

Higher Education

The amended higher education budget adopted for the 2002-04 biennium includes \$10.2 million GF in new spending items or restorations and \$289.6 million GF in reductions to higher education institutions and agencies. The net biennial change from the original appropriation is \$279.4 million GF, a decrease of 9.6 percent.

Over half of the \$10.2 million in increased general fund support, or about \$5.2 million GF, is provided to offset a portion the Governor's proposed reductions, including: \$2.5 million for Tuition Assistance Grants (TAG); \$1.1 million for cooperative extension services; \$686,242 for unique military activities at Virginia Tech and Mary Baldwin College; \$546,986 for the Virginia Women's Institute for Leadership (VWIL); and \$400,000 for the State Council of Higher Education (SCHEV) and its programs. In addition, \$1.5 million is provided to cover additional costs associated with the operation and maintenance of higher education facilities.

Not reflected in the higher education budget is an additional \$7.9 million GF provided for a 2.25 percent salary increase for full- and part-time faculty in FY 2004 and \$4.5 million GF provided to supplement student financial aid in FY 2004. Both of these items are included in central accounts.

Of the funding in higher education, \$239.1 million or approximately 85 percent is attributed to reductions to colleges and universities' base Educational and General (E&G) budgets announced by the Governor in October 2002. Other institutional reductions include \$2.3 million from research and public service centers to continue the shift from state support to nongeneral fund sources.

In addition, another \$45.4 million GF reflects reductions for affiliated higher education agencies such as Cooperative Extension, including \$8.4 million for the distribution of the seven and eight percent reductions included in Chapter 899 central accounts.

Additional reductions not reflected in the higher education budget are \$2.0 million for student financial aid in FY 2003 announced by the Governor in October 2002 and \$1.3 million in savings from uncommitted balances in the Commonwealth Technology Research Fund in FY 2004. Both of these items are included in central accounts. As noted above, the FY 2003 reduction in financial aid is offset by a additional \$4.5 million GF in FY 2004.

A summary of the major general fund spending and reduction items in higher education is provided in the table below:

Major General Fund Adjustments

Increases:	<u>\$ in million</u>
Partial Restoration of TAG	\$2.5
Facility Operations and Maintenance	1.5
Partial Restoration of Cooperative Extension	1.1
Restore Unique Military Activities	0.7
Restore VWIL	0.5
Partial Restoration of SCHEV Staffing	0.4
Decreases:	<u>\$ in million</u>
E&G Reductions at Colleges and Universities	(\$239.5)
Cooperative Extension Services	(13.3)
Tuition Assistance Grants	(11.7)
Budget Reductions at Affiliated Higher Education Agencies	(9.1)
Phase-out Research and Special Purpose Centers	(2.3)
Eminent Scholars	(1.9)

In addition to funding adjustments, the General Assembly took several policy actions, including modifying tuition and fee policies and expanding the state's higher education decentralization initiatives as described below:

- Tuition Policy.** Revises the tuition policy for the 2003-04 academic year by limiting increases in tuition and mandatory educational and general (E&G) fees for in-state, undergraduate students. The revised policy allows institutions to annualize mid-year increases implemented for the Spring 2003 semester and places a five percent cap on additional tuition increases for the upcoming 2003-04 academic year. Institutions can raise tuition levels above the capped rate only to support the nongeneral fund share of salary and fringe benefit increases provided in the budget. In addition, language allows the Governor to provide an exemption from

this cap in the event a revised revenue forecast requires additional general fund reductions at the institutions of higher education.

- **Other Student Fees.** Modifies the current policy for student fees used to support non-academic programs and establishes a new fee for out-of-state students to support the capital costs associated with their education.
 - **Mandatory non-E&G Fees.** Provides institutions with additional flexibility in setting mandatory non-E&G fees by raising the existing cap from the consumer price index (CPI) to five percent and by exempting student health fees from the cap. Mandatory non-E&G fees are used to support non-academic programs, such as recreational activities, athletics, and campus transportation.
 - **Out-of-State Capital Fee.** Institutes a fee for out-of-state students – \$50 per year for full-time students at a four-year institution and \$45 per year for full-time students at a two-year institution. The fee is expected to generate \$2 million a year to offset a portion of the debt service on projects financed through the Virginia College Building Authority.
- **Decentralization.** Provides increased flexibility aimed at streamlining day-to-day campus operations in areas such as human resource management, capital outlay, and purchasing and procurement. Language amendments also increase accountability for institutions participating in the decentralization pilot programs in these areas.
- **Student Financial Assistance.** Provides an additional \$4.5 million GF the second year in the central accounts for student financial assistance. The additional funding is provided to maintain the current percent of “remaining financial aid need” that is met by the institutions of higher education.
- **Tuition Assistance Grant Program.** Provides \$2.5 million GF to offset a portion of the reductions proposed by the Governor in the budget as introduced. In October 2002, the Governor announced plans to reduce funding for the Tuition Assistance Grant programs by an additional \$5.8 million GF in each year. For FY 2003, these reductions resulted in the maximum award amounts for undergraduate students dropping from \$2,625 to about \$2,215 and the maximum award amounts for graduate students decreasing from \$2,000 to \$1,700. The additional reductions proposed by the Governor would have required the award levels to drop even further in FY 2004 to an estimated \$2,075 for undergraduates and \$1,500 for graduate students. The General Assembly restored \$2.5 million

GF of the reductions proposed by the Governor to maintain FY 2004 awards at their current levels. As a result, the net reductions for the TAG program will be \$5.8 million GF in FY 2003 and \$3.3 million in FY 2004.

- **Virginia Tech Cooperative Extension.** Restores \$1.1 million GF to offset a portion of the reductions proposed by the Governor in October 2002. The Governor's reductions included \$6.6 million and 142 positions in the first year and \$6.7 million GF and an additional 6 positions in the second year. The reductions are to be generated through a combination of central administrative cuts within the agency and through a reduction in staffing levels and services at local cooperative extension and agricultural research offices. The restoration will allow the Commonwealth to maintain 21 local extension agent positions that would have otherwise been eliminated and provide for four statewide extension specialists. Taking into account the General Assembly's action, the net reduction for the agency will be \$6.6 million in FY 2003 and \$5.7 million in FY 2004.
- **Unique Military Activities.** Restores \$686,242 GF in the second year for the Virginia Corps of Cadets at Virginia Tech and Mary Baldwin College. The Governor had proposed reducing these programs by 50 percent in FY 2004.
- **Virginia Women's Institute for Leadership.** Restores \$546,986 GF the second year to the Virginia Women's Institute for Leadership program, which was proposed for elimination in the introduced budget.
- **State Council of Higher Education for Virginia (SCHEV).** Provides \$200,000 and two positions in FY 2004 for agency operations. In addition, \$200,000 GF is provided the second year to restore the Southern Regional Education Board optometry scholarship program administered by SCHEV.
- **Operation and Maintenance of Facilities.** Provides \$1.5 million GF the second year to support the additional costs of lighting, heating, cooling and maintaining new education buildings that are scheduled to open this biennium. In addition, funding is provided to continue operations of existing facilities at the Southside Virginia Higher Education Center and the Teletechnet site at Paul D. Camp Community College's Suffolk campus.

Operation and Maintenance of Facilities

	<u>FY 2004</u>
George Mason University	\$530,000
Longwood University	200,000
Old Dominion University	385,000
Va. Community College System	<u>417,000</u>
Total	\$1,532,000

- **Educational and General (E&G) Reductions at Colleges and Universities.** Adopts reductions in the introduced budget to the E&G programs of the institutions of higher education of \$100.9 million the first year and \$138.3 million the second year. These reductions result in decreases of about ten percent of the general fund appropriation for higher education in FY 2003 and almost 12 percent in FY 2004. These actions are in addition to the \$124.3 million in general fund reductions in FY 2003 and the \$166.4 million in general fund reductions in FY 2004 for higher education contained in the current Appropriation Act.

For FY 2003, institutions were able to generate approximately \$120.7 million in additional tuition revenue to offset a portion of the cumulative general fund budget reductions. As a result, average cumulative net reductions to institutions' E&G budgets are expected to be about 1.3 percent this fiscal year compared to FY 2002 appropriations prior to budget reductions. Net reductions will vary by institution, ranging from zero to 5.3 percent.

As with the FY 2003 reductions, the net impact of the budget reductions for FY 2004 will depend, in part, on the amount of tuition revenue institutions are able to generate for the upcoming year based on the revised tuition policy for in-state, undergraduate students and the boards' decisions to set rates for graduate and out-of-state students.

General Fund Reductions
Educational and General Program – Institutions of Higher Education

	<u>FY 2003</u>	<u>FY 2004</u>
Christopher Newport University	\$ 1,502,679	\$ 2,072,879
College of William and Mary	4,693,452	5,612,138
George Mason University	9,553,665	12,141,318
James Madison University	5,418,546	7,350,676
Longwood University	1,350,539	1,877,861
Mary Washington College	1,783,405	2,148,792
Norfolk State University	1,973,779	3,401,271
Old Dominion University	7,636,098	9,004,119
Radford University	2,984,514	3,797,741
Richard Bland College	304,234	465,317
University of Virginia	14,015,377	17,826,723
UVA at Wise	675,791	966,892
Virginia Commonwealth University	13,677,702	18,063,538
Va. Community College System	17,419,418	28,880,062
Virginia Military Institute	642,039	1,675,661
Virginia State University	1,618,593	2,033,773
Virginia Tech	<u>15,611,210</u>	<u>20,945,472</u>
Total	\$100,861,041	\$138,264,233

- **Research and Special Purpose Centers.** Reduces general fund support by \$2.3 million GF the second year. Continues the policy adopted in the current Appropriation Act that general fund support not continue indefinitely but that institutions seek to secure nongeneral fund support for these activities.

Special Purpose and Research Centers	
	<u>FY 2004</u>
Christopher Newport University	\$ 39,960
College of William and Mary	160,147
George Mason University	127,125
Longwood University	34,389
Old Dominion University	290,103
University of Virginia	592,750
Virginia Commonwealth University	925,759
Va. Institute of Marine Science	20,000
Virginia Tech	<u>135,125</u>
Total	\$2,325,358

- Reductions for Affiliated Higher Education Agencies.** Adopts reductions in the introduced budget of \$4.4 million GF the first year and \$4.7 million GF the second year at affiliated higher education agencies. Virginia State University Cooperative Extension and Agricultural Research Service Division was exempt from all reduction actions, in light of the recent accord with the U.S. Office of Civil Rights.

**General Fund Reductions
Related Higher Education Agencies
(Excludes Cooperative Extension)**

	<u>FY 2003</u>	<u>FY 2004</u>
Virginia Institute of Marine Science	\$1,724,029	\$1,809,838
State Council of Higher Education	1,229,990	1,432,070
Medical College of Hampton Roads	971,497	1,004,077
Southwest Va. Higher Education Center	176,134	220,351
Southeastern University Research Assoc.	109,567	113,335
Roanoke Higher Education Authority	79,168	91,425
Melchers-Monroe Memorials	<u>69,407</u>	<u>71,457</u>
Total	\$4,359,792	\$4,747,483