\$189,240
GMU	Potomac Science Center	100%	0.0%	3	12	50.2%	\$88,151	\$87,449	\$352,404	\$349,596
Total							\$1,009,683	\$1,089,117	\$2,152,074	\$2,239,926
JMU	Duke Hall - Renovation/Expansion	100%	0%	12	12	47.8%	\$301,387	\$329,130	\$301,387	\$329,130
JMU	Construct Biotechnology/Centennial Hall	100%	0%	12	12	47.8%	\$931,304	\$1,017,031	\$931,304	\$1,017,031
Total							\$1,232,691	\$1,346,161	\$1,232,691	\$1,346,161
LU	Blackwell	100%	0%	9	12	63.3%	\$50,490	\$29,273	\$67,320	\$39,030
Total							\$50,490	\$29,273	\$67,320	\$39,030
NSU	New Nursing and General Classroom Building	100%	0%	0	2	55.8%	\$0	\$0	\$91,140	\$72,194
Total							\$0	\$0	\$91,140	\$72,194
ODU	ODU Systems Research and Academic Building - Main Campus	100%	0%	12	12	56.4%	\$276,562	\$213,796	\$290,611	\$224,656
ODU	Performing Arts / Fine Arts Building Phase 2 - Main Campus	100%	0%	12	12	56.4%	\$73,601	\$56,898	\$76,974	\$59,504
ODU	New Arts Building - Main Campus	100%	0%	12	12	56.4%	\$166,069	\$128,380	\$174,160	\$134,634
ODU	New Art Studio Building - Main Campus	100%	0%	0	12	56.4%	\$0	\$0	\$124,219	\$96,027
Total							\$516,233	\$399,073	\$665,963	\$514,822
RBC	Ernst Hall	100%	0%	0	12	66.1%	\$0	\$0	\$98,135	\$50,329
Total							\$0	\$0	\$98,135	\$50,329
RU	Center for the Sciences	100%	0%	4	12	61.9%	\$138,595	\$85,306	\$467,382	\$287,677
Total							\$138,595	\$85,306	\$467,382	\$287,677
UMW	Woodard Hall**	100%	0%	6	12	58.3%	\$26,527	\$18,974	\$53,053	\$37,947
UMW	Mercer Hall****	100%	0%	6	12	58.3%	\$11,660	\$8,340	\$23,320	\$16,680
UMW	Seacobeck Hall*****	100%	0%	0	12	58.3%	\$0	\$0	\$100,276	\$71,724
UMW	Technology Convergence Center*****	100%	0%	11	12	58.3%	\$256,520	\$183,480	\$279,840	\$200,160
Total							\$294,707	\$210,794	\$456,489	\$326,511

SCHEV Survey of Operation and Maintenance Costs for New E&G and Research Facilities Coming On-Line in FY 2015 and FY 2016

Institution	Building Name	Building E&G Percent	Building Research Percent	FY 15 Months	FY 16 Months		SCHEV GF Recommendation FY2015	SCHEV NGF Recommendation FY2015	SCHEV GF Recommendation FY2016	SCHEV NGF Recommendation FY2016
UVA	Drama Education Addition	100%	0%	12	12	35.4%	\$130,520	\$238,180	\$130,520	\$238,180
UVA	FM Landscape Shop	100%	0%	12	12	35.4%	\$37,347	\$68,153	\$37,347	\$68,153
UVA	Acquisition of 560 Ray C Hunt	25%	75%	12	12	35.4%	\$290,767	\$1,023,433	\$290,767	\$1,023,433
UVA	Facilities Management Shop Building	100%	0%	6	12	35.4%	\$31,860	\$58,140	\$63,649	\$116,151
UVA	2023 Ivy Road (Cary's Camera)	100%	0%	12	12	35.4%	\$33,347	\$60,853	\$33,347	\$60,853
UVA	Lacy Hall	100%	0%	12	12	35.4%	\$101,315	\$184,885	\$101,315	\$184,885
UVA	New Cabell Hall (Renovation of Existing space with new systems with in	100%	0%	12	12	35.4%	\$236,578	\$431,722	\$236,578	\$431,722
Total							\$861,733	\$2,065,367	\$893,523	\$2,123,377
UVA-W	New Library	100%	0%	0	6	62.3%	\$0	\$0	\$246,561	\$149,203
Total							\$0	\$0	\$246,561	\$149,203
VCCS	NVCC (Woodbridge) - Phase III Academic Bldg	100%	0%	12	0	62.7%	\$690,349	\$410,686	\$0	\$0
VCCS	PHCC - Motorsports/Workforce Development Ctr. Phase I	100%	0%	12	12	62.7%	\$150,543	\$89,557	\$150,543	\$89,557
VCCS	TCC (Chesapeake) Academic Bldg	100%	0%	12	0	62.7%	\$369,669	\$219,914	\$0	\$0
VCCS	SSVCC (Daniels) - Learning Resource Ctr.	100%	0%	12	12	62.7%	\$296,475	\$176,372	\$296,475	\$176,372
VCCS	NVCC(Loudoun) - Higher Education Ctr.	100%	0%	6	12	62.7%	\$171,057	\$101,761	\$342,114	\$203,522
VCCS	NVCC (Annandale) Expand Brault Building	100%	0%	6	12	62.7%	\$85,006	\$50,570	\$170,012	\$101,140
VCCS	JTCC (Midlothian) - Phase III Academic Bldg.	100%	0%	4	12	62.7%	\$159,637	\$94,968	\$478,913	\$284,903
VCCS	NVCC (Alexandria) Replace Tyler Academic Bldg.	100%	0%	2	12	62.7%	\$110,270	\$65,599	\$661,619	\$393,595
VCCS	PHCC - Motorsports/Workforce Development Ctr. Phase II	100%	0%	2	12	62.7%	\$4,516	\$2,687	\$27,098	\$16,120
VCCS	SSVC(Christianna) - Student Support and Learning Ctr	100%	0%	0	7	62.7%	\$0	\$0	\$211,999	\$126,117
VCCS	BRCC - New Academic Bldg.	100%	0%	0	2	62.7%	\$0	\$0	\$56,056	\$33,348
Total							\$2,037,522	\$1,212,114	\$2,394,828	\$1,424,675
VCU	Information Commons	100%	0%	0	12	49.4%	\$0	\$0	\$281,333	\$288,167
Total							\$0	\$0	\$281,333	\$288,167
VMI	Cormack	100%	0%	2	12	39.8%	\$7,671	\$11,603	\$46,027	\$69,618
VMI	CPTF	100%	0%	0	1	39.8%	\$0	\$0	\$30,760	\$46,527
Total							\$7,671	\$11,603	\$76,787	\$116,145
VSU	Multipurpose Center	85%	0%	2	12	46.7%	\$43,772	\$66,499	\$262,632	\$398,993
VSU	20712 Fourth Avenue	100%	0%	12	12	46.7%	\$11,124	\$12,696	\$11,124	\$12,696
VSU	MT Carter Addition	100%	0%	12	12	46.7%	\$25,280	\$28,852	\$25,280	\$28,852
VSU	Lockett Hall	100%	0%	7	12	46.7%	\$23,040	\$26,297	\$39,497	\$45,080
Total							\$103,216	\$134,344	\$338,533	\$485,621
VT	Davidson Hall Renovation	100%	0%	12	12	40.4%	\$109,517	\$161,565	\$110,398	\$162,865
VT	Signature Engineering Building	100%	0%	12	12	40.4%	\$818,894	\$1,208,071	\$830,203	\$1,224,755
VT	Performing Arts Center	100%	0%	12	12	40.4%	\$345,609	\$509,858	\$350,098	\$516,480
VT	Classroom Building	100%	0%	0	11	40.4%	\$0	\$0	\$313,442	\$462,405
Total							\$1,274,020	\$1,879,494	\$1,604,141	\$2,366,505
VT-Ext.	Human and Agricultural Biosciences Building 1	100%	0%	12	12	95.0%	\$1,137,119	\$59,848	\$1,160,282	\$61,067
Total							\$1,137,119	\$59,848	\$1,160,282	\$61,067
VIMS	Moxley Property	100%	0%	12	12	95.0%	\$7,524	\$396	\$7,524	\$396
VIMS	Abrahamson Property	60%	40%	12	12	95.0%	\$10,868	\$3,432	\$10,868	\$3,432
Total							\$18,392	\$3,828	\$18,392	\$3,828
Grand Total							\$8,710,530	\$8,570,464	\$12,722,369	\$12,355,551

Please note: Both FY 2015 and FY 2016 are stated in dollars incremental to the base.

(c) Undergraduate and Graduate Student Financial Aid

(i) *Undergraduate Student Financial Aid*

- The 2013 General Assembly provided additional funding of \$8.6 million in FY2014, increasing the total general fund appropriated for the undergraduate Virginia Student Financial Assistance Program to just over \$158 million. The funds are awarded to Virginia residents demonstrating financial need at public institutions.
- The Commonwealth allocates financial aid funds to institutions based on a funding model, called the Partnership Model. The model assumes shared responsibility among the state, the student and other partners. The total projected need as calculated under the Partnership Model is \$489.4 million in FY2015.
- The current appropriation is estimated to meet 36.6% of the need calculated by the Partnership Model. As recently as 2009-10, state aid met 60.9% of calculated need.
- While student financial need continues to rise due to higher tuition charges and other cost increases, it also is driven by the slow recovery of the economy. As a result, more students are demonstrating financial need. With cost increases and the slow recovery of the economy, the number of students having financial need is projected to rise to 126,716 by FY2015, about 25% more than in FY2013.
- The Partnership Model does not assess affordability directly. Affordability is a term that differs by individual and reflects the value one finds in pursuing higher education. The model also does not specifically address the roles other stakeholders should play in contributing to financial aid or how much a student can or should borrow and work. It also does not project changes in student enrollment or family finances. Rather, the model identifies a fair and equitable allocation of limited funds and establishes a point of reference to determine whether state assistance is, in relative terms, progressing or regressing in providing access to higher education.
- The following table shows the relative change over time of financial aid appropriations, the percent of need met, and the number of students demonstrating need.

	VSFAP Appropriations	Percent Estimated Need Met	Estimated Number of Students Demonstrating Need
2007-08	108,808,782	60.5%	67,077
2008-09	117,967,023	60.5%	64,419
2009-10	127,967,023	60.9%	66,103
2010-11	127,967,023	54.9%	71,033
2011-12	141,206,151	47.8%	80,044
2012-13	149,512,224	41.4%	101,636
2013-14	158,078,595	36.6%	117,461
2014-15	158,078,595	32.3%	126,716

* 2014-15 VSFAP Appropriations and Percent Estimated Need Met demonstrate the result if no new funds are appropriated.

- The additional general fund needed to maintain FY2014 levels of funding (36.6% system-wide) is \$19.7 million in FY2015 and \$33.7 million in FY2016. Funding at this level would not increase the percent of need met, but it would halt a continuing decline.
- In furtherance of related policy goals, the staff recommends that additional funding for undergraduate financial aid be allocated through a combination of two programs: the Virginia Student Financial Aid Program and the Two-Year College Transfer Grant (see page 20). Under this recommendation, a \$12.9 million increase to VSFAP would be needed to return to 36.6% of need met in FY2015. For FY2016, a \$24.9 million increase to VSFAP would be needed to return to FY2014 levels of VSFAP funding.

Virginia Student Financial Aid Program – Undergraduate Funding

Virginia Student Financial Assistance Program - Undergraduate				2014-15		2015-16	
Institution	FY14 % Need Met	FY14 Funds	Students Projected with Need in FY15	Recommended Increase	Total Funds	Recommended Increase	Total Funds
Christopher Newport University	48.0%	4,577,403	1,416	646,351	5,223,754	1,259,970	5,837,373
College of William & Mary	62.7%	3,235,804	723	37,640	3,273,444	576,167	3,811,971
George Mason University	36.1%	15,536,039	7,285	467,116	16,003,155	1,330,583	16,866,622
James Madison University	46.1%	7,419,088	3,261	1,002,072	8,421,160	1,685,432	9,104,520
Longwood University	43.4%	4,176,583	1,538	582,734	4,759,317	1,030,972	5,207,555
Norfolk State University	39.6%	7,813,592	4,092	20,926	7,834,518	77,273	7,890,865
Old Dominion University	38.5%	16,693,350	8,065	156,868	16,850,218	1,338,992	18,032,342
Radford University	48.5%	7,416,618	3,134	1,490,366	8,906,984	2,221,352	9,637,970
University of Mary Washington	33.6%	1,821,686	951	89,449	1,911,135	206,594	2,028,280
University of Virginia	76.8%	5,776,211	1,331	-	5,776,211	-	5,776,211
University of Virginia - Wise	45.2%	2,099,938	901	29,488	2,129,426	192,355	2,292,293
Virginia Commonwealth University	39.9%	21,170,891	8,803	-	21,170,891	525,211	21,696,102
Virginia Military Institute	50.6%	870,928	255	37,438	908,366	152,277	1,023,205
Virginia State University	37.3%	6,006,890	2,942	593,859	6,600,749	711,590	6,718,480
Virginia Tech	49.7%	15,117,631	4,849	27,642	15,145,273	1,164,300	16,281,931
Four-Year Institution Totals	42.6%	119,732,652	49,546	5,181,949	124,914,601	12,473,068	132,205,720
Richard Bland College	19.8%	454,107	634	-	454,107	-	454,107
Virginia Community College System	25.5%	37,891,836	76,536	7,709,133	45,600,969	12,457,101	50,348,937
Two-Year Institution Totals	25.4%	38,345,943	77,170	7,709,133	46,055,076	12,457,101	50,803,044
Totals	36.6%	158,078,595	126,716	12,891,082	170,969,677	24,930,169	183,008,764

(ii) Graduate Student Financial Aid

- The 2012 General Assembly provided additional funding of \$1.8 million in FY2014 for the graduate Virginia Student Financial Assistance Program, bringing current funding levels to just under \$18.9 million. Institutions may award graduate financial aid as need-based grants, merit-based scholarships, or awards for duties that require work. Graduate student financial assistance is an essential tool in institutional and student success for graduate education and research.
- SCHEV has recommended restoring the purchasing power of graduate financial aid funds to FY1995 levels but in acknowledgement of the on-going fiscal concerns is recommending that graduate assistance be increased by \$3.6 million in FY2015 and \$5.3 million in FY2016.

Recommended Graduate Financial Aid in 2014-16 Biennium

Institution	Incremental Funding	
	FY2015	FY2016
Christopher Newport University	\$9,823	\$14,732
College of William & Mary	\$130,354	\$195,532
George Mason University	\$679,346	\$1,019,018
James Madison University	\$303,320	\$454,980
Longwood University	\$14,565	\$21,848
Norfolk State University	\$91,725	\$137,588
Old Dominion University	\$398,318	\$597,478
Radford University	\$203,873	\$305,810
University of Mary Washington	\$12,112	\$18,167
University of Virginia	\$698,723	\$1,048,084
Virginia Commonwealth University	\$442,844	\$664,267
Va. Institute of Marine Sciences	\$4,068	\$6,102
Virginia State University	\$77,424	\$116,137
Virginia Tech	\$489,211	\$733,817
Total	\$3,555,706	\$5,333,560

(d) Higher Education Equipment Trust Fund (HEETF)

- In 2000, the Council established an equipment allocation methodology for the HEETF based on institutional needs for (1) regular inventory replacement and (2) technology upgrades. A 9-year replacement cycle, issued for instructional and research equipment, is applied to the current institutional equipment inventories in the Educational and General programs of Instruction, Research and Academic Support. The HEETF addresses half of the identified need and institutional operating funds cover the other half. To continue the progress made in the 2012-14 biennium in updating institutional equipment inventories, the annual replacement need to be covered by the HEETF will be \$57.3 million or \$114.6 million for the 2014-16 biennium. In addition, to continue the progress made in funding workforce development programs, an additional allocation of \$4 million per year is recommended in the traditional guidelines for the Virginia Community College System to purchase equipment for workforce training. Based on the Council's recommendation in 2012, the 2013 General Assembly appropriated \$2 million in support of this initiative.
- In addition, the HEETF model includes funding for computers for student use. The Council established a goal of providing 7% of the full-time equivalent students with a microcomputer. In 2000, this rate was considered adequate to accommodate students' need for access to computer resources. Since then, allocations have been sufficient to maintain this level of coverage. To continue supporting the 14:1 students-to-computer ratio at a cost of \$1,800 per computer, an additional allocation of \$13.7 million per year is needed. This policy allows for computer replacement approximately once every three years.
- For the 2012-14 biennium, the Council recommended and the General Assembly approved the allocation of over \$12 million a year in support of research equipment through HEETF. In light of changing roles and the need for more research at our public institutions, Tom Skalak, vice president for research at the University of Virginia, noted in a June 30, 2013, Richmond Times-Dispatch column that, "American private sector has not invested in early-stage research and development, despite the fact that S&P 500 companies today have a higher ratio of cash to market capitalization than at any time in the past 25 years." He further notes, "What's the value of higher education to the people of Virginia? It is the creation of tomorrow's innovations and innovators who will ensure that top jobs are available to all Virginians." Staff estimates that an additional \$19 million per year would continue the progress made in recent years and sustain a critical investment in the research infrastructure.
- Estimated debt service payments by institution total \$10.5 million for the traditional HEETF recommendation and \$13.5 million including a research component.

2014-16 Higher Education Equipment Trust Fund Recommended Allocation

2014-15 HEETF Guidelines						2015-16 HEETF Guidelines					
Institutions	9-Year Cycle, Annual Replacement Need	Computer Component	Total	Research Initiative ⁽¹⁾	Grand Total	Institutions	9-Year Cycle, Annual Replacement Need	Computer Component	Total	Research Initiative ⁽¹⁾	Grand Total
GMU	\$3,038,990	\$1,118,430	\$4,157,420	\$683,635	\$4,841,055	GMU	\$3,038,990	\$1,118,430	\$4,157,420	\$683,635	\$4,841,055
ODU	\$3,509,328	\$834,840	\$4,344,168	\$447,158	\$4,791,327	ODU	\$3,509,328	\$834,840	\$4,344,168	\$447,158	\$4,791,327
UVA	\$11,198,911	\$1,027,620	\$12,226,531	\$6,796,211	\$19,022,742	UVA	\$11,198,911	\$1,027,620	\$12,226,531	\$6,796,211	\$19,022,742
VCU	\$7,114,668	\$1,221,300	\$8,335,968	\$3,320,820	\$11,656,788	VCU	\$7,114,668	\$1,221,300	\$8,335,968	\$3,320,820	\$11,656,788
VT	\$10,537,565	\$1,388,250	\$11,925,815	\$6,672,940	\$18,598,755	VT	\$10,537,565	\$1,388,250	\$11,925,815	\$6,672,940	\$18,598,755
W&M	\$1,408,627	\$352,440	\$1,761,067	\$550,695	\$2,311,763	W&M	\$1,408,627	\$352,440	\$1,761,067	\$550,695	\$2,311,763
W&M-VIMS	\$228,997	\$3,375	\$232,372	\$566,542	\$798,914	W&M-VIMS	\$228,997	\$3,375	\$232,372	\$566,542	\$798,914
CNU	\$496,284	\$225,180	\$721,464	\$0	\$721,464	CNU	\$496,284	\$225,180	\$721,464	\$0	\$721,464
UVA-Wise	\$131,560	\$77,220	\$208,780	\$0	\$208,780	UVA-Wise	\$131,560	\$77,220	\$208,780	\$0	\$208,780
JMU	\$1,381,351	\$857,250	\$2,238,601	\$0	\$2,238,601	JMU	\$1,381,351	\$857,250	\$2,238,601	\$0	\$2,238,601
LU	\$537,234	\$198,000	\$735,234	\$0	\$735,234	LU	\$537,234	\$198,000	\$735,234	\$0	\$735,234
UMW	\$474,680	\$193,275	\$667,955	\$0	\$667,955	UMW	\$474,680	\$193,275	\$667,955	\$0	\$667,955
NSU	\$845,455	\$264,195	\$1,109,650	\$0	\$1,109,650	NSU	\$845,455	\$264,195	\$1,109,650	\$0	\$1,109,650
RU	\$1,611,025	\$409,815	\$2,020,840	\$0	\$2,020,840	RU	\$1,611,025	\$409,815	\$2,020,840	\$0	\$2,020,840
VMI	\$930,757	\$80,460	\$1,011,217	\$0	\$1,011,217	VMI	\$930,757	\$80,460	\$1,011,217	\$0	\$1,011,217
VSU	\$1,063,244	\$252,360	\$1,315,604	\$0	\$1,315,604	VSU	\$1,063,244	\$252,360	\$1,315,604	\$0	\$1,315,604
RBC	\$112,678	\$46,980	\$159,658	\$0	\$159,658	RBC	\$112,678	\$46,980	\$159,658	\$0	\$159,658
VCCS ⁽²⁾	\$12,039,575	\$5,115,465	\$17,155,040	\$0	\$17,155,040	VCCS ⁽²⁾	\$12,039,575	\$5,115,465	\$17,155,040	\$0	\$17,155,040
SWVHEC	\$131,884	\$0	\$131,884	\$0	\$131,884	SWVHEC	\$131,884	\$0	\$131,884	\$0	\$131,884
RHEA	\$72,083	\$0	\$72,083	\$0	\$72,083	RHEA	\$72,083	\$0	\$72,083	\$0	\$72,083
IALR	\$213,761	\$0	\$213,761	\$0	\$213,761	IALR	\$213,761	\$0	\$213,761	\$0	\$213,761
SVHEC	\$180,478	\$0	\$180,478	\$0	\$180,478	SVHEC	\$180,478	\$0	\$180,478	\$0	\$180,478
NCI	\$25,331	\$0	\$25,331	\$0	\$25,331	NCI	\$25,331	\$0	\$25,331	\$0	\$25,331
TOTAL	\$57,284,465	\$13,666,455	\$70,950,920	\$19,038,002	\$89,988,922	TOTAL	\$57,284,465	\$13,666,455	\$70,950,920	\$19,038,002	\$89,988,922

⁽¹⁾ Additional funding provided for original Commonwealth Research Initiative (CRI) institutions.

⁽²⁾ Includes \$4 million additional recommendation to support workforce development.

2014-16 Higher Education Equipment Trust Fund Estimated Debt Service Payments⁽¹⁾			
Institutions	HEETF Estimated Debt Service	Research Initiative Debt Service ⁽²⁾	Total Equipment
GMU	\$557,034	\$107,727	\$664,761
ODU	\$643,245	\$70,463	\$713,708
UVA	\$2,052,713	\$1,070,944	\$3,123,657
VCU	\$1,304,088	\$523,293	\$1,827,382
VT	\$1,931,491	\$1,051,519	\$2,983,010
W&M	\$258,195	\$86,778	\$344,974
W&M-VIMS	\$41,974	\$89,275	\$131,250
CNU	\$90,967	\$0	\$90,967
UVA-Wise	\$24,114	\$0	\$24,114
JMU	\$253,196	\$0	\$253,196
LU	\$98,473	\$0	\$98,473
UMW	\$87,007	\$0	\$87,007
NSU	\$154,968	\$0	\$154,968
RU	\$295,294	\$0	\$295,294
VMI	\$170,604	\$0	\$170,604
VSU	\$194,888	\$0	\$194,888
RBC	\$20,653	\$0	\$20,653
VCCS	\$2,206,803	\$0	\$2,206,803
SWVHEC	\$24,174	\$0	\$24,174
RHEA	\$13,212	\$0	\$13,212
IALR	\$39,182	\$0	\$39,182
SVHEC	\$33,081	\$0	\$33,081
NCI	\$4,643	\$0	\$4,643
TOTAL	\$10,500,000	\$3,000,000	\$13,500,000

(1) Assumes a 7 year period of debt service with the first payment made in the second year of the biennium. Estimated payments are based on the institutions' share of the recommended total allocation for 2014-15.

(2) Additional funding provided for original Commonwealth Research Initiative (CRI) institutions.

(B) Incentive Funding

- SCHEV staff believes that institutional performance is a cornerstone and expectation of higher education funding. Institutions respond to incentives and do not shy away from performance. Therefore, staff recommends a blended approach to provide incentives for state priorities as outlined in TJ21 and elsewhere. Staff has used the most recent updated models that recognize state goals to allocate funds as an incentive to institutions to achieve greater levels of performance. Details of the incentive funding are as follows.

(e) Access and Retention

- The Base Adequacy/Cost of Education calculation, found in TJ21, provides an incentive for student access, enrollment and retention. The model is sensitive to changes in enrollment (which results largely from student retention and progression) by student level and discipline. For example, enrollments in more expensive disciplines, such as science, technology, engineering and math, are funded at higher levels than other enrollments.
- The 2013 General Assembly provided additional general fund support of \$25 million in FY2014 for E&G programs to help address enrollment growth, faculty salaries, STEM degrees, and TJ21 initiatives, and to mitigate the need for tuition increases. This brings the total additional general fund support for E&G programs to over \$100 million in 2012-14 biennium.
- This additional general fund and nongeneral fund support enables institutions to meet core operating budget functions and improves their standing relative to the Commonwealth's base adequacy/cost of education funding model. To determine where institutions stand relative to these funding guidelines, staff used the actual FY2013 student enrollment and institutions' 2014 activity-based budget to calculate the funding need. The result shows nine institutions are at or above 100% funding level. The system average for the remaining institutions is 95%.
- Institutions' base adequacy shortfalls are addressed in other ways in the Council's budget recommendations. Specifically, these recommendations include funding for additional faculty salary increases and operation and maintenance of new facilities. As a means to address the institutions' core functions, as envisioned in the Commonwealth's funding model, the Governor and General Assembly should consider funding these items first. These

items would result in an additional \$30 million in general fund and \$32.5 million from nongeneral funds for a total of \$62.5 million for institution operations in FY2015.

- In addition to these recommendations, Council recommends providing additional funds to institutions that have the percent of funding to guidelines below the full funding level. The total recommended additional funding is \$65.7 million in general fund and \$49.5 million from nongeneral funds, for a total of \$115.2 million in 2014-16 biennium. This additional funding would move the system average for base adequacy/cost of education to 97% by FY2016, excluding those institutions above 100 percent.
- The TJ21 legislation also describes a means to incentivize Virginia undergraduate student enrollment growth. In the 2012-14 budget recommendations, the Council included a specific funding recommendation for all institutions that projected enrollment growth. The General Assembly provided additional funds to address continued growth toward 1,700 new in-state undergraduate seats at four institutions: The College of William and Mary, James Madison University, the University of Virginia, and Virginia Tech.
- Council staff believes that the Commonwealth can incentivize enrollment growth through continued and dependable support of the base adequacy/cost of education funding guidelines and, therefore, does not recommend a specific additional category in this year's operating budget recommendation for enrollment-based funding.

Recommended Incremental Funding for Access and Retention in 2014-16 Biennium

Inst	Calculated Need ^{1,2}	Available Resources ^{3,4,5}	Recommended Additions in FY15 ⁶	Total Resources	% Funding to Guide	Funding Shortfall	GF Share	Incremental Funding over Four Years ⁹							
								2014-15			2015-16				
								GF	NGF	Total	New % to Guide	GF	NGF	Total	New % to Guide
CNU	\$65,725,547	\$63,638,823	\$840,785	\$64,479,608	98%	(\$1,245,939)	61%	\$190,629	\$120,856	\$311,485	99%	\$381,257	\$241,712	\$622,969	99%
CWM	\$145,753,634	\$172,004,144	\$2,588,420	\$174,592,564	>100%		39%	\$0	\$0	\$0		\$0	\$0	\$0	
GMU	\$427,453,555	\$463,432,362	\$7,774,030	\$471,206,392	>100%		50%	\$0	\$0	\$0		\$0	\$0	\$0	
JMU	\$253,597,415	\$262,115,846	\$5,366,061	\$267,481,907	>100%		48%	\$0	\$0	\$0		\$0	\$0	\$0	
LU	\$60,614,472	\$60,483,206	\$574,033	\$61,057,238	>100%		63%	\$0	\$0	\$0		\$0	\$0	\$0	
NSU	\$77,007,963	\$68,962,466	\$310,515	\$69,272,981	90%	(\$7,734,982)	56%	\$1,079,030	\$854,715	\$1,933,745	92%	\$2,158,060	\$1,709,431	\$3,867,491	95%
ODU	\$290,491,765	\$244,188,720	\$3,761,306	\$247,950,027	85%	(\$42,541,739)	56%	\$5,998,385	\$4,637,050	\$10,635,435	89%	\$11,996,770	\$9,274,099	\$21,270,869	93%
RU	\$114,163,789	\$114,668,048	\$1,716,599	\$116,384,647	>100%		62%	\$0	\$0	\$0		\$0	\$0	\$0	
UMW	\$62,395,444	\$62,873,993	\$1,329,112	\$64,203,105	>100%		58%	\$0	\$0	\$0		\$0	\$0	\$0	
UVA	\$491,899,562	\$575,258,063	\$9,587,650	\$584,845,714	>100%		35%	\$0	\$0	\$0		\$0	\$0	\$0	
UVAW	\$23,459,176	\$22,444,014	\$138,657	\$22,582,671	96%	(\$876,505)	62%	\$136,516	\$82,611	\$219,126	97%	\$273,031	\$165,221	\$438,252	98%
VCU	\$552,698,112	\$531,789,631	\$5,636,787	\$537,426,418	97%	(\$15,271,694)	49%	\$1,886,054	\$1,931,869	\$3,817,923	98%	\$3,772,108	\$3,863,739	\$7,635,847	99%
VMI ⁷	\$27,796,313	\$27,441,013	\$401,038	\$27,842,051	100%		40%	\$0	\$0	\$0		\$0	\$0	\$0	
VSU	\$69,362,804	\$67,914,793	\$1,024,685	\$68,939,478	99%	(\$423,325)	47%	\$49,423	\$56,408	\$105,831	100%	\$98,846	\$112,816	\$211,663	100%
VT	\$596,126,593	\$577,395,425	\$11,816,715	\$589,212,139	99%	(\$6,914,454)	41%	\$700,088	\$1,028,525	\$1,728,614	99%	\$1,400,177	\$2,057,050	\$3,457,227	99%
RBC	\$9,683,971	\$10,165,895	\$46,364	\$10,212,259	>100%		66%	\$0	\$0	\$0		\$0	\$0	\$0	
VCCS	\$933,729,692	\$862,777,208	\$9,610,699	\$872,387,907	93%	(\$70,952,484)	63%	\$11,121,802	\$6,616,319	\$17,738,121	95%	\$22,243,604	\$13,232,638	\$35,476,242	97%
Total	\$4,201,959,807	\$4,187,553,651	\$62,523,456	\$4,250,077,107	>100%	(\$145,961,121)	51%	\$21,161,927	\$15,328,353	\$36,490,280		\$42,323,854	\$30,656,706	\$72,980,561	
System Average ⁸					95%						96%				97%
EVMS	\$69,184,174	\$61,465,965		\$61,465,965	89%	(\$7,718,209)	39%	\$752,583	\$1,176,969	\$1,929,552		\$1,505,166	\$2,353,939	\$3,859,104	
Grand Total	\$4,271,143,981	\$4,249,019,616				(\$153,679,330)		\$21,914,510	\$16,505,323	\$38,419,833		\$43,829,020	\$33,010,645	\$76,839,665	

Notes:

- (1) Based on actual FY13 student FTE and FY11-FY13 3-year average discipline credit hours.
- (2) The blended salary is based on the FY14 ABB.
- (3) Available resources are FY14 ABB, plus NGF technical adjustments.
- (4) GF adjustments are OCR funding at NSU and VSU, and VCCS central office (FY16 adjustment).
- (5) NGF includes required funding for programs 101-40, 102 and 103 made in October 2009.
- (6) Includes recommended additional funding for faculty salaries and O&M in FY2015.
- (7) Available resources are adjusted for "uniquely military" mission.
- (8) Excludes institutions above 100% of funding to guidelines.
- (9) Funding is provided for institutions with % of funding to guidelines below the full funding level.

(f) Tuition Moderation

- The base adequacy/cost of education calculation reveals that nine institutions currently are at or above 100% of guidelines, when including the recommended funding for FY2015. These institutions reached funding primarily through tuition increases. Like other institutions, they also have a funding shortfall in terms of their general fund share.
- TJ21 describes a policy whereby 67% of an institution's cost of education for Virginia students is funded from the state general fund and 33% from funds other than the state general fund. Based on general fund and nongeneral fund appropriation for FY2014, the state general fund meets approximately 49% of an institution's cost for Virginia undergraduate students.
- SCHEV staff recommends that \$9.0 million in FY2015 and \$18.0 million in FY2016 in additional general fund be provided to institutions to address their fund-share equity issues and as an incentive to mitigate the need for tuition increases. Institutions at or above 100% of guidelines would receive additional state support to reduce their general fund shortfall by 5% over the biennium. Institutions currently above the system average of 95% of guidelines would receive additional state support to reduce their general fund shortfall by 2.5%. In return, these institutions would realize a like reduction in their tuition revenue in each year of the biennium.

Tuition Moderation

Inst	Calculated Funding Need			Available Resources			Funding Shortfall			% of Funding to Guidelines	Reduce GF Shortfall*	
	GF	NGF	Total	GF	NGF	Total	GF	NGF	Total		2014-15	2015-16
											GF	GF
CNU	\$40,213,776	\$25,511,771	\$65,725,547	\$26,446,278	\$38,033,330	\$64,479,608	(\$13,767,497)	\$12,521,559	(\$1,245,939)	98%	\$172,094	\$344,187
CWM	\$57,193,092	\$88,560,541	\$145,753,634	\$41,678,172	\$132,914,393	\$174,592,564	(\$15,514,921)	\$44,353,851	\$28,838,931	>100%	\$387,873	\$775,746
GMU	\$214,408,737	\$213,044,817	\$427,453,555	\$125,740,789	\$345,465,603	\$471,206,392	(\$88,667,948)	\$132,420,786	\$43,752,837	>100%	\$2,216,699	\$4,433,397
JMU	\$121,171,596	\$132,425,819	\$253,597,415	\$76,788,153	\$190,693,754	\$267,481,907	(\$44,383,443)	\$58,267,935	\$13,884,492	>100%	\$1,109,586	\$2,219,172
LU	\$38,393,528	\$22,220,943	\$60,614,472	\$25,395,259	\$35,661,980	\$61,057,238	(\$12,998,270)	\$13,441,036	\$442,767	>100%	\$324,957	\$649,913
RU	\$70,637,107	\$43,526,682	\$114,163,789	\$46,961,103	\$69,423,544	\$116,384,647	(\$23,676,004)	\$25,896,862	\$2,220,858	>100%	\$591,900	\$1,183,800
UMW	\$36,367,018	\$26,028,426	\$62,395,444	\$21,905,131	\$42,297,974	\$64,203,105	(\$14,461,887)	\$16,269,548	\$1,807,661	>100%	\$361,547	\$723,094
UVA	\$173,949,879	\$317,949,683	\$491,899,562	\$126,797,655	\$458,048,059	\$584,845,714	(\$47,152,224)	\$140,098,376	\$92,946,151	>100%	\$1,178,806	\$2,357,611
UVAW	\$14,617,747	\$8,841,429	\$23,459,176	\$13,675,639	\$8,907,032	\$22,582,671	(\$942,108)	\$65,603	(\$876,505)	96%	\$11,776	\$23,553
VCU	\$272,859,041	\$279,839,071	\$552,698,112	\$167,410,290	\$370,016,128	\$537,426,418	(\$105,448,751)	\$90,177,057	(\$15,271,694)	97%	\$1,318,109	\$2,636,219
VMI	\$11,055,725	\$16,740,588	\$27,796,313	\$6,825,216	\$21,016,835	\$27,842,051	(\$4,230,508)	\$4,276,247	\$45,738	100%	\$105,763	\$211,525
VSU	\$32,384,033	\$36,978,770	\$69,362,804	\$24,160,288	\$44,779,190	\$68,939,478	(\$8,223,745)	\$7,800,420	(\$423,325)	99%	\$102,797	\$205,594
VT	\$241,434,852	\$354,691,741	\$596,126,593	\$153,992,664	\$435,219,476	\$589,212,139	(\$87,442,188)	\$80,527,734	(\$6,914,454)	99%	\$1,093,027	\$2,186,055
RBC	\$6,400,284	\$3,283,687	\$9,683,971	\$5,714,937	\$4,497,323	\$10,212,259	(\$685,347)	\$1,213,635	\$528,288	>100%	\$17,134	\$34,267
Total	\$712,120,958	\$843,756,913	\$1,555,877,871	\$465,266,261	\$1,274,505,307	\$1,739,771,568	(\$246,854,696)	\$430,748,393	\$183,893,697		\$8,992,067	\$17,984,135

Note: * Institutions at or above 100% of guidelines will receive additional state support to reduce their general fund shortfall by 5% over the biennium. Institutions above the system average of 95% of guidelines will receive additional state support to reduce their general fund shortfall by 2.5%.

(g) Completion and Efficiency

- In 2012, the Governor proposed an incentive program that provided funding in the following areas:
 - In-state undergraduate enrollment growth
 - Retention and graduation
 - Associate and bachelor's degrees, with priority for STEM-H degrees
 - Bachelor-degree completion in four years
 - Degree attainment by underrepresented students
 - Efficiency

- The Council updated and modified the Governor's proposed allocation formula in how it recognized institutional improvement, efficiency and graduation rate. It also adjusted other factors to recognize the difference between larger institutions and smaller institutions.

- Based on these modifications, staff recommends \$21.9 million in FY2015 and \$43.8 million in FY2016 in general fund to allocate to institutions to support college degree attainment and encourage institutional efficiency and effectiveness.

- These amounts (\$21.9 million and \$43.8 million) are equal to the amounts for incentives for access and enrollment as a means to keep the two funding streams balanced.

(h) TJ21 Initiatives

- Section 23-38.87:16 of TJ21 includes a provision that allows for incentives for policy objectives listed as follows:
 - Increased enrollment of Virginia students
 - Increase degree completion for Virginia residents who have partial credit completion for a degree
 - Increased degree completion in a timely or expedited manner
 - Improved retention and graduate rates
 - Increased degree production in areas of science, technology, engineering, and mathematics and other high-need areas such as the health care-related professions
 - Increase research, including regional and public-private collaboration

- Optimal year-round utilization of resources and other efficiency reforms designed to reduce total institutional cost
 - Technology-enhanced instruction, including course redesign, online instruction, and resource sharing among institutions
 - Enhanced community college transfer programs and grants and other enhanced degree path programs
- SCHEV staff recommends \$10.6 million in general fund in FY2015 and \$21.2 million in general fund in FY2016 to address TJ21 initiatives such as high-demand programs, STEM degrees, public-private collaborations, and under-represented populations. These amounts are equal to one-half of the amounts for incentives for access and retention and for completion and efficiency.
 - Institutions should match the addition general fund either through internal reallocation or tuition revenue.

(i) Cost Share and Estimated Tuition Increases in FY2015

- Based on the Commonwealth fund share policy, most of the recommended funding items mentioned above require institutions to generate nongeneral fund revenues to share the total estimated funding cost. Staff estimates that the potential tuition impact of these recommendations would be a range of 0% to 5% in FY2015, with an average of about 2%.
- This estimated range of tuition increases does not take into account ongoing cost increases that institutions are required to manage such as (a) general cost increases in the health care program, (b) costs associated with implementation of the Affordable Care Act, and (c) contribution rate increases for the Virginia Retirement System. If the Commonwealth does not fund its proportionate share of the increases, institutions will have to either reduce expenditures or increase tuition to cover these costs.

Note: Figures of Items (g), (h) and (i) are in tables on pages 32 and 33.

(C) Systemic Items within the SCHEV Budget

(j) Virtual Library of Virginia (VIVA)

- The Virtual Library of Virginia (VIVA) is the consortium of the nonprofit academic libraries within the Commonwealth of Virginia. Members include all of Virginia's public colleges and universities, as well as 33 private, nonprofit institutions and the Library of Virginia. SCHEV receives the appropriation to support VIVA and, as such, SCHEV makes requests to support VIVA's operations.
- Staff recommends total additional funding general fund of \$1.9 million in FY2015 and \$2.2 million in FY2016, made of up the following components:
 - \$405,000 in FY2015 and \$590,000 in FY2016 to the new VIVA One Collection initiative. This initiative will dramatically expand the level of collaboration within the commonwealth's higher education community and transform the way in which students and faculty access all library resources.
 - \$1,062,750 in FY2015 and \$1,208,515 in FY2016 to expand the successful e-book initiative by acquiring additional electronic books in key STEM-H and other research areas.
 - \$412,014 in FY2015 (\$396,084 for the public colleges and \$15,930 for the private nonprofit colleges) and \$436,734 in FY2016 (\$419,849 for the public colleges and \$16,886 for the private nonprofit colleges and universities) to sustain current database, e-journal, and e-book collections supported by VIVA due to unavoidable, contractually-obligated cost increases, particularly for STEM-H related journals and e-books.

(k) Virginia Tuition Assistance Grant Program (TAG)

- TAG is designed to make private colleges in Virginia more affordable for Virginia residents and thus increase the level of student choice and access in higher education. TAG was established in 1973 and will provide over \$64.8 million of assistance to over 22,000 students enrolled into 31 institutions in FY2014. The maximum annual undergraduate awards are expected to be \$3,100 while graduate/professional students are expected to receive \$1,550.

Maximum undergraduate and graduate awards for the previous ten years:

Fiscal Year	Annual Award Amount
2004-05	\$2,500 / \$1,900
2005-06	\$2,500 / \$1,900
2006-07	\$2,750 / \$1,900
2007-08	\$3,200 / \$1,900
2008-09	\$3,190 / \$1,890
2009-10	\$3,000 / \$1,300
2010-11	\$2,600 / \$1,130
2011-12	\$2,750 / \$1,200
2012-13	\$2,800 / \$1,300
2013-14	\$3,100 / \$1,550 projected

- TAG funding recommendations are based on the projected fall participation by priority students (returning students and on-time new applicants are prioritized; late applicants are not guaranteed an award) and historical trends to determine the average award amounts and attrition rates. Additional factors include the current economic conditions and the periodic addition/deletion of institutions or academic programs.
- The maximum annual TAG award reached a high of \$3,200 in 2007-08 and then declined for three consecutive years until 2011-12. After restrictions were imposed on eligible graduate programs, the participation rate for graduate students declined steadily until FY2013 when participation increased by over 20 percent.
- Considering the recent trends, staff has is projecting a participation growth rate for undergraduate students of 2.0 percent. Adjusting for the increased growth of graduate students, the projected number of TAG-eligible students for fall 2014 and fall 2015 is approximately 22,700 and 23,250 respectively.
- In years past, the Council has affirmed its commitment to increase the TAG award to \$3,700, and staff recommends that the Council reaffirm that commitment. The Council also recognizes the Commonwealth's fiscal condition and competition for resources. In light of these factors, staff recommends an increase of \$3,817,000 in FY2015 and \$6,444,000 in FY2016. These amounts will enable the Commonwealth to support eligible undergraduate students at \$3,250 in FY2015 and \$3,300 in FY2016, with a commensurate increase for graduate students in health profession

fields of study. To the extent TAG balances and actual enrollment permit, staff recommends that the undergraduate award be increased to \$3,300 in FY2015.

Virginia Tuition Assistance Grant Program

Incremental Cost of Increasing the Maximum Annual TAG Award
 FY2014 Base Appropriation = \$64,812,665

Projected TAG Award	2014-15		2015-16	
	Appropriation Needed	Change in FY2014 Appropriations	Appropriations Needed	Change in FY2014 Appropriations
\$3,100 / \$1,550	\$65,456,813	\$644,148	\$66,938,074	\$2,125,409
\$3,200 / \$1,600	\$67,568,324	\$2,755,659	\$69,097,366	\$4,284,701
\$3,300 / \$1,650	\$69,679,834	\$4,867,169	\$71,256,659	\$6,443,994
\$3,400 / \$1,700	\$71,791,344	\$6,978,679	\$73,415,952	\$8,603,287
\$3,500 / \$1,750	\$73,902,854	\$9,090,189	\$75,575,244	\$10,762,579
\$3,750 / \$1,800	\$79,098,343	\$14,285,678	\$80,880,196	\$16,067,531

(l) Two Year Transfer Grant

- The General Assembly enacted the Two-Year College Transfer Grant Program in 2007 to encourage students with financial need to utilize the low cost of Virginia's two year colleges to complete their associate degree program prior to transferring to a participating Virginia four-year institution. This provides an affordable means to complete a four-year degree as well as increase degree completion. The program provides eligible students with a \$1,000 annual award plus another \$1,000 annual award if the student is enrolled into a STEM-H program. Over the five years of operation, the program has awarded nearly \$3 million to over 1,700 recipients. For the 2013-14, \$1,650,000 is appropriated.
- For the 2014 session of the General Assembly, the VCCS plans to recommend that the transfer grant program be amended to enable eligible students to complete their four-year degree at two-year college prices. This concept would enable the program to maximize its potential to direct and assist students to the transfer model. Eligible students would receive a transfer grant award covering the difference between the average two-year college tuition and education and general fees and that of the public four-year institution. Students transferring to a private nonprofit institution would receive an award equal to the average for a public institution. SCHEV estimates that this proposal would require an additional appropriation of \$8.8 million in FY2015 and \$10 million in FY2016.
- If adopted, this recommendation could be phased-in over a period of years based on available funds. Nonetheless, Council believes that the sooner the funding is put in place, the sooner more Virginians can pursue a more affordable route to higher education. Finally, new transfer grant funds projected to go to public institutions will reduce the amount of new appropriations needed to meet funding goals for undergraduate student financial aid.

Virginia Two Year College Transfer Grant Program

In order to maintain the FY2013-14 percentage of need met (36.6%) for undergraduate financial aid, the system would require approximately \$19.7 million increase in FY2014-15 and \$33.7 million increase in FY2015-16.

SCHEV proposes that amount be divided between the Two Year College Transfer Grant Program

Institution	FY15	FY16
Christopher Newport University	92,624	118,002
College of William & Mary	232,093	305,533
George Mason University	2,292,506	2,622,950
James Madison University	182,114	180,575
Longwood University	160,895	194,465
Norfolk State University	-	-
Old Dominion University	780,955	874,036
Radford University	330,928	370,897
University of Mary Washington	173,622	186,209
University of Virginia	901,132	1,050,371
University of Virginia - Wise	34,679	39,819
Virginia Commonwealth University	1,214,337	1,349,915
Virginia Military Institute	2,605	3,039
Virginia State University	13,710	15,742
Virginia Tech	1,243,874	1,454,274
Four-Year Institution Totals	7,656,074	8,765,827
Richard Bland College	-	-
Virginia Community College System	-	-
Two-Year Institution Totals	-	-
Totals	7,656,074	8,765,827

Private Institutions	1,093,926	1,184,173
Systemic Totals	8,750,000	9,950,000

(m) Virginia Military Survivors and Dependent Education Program

- The 2013 General Assembly provided additional funding of \$600,000 for FY2014, increasing the total general fund appropriation for the Virginia Military Survivors and Dependent Education Program to \$1.85 million. These funds enable eligible students to receive a \$1,800 stipend to assist with educational costs in addition to the full tuition waiver received at public institutions. The stipends are awarded to qualifying Virginia residents whose spouse or parent has been a prisoner of war, missing in action, or killed in action, or at least 90 percent disabled due active military service.
- Program growth increased by approximately 10% in FY2013, to 1,135 recipients. The number of recipients is projected to be 1,375 in FY2015 and 1,510 in FY2016, based on an annual 10% increase from FY2014 to FY2016. To maintain the current maximum award of \$1,800, the program cost is estimated at \$1.9 million in FY2015 and \$2.1 million in FY2016. As a result, the program requires an increase in general fund of \$50,000 in FY2015 and \$250,000 in FY2016 over the current base.

(n) Fund for Excellence and Innovation

- To encourage change, innovation and quality improvement in the areas of expedited degree completion, optimal use of facilities, and other efficiency reforms designed to reduce total instructional cost, SCHEV staff recommends the creation of a small incentive fund in the SCHEV budget for allocation to public and private institutions on a competitive basis. The fund would advance the Governor's and the General Assembly's interests, as expressed in recent legislative changes, to stimulate change and improvement at and among institutions that enhance quality and obtain greater operational efficiencies. These funds would also be used for evaluation and reporting of best practices to the higher education community. SCHEV staff recommends a total of \$1,000,000 from the general fund in FY2015 and \$1,500,000 in FY2016 to support this Fund for Excellence and Innovation.
- This proposed incentive fund will encourage innovative reform and efficiency initiatives at public and private institutions, thereby creating measurable cost reductions across the system of higher education. In awarding the funds on a competitive basis and then documenting the outcomes, SCHEV will determine (and then monitor) the most strategic, impactful, and cost-effective uses of the funds toward the goals of the Higher Education Opportunity Act of 2011, which will enhance SCHEV's ability to promote the strategic management of higher education in the Commonwealth.

(o) SCHEV Initiatives

- In September, the Council reviewed a list of budget items to support its core and expended responsibilities. Included in the request were funds to support capacity for higher education research, analysis, and reporting; outreach and collaborative activities with PK-12, economic development, and college and university governing boards; initiatives to support “e-content” and technology innovation; and support for military student initiatives. The total for these items is \$1.6 million in FY2015 and \$1.2 million in FY2016.

Estimated FY2015 Funding Increases in E&G Programs

Estimated FY2015 General Fund Increase for E&G Programs over FY2014 GF appropriations

	2013-14 GF	Recommended Additional General Fund in FY2015						
	Appropriations	Faculty Salary	O&M	Access & Retention	Tuition Moderation	Completion & Efficiency	Total GF Additions	% Change
CNU	\$24,479,716	\$514,560	\$0	\$190,629	\$172,094	\$518,080	\$1,395,363	5.7%
CWM	\$38,343,452	\$986,201	\$28,460	\$0	\$387,873	\$547,762	\$1,950,296	5.1%
GMU	\$116,066,517	\$2,848,966	\$1,009,683	\$0	\$2,216,699	\$2,289,171	\$8,364,518	7.2%
JMU	\$69,808,843	\$1,332,286	\$1,232,691	\$0	\$1,109,586	\$1,718,150	\$5,392,713	7.7%
LU	\$23,618,254	\$312,873	\$50,490	\$0	\$324,957	\$401,675	\$1,089,995	4.6%
NSU	\$40,473,227	\$173,267	\$0	\$1,079,030	\$0	\$471,674	\$1,723,971	4.3%
ODU	\$103,809,827	\$1,605,144	\$516,233	\$5,998,385	\$0	\$1,923,700	\$10,043,462	9.7%
RU	\$43,456,527	\$923,980	\$138,595	\$0	\$591,900	\$859,733	\$2,514,207	5.8%
UMW	\$19,800,128	\$480,166	\$294,707	\$0	\$361,547	\$477,588	\$1,614,007	8.2%
UVA	\$119,515,037	\$2,376,833	\$861,733	\$0	\$1,178,806	\$1,440,146	\$5,857,518	4.9%
UVAW	\$12,937,643	\$86,383	\$0	\$136,516	\$11,776	\$174,158	\$408,833	3.2%
VCU	\$154,889,637	\$2,789,946	\$0	\$1,886,054	\$1,318,109	\$2,354,696	\$8,348,805	5.4%
VMI	\$8,332,004	\$151,942	\$7,671	\$0	\$105,763	\$121,384	\$386,760	4.6%
VSU	\$30,167,239	\$367,587	\$103,216	\$49,423	\$102,797	\$372,202	\$995,226	3.3%
VT	\$140,532,623	\$3,499,933	\$1,274,020	\$700,088	\$1,093,027	\$2,394,496	\$8,961,564	6.4%
RBC	\$5,473,340	\$30,647	\$0	\$0	\$17,134	\$105,482	\$153,262	2.8%
VCCS	\$341,255,372	\$3,988,386	\$2,037,522	\$11,121,802	\$0	\$5,729,902	\$22,877,612	6.7%
TJ21							\$11,000,000	
Total	\$1,292,959,386	\$22,469,101	\$7,555,019	\$21,161,927	\$8,992,067	\$21,900,000	\$93,078,115	7.2%

Estimated FY2015 Nongeneral Fund Increase for E&G Programs over FY2014 NGF appropriations

Inst	2013-14 NGF Appropriations	Recommended Additional Nongeneral Fund in FY15					
		Faculty Salary	O&M	Access & Retention	Tuition Moderation	Total NGF Additions	% Change
CNU	\$35,255,306	\$326,225	\$0	\$120,856	(\$172,094)	\$274,987	0.8%
CWM	\$128,564,391	\$1,529,618	\$44,141	\$0	(\$387,873)	\$1,185,887	0.9%
GMU	\$307,415,108	\$2,826,265	\$1,089,117	\$0	(\$2,216,699)	\$1,698,683	0.6%
JMU	\$181,146,987	\$1,454,923	\$1,346,161	\$0	(\$1,109,586)	\$1,691,498	0.9%
LU	\$33,014,347	\$181,397	\$29,273	\$0	(\$324,957)	(\$114,287)	-0.3%
NSU	\$34,028,682	\$137,247	\$0	\$854,715	\$0	\$991,963	2.9%
ODU	\$128,190,945	\$1,240,856	\$399,073	\$4,637,050	\$0	\$6,276,979	4.9%
RU	\$62,332,549	\$568,718	\$85,306	\$0	(\$591,900)	\$62,124	0.1%
UMW	\$41,465,630	\$343,446	\$210,794	\$0	(\$361,547)	\$192,692	0.5%
UVA	\$428,557,309	\$4,283,717	\$2,065,367	\$0	(\$1,178,806)	\$5,170,278	1.2%
UVAW	\$8,202,018	\$52,274	\$0	\$82,611	(\$11,776)	\$123,108	1.5%
VCU	\$343,941,014	\$2,846,841	\$0	\$1,931,869	(\$1,318,109)	\$3,460,601	1.0%
VMI	\$25,617,847	\$229,822	\$11,603	\$0	(\$105,763)	\$135,662	0.5%
VSU	\$40,351,274	\$419,537	\$134,344	\$56,408	(\$102,797)	\$507,493	1.3%
VT	\$401,249,494	\$5,163,268	\$1,879,494	\$1,028,525	(\$1,093,027)	\$6,978,260	1.7%
RBC	\$4,485,940	\$15,717	\$0	\$0	(\$17,134)	(\$1,416)	0.0%
VCCS	\$525,950,266	\$2,372,676	\$1,212,114	\$6,616,319	\$0	\$10,201,110	1.9%
TJ21 Initiatives						\$11,000,000	
TOTAL	\$2,729,769,107	\$23,992,548	\$8,506,788	\$15,328,353	(\$8,992,067)	\$49,835,622	1.8%

Estimated FY2015 Total Recommended Incremental Funding for E&G Programs over FY2014 Total Appropriations

	2013-14 Total Appropriations	Recommended Total Additional Funding in FY2015						
		Faculty Salary	O&M	Access & Retention	Tuition Moderation	Completion & Efficiency	Total Additions	% Change
CNU	\$59,735,022	\$840,785	\$0	\$311,485	\$0	\$518,080	\$1,670,350	2.8%
CWM	\$166,907,843	\$2,515,819	\$72,601	\$0	\$0	\$547,762	\$3,136,183	1.9%
GMU	\$423,481,625	\$5,675,230	\$2,098,800	\$0	\$0	\$2,289,171	\$10,063,202	2.4%
JMU	\$250,955,830	\$2,787,209	\$2,578,852	\$0	\$0	\$1,718,150	\$7,084,211	2.8%
LU	\$56,632,601	\$494,270	\$79,763	\$0	\$0	\$401,675	\$975,708	1.7%
NSU	\$74,501,909	\$310,515	\$0	\$1,933,745	\$0	\$471,674	\$2,715,934	3.6%
ODU	\$232,000,772	\$2,846,000	\$915,306	\$10,635,435	\$0	\$1,923,700	\$16,320,441	7.0%
RU	\$105,789,076	\$1,492,698	\$223,901	\$0	\$0	\$859,733	\$2,576,331	2.4%
UMW	\$61,265,758	\$823,612	\$505,500	\$0	\$0	\$477,588	\$1,806,699	2.9%
UVA	\$548,072,346	\$6,660,550	\$2,927,100	\$0	\$0	\$1,440,146	\$11,027,796	2.0%
UVAW	\$21,139,661	\$138,657	\$0	\$219,126	\$0	\$174,158	\$531,941	2.5%
VCU	\$498,830,651	\$5,636,787	\$0	\$3,817,923	\$0	\$2,354,696	\$11,809,406	2.4%
VMI	\$33,949,851	\$381,764	\$19,274	\$0	\$0	\$121,384	\$522,422	1.5%
VSU	\$70,518,513	\$787,125	\$237,560	\$105,831	\$0	\$372,202	\$1,502,718	2.1%
VT	\$541,782,117	\$8,663,201	\$3,153,514	\$1,728,614	\$0	\$2,394,496	\$15,939,824	2.9%
RBC	\$9,959,280	\$46,364	\$0	\$0	\$0	\$105,482	\$151,846	1.5%
VCCS	\$867,205,638	\$6,361,063	\$3,249,636	\$17,738,121	\$0	\$5,729,902	\$33,078,722	3.8%
TJ21							\$22,000,000	
Total	\$4,022,728,493	\$46,461,649	\$16,061,807	\$36,490,280	\$0	\$21,900,000	\$142,913,737	3.6%

Statutory Basis for Systemwide Capital Outlay Budget Recommendations

The State Council of Higher Education for Virginia (SCHEV) is statutorily required to make systemwide capital outlay budget recommendations for Virginia public higher education institutions. SCHEV's responsibilities can be found, in part, in Sections 23-9.9, 23-9.6:1(9) and (12) of the Code of Virginia as they pertain to the evaluation and calculation of capital outlay requirements of public institutions.

Section 23-9.9 charges the Council to develop policies, formulae, and guidelines for the fair and equitable distribution and use of public funds among the public institutions of higher education. Further, this section states that such policies, formulae, and guidelines as are developed by the Council shall include provisions for operating expenses and capital outlay programs and shall be utilized by all public institutions of higher education in preparing requests for appropriations.

Section 23-9.6:1(9) charges the Council to develop a uniform, comprehensive data information system designed to gather all information necessary to the performance of the Council's duties. The system shall include information on admissions, enrollments, self-identified students with documented disabilities, personnel, programs, financing, space inventory and facilities and such other areas as the Council deems appropriate.

Section 23-9.6:1(12) requires that the Council to review biennially and approve or disapprove all changes in the inventory of educational and general space that any public institution of higher education may propose, and to make a report to the Governor and the General Assembly.

SCHEV Budget Recommendations for Maintenance Reserve Program in 2014-16 Biennium

In 1982, the Commonwealth established the maintenance reserve program to provide funding for facility repairs that are not addressed in the institutions' operating budget and are usually too small to qualify for capital outlay funding. Examples of typical maintenance reserve projects are roof repair and replacement, boiler and chiller replacement, major electrical system upgrades, *etc.* The Commonwealth has provided about \$65 million per year for the maintenance reserve program over the past ten years. As resources are always limited, the systemwide cumulative funding shortfall grew to over \$501 million by 2011. While funding for deferred maintenance has lagged, the Commonwealth has provided two significant capital initiatives for new construction and major renovations at the public institutions through bond proceeds over the past ten years. This has helped improve the institutions' overall facility conditions. The Commonwealth changed the funding source for the program from the general fund to bond proceeds in FY2009. As a result, the state bond funding for new construction, renovation and deferred maintenance is constrained by the annual debt capacity.

Recognizing the Commonwealth's priority for new construction, but seeing the need for addressing an appropriate amount of deferred maintenance, SCHEV staff proposes to apply an annual capital renewal and reinvestment budget methodology commonly used in facility management for the SCHEV maintenance reserve recommendations for the 2014-16 biennium. The purpose of the capital reinvestment is to keep a facility in reliable operating condition for its present value and prevent further accumulation of deferred maintenance. The National Association of College and University Business Officers (NACUBO) recommends an annual capital reinvestment rate of between 1.5% and 3.5% of the present replacement value. The annual capital reinvestment rates set by the U.S. Government Accountability Office (GAO) vary from 1% for the U.S. Air Force to 4% for NASA.

The Commonwealth established the Facility Inventory and Condition Assessment System (FICAS) to standardize the assessment and reporting of all types of facilities for various programs in 2008. While the Commonwealth no longer funds the system centrally due to budget reductions, the institutions have continued to update their facility inventory and condition data annually. As the maintenance reserve program provides funding only for facilities used for Educational and General Programs (E&G), in late August, SCHEV staff asked institutions to identify each facility's percentage use of E&G programs in their FICAS database. After the September meeting, staff made a follow-up survey to institutions. The result showed that most institutions only provided building information to FICAS. Just four institutions included infrastructure information in their FICAS. Therefore staff suggests the funding recommendation should focus on buildings only for consistency. The following table shows the current total E&G building replacement value at each institution. SCHEV staff proposes to use a 1% annual reinvestment rate to derive the funding need for the maintenance reserve program in 2014-16 biennium. The estimated funding need is \$98,177,400 annually in the 2014-16 biennium.

**SCHEV Funding Recommendation for the Maintenance Reserve Program
in 2014-16 Biennium**

Institution	E&G Building Replacement Value¹	Annual Funding Need²
Christopher Newport University	\$257,368,063	\$2,573,600
College of William and Mary	\$659,989,889	\$6,599,800
George Mason University	\$571,106,918	\$5,711,000
James Madison University	\$703,400,060	\$7,034,000
Longwood University	\$194,840,689	\$1,948,400
Norfolk State University	\$244,942,197	\$2,449,400
Old Dominion University	\$374,803,980	\$3,748,000
Radford University	\$270,112,477	\$2,701,100
University of Mary Washington	\$101,584,721	\$1,015,800
University of Virginia	\$2,052,907,899	\$20,529,000
University of Virginia at Wise	\$81,121,079	\$811,200
Virginia Commonwealth University	\$918,443,640	\$9,184,400
Virginia Military Institute	\$427,671,085	\$4,276,700
Virginia State University	\$253,434,160	\$2,534,300
Virginia Tech ³	\$1,137,040,555	\$11,370,400
Richard Bland College	\$54,776,224	\$547,700
Virginia Community College Sys	\$1,514,265,995	\$15,142,600
Total	\$9,817,809,630	\$98,177,400

Notes:

(1) Data sources are FICAS Replacement Value and SCHEV survey of Educational and General facilities, excluding infrastructure.

(2) Calculation is derived by 1% reinvestment rate.

(3) Replacement value contains E&G buildings on main campus only.

SCHEV Capital Outlay Recommendations For Project Requests with a General Fund Component in 2014-2020

The State Council of Higher Education (SCHEV), under authority of the Code of Virginia, evaluates the need among the Commonwealth's public institutions of higher education for new academic and administrative space under its Fixed Asset Guidelines. These guidelines also address the prioritization of requests for major renovations and capital improvements. Having developed a comprehensive data collection system which captures essential information related to the level and discipline of instructional activity, the size and condition of existing facilities and the productivity with which these facilities are used, SCHEV produces empirically based recommendations for the equitable distribution of financial resources among the colleges to support their primary missions of instruction, research and public service. The Council's capital outlay recommendations have long been regarded as an important source of impartial and objective analysis in the development of the Commonwealth's long-range fixed asset planning for higher education.

Higher education institutions requested a total of 373 capital outlay projects for 2014-2020. The requests included new construction, renovation, infrastructure improvements, land acquisition, and planning. Based on the Council's Fixed Assets Guidelines, staff reviewed 272 capital outlay project requests that have a general fund component for 2014-2020. Research-related projects account for \$750 million, or 9% of the total project costs. Projects for both E&G and research use account for \$1.6 billion, or 19% of the total project costs. Staff provided comments, assigned SCHEV priorities, and made recommendations in the following groups:

Priority Group 1 – These are projects which are fully justified under the Council's Fixed Asset Guidelines or which are considered critical to supporting the capital outlay needs of Virginia's system of higher education. Also included in this group are requests for equipment of projects previously authorized by the General Assembly (Included in the resolution amount).

Priority Group 1.B – These are projects which address critical state wide capital outlay needs and which meet some but not all of the space and productivity criteria in the Council's Fixed Asset Guidelines (Included in the resolution amount).

Priority Group 2 – These are projects which meet one but not both of the space and productivity criteria in the Council's Fixed Asset Guidelines (Not included in the resolution amount).

Priority Group 3 – These are projects which do not meet either the space or productivity criteria in the Council's Fixed Asset Guidelines but which have a compelling programmatic justification (Not included in the resolution amount).

Priority Group 4 -- These are projects which SCHEV currently does not have guidelines for evaluation. They are deferred for further study (Not included in the resolution amount).

Definition of 9(c) and 9(d) Debt

Article X, Section 9 of the Constitution of Virginia outlines the Constitutional provisions for State debt. State debt can be divided into two broad categories according to restrictions in the Constitution:

- General Obligation Debt – Debt issued by the Commonwealth and supported by the full faith and credit of the State (Section 9(a), 9(b) and 9(c) debt): and

- Non-General Obligation Debt – Debt issued by Commonwealth agencies, institutions and authorities not supported by the full faith and credit of the State (Section 9(d) debt).

Section 9(c) Debt is long-term debt for revenue-producing capital projects. This debt is issued as “double-barrelled” bonds which are backed by both the net revenues of the projects and the full faith and credit of the Commonwealth. Net revenues derived from the projects are pledged and expected to provide for the payment of debt service. Issuance of 9(c) debt requires a two-thirds vote of each house of the General Assembly and certifications by the Governor that net revenues from the projects will be sufficient to meet both principal and interest payments on the debt. Section 9(c) bonds are issued through the Treasury Board. These bonds have largely replaced auxiliary enterprise debt issued directly by higher education institutions and backed by such projects as dorm revenues and the Department of the Transportation toll road bonds backed by toll revenues.

Section 9(d) Debt is considered to be non-general obligation debt of the Commonwealth because it is not backed by the full faith and credit of the Commonwealth. The issuance of Section 9(d) bonds is authorized by general law. Such debt is repaid from a number of sources, including, appropriations of general and non-general fund revenues by the General Assembly, revenues of self-supporting enterprise systems, or payments from local governments.

**SCHEV Capital Outlay Recommendations
For Project Requests with a General Fund Component in 2014-2020**

Table 1: Total Requested Funding by Fund and Priority Group

Priority Group	General Fund	Nongeneral Funds	9(C) Debt	9(D) Debt	Total Requested Funding	Total Projects
Priority Group 1	\$2,295,830,196	\$1,465,000	\$0	\$413,756,675	\$2,711,051,871	82
Priority Group 1.B	\$874,692,572	\$1,962,000	\$0	\$16,490,250	\$893,144,822	62
Included in Resolution	\$3,170,522,768	\$3,427,000	\$0	\$430,246,925	\$3,604,196,693	144
Priority Group 2	\$2,535,918,144	\$89,371,000	\$0	\$318,667,000	\$2,943,956,144	65
Priority Group 3	\$1,506,909,700	\$58,875,500	\$0	\$167,765,250	\$1,733,550,450	59
Priority Group 4	\$78,449,000	\$0	\$4,200,000	\$0	\$82,649,000	4
Not included in Resolution	\$4,121,276,844	\$148,246,500	\$4,200,000	\$486,432,250	\$4,760,155,594	128
Total Requests	\$7,291,799,612	\$151,673,500	\$4,200,000	\$916,679,175	\$8,364,352,287	272

Table 2: Total Requested Funding by Fund and Institution

Inst	General Fund	Nongeneral Fund	9(C) Debt	9(D) Debt	Total Requested Funding	Total Projects
CNU	\$97,880,741	\$0	\$0	\$0	\$97,880,741	2
CWM	\$355,389,000	\$0	\$0	\$0	\$355,389,000	16
GMU	\$525,425,825	\$0	\$0	\$104,124,175	\$629,550,000	15
JMU	\$616,910,414	\$0	\$0	\$0	\$616,910,414	15
LU	\$156,561,000	\$0	\$0	\$5,666,000	\$162,227,000	17
NSU	\$261,516,000	\$12,100,000	\$4,200,000	\$0	\$277,816,000	10
ODU	\$516,376,000	\$0	\$0	\$4,572,000	\$520,948,000	15
RU	\$119,590,542	\$1,700,000	\$0	\$30,000,000	\$151,290,542	8
RBC	\$57,594,000	\$3,608,000	\$0	\$0	\$61,202,000	5
UMW	\$220,506,640	\$0	\$0	\$0	\$220,506,640	9
UVA	\$437,359,000	\$87,751,000	\$0	\$0	\$525,110,000	11
UVAW	\$43,440,000	\$100,000	\$0	\$0	\$43,540,000	2
VCU	\$995,193,000	\$0	\$0	\$524,527,000	\$1,519,720,000	28
VCCS	\$726,456,000	\$7,225,000	\$0	\$0	\$733,681,000	34
VMI	\$186,444,200	\$12,189,500	\$0	\$20,211,250	\$218,844,950	24
VSU	\$225,705,000	\$0	\$0	\$0	\$225,705,000	15
VT	\$1,749,452,250	\$27,000,000	\$0	\$227,578,750	\$2,004,031,000	46
Total	\$7,291,799,612	\$151,673,500	\$4,200,000	\$916,679,175	\$8,364,352,287	272

Table 3: Total General Fund Requests by Institution and Priority Group

Inst	Priority 1	Priority 1.B	Priority 2	Priority 3	Priority 4	Total GF Request
CNU	\$46,747,590	\$0	\$51,133,151	\$0	\$0	\$97,880,741
CWM	\$7,695,000	\$183,500,000	\$52,322,000	\$111,872,000	\$0	\$355,389,000
GMU	\$480,225,825	\$0	\$0	\$45,200,000	\$0	\$525,425,825
JMU	\$210,127,139	\$41,945,882	\$364,837,393	\$0	\$0	\$616,910,414
LU	\$1,441,000	\$25,067,000	\$72,190,000	\$57,863,000	\$0	\$156,561,000
NSU	\$53,216,000	\$13,900,000	\$59,400,000	\$125,200,000	\$9,800,000	\$261,516,000
ODU	\$200,071,000	\$25,395,000	\$290,910,000	\$0	\$0	\$516,376,000
RU	\$35,087,442	\$15,544,200	\$68,958,900	\$0	\$0	\$119,590,542
RBC	\$1,500,000	\$595,000	\$0	\$55,499,000	\$0	\$57,594,000
UMW	\$26,960,000	\$40,172,840	\$41,343,000	\$112,030,800	\$0	\$220,506,640
UVA	\$119,500,000	\$13,207,000	\$280,500,000	\$24,152,000	\$0	\$437,359,000
UVAW	\$0	\$0	\$43,440,000	\$0	\$0	\$43,440,000
VCU	\$462,935,000	\$0	\$472,258,000	\$60,000,000	\$0	\$995,193,000
VCCS	\$431,530,000	\$169,118,000	\$28,584,000	\$97,224,000	\$0	\$726,456,000
VMI	\$31,475,700	\$95,959,650	\$6,207,700	\$52,801,150	\$0	\$186,444,200
VSU	\$10,136,000	\$104,209,000	\$37,000,000	\$74,360,000	\$0	\$225,705,000
VT	\$177,182,500	\$146,079,000	\$666,834,000	\$690,707,750	\$68,649,000	\$1,749,452,250
Total	\$2,295,830,196	\$874,692,572	\$2,535,918,144	\$1,506,909,700	\$78,449,000	\$7,291,799,612