

Base Budget Adequacy Metrics

Background Information/Summary of Major Elements:

- Item 1H, Chapter 1, 1998 Acts of Assembly, established the Joint Subcommittee on Higher Education Funding Policies to develop funding guidelines. The Joint Subcommittee adopted higher education funding guidelines for Virginia public institutions in December 2000. The funding guidelines for operation and maintenance of plant were developed and added to the higher education funding guidelines in 2001.
- In addition, the Joint Subcommittee on Higher Education Funding Policies adopted a fund share policy of 67/33 between general fund support and tuition revenue for in-state students in base funding estimates derived by the funding guidelines in 2003.
- The staff of the Joint Subcommittee on Higher Education Funding Policy estimated that there was a funding shortfall of over \$400 million in base operations across the public institutions in FY04.
- Between 2004 and 2008, the General Assembly appropriated \$499 million in additional general fund and \$680 million in additional nongeneral funds for higher education base operations. The additional general fund appropriations represented a serious commitment to higher education and a significant step in addressing the identified funding deficiency in higher education base operations. However, a state budget shortfall necessitated a reduction of \$84 million in general fund support to higher education last fall, a cut of more than 5%.
- The 2007 General Assembly directed SCHEV to review the funding guideline methodologies and processes related to base adequacy and report the findings by September 1. Staff held a series of meetings with institution fiscal analysts and representatives from the related state agencies regarding the scope of the review and recommendations in the spring and summer. It was decided that the review should focus on (1) input data and frequency of the data updates; (2) frequency of the base adequacy calculations; (3) treatment of enrollment; and (4) phasing in of the realignment of the fund shares in base adequacy. Staff presented the report and findings to the Council at its September meeting.
- The Council approved the staff report and adopted the funding methodology that would use actual enrollment rather than projected enrollment in the guideline calculation. The Council also approved that the base adequacy calculation shall be run with complete updated data biennially prior to the even year legislative session. For the short legislative session in the odd year, the base adequacy calculation is only updated to include the latest actual enrollment on the need side of the equation and the latest operating appropriations on the available resources side.
- Based on the Council resolution, staff recalculated base adequacy by using 2007-08 projected enrollment as a proxy for this meeting only. Staff will rerun the guideline calculation next month when the 2007-08 actual enrollment is available. It is estimated that at the system level, higher education is currently funded at 94% of guidelines. A total of \$234.2 million (\$124.9 million from the general fund) is necessary to reach full funding under the guidelines.

- Staff currently is working on another funding option that focuses on enrollment growth between FY07 and FY08. Staff will present the information at the September meeting.

SOURCE: SCHEV Council Agenda Book, Item: Item #6.c.1. – Discussion of 2008-10 System-wide Operating Budget, Amendment Items: Base Adequacy, Date of Meeting: September 9, 2008, page 10. <http://www.schev.edu/SCHEV/AgendaBooks/2008Sept/AgendaBook0908.pdf>