

Overview of Base Budget Adequacy

As of August 2006

Overview

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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).
- Base Budget Adequacy Model (BBA) built in phases over period of August 1998 – November 2003.

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

E&G - University Division		\$425.4
E&G - CE/AES		79.3
Subtotal		504.7
Auxiliary Enterprise		170.1
Sponsored programs		202.1
Student Financial Aid		15.8
Other		5.5
Total		\$898.2

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

Dollars in Millions

			Amounts Assumed to be Sufficient	Amounts Determined by the Model
	Total			
Instruction	\$ 242.5	(16.7)	(a)	\$ 225.8
Research	20.5	(20.5)		-
Public Service	14.2	(14.2)		-
Academic Support	50.3			50.3
Student Services	12.9			12.9
Institutional Support	40.4			40.4
O&M of Plant	44.6			44.6
Total	\$ 425.4	\$ (51.4)		\$ 374.0

(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:

	GF	NGF
Residents	67%	33%
Nonresidents	n/a	100%

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