

**BOARD
OF
VISITORS**

**Financing of Higher
Education in Virginia:
Analysis and Issues**

February 2000

INTRODUCTION

This paper has been prepared for the James Madison University Board of Visitors. The material presented herein is a continuation of similar papers prepared for the board since 1990. Most of the data updates tables, charts and graphs from these previous papers. This emphasis on continuity is purposeful. It is intended that this be an annual effort with an emphasis on building longitudinal databases used for trend analyses.

The purpose of the paper is to identify and describe significant national, regional and state factors affecting the financing of higher education. Trends affecting tuition and fees, state appropriations and expenditures are analyzed in separate sections of the paper.

Each year, a different topical issue affecting the financing of higher education is featured in the paper's introduction. The graphic found on the following page represents a comparison of five studies which examine the adequacy of base budgets for Virginia's public, higher education institutions. Three of the studies examined personal service budgets (salaries, wages and fringe benefits) and two studies examined nonpersonal services (all other expenditure categories).

It is interesting to note that only James Madison University and George Mason University were recommended for resource increases – or found to require additional resources – in each of the five studies. It is also interesting to note that the Governor recognized the operating budget needs of George Mason University in his 2000-02 biennium budget bill while those for JMU were not.

This subject is especially timely given the emphasis placed on Institutional Performance Agreements (IPAs) by the Governor's Blue Ribbon Commission on Higher Education. One prerequisite consistently found in the commission's public documents and in the public discussion of the IPA concept is the absolute necessity of establishing adequate base operating budgets before beginning the contract term. Indeed, the concept of adequate resources is logically fundamental to the notion of performance. Institutions cannot be held accountable for performing to specified standards without the resources required to perform at that mission-specific level.

The 1999 General Assembly tasked a Joint Subcommittee on Higher Education Funding Policies to determine an appropriate base funding policy. The subcommittee has hired a consulting firm to analyze the Commonwealth's current funding patterns and make recommendations regarding future levels of funding state higher education institutions based upon a rational resource level required to meet their missions. This definitive study is now under way and results are anticipated by the fall of 2000.

JMU expects that the General Assembly study will recommend a considerable increase to its base operating budget. Our own internal studies have identified need levels of between \$10m and \$35m per year – depending upon the comparative methodology employed.

Comparison of Recent Base Budget Adequacy Studies For Virginia Public, Four-Year, Higher Education Institutions

Institution	Non-personal Services Studies		Personal Services Studies		
	HJR 519 Equity Adjustment Recommended ¹	SCHEV 1998-2000 Equity Adjustment Recommended ²	HJR 519 Equity Adjustment Recommended ¹	Senate Finance Committee November 1998 Peer Comparison ³	SCHEV Fall 1999 Base Budget Need Recommended ⁴
<i>Doctorals:</i>					
GMU	✓	✓	✓	✓	✓
ODU	✓	✓	✓		✓
UVA					
VCU				✓	
VPI		✓			
W&M	✓ ✓	✓ ✓	✓		✓
<i>Comp.s:</i>					
CNU		✓	✓	✓	
CVC				✓	
JMU	✓	✓	✓	✓	✓
LC			✓		✓
MWC			✓	✓	✓
NSU	✓	✓	✓	✓	
RU	✓	✓	✓		✓
VMI					
VSU				✓	

Notes:

- 1 Adjustments were recommended for institutions below their category (doctorals and comprehensives) average based on CARS E&G expenditure data for 1994-95 (actual) and 1995-96 (est.).
- 2 Recommendations were made based on CARS E&G expenditure data for 1995-96 (actual) and 1996-97 (est.).
- 3 This table uses only the faculty portion of this comprehensive study. Need was identified to bring institutions to the average ratio of their peer group for students per full-time instructional faculty based on 1996-97 IPEDS data.
- 4 Recommendations were based upon staffing need – and not faculty salaries required to meet 60th percentile goals – defined as additional personnel to bring institutions to the average of their categories. Additional personal services needs were estimated based on the 1999-00 PROBUD data and the Consolidated Salary Authorization for teaching and research faculty.

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