Higher Education Restructuring Act: Six-Year Plans

Virginia Commonwealth University
Board of Visitors
October 11, 2005
Today, the Board is being asked to approve the University’s six-year plans. . .

- The higher education restructuring legislation, passed by the 2005 General Assembly, calls for the development of six-year plans.

- Key components: institutional narrative, academic plan, enrollment plan and financial plans through 2011-12.

- The Board of Visitors is required to approve the plans.

- Plans were submitted to the Governor, SCHEV and Chairmen of the money committees on October 3, subject to the Board of Visitors’ approval.
The academic, enrollment and financial plans emanate from our core values and Strategic Plan, which outline our vision for Virginia Commonwealth University.

- Reaffirms our commitment to access and acknowledges the unique character of VCU’s student body.
- Continues VCU’s commitment to undergraduate enrollment growth, provided there is additional general fund support.
- Includes a focus on growing and strengthening research.
- Takes seriously the requirement to provide excellent graduates for the Commonwealth’s employers.
- Includes accountability for the quality of our academic programs.
- Continues our commitment to our community.

See Tab 6. A for the Institutional Narrative.
The academic plan addresses the nine state goals for higher education.

- The requirement to develop a six-year academic plan comes at a time when VCU has just received reaffirmation of its SACS institutional accreditation with no recommendations.

- VCU is also engaged in a multi-year strategic planning effort to chart the course of the University through the year 2020.

- All of the nine goals to be addressed in the six-year academic plan have already been met in large part by recent and current efforts at VCU, and all will be addressed as a subset of a much larger set of institutional goals by the VCU 2020 Strategic Plan.

Goal 1: Provide access to higher education.

What We Have Done

- History of providing access to Virginians of all backgrounds.
- Among the fastest growing institutions in the Commonwealth.
- Most diverse institution in terms of race/ethnicity of students.
- Nearly half of the incoming freshmen are first-generation college students.

What We Will Do

- Expand and develop enrollment management for more effective recruiting and retention efforts and accurate projections.
- Grow graduate enrollment – double the number of graduate students by 2020.
- Link planning and resource allocation decisions to projected enrollments to ensure success.
Goal 2: Provide affordable higher education.

<table>
<thead>
<tr>
<th>What We Have Done</th>
<th>What We Will Do</th>
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<tbody>
<tr>
<td>• Made an additional $1.25 million available for financial aid in the last three years.</td>
<td>• Make additional aid available for undergraduates.</td>
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<tr>
<td>• Tuition increases have been and are projected to be the lowest in Virginia.</td>
<td>• Increase support for doctoral students.</td>
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<tr>
<td>• Become the most affordable doctoral institution in Virginia.</td>
<td>• Strive to maintain our affordability.</td>
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Goal 3: Offer broad range of mission-relevant academic programs.

What We Have Done

- Added 25 new degree programs in just over five years.
- Increased enrollments in key shortage areas such as education and nursing.
- Committed to grow business and engineering programs by nearly 2,000 students over the next five years in response to demand.
- Begun to address issues of enrollment management and student mix.

What We Will Do

- Nursing post-master's certificate will prepare faculty for RN programs in community colleges and clinical faculty in baccalaureate programs.
- Increase enrollments in: RN-to-BS programs, business, engineering, homeland security, emergency preparedness, forensic science and crime scene investigation.
- Develop interdisciplinary programs in health care majors.
Goal 4: Initiate continuous, rigorous assessment of academic programs.

**What We Have Done**

- As part of SACS reaffirmation of accreditation, received no recommendations – a clear indication of the high academic standards in place.
- Center for Teaching Excellence provides a resource for faculty development to improve academic excellence.
- Quality Enhancement Plan sets high standards for student engagement and learning.

**What We Will Do**

- Revise academic program review process.
- Institutionalize productivity reviews of certificate and degree programs.
- Use and improve WEAVEonline℠, VCU’s web-based assessment data management system.
- Analyze class offerings and enrollment demand to schedule appropriate numbers of entry-level and advanced classes and address the appropriate mix of faculty by rank.
Goal 5: Improve student retention.

What We Have Done

• Increased academic profile and implemented a number of initiatives at improving retention. As a result, have seen steady increase in one-year retention rates for first-time, full-time freshmen. Early data suggest graduation rates will begin to improve.

• Designed programs, such as VCU Works, to increase student engagement while allowing students to work.

What We Will Do

• Establish University College for new undergraduate students.

• Build a residential campus for Business and Engineering.

• Align activities of the Center for Teaching Excellence with the University Learning Center.

• Implement changes related to required math and science courses.

• Develop summer session as a viable third semester to reduce time to degree.
Goal 6: Develop articulation agreements.

<table>
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<th>What We Have Done</th>
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<tbody>
<tr>
<td>• Have articulation agreements with all Virginia community colleges.</td>
</tr>
<tr>
<td>• Welcome applications from community college students who have earned the appropriate associates degrees. With certain exceptions that apply to all VCU students, students holding these degrees have junior standing and are considered to have met all lower division general education requirements.</td>
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<table>
<thead>
<tr>
<th>What We Will Do</th>
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<tbody>
<tr>
<td>• Assign articulation agreements, transfer admission and advising to University College.</td>
</tr>
<tr>
<td>• Establish a Guaranteed Admission Agreement with the VCCS.</td>
</tr>
<tr>
<td>• Ensure the VCCS teacher-preparation agreement works to the advantage of students who begin their education at a Virginia community college.</td>
</tr>
<tr>
<td>• Regularly assess the effectiveness of these activities and modify as needed.</td>
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</table>
Goal 7: Stimulate economic development. . .

What We Have Done

• Contribute $1.5 billion annually in direct expenditures to Richmond and Central Virginia economies.

• President actively engaged in economic development through leadership roles in Richmond Chamber of Commerce and Richmond Renaissance – serves as a model for university-community partnerships.

• Virginia BioTechnology Research Park provides on-going opportunities for economic development and partnerships.

What We Will Do

• Phillip Morris will open its $300 million research facility in the Research Park in 2007.

• Complete the Monroe Park Campus Addition, helping to revitalize and develop the economy of a critical area of downtown Richmond.

• Continue efforts to develop collaborations between businesses, government agencies, communities, and higher education institutions in the I-64 Corridor between Richmond and Tidewater and in the I-95 Corridor to the North.
Goal 8: Engage in research. . .

What We Have Done

• Experienced dramatic growth in the size of the research enterprise.

• Made significant investments in the research infrastructure.

• Adopted a strategic plan for the School of Medicine, which seeks to raise its national research rankings from 60th to 45th in the nation.

What We Will Do

• Develop core research facilities to attract new research funding.

• Increase space dedicated to research and upgrade animal facilities.

• Increase non-NIH funding to be more in line with our peers.

• Hire additional faculty in accordance with the School of Medicine strategic plan.

• Seek and achieve accreditation of our human subjects protection program.
Other planned research activities include:

- Develop a regular program of faculty outreach to heighten awareness and knowledge of technology commercialization among VCU researchers.
- Increase contractual research with industry, especially clinical research.
- Hire additional licensing agents to assist in invention development and marketing.
- Deploy software modules to assist in monitoring, planning and developing VCU’s intellectual properties.
Goal 9: Develop K-12 partnerships. . .

What We Have Done

• Been awarded grants, such as the NSF Math-Science Collaborative to improve teaching in public schools.

• Developed an undergraduate curriculum designed specifically for future elementary school teachers.

• Created centers and institutes dedicated to the improvement of public education and policy analysis and advocacy related to public schools.

• Implemented initiatives to develop the leadership skills of school administrators.

What We Will Do

• Continue the strong outreach programs in the Schools of Social Work, Education and in the Office of Community Programs.
Turning to enrollments, VCU’s overall headcount enrollments are projected to increase to about 34,000 students by 2012.

• On-campus degree-seeking undergraduate enrollments will increase to over 21,000, with new growth primarily occurring in the Schools of Business and Engineering as is consistent with VCU’s planned Monroe Park Campus Addition.

• Graduate enrollment will increase consistent with VCU’s goals to double the number of graduate students by the year 2020, and to grow the graduate Nursing and Public Health programs.

• Future projections are estimated to cap at around 34,000 students, assuming additional general fund support is provided for resident enrollment growth.

See Tab 6. C for the Enrollment Plan.
The 2012 projections represent a 58% increase over 1995-96 headcount enrollment levels.

1995-96: 21,349
2011-12: 33,818
The financial plans.

- Reflect two financial planning scenarios:
  - No increase in general fund support, and
  - Incremental general fund support based upon a general fund share for costs for all in-state students as set forth in the current biennial budget.

- Include anticipated tuition and fee charges, and strategies for providing sufficient financial aid to mitigate tuition and fee increases.

- Reflect a “base funding” level calculated by SCHEV and based on the University’s six-year enrollment projections.
  - Under either scenario, institutions were to assume realistic tuition rates. For VCU, a number of factors were considered including the level of tuition that could be raised by various student groups and the competitive market.

The General Assembly’s base adequacy model is used to determine base funding needs.

- Student enrollments drive the calculation taking into consideration the various disciplines, faculty salary averages, and national peer spending rates for indirect costs (academic support, student services, institutional support, and operation and maintenance of plant).

- The calculation determines the appropriate level of state support based on the state/student cost sharing formula:
  - Resident students are to pay 33% of the full cost of education
  - Nonresident students are to pay 100% of the full cost of education
SCHEV provided the key financial factors for the base funding for the six-year plans.

- The amounts calculated by SCHEV are the estimated resources an institution needs by 2011-2012 based on:
  - **Enrollments**: VCU FTE enrollments, excluding VCU-Qatar, reflect 23,667 FTE for the base year (FY 2005-06), growing to 27,430 FTE at FY 2011-12.
  - **Faculty salary increases**: As calculated by SCHEV, VCU requires an annual faculty salary increase of 4.1% to achieve the 60th percentile of its peers by FY 2011-12.
  - **Staff salary increases**: SCHEV guidance does not identify a classified salary increase factor, although the model is assumed to provide sufficient resources for the increase.
  - **Cost sharing**: For VCU, this is an overall 55% general fund / 45% tuition requirement.

- The 2011-12 calculation is compared to the 2005-06 appropriation in total, with the general fund and tuition differences spread evenly over six years.
The general fund amounts in the financial plans reflect a modification in the state cost sharing assumptions.

- The General Assembly’s cost sharing model assumes that resident students are to pay 33% of the full cost of education with nonresidents paying 100%, resulting in an overall 55/45 fund split.

- The model calculates both a total base adequacy shortfall as well as the appropriate share from taxpayer dollars.

- The revised methodology used by SCHEV modifies the basic cost sharing formula by applying the 55/45 fund split to future resources only. As a result, the historical inequity in our existing base budget between state support and tuition is not addressed.
At VCU, this revised methodology results in shifting $29.4 million from state taxpayer support to tuition by 2012.

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<tr>
<th></th>
<th>VCU Current FY06 Appropriation</th>
<th>Original Cost Sharing*</th>
<th>Modified Cost Sharing</th>
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<tbody>
<tr>
<td>General Funds</td>
<td>$162,415,547</td>
<td>47%</td>
<td>$303,011,132</td>
</tr>
<tr>
<td>Nongeneral Funds (Tuition)</td>
<td>$185,606,886</td>
<td>53%</td>
<td>$247,250,310</td>
</tr>
<tr>
<td>Total</td>
<td>$348,022,433</td>
<td>100%</td>
<td>$550,261,442</td>
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Base Adequacy Shortfall

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<tbody>
<tr>
<td>General Funds</td>
<td>$ (140,595,585)</td>
<td>$ (111,231,455)</td>
</tr>
<tr>
<td>Nongeneral Funds (Tuition)</td>
<td>(61,643,424)</td>
<td>(91,007,554)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (202,239,009)</td>
<td>$ (202,239,009)</td>
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$29,364,130 difference in general funds

* Reflects state funding goal of providing 67% of the cost of education for resident students and no support for nonresident.
Under the general fund scenario, general funds per resident FTE return to previous high levels based on inflation-adjusted dollars.
While under the no general funds scenario, the general funds per FTE, using inflation-adjusted dollars, remains at the current low levels.
Regardless of the scenario, the financial plans are based on existing planning documents and known commitments, including...

- Strategic Plan
- Enrollment Plan
- Monroe Park Campus Addition Plan
  - Schools of Business and Engineering
- School of Medicine Strategic Plan
- Library Plan
- Capital Plan (debt, operation and maintenance of plant, and repair and reserve requirements)
- Unavoidable cost increases
## In E&G, the key differences between the plans are...

### General Funds Scenario
- $182.4M of new resources.
- Faculty raises of 4.1% per year.
- Funds collateral/tenure track improvements.
- Classified raises of 3% per year.
- $3 million of additional student aid.
- Implements Strategic Plan initiatives.
- Tuition increases by 37% for resident students over the six years.
- Meets enrollment projections.

### No General Funds Scenario
- $95.5M of new resources.
- Faculty raises of 1.8% per year.
- Limits ability to address collateral/tenure track needs.
- No classified raises.
- $4.5M of additional student aid.
- Limits Strategic Plan initiatives.
- Tuition increases by 72% for resident students over the six years.
- No additional resident enrollment growth; reduced resources to support enrollment growth in the pipeline.

See Tab 6. D, pages 5 – 6, for a detailed comparison between the two scenarios.
Under the no general fund scenario, a resident undergrad would pay $1,392 more in tuition by 2011-12 than the same student under a general fund scenario.

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<tbody>
<tr>
<td>Annual percentage increase</td>
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<tr>
<td>Resident students</td>
<td>5.4%</td>
<td>6.5%</td>
<td>6.1%</td>
<td>4.5%</td>
<td>4.8%</td>
<td>5.25%</td>
<td>37.3%</td>
<td></td>
</tr>
<tr>
<td>Nonresident students</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.5%</td>
<td>4.8%</td>
<td>5.25%</td>
<td>15.3%</td>
<td></td>
</tr>
<tr>
<td>Annual tuition</td>
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<td></td>
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<tr>
<td>Resident undergraduates</td>
<td>$3,969</td>
<td>$4,183</td>
<td>$4,455</td>
<td>$4,727</td>
<td>$4,940</td>
<td>$5,177</td>
<td>$5,449</td>
<td>$1,480</td>
</tr>
<tr>
<td>Resident graduates</td>
<td>$6,369</td>
<td>$6,713</td>
<td>$7,149</td>
<td>$7,585</td>
<td>$7,927</td>
<td>$8,307</td>
<td>$8,743</td>
<td>$2,374</td>
</tr>
<tr>
<td>Nonresident undergraduates and graduates</td>
<td>$15,904</td>
<td>$15,904</td>
<td>$15,904</td>
<td>$15,904</td>
<td>$16,620</td>
<td>$17,417</td>
<td>$18,332</td>
<td>$2,428</td>
</tr>
</tbody>
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| No General Fund Scenario |         |         |         |         |         |         |         |            |
| Annual percentage increase |         |         |         |         |         |         |         |            |
| Resident students     | 8.0%    | 9.0%    | 10.0%   | 10.0%   | 10.0%   | 10.0%   | 10.0%   | 72.4%      |
| Nonresident students  | 4.0%    | 4.5%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 32.1%      |
| Annual tuition        |         |         |         |         |         |         |         |            |
| Resident undergraduates | $3,969 | $4,287  | $4,672  | $5,140  | $5,653  | $6,219  | $6,841  | $2,872     |
| Resident graduates     | $6,369  | $6,879  | $7,498  | $8,247  | $9,072  | $9,979  | $10,977 | $4,608     |
| Nonresident undergraduates and graduates | $15,904 | $16,540 | $17,284 | $18,149 | $19,056 | $20,009 | $21,009 | $5,105     |

See Tab 6. D, pages 10 – 17, for tuition rates under the two scenarios.
Increases in tuition rates cannot offset the loss of general fund support, with the largest impact on compensation and instructional support for enrollments.

<table>
<thead>
<tr>
<th></th>
<th>General Funds 2011-12</th>
<th>No General Funds 2011-12</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Funds</td>
<td>$111,231</td>
<td>-</td>
<td>$(111,231)</td>
</tr>
<tr>
<td>Tuition from Enrollment Growth</td>
<td>28,046</td>
<td>19,526</td>
<td>$(8,520)</td>
</tr>
<tr>
<td>Tuition from Rate Increases</td>
<td>41,815</td>
<td>74,689</td>
<td>32,874</td>
</tr>
<tr>
<td>New Fees</td>
<td>1,309</td>
<td>1,309</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$182,401</td>
<td>$95,524</td>
<td>$(86,877)</td>
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</tbody>
</table>

| Expenditures*                  |                       |                          |                  |
| Address Compensation and Faculty Composition | $74,088              | $27,573                  | $(46,515)        |
| Need-based Undergraduate Financial Aid | 3,000                | 4,500                    | 1,500            |
| Support Enrollment Growth      | 68,532                | 34,162                   | $(34,370)        |
| Support Remaining Strategic Plan Initiatives | 9,874                | 9,074                    | $(800)           |
| Address Library Needs          | 4,820                 | 3,539                    | $(1,281)         |
| Support Student Services       | 1,831                 | 849                      | $(982)           |
| Support Facility and Central University Needs | 25,105               | 20,676                   | $(4,429)         |
| Planned Reallocations          | (4,849)               | (4,849)                  | -                |
| Total Expenditures             | $182,401              | $95,524                  | $(86,877)        |

* in thousands
Under either scenario, and beyond the Board approved plan for the School of Medicine, the University is committed to funding two key Strategic Plan initiatives.

- University College – provides a single home for interrelated programs, services and learning opportunities.
  - Key component of the Strategic Plan
  - Incremental funding is relatively modest, with $4.1 million being provided through reallocations

- VCU Compact – guarantees students and their families that our graduates have the foundations for lifelong success.
  - Important component of the Strategic Plan
  - $700,000 of funding provided through reallocations
In Auxiliary Enterprises programs, the results under the two models are very similar.

- Minor differences are due to salary and tuition rate assumptions.
- University Fee is projected to increase between 57% - 60% over the six-year period primarily to support debt and other facilities needs, including $55.6M in recreational facilities for the two campuses.
- Student Housing rates are projected to increase by 4% per year.
- Dining rates are projected to increase by 3% through FY08, and then 5% thereafter.
- Student Health Fee is projected to increase by 3% per year.
Total increases over the six-year period vary by scenario and whether the student lives on-campus or in private housing.

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<tbody>
<tr>
<td><strong>Annual tuition and fees</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Undergraduate resident students</td>
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<td></td>
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<tr>
<td>living on-campus</td>
<td>$12,427</td>
<td>$13,038</td>
<td>$13,700</td>
<td>$14,477</td>
<td>$15,125</td>
<td>$15,817</td>
<td>$16,564</td>
<td>$4,137 33.3%</td>
</tr>
<tr>
<td>Undergraduate students</td>
<td></td>
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<tr>
<td>living in private housing</td>
<td>$5,385</td>
<td>$5,744</td>
<td>$6,144</td>
<td>$6,588</td>
<td>$6,888</td>
<td>$7,215</td>
<td>$7,582</td>
<td>$2,197 40.8%</td>
</tr>
</tbody>
</table>

| No General Fund Scenario |         |         |         |         |         |         |         |            |
| Annual tuition and fees |         |         |         |         |         |         |         |            |
| Undergraduate resident students |         |         |         |         |         |         |         |            |
| living on-campus | $12,427 | $13,138 | $13,905 | $14,869 | $15,817 | $16,835 | $17,931 | $5,504 44.3% |
| Undergraduate students |         |         |         |         |         |         |         |            |
| living in private housing | $5,385 | $5,844 | $6,350 | $6,980 | $7,579 | $8,234 | $8,950 | $3,565 66.2% |

VCU
For sponsored programs, overall expenditures are projected to increase by $54.5 M including $9.0 M in indirect cost recoveries (FACR).

- There are minor differences in the plans due to salary and tuition rate assumptions.
- The indirect cost recoveries will be used to provide research support to schools and departments.
- As with Auxiliary Enterprises, resources are needed to support debt service consistent with the Capital Plan.
For student financial assistance. . .

• The additional general fund scenario includes a calculated amount in general fund support based on the tuition rate increases assumed in the plan for resident undergraduate students.
  – Additional general fund support for need-based undergraduate aid grows from $10.8 million in 2005-06 to $15.2 million by 2011-12.

• Both E&G scenarios assume additional University allocations of aid from E&G tuition revenues.
  – Under the additional general funds scenario, allocations increase $3.0 million by 2011-12.
  – Under the no general funds scenario, allocations increase $4.5 million by 2011-12.
While it is unlikely that either scenario will be adopted. . .

• The plans provide meaningful information on:
  – Existing institutional commitments
  – Unavoidable cost requirements
  – Impact of the capital plan on the operating budget
  – Cost to implement the Strategic Plan

• The plan defines the upper limits on tuition rate increases.
In conclusion, we are asking that the Board of Visitors approve the six-year plans.

• Upcoming 2006-08 budget activities include:
  – Governor submits 2006-08 biennial budget recommendations to the General Assembly on December 16, 2005.
  – Board of Visitors approves 2006-07 tuition and fees and operating budget in April 2006.