Overview of Base Budget Adequacy

As of August 2006
Overview

• Background
• BBA concepts
• How does the model work?
• BBA methodology
• Fund split
• Updating the model
• Executing the Model
Background

Joint Subcommittee formed during the 1998-2000 biennium to provide public institutions with an equitable funding methodology.

- Technical Assistance Group formed to develop a new funding model.
- General Assembly finance staff, consultants from MGT of America, Inc., and representatives from higher education institutions (including Virginia Tech).
BBA Model Concepts

The model addresses both personnel and operating budgets.

The model is a growth model, with two major input factors:

- Faculty salary average, adjusted to reflect level and full-time vs. part-time and adjunct status.
- FTE enrollments, considering students in all academic levels and all resident categories.

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BBA Model Concepts (cont.)

The model is designed to:

• Recognize differences in institutional mission
• Provide incentive for productivity
• Recognize enrollment growth
• Establish fund split policy
How Does the Model Work?
The model covers only the Educational and General (E&G) costs in the University Division

Virginia Tech 2006-07 Budget
Dollars in Millions

<table>
<thead>
<tr>
<th>E&amp;G - University Division</th>
<th>$425.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;G - CE/AES</td>
<td>79.3</td>
</tr>
<tr>
<td>Subtotal</td>
<td>504.7</td>
</tr>
<tr>
<td>Auxiliary Enterprise</td>
<td>170.1</td>
</tr>
<tr>
<td>Sponsored programs</td>
<td>202.1</td>
</tr>
<tr>
<td>Student Financial Aid</td>
<td>15.8</td>
</tr>
<tr>
<td>Other</td>
<td>5.5</td>
</tr>
<tr>
<td>Total</td>
<td>$898.2</td>
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</tbody>
</table>
How Does the Model Work? (cont.)

The model includes only direct instructional activities and related support costs:

Virginia Tech 2006-07 E&G Appropriation—University Division

<table>
<thead>
<tr>
<th>Amounts Determined</th>
<th>Amounts Assumed to be by the Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>Sufficient</strong></td>
</tr>
<tr>
<td>Instruction</td>
<td>$242.5 (16.7)</td>
</tr>
<tr>
<td>Research</td>
<td>20.5 (20.5)</td>
</tr>
<tr>
<td>Public Service</td>
<td>14.2 (14.2)</td>
</tr>
<tr>
<td>Academic Support</td>
<td>50.3</td>
</tr>
<tr>
<td>Student Services</td>
<td>12.9</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>40.4</td>
</tr>
<tr>
<td>O&amp;M of Plant</td>
<td>44.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$425.4 (51.4)</td>
</tr>
<tr>
<td></td>
<td>$374.0</td>
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</tbody>
</table>

(a) $11.3M Veterinary Medicine instruction and $5.4M community education.
BBA Model Methodology

Calculation of Instructional costs based on:

- Credit hours delivered
  - Utilized to derive the number of faculty needed, based on target student-to-faculty ratios by discipline and level
  - Calculation uses a three year average of credit hours

- Faculty salary average, blended to reflect a mix of full-time, part-time, and graduate teaching assistants

Non-faculty Instructional Costs

- Covering items such as support staff, operating and fringes.
BBA Model Methodology (cont.)

Calculation of Support costs based on:

- Cost data from national set of peers based on institution type (VT, UVA, and VCU are the research institutions)
- Linear regression models developed for each of the four support categories
- For Academic Support, Institutional Support, and O&M of Plant, the model utilizes a fixed amount plus a percentage (generally of Instruction, Research, and Public Service programs)
- Student Services is based on a fixed amount per headcount
Fund Split

• The Model determines the total funding requirements.
• It also allocates the funding requirements according to the legislated Fund Split as follows:

<table>
<thead>
<tr>
<th></th>
<th>GF</th>
<th>NGF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>n/a</td>
<td>100%</td>
</tr>
</tbody>
</table>

Based on enrollment at VT, this results in a fund split of 44% GF and 56% NGF
Updating the BBA Model

• Each year brings a new set of inputs
  – Enrollment totals and mix
  – Faculty salaries
  – Approved base E&G budget

• Changes in these factors will cause this model to move, sometimes dramatically.
Student to Faculty Ratio is Critical

Ratios vary by:

– Level
  • Graduate Ph.D.
  • Graduate Masters
  • Undergraduate upper division
  • Undergraduate lower division

– Discipline
Executing the BBA Model

• SCHEV runs the BBA model in Fall
• Total need (as determined by the model) is compared with each institution’s actual E&G appropriation to determine the funding shortfall
• Governor & General Assembly have discretion in the application of the model