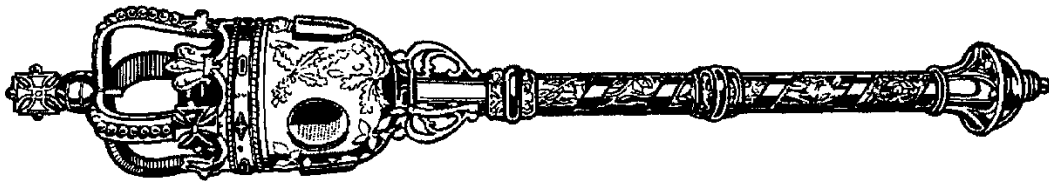


*Report of the
House Appropriations
Subcommittee*

on

Higher Education



House Bill 1400

February 2, 2003

**Respectfully Submitted by the House Appropriations Subcommittee
on Higher Education:**

Lacey E. Putney, Chairman

John A. Rollison, III

Riley E. Ingram

Joe T. May

L. Preston Bryant, Jr.

S. Chris Jones

Clarence E. Phillips

Lionell Spruill, Sr.

REPORT OF THE SUBCOMMITTEE

On

HIGHER EDUCATION

Mr. Chairmen and Members of the Committee:

On behalf of the Higher Education Subcommittee, I am pleased to offer budget recommendations that address the challenges of our current economic condition.

Many of our recommendations simply restore funding, to the extent possible, to levels we established as appropriate last year, or fill second-year budget holes. However, the Subcommittee has been able to address two major issues with regard to higher education – access and decentralization.

As I am sure all members are aware, the cost of attending a public institution has increased significantly in the last year. However, the reductions to higher education institutions and agencies made up about 40 percent of the general fund budget reduction actions in the introduced budget. These tuition increases were authorized by boards of visitors to maintain the quality of our institutions by mitigating these significant reductions. The Subcommittee is concerned about the impact of these actions, which result in an increased financial burden for students and their family. Therefore, our largest recommendation is an additional \$5.7 million for financial aid, which will allow the Commonwealth to meet the same level of student need as it did in 2002, prior to the recent tuition hikes.

Like our public institutions, the Governor's reductions to the Tuition Assistance Grant (TAG) program created a financial burden to Virginians choosing to attend our private institutions. Therefore, the Subcommittee also recommends \$2.5 million for the

TAG program that will restore a portion of the budget reductions to continue the grants at 2003 levels.

Mr. Chairman, these two recommendations will serve to maintain access to higher education for many Virginia families.

In addition, Mr. Chairman, the Subcommittee recommends a series of amendments to lessen the bureaucratic burden on institutions of higher education. The decentralization recommendations are in areas such as procurement, leasing, and capital project review. They are not only aimed at promoting greater efficiency, but also greater accountability and will serve as an effective beginning to government reform.

The Subcommittee also recommends modifications to the current tuition policy language. The recommendations affirm the funding guidelines of the Joint Subcommittee on Higher Education and provide an objective benchmark for evaluating the appropriate state and student share of the cost of higher education. **However, mindful of the need to balance institutional funding requirements with keeping higher education affordable, the policy limits the increase on in-state undergraduate students to no more than nine percent per year.** The policy also allows institutions the ability to set tuition for all other student groups at the market rate. Finally, the tuition policy requires that institutions set aside a portion of any new revenue for financial aid to ensure that, along with continued state support, sufficient assistance is available for students and their families, ensuring continued access to higher education.

The Subcommittee also recommends \$2.0 million for operating and maintenance costs at new and existing facilities and \$1.2 million to restore the reductions imposed on the Corps of Cadets at both Virginia Tech and Mary Baldwin. In addition, the Subcommittee recommends the restoration of \$1.1 million for Cooperative Extension programs in order to continue core services, especially in

our rural areas. These recommendations honor prior commitments made by the Commonwealth.

Beyond the area of higher education, our Subcommittee recommends restoration of \$500,000 to the arts commission to correct disproportionately high budget reductions to that agency in the introduced budget.

Finally, Mr. Chairman, I would like to thank you for your leadership, which allowed the Committee to create a Reserve Fund that proposes a 2.50 percent salary increase for our college faculty. We hope this will, in some small way, demonstrate to faculty that they are highly valued and we hope they will stay with us and continue to provide high quality education to our children and grandchildren while we work together through challenging economic times.

The details of the Subcommittee's report are contained in the attachments. Committee staff will review our report and the attached listing of our recommendations in greater detail, and we hope it will be your pleasure to adopt the report.

House Bill 1400
Higher Education
Amendment

2002-04 BIENNIAL TOTAL
General Nongeneral
Fund Fund FTE

General Assembly

Joint Subcommittee Articulation Agreements Language

Secretary of Education

Tuition and Fee Policy Language

Delete RBC Study Language

State Council Of Higher Education For Virginia

Restore TAG 2,500,000 0 0.00

Student Financial Aid 5,700,000 0 0.00

SCHEV Eminent Scholar (3,200,000) 0 0.00

ESTAP Grants (68,000) 0 0.00

Restore Optometry Scholarships 200,000 0 0.00

Restore VWIL 547,000 0 0.00

Restore SCHEV Reductions to 15 percent 200,000 0 2.00

Technology Grants (113,610) 0 0.00

The College Of William And Mary In Virginia

Unused NGF Authority 0 (348,000) 0.00

George Mason University

O & M New Academic Facility 535,000 0 8.00

Prince William III A Equipment Language

Longwood College

O & M Southside Virginia HEC 200,000 0 0.00

Norfolk State University

Skill Tek 0 250,000 0.00

House Bill 1400
Higher Education
Amendment

2002-04 BIENNIAL TOTAL

| General | Nongeneral | |
|--------------------|--------------------|-------------------|
| <u>Fund</u> | <u>Fund</u> | <u>FTE</u> |

Old Dominion University

| | | | |
|--|---------|---|------|
| O & M New Science Building / Teletechnet | 380,000 | 0 | 8.00 |
|--|---------|---|------|

Virginia Commonwealth University

| | | | |
|--------------------------|----------|--|--|
| Family Practice Language | Language | | |
|--------------------------|----------|--|--|

Virginia Community College System

| | | | |
|-------------------------------------|---------|---|------|
| O & M NVCC Medical Education Campus | 535,000 | 0 | 5.00 |
|-------------------------------------|---------|---|------|

| | | | |
|---------------------------|----------|--|--|
| Eminent Scholars Language | Language | | |
|---------------------------|----------|--|--|

Virginia Military Institute

| | | | |
|-------------------------|---------|---|------|
| Restore UMA (VPI & MBC) | 687,000 | 0 | 0.00 |
|-------------------------|---------|---|------|

Virginia Cooperative Extension And Agricultural Experiment Station

| | | | |
|-------------------------------|-----------|---|------|
| Restore Cooperative Extension | 1,050,000 | 0 | 0.00 |
|-------------------------------|-----------|---|------|

Virginia State University

| | | | |
|--------------|----------|--|--|
| OCR Language | Language | | |
|--------------|----------|--|--|

Jamestown-Yorktown Foundation

| | | | |
|---|---------|---|------|
| O & M New Visitors Building and Exhibition Sp | 350,000 | 0 | 3.00 |
|---|---------|---|------|

Jamestown 2007

| | | | |
|----------------------------|----------|--|--|
| Jamestown 2007 Celebration | Language | | |
|----------------------------|----------|--|--|

Virginia Commission for the Arts

| | | | |
|-------------------------|---------|---|------|
| Restore Arts Reductions | 500,000 | 0 | 2.00 |
|-------------------------|---------|---|------|

Central Appropriations

| | | | |
|--------------------------|-------------|---|------|
| Technology Research Fund | (2,500,000) | 0 | 0.00 |
|--------------------------|-------------|---|------|

| | | | |
|-----------------------------------|-------------|---|------|
| Research & Public Service Centers | (4,760,000) | 0 | 0.00 |
|-----------------------------------|-------------|---|------|

House Bill 1400
Higher Education
Amendment

2002-04 BIENNIAL TOTAL
General **Nongeneral**
Fund **Fund** **FTE**

Decentralization Initiative

| | | | |
|---------------------------------------|-----------|----------|-------|
| Central Advertising | Language | | |
| Maintenance Reserve Threshold | Language | | |
| NGF Renovation Review | Language | | |
| Project Scope Changes | Language | | |
| Motor Vehicle Purchases | Language | | |
| Easement Authority | Language | | |
| GF Project Pilot | Language | | |
| Alternative Construction Options | Language | | |
| Evaluation of Decentralization Pilots | Language | | |
| Lease Authority | Language | | |
| MEL Flexibility | Language | | |
| Part III / IV | | | |
| CHRB Interest Earnings | Language | | |
| Total House Bill 1400 | 2,742,390 | (98,000) | 28.00 |

**Education: Elementary &
Secondary**

Secretary Of Education

Language

Language:

Page 118, strike lines 24 through 60.

Page 119, strike lines 1 through 20.

Page 118, after line 23, insert:

"E.1. Consistent with the authorization provided in § 4-2.01 b of this act, the boards of visitors or other governing bodies of institutions of higher education shall determine tuition, fees, and charges for each fiscal year. However, tuition increases for undergraduate in-state students shall not exceed nine percent per year.

2. In determining tuition and mandatory educational and general fee charges, the boards of visitors or other governing bodies of institutions of higher education shall (a) not charge resident undergraduate students a tuition and fee rate greater than 25 percent of the cost of their education; (b) charge all nonresident undergraduate students a tuition and fee rate of at least 115 percent of the cost of their education, if the proportion of out-of-state students exceeds 18 percent; (c) charge all nonresident undergraduate students a tuition and fee rate of at least 105 percent of the cost of their education, if the proportion of out-of-state students is less than 18 percent; and (d) charge all other student groups a free market-determined tuition and fee rate. The total cost of education shall reflect the findings and recommendations in the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies. The State Council of Higher Education shall determine the appropriate total cost amounts for each institution.

3. (a) Until such time as the Commonwealth fully funds the recommendations of the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies, the boards of visitors may consider the maximization of revenues by setting tuition at market rate. However, tuition increases for undergraduate in-state students shall not exceed nine percent per year.

(b) The boards of visitors or other governing bodies of institutions of higher education shall set aside a portion of the revenues derived from tuition increases to provide additional financial aid resources, in combination with state, federal, and private resources. In addition, any action or surcharge increasing the cost for

resident undergraduates shall be equally applied to all student groups.

(c) As additional general funds are provided consistent with the recommendations in the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies, the boards of visitors or other governing bodies of institutions of higher education shall begin reducing tuition for undergraduate in-state students correspondingly, consistent with the parameters in subparagraph E.2.(a).

4. In determining tuition and fee charges, the boards of visitors or other governing bodies of institutions of higher education shall not increase the current proportion of nonresident undergraduate students if the institution's nonresident undergraduate enrollment exceeds 25 percent.

5. Norfolk State University, Virginia State University and two-year public institutions are exempt from the restrictions contained in subparagraph 2(b) and 2(c) above.

6. Norfolk State University, Virginia Military Institute, and Virginia State University and two-year public institutions are exempt from the restrictions contained in subparagraph 4 above.

7. Each institution shall communicate its tuition and fee charges, as approved by its board of visitors, to the Secretary of Education, the State Council of Higher Education, and the Chairmen of the House Appropriations and Senate Finance Committees by May 15 of each fiscal year. In addition, each institution shall report to the State Council of Higher Education, in a format prescribed by the State Council of Higher Education, the amount of nongeneral fund revenues derived annually. The State Council of Higher Education shall report to the Chairmen of the House Appropriations and Senate Finance Committees by September 15 of each fiscal year the results of the nongeneral fund survey. This report shall serve as the foundation for required nongeneral fund appropriation adjustments made by the Department of Planning and Budget.

8. Each biennium, beginning in fiscal year 2005, the State Council of Higher Education shall conduct a review of each institution's tuition and fee charges for consistency with the recommendations in the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies. The State Council of Higher Education shall report the results of such a review to Chairmen of the House Appropriations and Senate Finance Committees by November 15."

Explanation:

(This amendment modifies the tuition and fee policy for higher education institutions.)

General Conditions

General Conditions

Language

Language:

Page 504, strike lines 51 through 54.

Page 505, strike lines 1 through 8 and insert:

"E. Expenditures from items in this act identified as "Maintenance Reserve" are to be made only for the maintenance of property, plant and equipment to the extent that funds included in the appropriation to the agency for this purpose in Part 1 of this act are insufficient. Institutions of higher education can expend up to \$1,000,000 for a single repair or project through the maintenance reserve appropriation without a separate appropriation. Such expenditures shall be subject to rules and regulations prescribed by the Governor. To the extent an institution of higher education has identified a potential project that exceeds this threshold, the Director of the Department of Planning and Budget can provide exemptions to the threshold as long as the project still meets the definition of a maintenance reserve project as defined by the Department of Planning and Budget. Only facilities supported wholly or in part by the general fund maintenance reserve appropriations shall utilize general fund maintenance reserve appropriations. Facilities totally supported by nongeneral funds shall accomplish maintenance through the use of nongeneral funds."

Explanation:

(This amendment is self-explanatory.)

Special Conditions and Restrictions on Expenditures

Goods and Services

Language

Language:

Page 595, strike lines 39 through 43 and insert:

"1.a) No motor vehicles (including station wagons) shall be purchased or leased with public funds by the state or any officer or employee on behalf of the state without the prior written approval of the Director, Department of General Services.

b) The institutions of higher education shall be exempt from this provision but shall be required to report their entire inventory of purchased and leased vehicles including the cost of such to the Director of the Department of General Services by June 30 of each

year. The Director of the Department of General Services shall compare the cost of vehicles acquired by institutions of higher education to like vehicles under the state contract.

c) The Director, Department of General Services, is hereby authorized to transfer surplus motor vehicles among the state agencies, and determine the value of such surplus equipment for the purchase of maintaining the financial accounts of the state agencies affected by such transfers."

Explanation:

(This amendment is self-explanatory.)

Higher Education Subcommittee

Item 4-5.08 #1h

Special Conditions and Restrictions on Expenditures

Delegation of Authority

Language

Language:

Page 597, after line 44, insert:

"f. The College of William and Mary, Radford University, the University of Virginia, and Virginia Polytechnic Institute and State University are authorized to enter into a pilot project for selected capital outlay projects through which each named institution shall be delegated all post-appropriation review, approval, administrative, policy and procedural functions performed by the Departments of Planning and Budget and General Services for capital projects supported in part or in whole from the state general fund or state-supported debt. Delegation of authority under this pilot project is subject to the following stipulations and conditions:

1. The following capital projects shall be eligible for the pilot program:

| Educational Facility | Project Description | Amount |
|---|--|---------------|
| College of William and Mary | Renovate/Expand Marshall-Wythe Law Library | \$11,821,000 |
| Radford University | Renovate Young Hall | \$4,716,000 |
| University of Virginia | Construct Materials Science Engineering and Nano-Technology Building | \$7,000,000 |
| Virginia Polytechnic Institute and State University | Construct New Engineering Facility (VTRI Phase I) | \$13,996,000 |

Virginia Polytechnic Institute and State University Improve/Expand Fine Arts Center and Renovate Henderson Hall \$6,542,000

2. The Board of Visitors of each institution shall develop policies, procedures and guidelines for carrying out these capital projects, subject to the review and approval of the Secretaries of Finance and Administration. The Secretaries of Finance and Administration shall approve the institutions policies and guidelines no later than October 1, 2003.

3. The cost of the project shall not exceed the appropriation or debt authorization provided in the Appropriation Act.

4. Each participating institution of higher education shall indemnify all capital projects entered into under the pilot program using any available nongeneral funds, or private resources, including endowment funds held by any foundation affiliated with the institution. Institutions are excluded from using any revenue from tuition and mandatory educational and general fees for this purpose.

5. The institution shall report to the Department of General Service the status of any capital project prior to the commencement of construction and at the time of acceptance of any such capital project.

6. Notwithstanding the provisions of § 2.2-4309, Code of Virginia, no approval of the Governor shall be required for contract modifications as specified therein for the pilot programs of the selected institutions of higher education referenced in paragraph 3, provided that contract modifications of such projects, including construction and architectural and engineering change orders, do not require a supplemental appropriation from the general fund or change the scope of the project;

7. Pursuant to § 4-4.01k. of this act, the Department of General Services must approve any increase or decrease in scope greater than five percent of the gross square footage of the building and any corresponding cost or savings associated with the requested scope change; and

8. The Department of General Services, acting through the Division of Engineering and Buildings, shall continue to function as the State Building Official pursuant to § 36-98.1, Code of Virginia for all capital outlay projects, excluding those at the University of Virginia Medical Center pursuant to §

23-77.4 B.1. Nothing in this section shall be deemed to relieve the institution of any reporting requirements pursuant to § 2.1-403 and § 2.1-404, Code of Virginia."

Explanation:

(This amendment establishes a pilot program to decentralize the post-appropriation capital outlay process for selected projects at four institutions. With the exception of final building inspection, institutions participating in this program will be exempted from central agency review of the project while under design and construction.)

Higher Education Subcommittee

Item 4-5.08 #3h

Special Conditions and Restrictions on Expenditures

Delegation of Authority

Language

Language:

Page 597, line 14, strike "For"

Page 597, strike lines 15-26, and insert:

"b) Pursuant to those provisions, Christopher Newport University, the College of William and Mary, Old Dominion University, Radford University, the University of Virginia, and Virginia Polytechnic Institute and State University are authorized to oversee the capital process for any nongeneral fund capital outlay project appropriated by the General Assembly.

c) The Department of General Services will conduct evaluations of all institutions participating in the nongeneral fund pilot program by July 1, 2003.

d) If the Department of General Services finds an institution not to be in compliance with the policies and procedures currently in effect for the nongeneral fund capital outlay pilot programs, the institution shall report on its remediation efforts to the Governor and chairmen of the Senate Finance and House Appropriations Committees no later than October 1, 2003.

e) By January 1, 2004, the Auditor of Public Accounts shall conduct a follow-up audit of the delegated program at any institution found by the Department of General Services not to be in full compliance with the memorandum of understanding. The Auditor shall report any corrective action that has been taken to bring the institution into compliance to the chairmen of the Senate Finance and

House Appropriations Committees.

f) The Secretary of Administration shall report annually to the General Assembly all institutions that have applied to participate in the nongeneral fund capital outlay pilot program and any institution that has been accepted into the program."

Explanation:

(This amendment requires the Department of General Services to conduct an evaluation of all institutions currently participating in the nongeneral fund capital outlay pilot program. In the event an institution is found not to be performing satisfactorily under the delegated authority, this amendment provides a process for remediating the institution. The amendment also requires the Secretary of Administration to report annually on any institutions seeking to participate in the pilot program.)

Higher Education Subcommittee

Item 4-7.01 #2h

Statewide Plans

Manpower Control Program

Language

Language:

Page 608, strike lines 45 through 47 and insert:

"2.a) The institutions of higher education shall submit information concerning salary and wage positions to the Director, Department of Human Resource Management. The Directors of the Departments of Planning and Budget and Human Resource Management, in consultation with the Executive Director of the State Council of Higher Education for Virginia, shall develop guidelines for collecting information quarterly from the institutions of higher education.

b) The information shall include, but not be limited to, the number of filled general fund and nongeneral fund positions in the educational and general, auxiliary, and sponsored research programs, as well as other pertinent information. Among faculty positions, institutions of higher education shall be required to report the number of full-time equivalent teaching and research positions, administrative positions, part-time faculty positions, and graduate teaching assistants filled within the educational and general program.

c) The data shall be used by the Director, Department of Planning and Budget, for recording employment in the state budget.

d) The State Council of Higher Education for Virginia shall monitor trends in the data and report any substantive findings pursuant to Item 166.B.2."

Page 609, after line 14, insert:

"4. Positions assigned to educational and general programs in the institutions of higher education are for reference only and may fluctuate depending upon workload and funding availability. However, total general fund positions filled by an institution of higher education may not exceed 105 percent of the general fund positions appropriated without prior approval from the Director of the Department of Planning and Budget."

Explanation:

(This amendment is self-explanatory.)