**Preliminary Summary of**

**Major Items in the Governor’s Introduced Budget**

**for Higher Education in the 2014-16 Biennium**

 **(General Fund)**

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| **Item** | **2014-16 Budget for Operations** |
| ***(A) Formula-derived Operating Budget for All Institutions*** |
| 1. **Base Operation and Student Financial Aid**
 |
| Increase base funding for operational costs | $6.75 million per year. Provide funding for institutions to meet at least 92% of the guidelines.* NSU -- $1.35 million per year
* ODU -- $5.4 million per year
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| Increase undergraduate financial aid | $14,175,000 per year. The goal is to move institutions toward the 40% of the Partnership model. Each institution gets an annual additional funding of $100,000. Institutions below the 40% of the Partnership model get additional funding.  |
| Increase graduate financial aid | $1,575,000 per year. Provide additional funding to institutions with a research function, and funding distribution is based on the SCHEV recommendation and methodology. |
| 1. **Performance-Based Incentive Funding**
 |
| In-state undergraduate enrollment growth | $10.5 million per year.* Support the provisions of the TJ21 legislation.
* Based on projected enrollment growth between FY2014 and FY2016.
* Funding amount equals the proposed TAG amount of $3,300 per FTE for 4-year institutions and $2,300 per FTE for 2-year institutions.
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| Degree incentives | $31.5 million per year. Funding is distributed based on the HEAC workgroup model led by the college presidents with modification by SCHEV staff. The model rewards institutions for their efforts to graduate students, especially graduate students in STEM majors and in underrepresented groups.  |
| Performance-based initiatives | $3,425,181 in FY2015 and $3,724,891 in FY2016.Funding items came from institutions’ budget requests which are based on their 2013 six-year plans. |
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| ***(B) Other Operating Budget for All Institutions*** |
| HEETF | * Provide the same amount of annual allocation as the FY2014 level ($39.2 million) to support equipment replacement, including computers for instruction and specialized research equipment. Debt service is estimated at $10.2 million in FY2016.
* Institutions may not get the reimbursement of their FY2014 expenditures till the first quarter of FY2015, depending on final 2014 General Assembly budget actions.
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| Virtual Library of Virginia (VIVA) | $1,474,764 in FY2015 and $1,645,249 in FY2016. |
| Tuition Assistance Grant (TAG) | $3.1 million per year to increase the award amount from $3,100 up to $3,300 in FY2016.  |
| Research initiatives  | $7,275,000 per year, of whichGMU: $500,000 per year for applied research in simulation modeling and gamingODU: $975,000 per year for Center for BioelectricsUVA: $1 million per year for cancer researchUVA: $1 million per year for Ultrasound Center of ExcellenceVCU: $1 million per year for cancer researchVCU: $650,000 per year for Parkinson’s Disease CenterVT: $1,650,000 for neurological and life science researchVIMS: $500,000 per year for Chesapeake Bay fisheries  |
| Veteran and Military Education Consortium(JMU, ODU, UVA, VCCS, VT, SCHEV) | Establish a higher education consortium to help military personnel and veterans apply previous military training and education towards completing existing bachelor’s degree and professional certificate programs.* Each participating institution is provided funding of $46,000 in FY2015 and $175,000 in FY2016
* SCHEV administers the consortium with 2 FTE positions. $341,525 in FY2015 and $161,890 in FY2016
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| Interest earnings and credit card rebates | Continue funding for interest earnings and credit card rebates* Interest earning ($3.7 million) per year
* Credit card rebates ($1.8 million) per year
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| Salary bonus | * A contingent bonus up to two to three percent, depending on employees’ performance evaluation for full-time state employees including higher education faculty on December 1, 2014
* Employees receiving a ranking of “meet expectations” on their most recent performance evaluation will be eligible for a one-time bonus of up to two percent of their base pay.
* Employees receiving a ranking of “exceeds expectations” on their most recent performance evaluation will be eligible for a one-time bonus of up to three percent of their base pay.
* In order for the two percent bonus to be paid, statewide discretionary unspent general fund appropriations on June 30, 2014, must meet or exceed twice the general fund cost of the bonus
* In order for the additional one percent (to reach a total of three percent) bonus to be paid, a combination of revenues exceeding the official revenue forecast and statewide discretionary unspent general fund appropriations on June 30, 2014 must meet or exceed twice the general fund cost of that portion of the bonus.
* Each agency will be responsible for funding the bonus out of its unspent discretionary appropriations.
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| Resource Reallocation | Institutions are required to make an annual 2% resource reallocation of their general fund appropriations for E&G toward objectives of TJ21 (see language below). |
| Health insurance premium | * Premiums for single coverage employees will increase approximately $3 per month in both FY2015 and FY2016.
* Premiums for family coverage employees will increase approximately $10 per month in FY2015 and $13 per month in FY2016.
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| VRS rate | VRS rate will be 12.33% for state employees, excluding the 5% employee portion. (Currently it is 8.76%) |
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| ***(B) Institution-Specific Operating Budget*** |
| GMU | * $125,000 per year to support O&M at the Hylton Center
* $250,000 in FY2015 for research equipment.
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| JMU | $264,000 in FY2016 for expansion of 4-VA Partnership |
| ODU | * $750,000 per year to enhance information technology infrastructure
* $586,250 per year for online program for students who have completed degree requirements
* $500,000 per year to expand offerings by the Commonwealth Graduate Nursing Consortium
* Eliminate the second year planning fund of ($125,000) for a study on the feasibility of a public health school jointly with EVMS.
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| RU | $187,781 in FY2015 and $198,431 in FY2016 for Mobile Innovation Learning Lab |
| UVA | $106,000 in FY2015 and $153,000 in FY2016 for higher education procurement cooperative. |
| VCU | * $219,375 per year for Commonwealth Center for Advanced Logistics.
* $325,000 per year for expansion of 4-VA Partnership
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| VCCS | $2.5 million for workforce-related initiatives. |
| VMI | $250,000 per year for unique military activities. |
| VT-extension | O&M funding, $1,149,966 in FY2015 and $1,173,129 in FY2016 |
| EVMS | $1.0 million per year to support medical education |
| Institute for Advanced Learning and Research | $1.6 million to advance manufacturing in cooperation with Danville Community College. |
| Jefferson Lab | $4.6 million to support the efforts to host the new federal electron collider project. |
| NCI | $440,037 per year for workforce development program |
| SVHEC | $300,000 per year for workforce development program |
| SWHEC | $95,327 per year for workforce development program |
| RHEC | $343,000 per year to enhance recruitment, retention and degree completion |
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| ***(C) Language*** |
| Funding for enrollment growth, degree incentives and base funding | Language included in institutions’ E&G budget“Out of this appropriation, $XXX the first year and $XXX the second year from the general fund is designated to support the institution’s approved six-year plan, consistent with the objectives of the Higher Education Opportunity Act of 2011.” |
| Resource Reallocation | Language included in institutions’ E&G budget“The university shall reallocate two percent each year of its FY2014 general fund appropriation for educational and general programs for strategies that service to advance the objectives of the Higher Education Opportunity Act of 2011. The amounts to be reallocated for this purpose are estimated at $XXX the first year and $XXX the second year. These reallocations are in addition to previous reallocations implemented by the institution in the 2012-14 biennium. Specific programs and strategies for these reallocations shall be documented in the institution’s six-year plan.” |
| Implementing the TJ21 Legislation (General Provision 4-10.00) | The language delineates the principles for providing funding to higher education institutions consistent with the funding elements identified under the Virginia Higher Education Opportunity Act of 2011. (See attachment) |
| Higher Education Procurement Cooperative (General Provision 4-10.00.a & 4-10.00.b) | * Section 4-10.00.a establishes the Higher Education Procurement Cooperative to provide a formal network and structure to aggregate and leverage individual higher education institutional procurement requirement and resources to obtain financial advantage from cooperative procurement.
* Section 4-10.00.b delineate a specific process for funding the elements identified under the Higher Education Opportunity Act of 2011.
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| **Item** | **2014-16 Budget for Capital Outlay** |
| Maintenance Reserve | * Provide a total annual funding of $39.2 million to higher education institutions and affiliates.
* Institutions are given flexibility to choose projects and report to DPB on the spending at year end.
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| Equipment funding | Provide funding in central accounts to be disbursed to agencies and institutions of higher education for equipment purchases related to previously authorized capital projects ($20.6 million) |
| Planning funds  | Due to a private donation, authorizes planning funds for a project at Lord Fairfax Community College |
| Capital outlay package | No major capital outlay package for higher education in the 2014-16 biennium. |

**§ 4-10.00 IMPLEMENTING VIRGINIA HIGHER EDUCATION OPPORTUNITY ACT OF 2011**

a. The Higher Education Opportunity Act of 2011 (HEOA) or "Top Jobs Act" has as one of its three areas of focus, reformed based investment to include development of collaborative initiatives among the Commonwealth’s public and private non-profit 4 institutions of higher education, as well as implementation of operational efficiencies that allow for the redirection of resources to meet high priority needs reflected in the HEOA. To advance the objectives of the "Top Jobs Act" there is hereby authorized the establishment of the Higher Education Procurement Cooperative ("the Procurement Cooperative"). The Procurement Cooperative is a consortium of non-profit public four-year and two-year institutions and independent non-profit private institutions of higher education in the Commonwealth of Virginia. Its purpose is to provide a formal network and structure to aggregate and leverage individual higher education institutional procurement requirements and resources to obtain financial advantage from cooperative procurement. The Procurement Cooperative will be organized under the umbrella of the Virginia Association of State College and University Purchasing Professionals (VASCUPP). It will be governed by a Leadership Council comprised of twelve members as follows: representatives from the six public doctoral institutions; three representatives elected from among the nine four-year public comprehensive institutions and Richard Bland College (two-year institution); two representatives of the Virginia Community College System appointed by the Chancellor; and one representative of the private non-profit institutions appointed by the Council of Independent Colleges in Virginia, Inc. Public non-profit institutions of higher education that are not members of VASCUPP are authorized to use the cooperative contracts negotiated by the Procurement Cooperative without prior approval of the Division of Purchases and Supply of the Department of General Services.

b. The following language more specifically delineates the process for providing funding to higher education institutions consistent with the funding elements identified under the Virginia Higher Education Opportunity Act of 2011:

1. For any general fund support provided to institutions of higher education beyond the budgeted general fund appropriation in the education and general, financial aid and sponsored programs, 30 percent shall be directed to base operations and financial aid to help maintain affordability at the institutions, and 70 percent to performance objectives including enrollment growth, incentive funding and initiatives to help achieve the goals and objectives of the "Top Jobs Act". Within this broader framework, the following allocation percentages shall be used:

a) Nine percent for base operations support, with a goal to ensure every institution of higher education is meeting at least 92 percent of the base adequacy calculation.

b) Twenty-one percent for financial aid, with an emphasis towards addressing middle income students and supporting work study programs;

c) Fourteen percent for enrollment growth. Such funding should be spread proportionately to each institution of higher education with enrollment growth of undergraduate Virginians;

d) Forty-two percent for incentive funding, recognizing the accomplishments of institutions in meeting the goals and objectives of the "Top Jobs Act"; and,

e) Fourteen percent for research and other initiatives to recognize the importance of research to innovation and economic development in Virginia and to support institution-specific efforts to enhance student retention, graduation, and other "Top Jobs Act" goals and objectives.

2. For base funding support, the allocation shall be spread among institutions based on the most recent iteration of the base adequacy model, as calculated by the State Council of Higher Education for Virginia;

3. The calculation for enrollment growth of undergraduate Virginians for which any funding shall be prorated as follows: i) For four-year institutions, the amount provided per student shall equal the amount awarded to students under the Tuition Assistance Grant (TAG) Program for private institutions; ii) For two-year institutions, the amount provided per student shall be $1,000 less than the TAG grant award; and iii) The difference in enrollment between the most recent year for which there is actual enrollment data as compared to the highest of the next two years of projected enrollment growth shall be used to calculate enrollment growth.

4. For incentive funding, the model circulated by the college presidents to the 2011 Higher Education Advisory Committee (Advisory Committee) shall be used to distribute the allocated funding. This model distributes funding proportionately to those schools that graduate the most students, and which have a greater percentage of students that graduate with science, technology, engineering, math or health care majors, as well as graduating more underrepresented students. This model can be adjusted for identified improvements as recommended by the Advisory Committee in the future.

5. The allocation for financial aid funding is intended to enhance affordability for both low-income and middle-income students and their families, as well as for enhancement of work study programs. It shall be spread among the institutions of higher education based on the State Council of Higher Education for Virginia’s Partnership Model. The funding provided shall be distributed appropriately to address each institution’s funding shortfall, with a goal of providing additional resources to those institutions showing the greatest shortfall in the Partnership Model. For purposes of this funding, the federal percent-of-poverty index used to define low and middle income families is as follows: Low income would fall below 200 percent; and middle income would be in the range of 200 to 400 percent. Institutions shall report annually on their implementation of this policy via the six-year planning process established under the "Top Jobs Act".

6. The funding allocated for research initiatives shall be provided for efforts included in an institution’s six-year plan, that will result in matching grant or investment funding equal to at least two times the amount of state support over a three-year period, or which will result in the commercialization of a product. Institutions receiving funding shall also provide an annual report being submitted to the Governor, Secretaries of Finance, Education, Technology and Commerce and Trade, as well as the Chairmen of the House Appropriations and Senate Finance Committees, and the Director, Department of Planning and Budget, identifying the institution’s research accomplishments, including the return on the Commonwealth’s investment.

7. Funding allocated for other initiatives shall be directed towards efforts identified by institutions of higher education in their six-year plans that best meet the goals and objectives of the "Top Jobs Act" legislation. These initiatives should be vetted through the six-year planning process as established under the "Top Jobs Act", and should be requested as discrete decision packages through the budget development process.

**§ 4-11.00 STATEMENT OF FINANCIAL CONDITION**

Each agency head handling any state funds shall, at least once each year, upon request of the Auditor of Public Accounts, make a detailed statement, under oath, of the financial condition of his office as of the date of such call, to the Auditor of Public Accounts, and upon such forms as shall be prescribed by the Auditor of Public Accounts.

**§ 4-12.00 SEVERABILITY**

If any part, section, subsection, paragraph, sentence, clause, phrase, or item of this act or the application thereof to any person or circumstance is for any reason declared unconstitutional, such decisions shall not affect the validity of the remaining portions of this act which shall remain in force as if such act had been passed with the unconstitutional part, section, subsection, paragraph, sentence, clause, phrase, item or such application thereof eliminated; and the General Assembly hereby declares that it would have passed this act if such unconstitutional part, section, subsection, paragraph, sentence, clause, phrase, or item had not been included herein, or if such application had not been made.

**§ 4-13.00 CONFLICT WITH OTHER LAWS**

Notwithstanding any other provision of law, and until June 30, 2014, the provisions of this act shall prevail over any conflicting provision of any other law, without regard to whether such other law is enacted before or after this act; however, a conflicting provision of another law enacted after this act shall prevail over a conflicting provision of this act if the General Assembly has clearly evidenced its intent that the conflicting provision of such other law shall prevail, which intent shall be evident only if such other law (i) identifies the specific provision(s) of this act over which the conflicting provision of such other law is intended to prevail and (ii) specifically states that the terms of this section are not applicable with respect to the conflict between the provision(s) of this act and the provision of such other law.

**§ 4-14.00 EFFECTIVE DATE**

This act is effective July 1, 2014.

**ADDITIONAL ENACTMENTS**

2. That no provision of this act shall be construed or interpreted to cause the expiration of any provision of Chapter 896 of the Acts of Assembly of 2007 pursuant to the 22nd enactment of such Chapter.

3. That the provisions of the first enactment of this act shall expire at midnight on June 30, 2016. The provisions of the second enactment of this act shall have no expiration date.









 Source: DPB CSSBO Presentation (12-16-2013)