

Higher Education Productivity Under Restructuring

House Appropriations Committee
Retreat

November 16-17, 2010

Overview

- Background on State Restructuring Efforts
- Higher Education Finances
- Strategies Implemented By Colleges and Universities
- Productivity at Virginia Colleges and Universities
- Productivity Improvement Opportunities
- Moving Forward – Policy & Reporting Options

Restructuring Background

- Decentralization efforts began in the 1980s and 1990s
 - Payroll
 - Accounting and reporting
 - Capital outlay
 - Teaching hospitals
- Institutions sought greater autonomy after 2001
 - **Primary focus was tuition setting authority**
 - Response to tuition caps, freezes and rollbacks
 - Regulatory relief especially in areas of capital outlay, procurement, personnel, & info tech

Higher Education Restructuring Act

- In 2005, HB 2866 (Callahan) was aimed at providing decentralization opportunities for all public colleges and universities
- Provided for three levels of institutional decentralization
- Institutions must formally commit to meeting basic state policy objectives
 - Essentially the focus of the discussion shifted from political subdivisions and codified funding to operational autonomy, accountability measures and the state policy objectives (“state ask”)

State Policy Objectives (“State Ask”)

- Access to higher education for Virginia residents
- Affordability, regardless of family income
- Broad range of academic programs
- High academic standards
- Improve student retention / timely progress toward degree
- Uniform articulation agreements with VCCS
- Work to stimulate economic development
- Increase Research
- Work actively to improve K-12
- Campus Security (added in 2006)
- Six-year plans (enrollment, academic and financial)
- Meet financial and administrative standards

Three Levels of Decentralization

Level III

Broad authority in multiple functional areas depending upon negotiations and GA approval (CWM, UVA, VT, VCU)

Level II

Broad authority in no more than 2-3 functional areas such as finance, capital outlay, IT, procurement, or personnel

Level I

- Available to every institution that through BOV action commits to the “State Ask”
- Specific operational autonomy granted over certain transactions such as acquisition of easements, operating leases, designation of administrative faculty
- Financial incentives contingent on state’s fiscal health

Level III Autonomy

- The Restructuring Act outlines a process through which the board of visitors can request to enter into a “management agreement” with the Commonwealth
- The management agreement would broadly vest responsibility with the board of visitors within parameters mutually agreed to by the Governor and institution and which must be approved by the General Assembly beginning with the 2006 Session
- Criteria to apply for autonomy outlined in “management agreement”
 - Bond rating = AA-
 - Prior success in decentralization pilot

Level III Autonomy Requirements

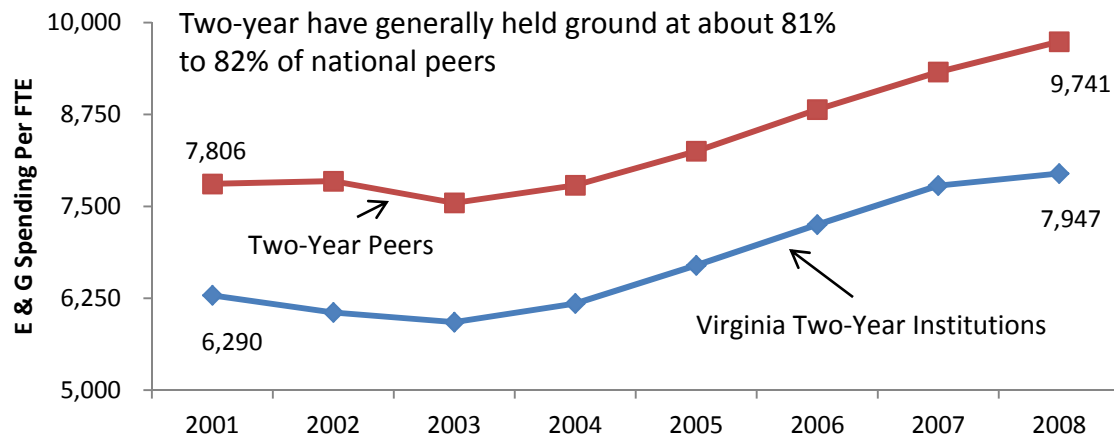
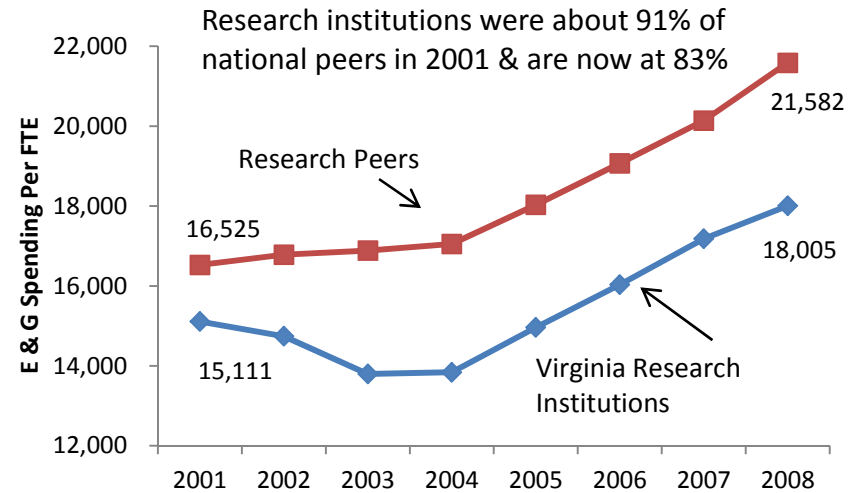
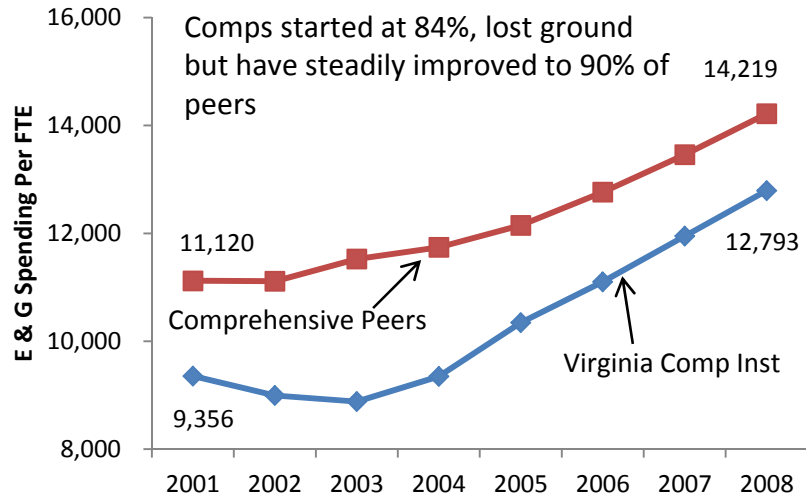
- **Governor must find that institution has necessary financial and administrative ability to operate independently**
 - For example, institutions under Level III could develop their own health insurance program however if that were to lead to higher rates statewide than the institution would be required to reimburse the Commonwealth
 - Do institutions have the financial ability to support the greater autonomy they receive?
- Requires identification of cost savings associated with the increased autonomy
 - Expectation that institution would be able to absorb more students, improve quality, and maintain affordability with marginally less general fund

Financing Higher Education

How Much Is Spent Per Student?

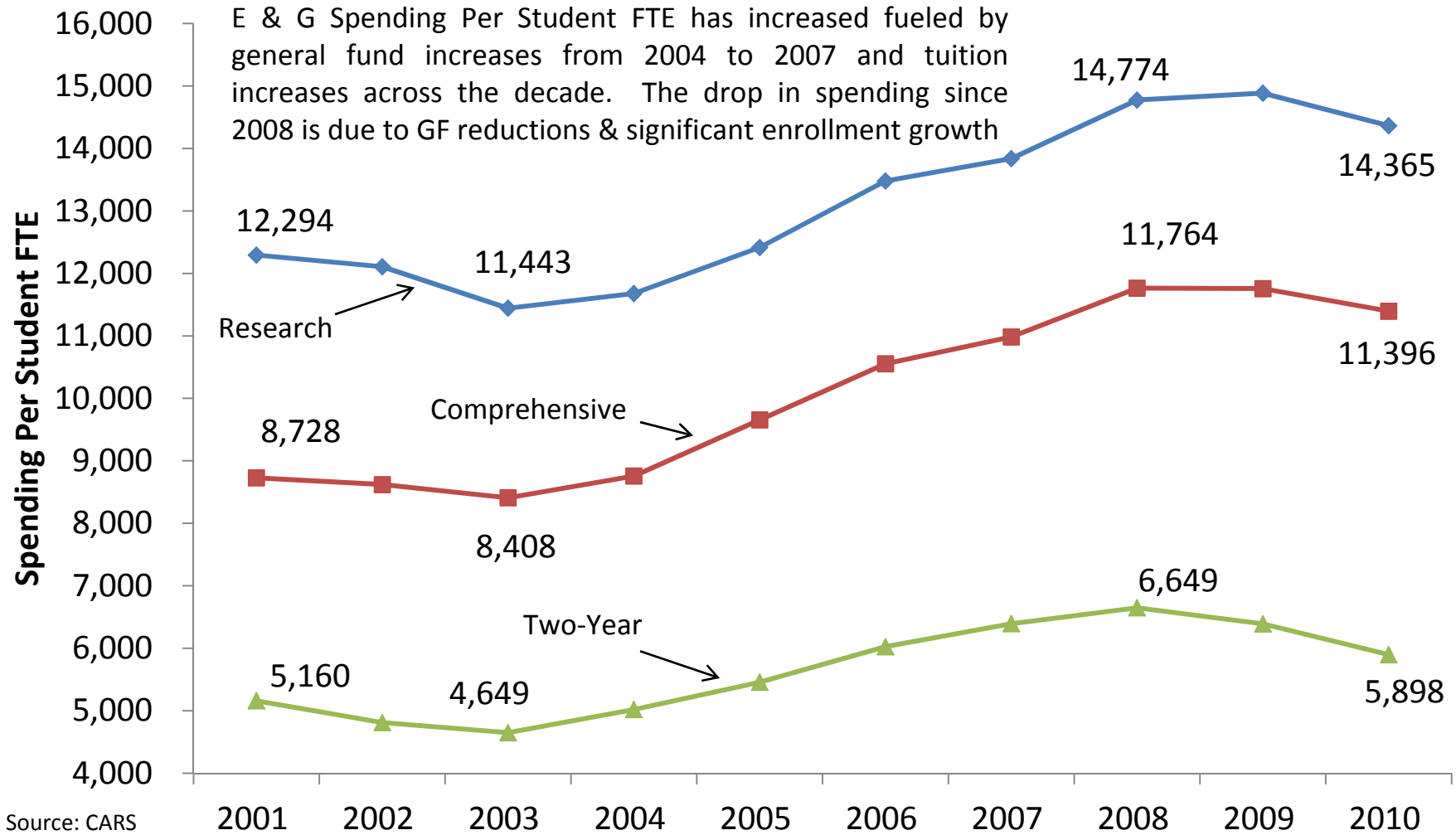
- Initially, I will focus on education and general programs (E & G)
 - Primary program to educate students
- Defined as Instruction, Academic Support & Student Services, Institutional Support, and O & M Plant
 - From FY 2001 to FY 2010
 - Excludes remedial education, public service, & research

Virginia Public Institutions E & G Spending Per Student Is Lower Than National Public Peers



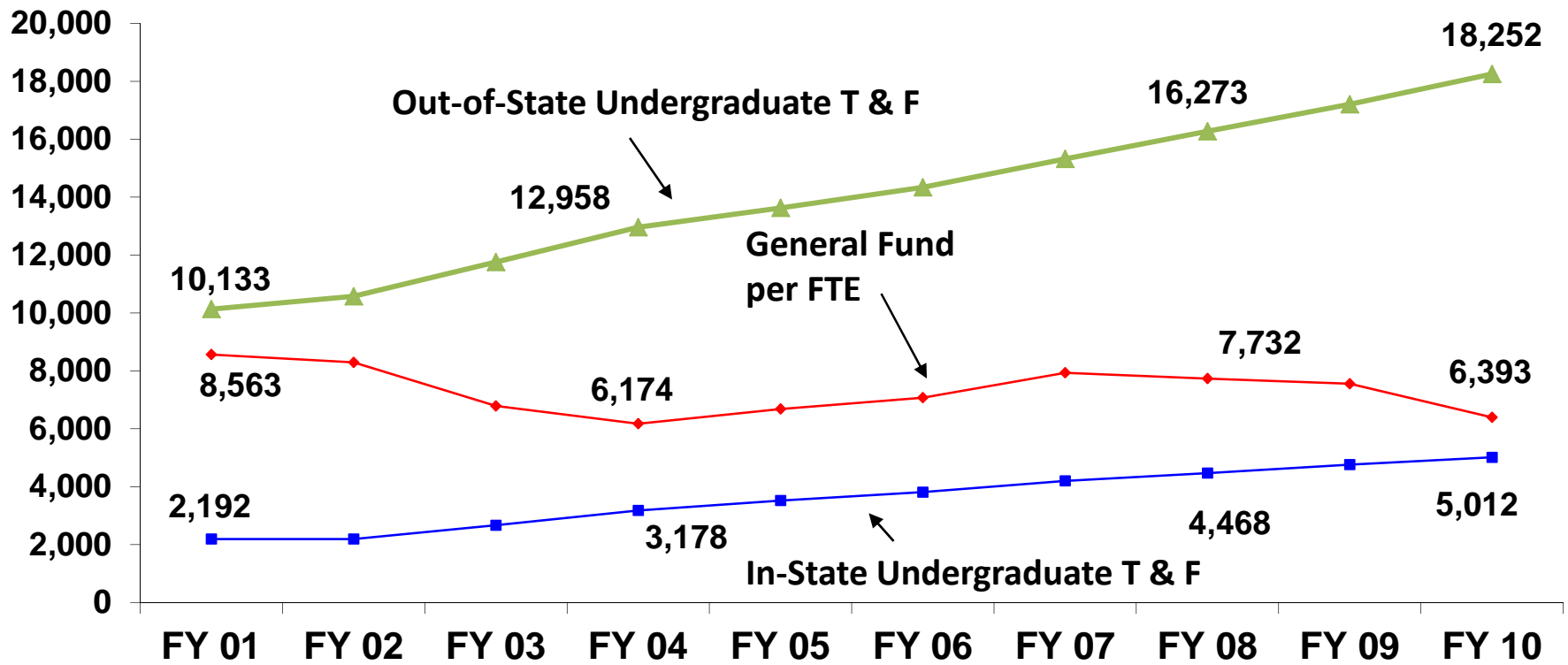
Source: IPEDS database provided by the Delta Cost Project

E & G Spending Per Student (All Funds)



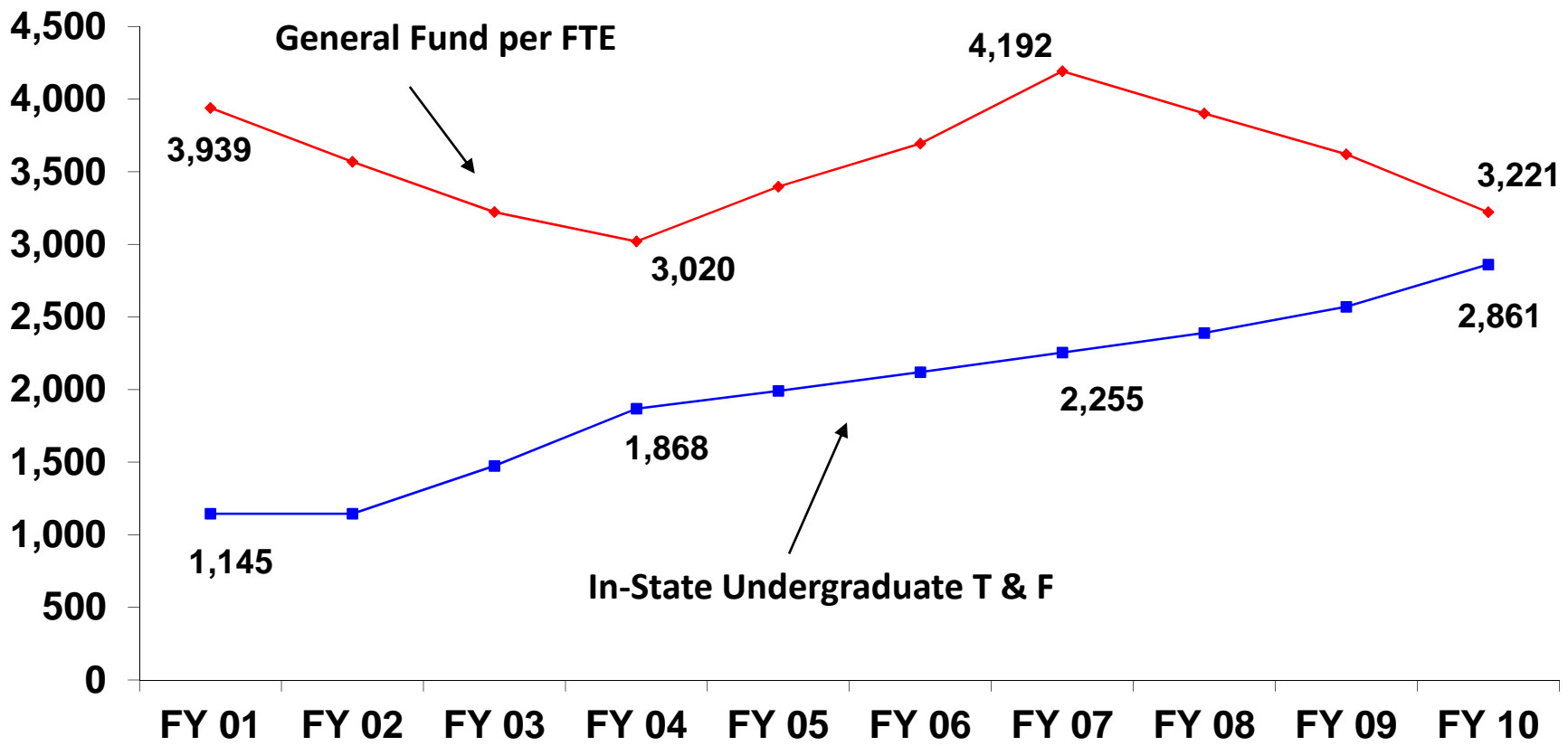
Source: CARS

GF Per In-State Undergraduate FTE Compared to Average In-State & Out-of-State Undergraduate T & F at 4-Years



Source: Appropriation Acts

GF Per In-State Undergraduate FTE Compared to In-State Undergraduate T & F at VCCCS



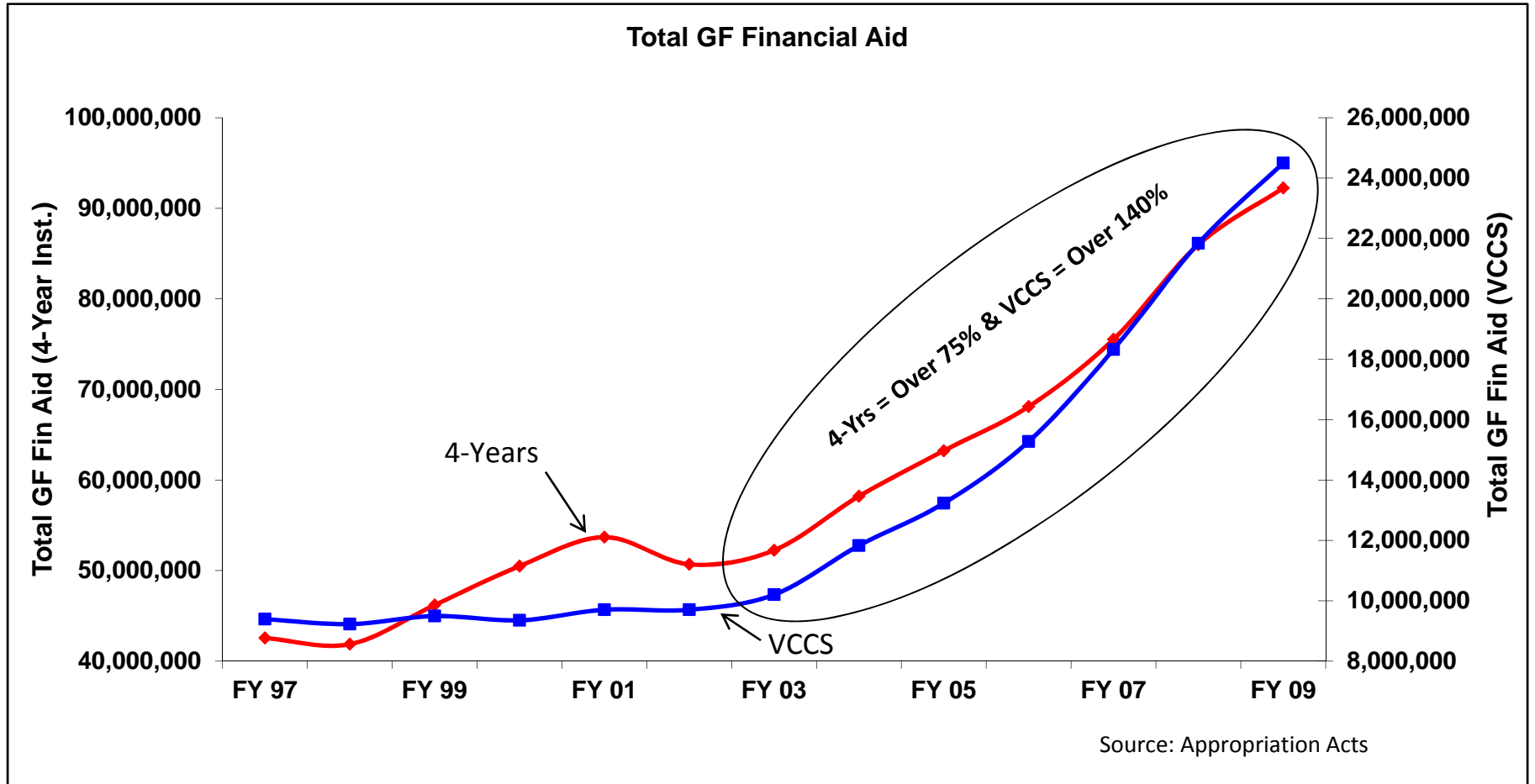
Source: Appropriation Acts

Recent Budget Reductions

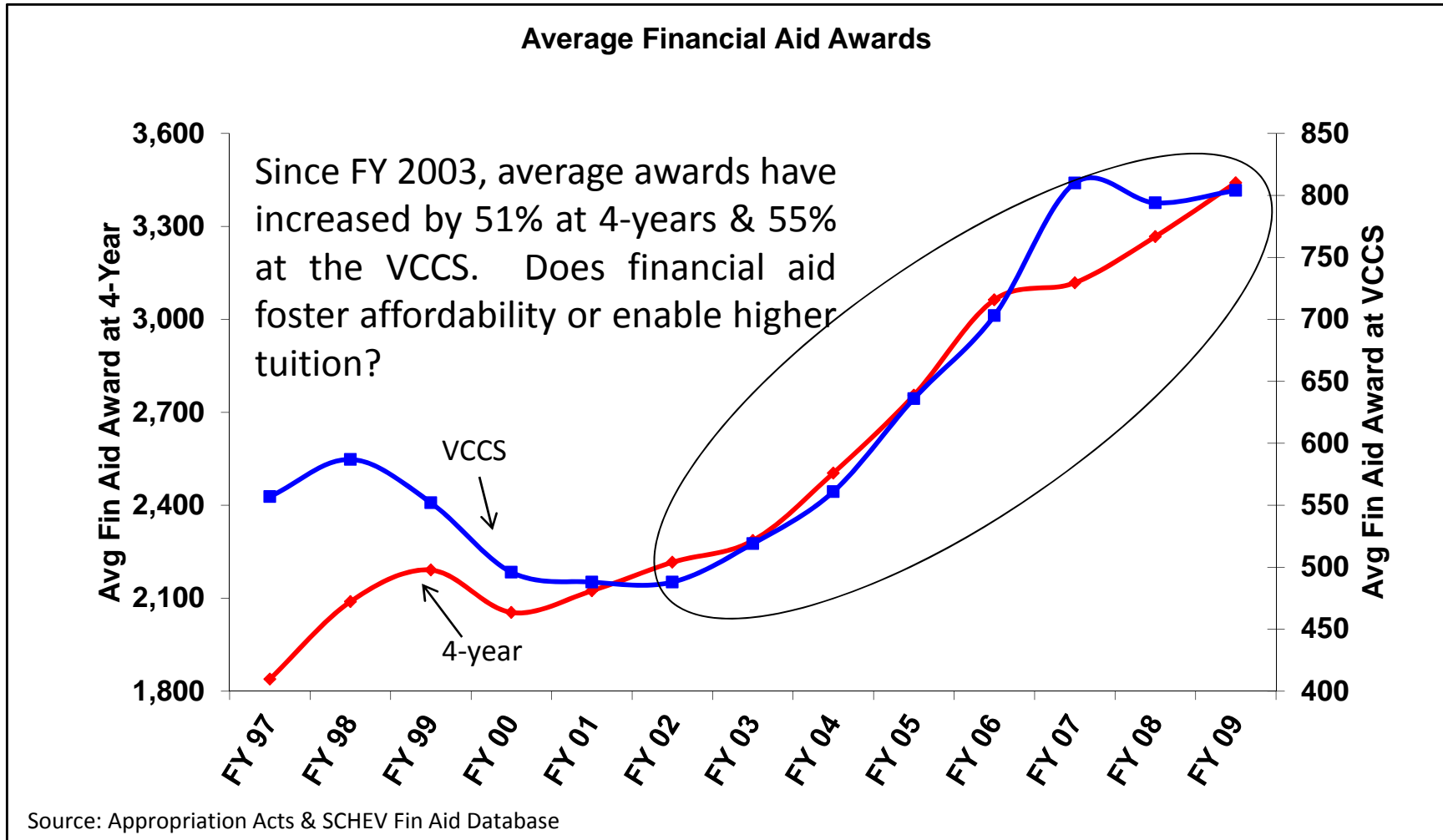
- Since the 2008 Session, Virginia public colleges & universities have experienced \$414.6 million in GF reductions
- Over that same period tuition revenues have risen by more than 125%
- Revenue increase reflect both tuition and fee rate increases for in-state and out-of-state students as well as enrollment growth project at about 10% at 4-year and almost 35% at two-year institutions
- Some of the revenue has been used to address increased spending pressures such as:
 - Enrollment growth
 - New space coming on-line
 - Cost increases for IT, utility, leases, insurance etc.
- Estimated that at least 50% of the increased revenue used to offset actual reductions

Inst.	Cumulative Reductions Since 2008	Offset By T & F
GMU	(40,558,195)	127.4%
ODU	(30,993,623)	64.2%
UVA	(42,207,275)	149.5%
VCU	(60,121,049)	125.6%
VT	(50,357,976)	90.6%
CWM	(14,219,237)	167.9%
CNU	(7,735,914)	71.8%
UVA-W	(4,739,329)	36.1%
JMU	(21,785,541)	141.6%
LU	(7,864,444)	62.6%
UMW	(6,224,036)	97.2%
NSU	(10,969,641)	83.5%
RU	(15,300,692)	57.3%
VMI	(3,949,395)	160.3%
VSU	(5,933,710)	71.3%
RBC	(1,413,316)	95.3%
VCCS	(90,206,447)	185.8%
TOTAL	(414,579,820)	125.7%

Total Financial Aid Has Increased Significantly Since FY 97



Average Awards Have Increased Significantly Since FY 97



Other Costs Are Rising As Well

Non-Instructional Costs

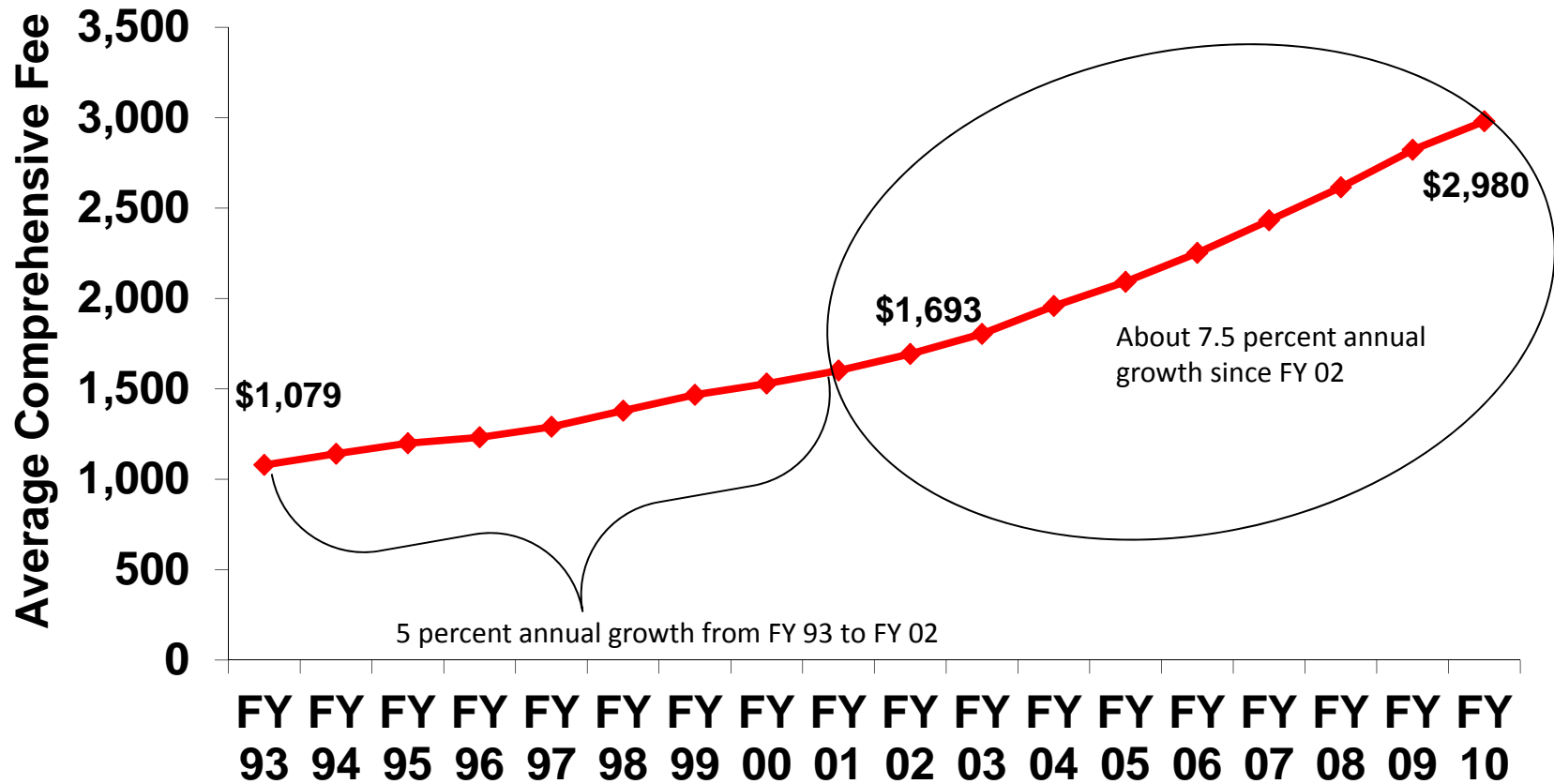
- Student Life costs are covered under the auxiliary enterprise operations of an institutions
 - State does not subsidize these activities with general fund
 - They are required to be self-supporting
- Includes dorms, food services, bookstores, athletics, recreation, student unions
- Revenues derived mainly from student fees
 - Mandatory Non-E & G Fees or the “Comp” Fee
 - Athletics, student unions, recreation
 - Same for all students
 - Room & Board fees
 - Other revenue from sales & services
 - Bookstore
 - Ticket sales

Growing Influence of Student Life

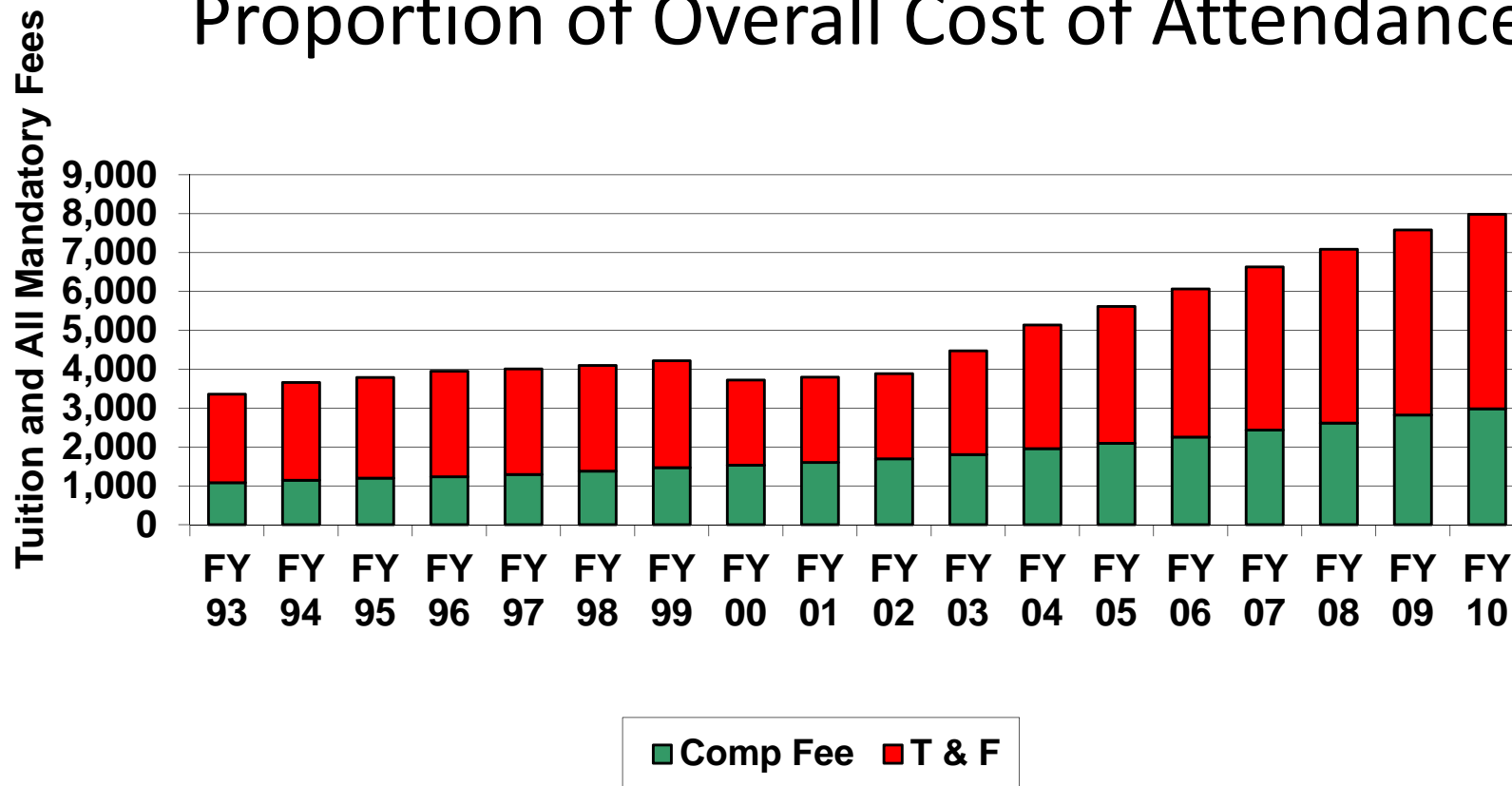
- Comp Fee and Room & Board charges continue to grow
 - Rate of growth in Virginia has about 7% annually for the comp fee and 5% annually for room & board charges
- Colleges indicate this growth is due to:
 - Greater demand for fitness centers, dining options and more elaborate dorms
 - Meeting parents / students expectations
 - Competition to attract more students by both public and private institutions
 - This allows institutions to be more selective which results in an improving ranking in publications like U.S. News

Growth in the Comprehensive Fee

176% Since FY 93, About 6.2% Annually



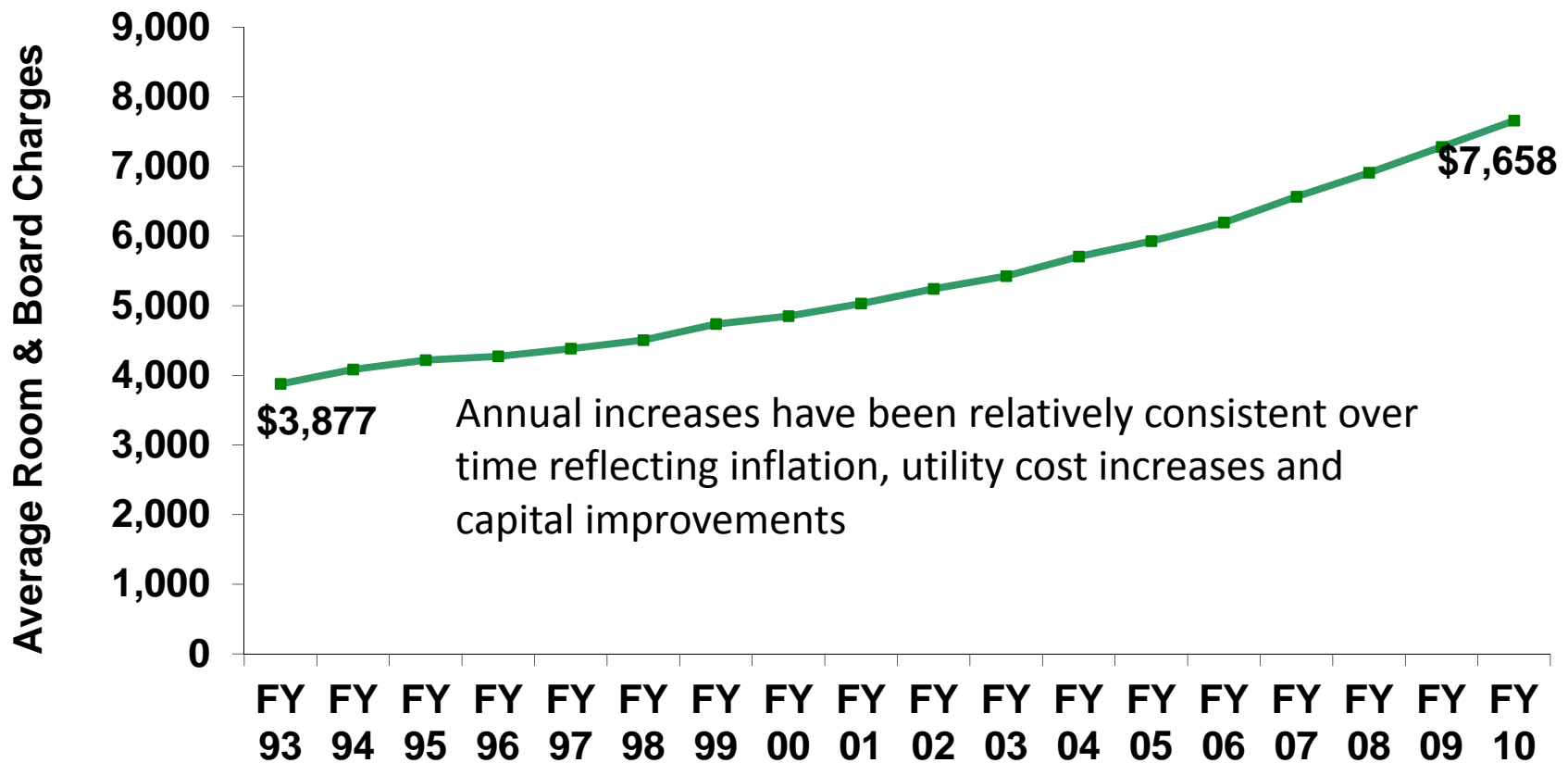
Cost of Student Life Taking Up A Larger Proportion of Overall Cost of Attendance



- Since FY 1993, the “comp” fee comprises a greater share of the overall mandatory cost of attendance at public 4-year institutions increasing from 32 percent to slightly more than 37 percent

Growth in Room & Board Charges

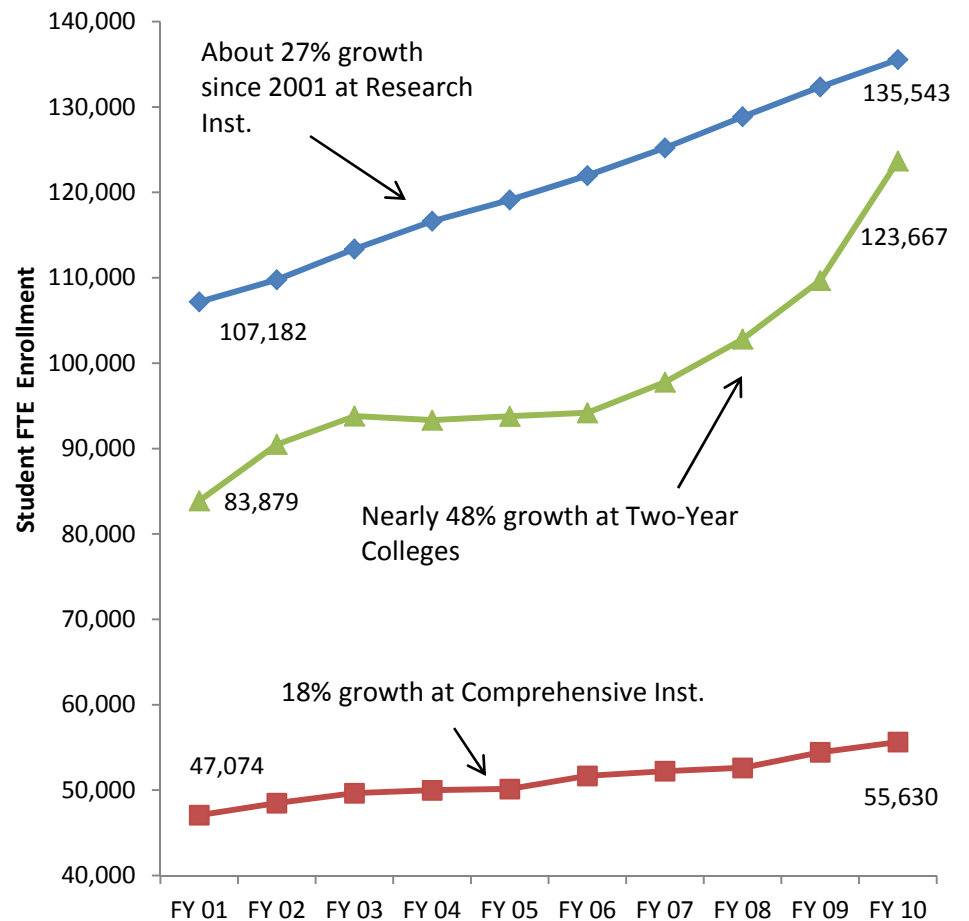
98% Since FY 93, About 4.1% Annually



Strategies Implemented By Colleges and Universities

Institutions Continue to Serve Growing Enrollment

- Enrollments over the decade have grown over 32%
 - VCCS has seen the sharpest growth in last three years
 - 4-Year institutions generally predictable, steady growth
 - VCCS growth somewhat erratic
- Average annual growth
 - Research: 2.6%
 - Comps: 1.8%
 - Two-Years: 4.4%
- How have institutions met this growing demand for higher education?

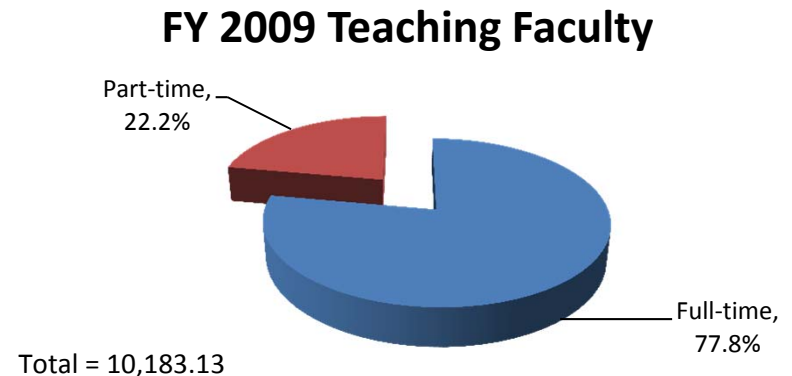
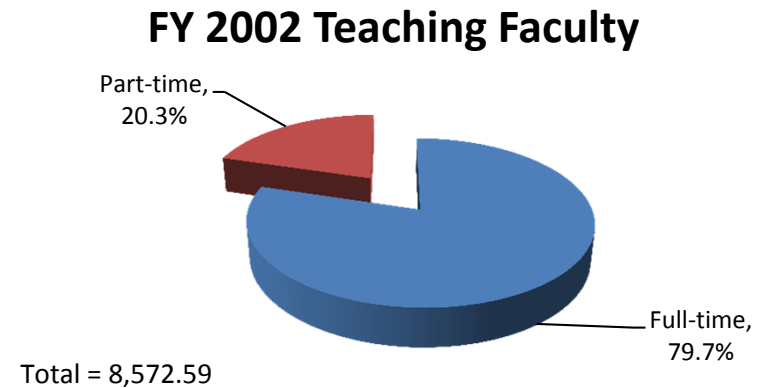


Source: SCHEV Enrollment Reports

Research Institutions

Comparison of Teaching Faculty FTE

- Research institutions have increased the proportion and number of part-time faculty to address growing enrollment
 - While total faculty FTE grew by more than 1,600 from 2002 to 2009, almost one-third were part-time
- This was driven by the growth in the use of part-time at the urban doctoral (GMU, ODU & VCU)
 - GMU increased part-time from 21 to 23 percent
 - ODU increased part-time from 37 to 43.5 percent
 - VCU increased part-time from 36.5 to 37.5 percent
- The other doctorals use less than 10 percent part-time faculty and two actually decreased their proportion over the time period
 - CWM decreased part-time from 9 to 8 percent
 - UVA decreased part-time from 5 to 4 percent
 - VT generally maintained part-time at about 4.5 percent

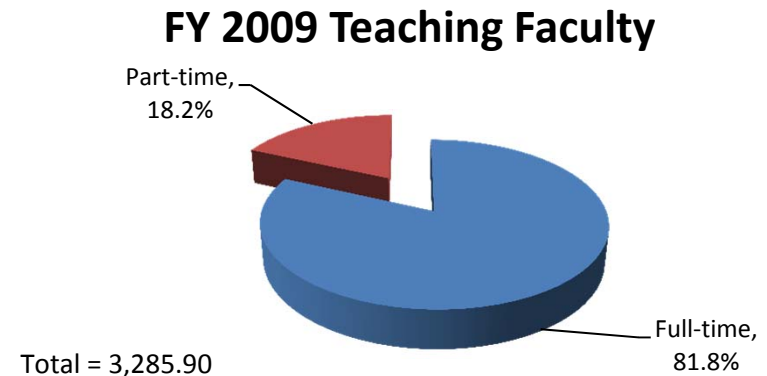
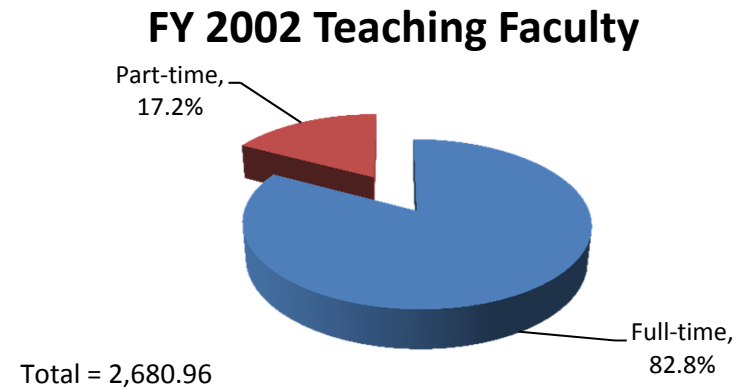


Source: Institution Surveys

Comprehensive Institutions

Comparison of Teaching Faculty FTE

- Comprehensive institutions have also increased the proportion and number of part-time faculty to address growing enrollment
 - While total faculty FTE grew by about 605 from 2002 to 2009, almost one-quarter were part-time
- Five of the comprehensives increased the use of part-time faculty
 - JMU 18.5 to 22.5 percent
 - Longwood 16.5 to 20 percent
 - UMW 13.5 to 15 percent
 - UVA Wise 10 to 25 percent
 - VSU 10 to 15 percent
- The other comprehensives either maintained or decreased the use of part-time faculty
 - For example, CNU utilized funding increases in the mid-2000's along with budget reallocation to implement a university strategy to increase the number of full-time faculty
 - CNU reduced part-time faculty from 26.5 to 15.5 percent

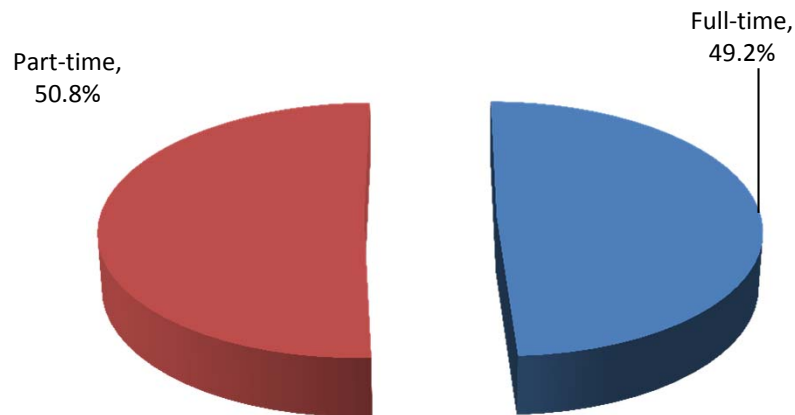


Source: Institution Surveys

Two-Year Colleges

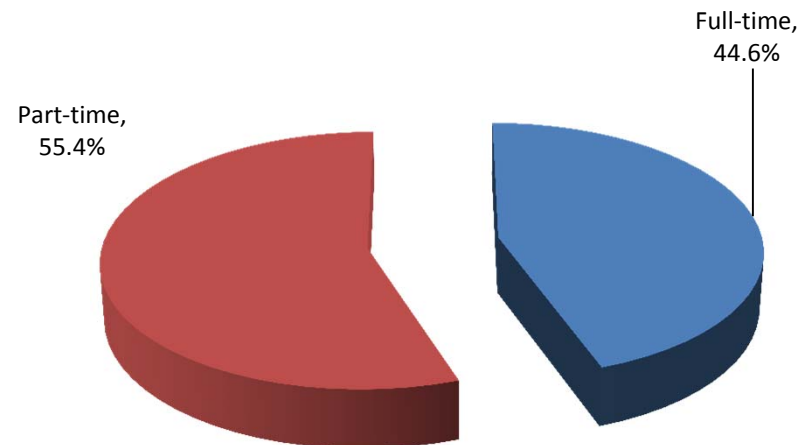
Comparison of Teaching Faculty FTE

**Two-Year Institution
FY 2002 Teaching Faculty**



Total = 3,967.74

**Two-Year Institution
FY 2009 Teaching Faculty**



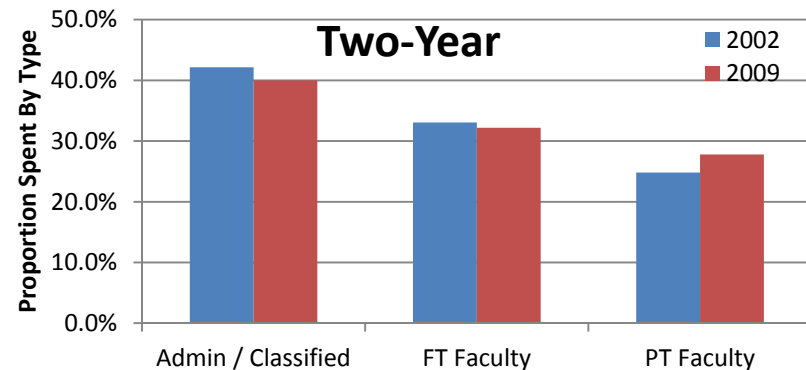
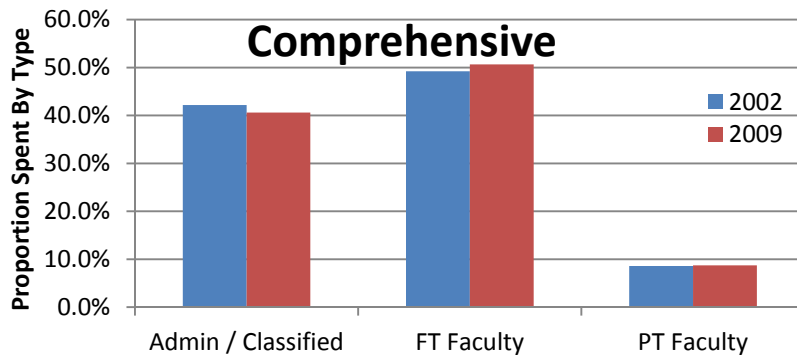
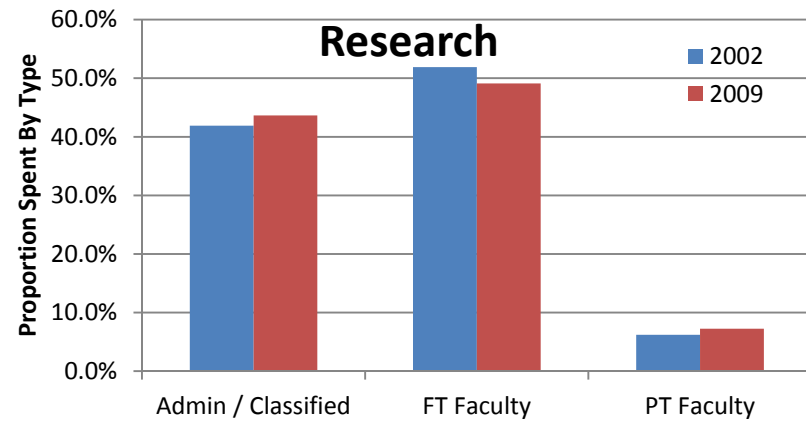
Total = 4,912.12

Source: Institution Surveys

Nationally, community colleges utilize in excess of 70% part-time faculty

Faculty & Staff Spending

- Generally, reduced spending on full-time faculty is being offset by increases to part-time faculty spending especially at two-year colleges
- Comprehensive institutions appear to be focusing efforts on full-time faculty
- Increases in administration at research institutions require further examination



Source: CARS

Other Cost Efficiency Strategies

- Leverage technology / web-based
 - Many functions are now conducted on-line such as course rosters, scheduling, transcript requests, student information systems, payments
 - Remote monitoring
- Outsourcing functions such as custodial, grounds, mail services, e-mail, cataloging, background checks & help desks
- Increased use of on-line courses & distance learning options
- Maximizing space utilization through centralized scheduling
 - Room utilization is measured across the fall / spring semesters
 - Institutions have capacity for use during the summer which should be explored for year-round college options

Other Cost Efficiency Strategies

(continued)

- Expand collaborative efforts with other institutions such as the Virtual Library (VIVA) & cooperative purchasing agreements (VASCUPP)
- Move to paperless operations in many areas eliminating need for paper, storage, copying etc.
 - Purchasing
 - Use of digital scanners to replace copiers & printers
 - Student submissions
 - Online subscriptions (library)
- Just-in-time purchasing improvements in facilities management
- Energy & Utility measures
 - Standardized temperature settings & computer controls
 - Composting
 - Energy audits
 - VOIP

Other Cost Efficiency Strategies

(continued)

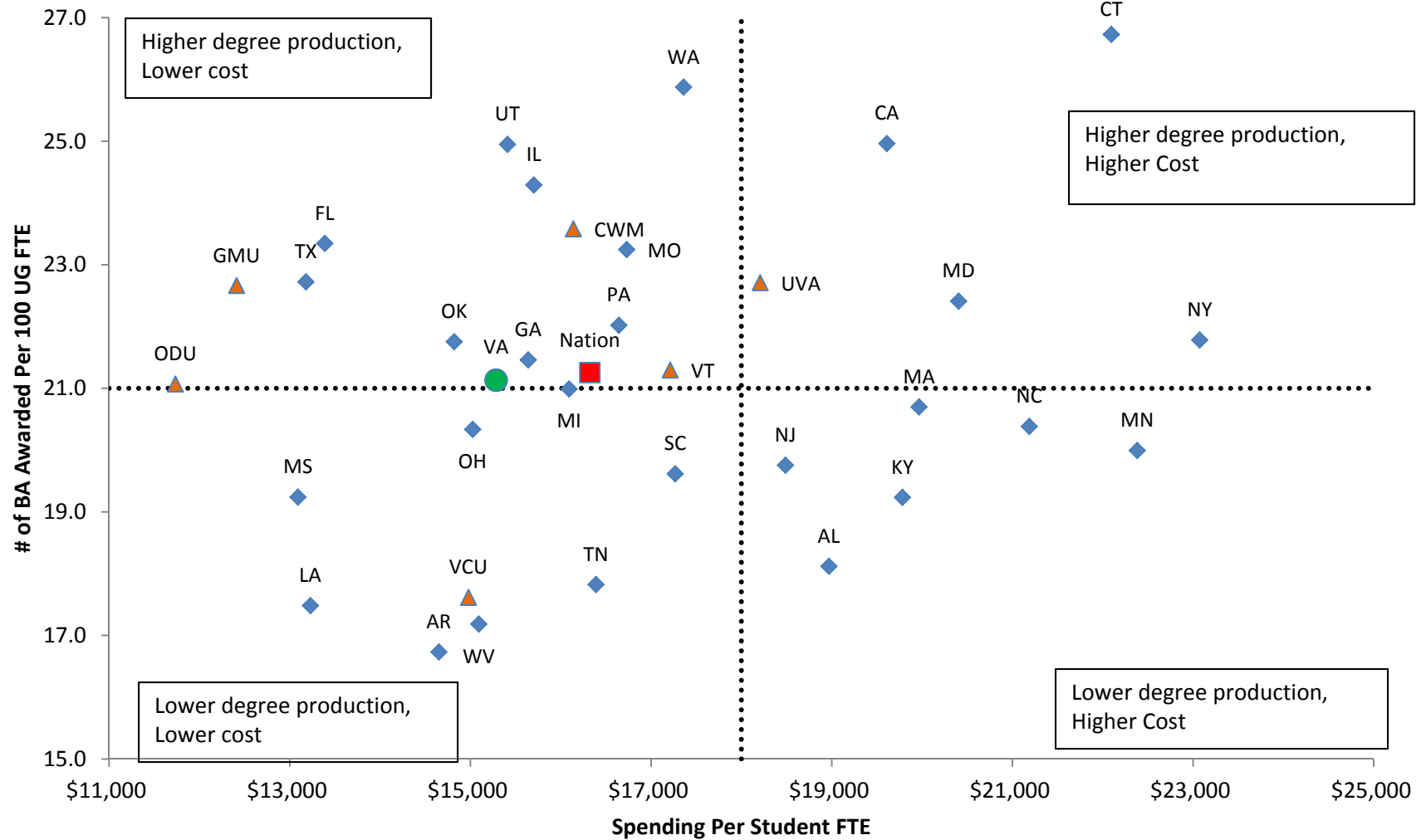
- Program eliminations
 - SCHEV conducts reviews on a periodic basis
 - Program closures allow colleges to redeploy faculty to higher demand degree programs
- Increased use of electronic blackboards
- VCCS expanding use of *Virginia Education Wizard*
- VCCS shared programs
 - Nursing, medical lab technology, vet tech, respiratory therapy, dental hygiene, physical therapy, radiology & automotive technician are offered to regions that do not have access to those programs

Productivity at Virginia Colleges and Universities

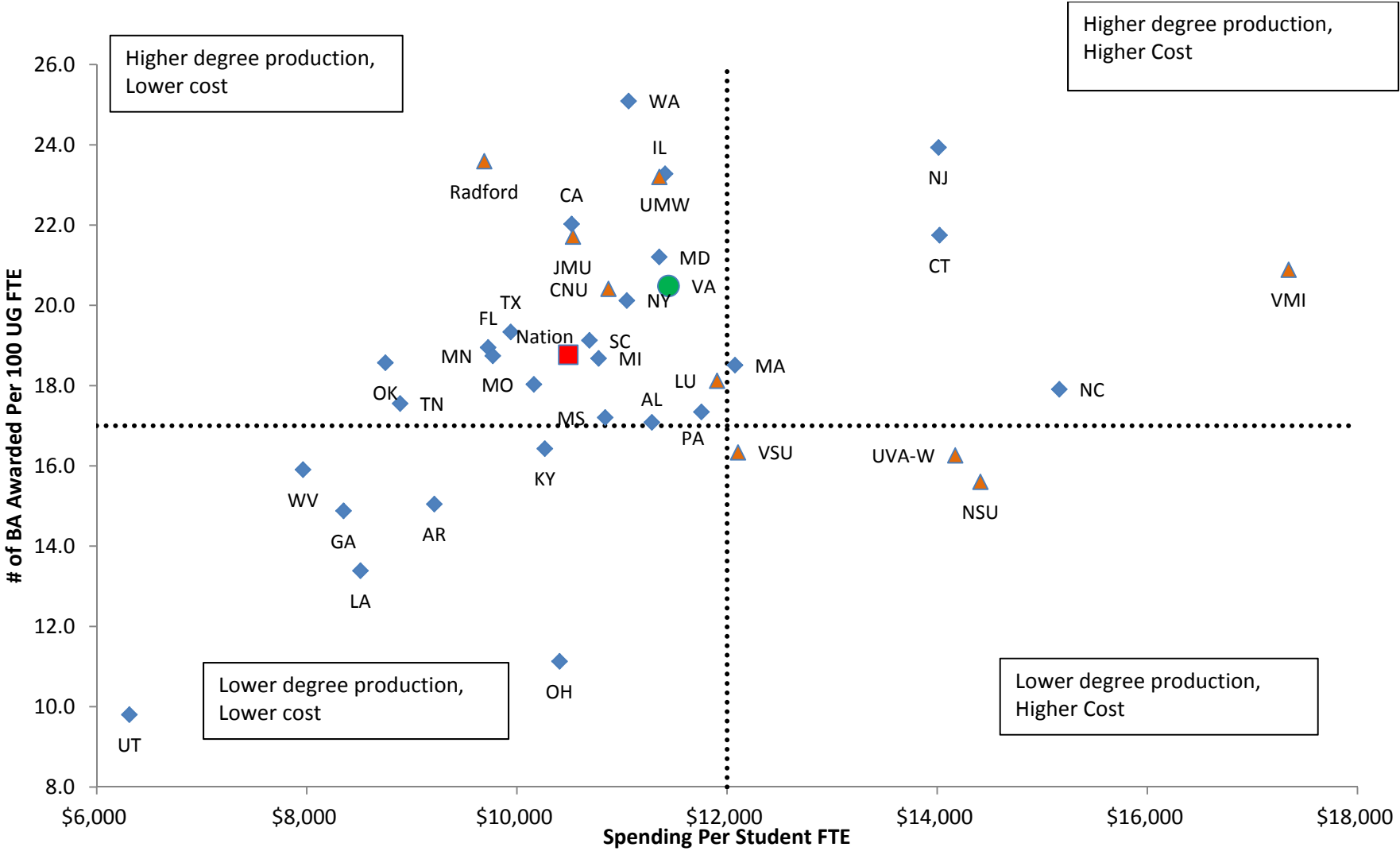
Are Virginia Colleges Productive?

- Look back again at national comparisons
 - Data available for FY 2007
- How well do Virginia colleges and universities perform relative to peer institutions?
 - Southern Region (SREB)
 - Other AAA states
 - Northeast, California, Midwest
- Looks at degrees produced relative to spending levels

Research Institutions

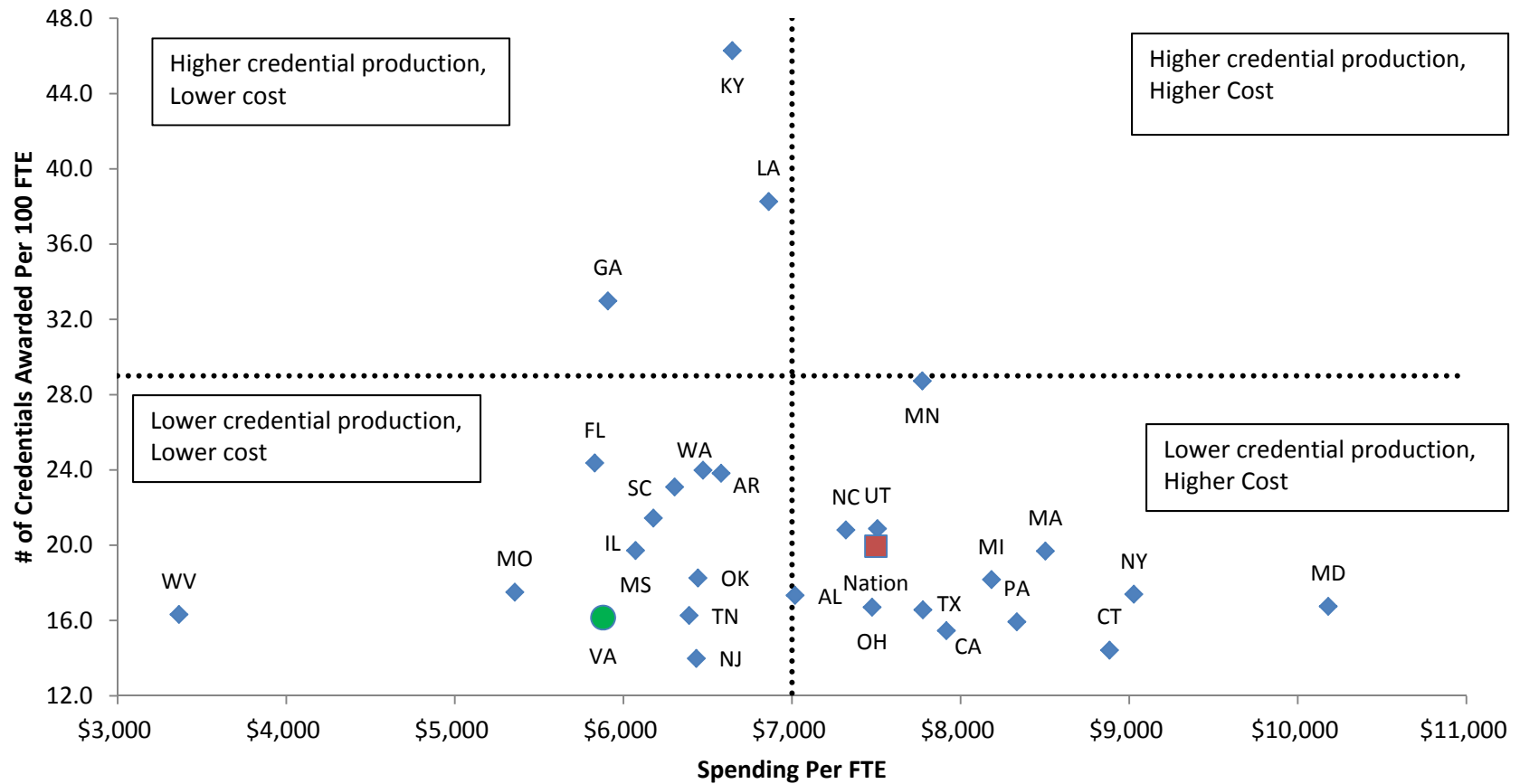


Comprehensive Institutions



Source: IPEDS Databases from Council on Virginia's Future

Two-Year Colleges



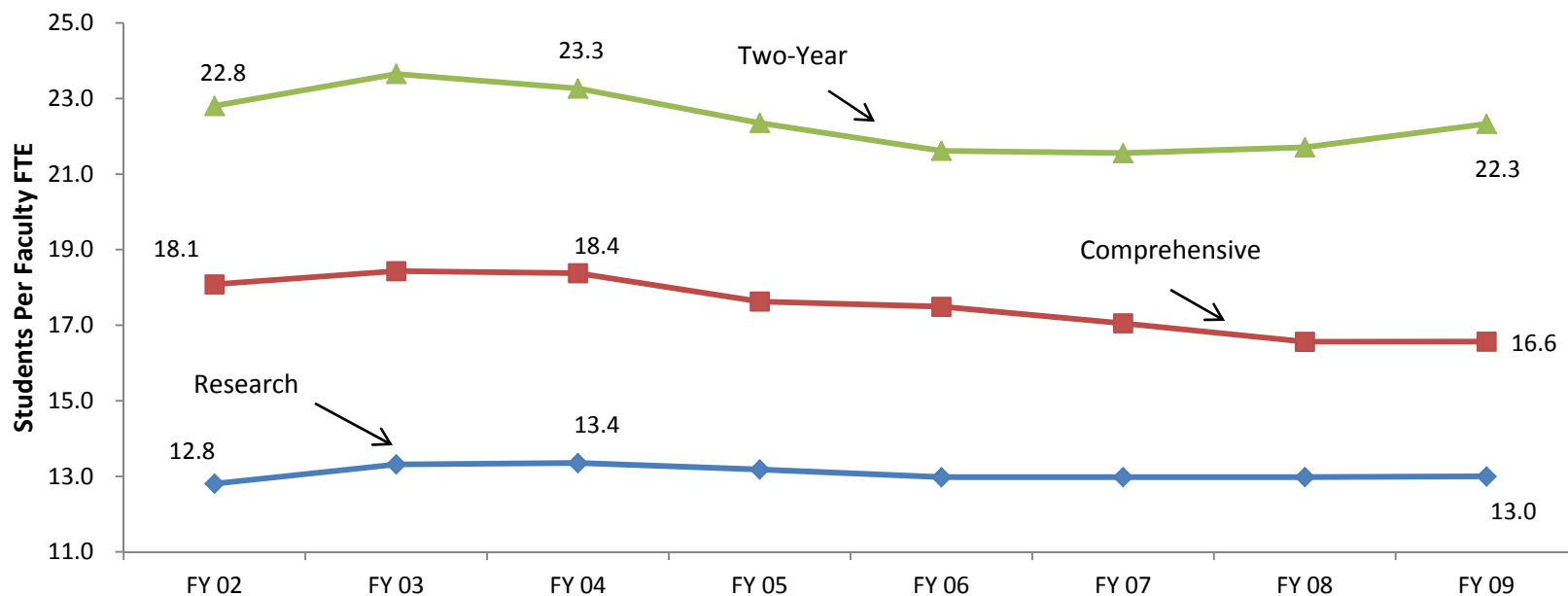
Productivity Conclusions

- Virginia's research institutions generally out produce the nation and most peer states at a lower level of spending
- Virginia's comprehensive institutions also out produce the nation and most peer states, however spending levels at comprehensive institutions are also relatively high compared to peers
- Production across the national spectrum of two-year colleges needs improvement and Virginia two-year institutions are no different
 - Two-year college spending in Virginia is lower than the majority of peer states
 - Credential and degree production needs improvement

Opportunities for Improvement

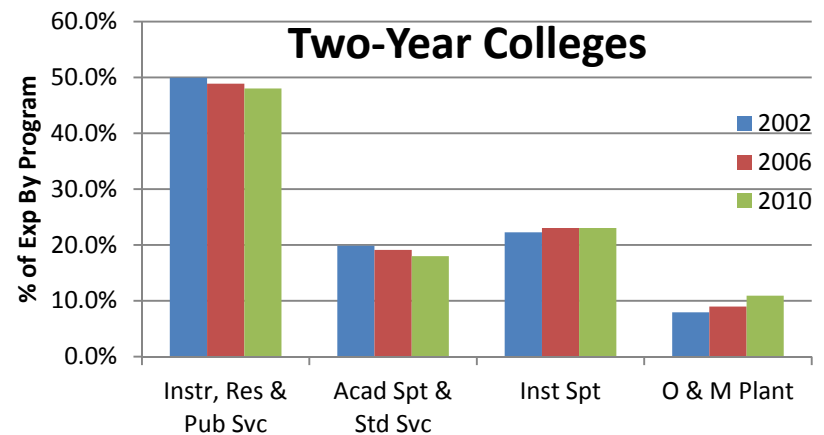
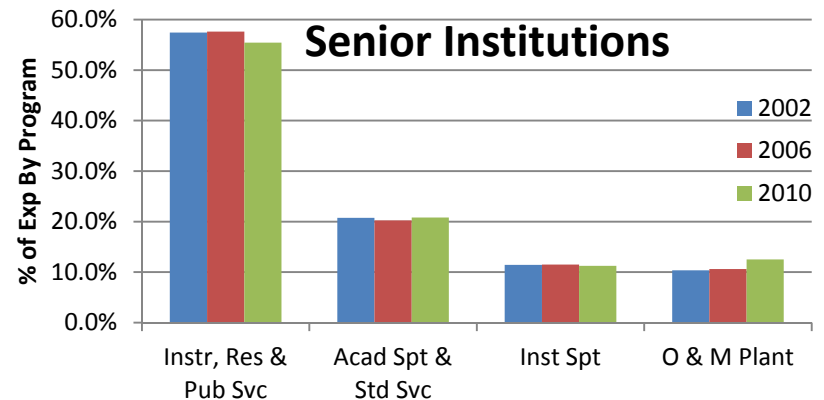
Are we fully leveraging faculty measured in terms of students per faculty FTE?

- After modest improvements from FY 02 to FY 04, the number of students per faculty FTE has declined since FY 04
- Two-year colleges have shown some recent improvement but still below FY 04 levels



Spending Patterns

- Proportion of instruction, research & public service spending as a percent of total spending has decreased at both senior institutions & two-year colleges
 - Offset by increases in proportion of O & M Plant spending
- Two-year colleges have also increased spending on institutional support (administration) since 2002 while academic support & student services have decreased
- Are there opportunities to re-program administrative costs back into the instructional side of the operation?



Source: CARS

Six-Year Plans Redux

- Current restructuring already requires that colleges develop six-year financial plans
- Original legislative intent focused on plans that reflected current service levels and required tuition under best / worst case general fund scenarios
- However, the plans, as produced, are intertwined with aspirational goals of institutions
 - New academic programs & schools
 - Financial aid programs
 - Faculty salary goals
- Distorts analysis of general fund impact on tuition and fees
- Examine whether a process which allows for meaningful dialogue prior to the regular session would be more productive
- This is the same goal implemented in Chairman Putney's 2008 capital outlay legislation

How Would the Six-Year Plans process Work?

- In fall of each year, institutions would submit a six-year financial plan approved by their Boards of Visitors
 - Greater detail for first two years of the plan
- Plan would reflect the current service levels with allowance for items such as enrollment growth, new space, etc.
- Aspirational items would be treated as plan add-ons
 - Include such things as new programs, 60th percentile faculty salary goals, financial aid, full-time / part-time faculty mix, etc.
- Discussions would take place between institution and staff from money committees, Secretarial offices, DPB & SCHEV prior to regular session
 - Agreement on assumptions, funding requirements and required tuition increases
- Make entire process more transparent to legislators, executive, institutions and families

Programmatic Opportunities

- Senior institutions could consider making select courses available across the Commonwealth which could be applied to degree requirements universally
- Contractual agreements between senior institutions and two-year colleges that allow students to take summer classes at local community colleges
- Increase VCCS focus on technical education & credential programs to meet workforce needs

Moving Forward – Policy & Reporting Options from the Institutions

Policy Options

- Focus of state vs institution
 - If cost neutral to the state then perhaps an opportunity
 - Institution assume cost risk with caveat that it will not involve in-state tuition increases
- Is it just a higher education issue?
- Develop a post-audit review
 - Consequences of missing statewide objectives?
- The following are some streamlining examples identified by colleges

Institution Suggestions

- Capital Outlay
 - Raise project limit for new projects from \$1 million to \$2 million
 - Increase baseline price of a property required to do an Environmental Impact Report from \$500,000 to \$1 million
 - Raise threshold for a value engineering study from \$5 million to \$10 million
 - Allow certified building officials at higher education institutions authority to review / approve projects at other institutions

Institution Suggestions (continued)

- Purchasing
 - Several suggestions related to eVa
 - Eliminate eVa requirements below \$5,000
 - Eliminate agency fees
 - Remove mandatory requirement to purchase from Virginia Correctional Enterprise
 - Allow institutions to create their own purchasing card program
 - Suspend SWaM requirements

Institution Suggestions (continued)

- Technology
 - Relief from certain VITA requirements
 - Requirement to use VITA cell phone contracts
 - Per-hour VITA fees to create RFPs or bid invitations
 - Relief from future fees for central administrative systems
 - Require state's personnel system (PMIS) to accept file uploads as opposed to dual keying
 - Allow electronic copy of reports, documentation to DEQ as opposed to hard copy

Staff Have Reservations About Other Institution Suggestions

- Colleges want to eliminate reporting of budget reductions required by the money committee staff or DPB
 - Based on a quick review of college websites, this information does not appear to be readily available
- Colleges suggested eliminating the requirement to assess a surcharge to in-state students who exceed the 125% credit threshold because it is a time-consuming, manual process
 - Recall this was a House position to incentivize students to graduate in a reasonable amount of time and allow the institutions to lose no revenue with the termination of the state subsidy

Reporting Options

- Part IV language established the goal of eliminating unnecessary reports
- Attached to your presentation are reports that colleges have indicated could be eliminated
- As with some of the policy options, a closer examination is warranted to determine if reports have value before elimination

Questions