

**Remarks to the Higher Education Advisory Committee**  
**Linwood H. Rose, Council of Presidents**  
**June 30, 2011**

First, let me say that we have nine college and university presidents or chancellors on this committee. We often don't agree on as much as some might like, but I can assure you that we all are of one voice in expressing once again how appreciative we are that Governor McDonnell has demonstrated the leadership that he has in promoting the Top Jobs legislation. We are uniformly thankful to the General Assembly for its overwhelming support of the bill. Finally, as I have said on other occasions, we are particularly appreciative of the carrot rather than the boot that is at the heart of the ideas and reforms that have been proposed.

In speaking about incentives and outcomes, I begin with the four-part funding model that the Top Jobs or TJ-21 legislation enacts into law. Increased enrollment directly connects with two components of the funding model – base operations and instructional funding which is driven by enrollment levels, and the per student enrollment growth incentive. Student financial aid comprises the third part of the new funding model. Funding sources for financial aid include federal, state and institutional resources. The fourth component – described in the legislation as Economic and Innovation Incentives – envisions a variety of reforms and initiatives that are achieved through institutional effort with state inducement.

It is the committee's responsibility to develop these incentives and the measures by which their effectiveness will be judged, but we appreciate that the presidents have been invited to offer ideas and suggestions for the committee's consideration. As the incoming Council of President's Chair, I am pleased to report that while we will need some more time to fully develop and vet our collective proposals for specific outcomes and incentives, we have begun the effort and I have some thoughts that I can share with you today regarding seven key areas that have been identified: enrollment and degree growth, STEM-Health fields, instructional technology, year-round use of facilities, research, student financial aid, and accelerated degree completion. Once we complete our work we will be in a position to share a matrix that will include detailed initiatives accompanied by the incentives, qualifications and measures. I have attached a copy of the matrix format so you can better visualize how these incentives might be presented.

**Enrollment and Degree Growth**

We take it that enrollment growth and degree production are the principal interests among all of the concepts and reforms mentioned in the TJ-21. As the Governor mentioned at the bill signing, early indications are that approximately 6,000 more Virginians will be enrolled in our colleges and universities in 2011-12. One enrollment growth inducement was actually identified in the legislation: the per-student enrollment growth incentive. This advisory committee will need to determine the amount of the incentive, but it is defined in the Bill as a significant increment of state funding designed to follow the student to the public or private institution of their choice. With respect to four-year public institutions, the amount is to correspond as nearly as practical to the TAG (Tuition Assistance Grant) for our private, not-for-profit institutions.

This funding will provide incentive to institutions to continue to grow on a desired path. Based on the work of the Governor's Commission as referenced in the legislation, we understand the concept here to be that this per-student amount will be available immediately upon certification of enrollment levels, thereby providing a timely, if incremental, funding boost that will be extremely helpful in offsetting faculty and instructional resource costs. It will be a bridge, if you will, to the full consideration of the higher enrollment levels when the base operating and instructional funding is re-calculated thereafter.

I must emphasize here, that if we expect institutions to continue to grow in concert with the degree objectives of the Bill, what we have known heretofore as base adequacy – and what the legislation now calls Base Operations and Instructional

funding – must be addressed. The per-student growth incentive now approximately \$2,700 based on the TAG amount should be viewed as a “down payment” on the average cost of education. Institutions have in the past enrolled substantial numbers of additional students predicated on funding commitments that were never realized. A new funding model must be rooted in good faith and trust if colleges and universities are to admit the number of students necessary to realize our degree completion goals.

An increase in degrees awarded can be achieved with expanded enrollment and constant retention rates, or it can be achieved with steady enrollment, but with improved retention and progress in time-to-degree. For some institutions it may be better to incent enrollment expansion while at other institutions, additional funds for advising and support services and student financial aid may be wiser expenditures, rather than simply increasing the input. The Commission’s interim report suggested establishing a direct financial incentive for improved retention and graduation rates that is tied to meeting or surpassing such rates at peer institutions. This approach seems worthy of serious consideration by this Committee. Whatever the incentive and route taken, the measure of success should be the same – more degrees awarded.

I understand that you will hear later from SCHEV about our progress with dual enrollment and transfers from two to four-year institutions. These efforts will continue to be important ways to strengthen access and affordability to post secondary education.

We have enjoyed considerable progress, given the economic conditions we have faced, in moving capital construction ahead. However, before leaving the subject of enrollment and degrees it should be noted that some colleges and universities must have additional space before any meaningful expansion can occur. This is particularly true for some of the campuses in our community college system.

## **STEM-H**

Now, let me move to initiatives related to what we commonly call STEM and Health-related fields. We must recognize that there are at least two dynamics at play with this subject. In some STEM-H disciplines, we have excess student demand, that is, we have interest beyond our capacity to serve. Our limitations might be faculty, space, clinical assignments, or operating budgets. In other cases, we witness insufficient demand to grow our numbers. The former is more easily addressed, while the latter is a systemic problem that is being targeted, but one that will take years to turn around.

To incent expansion in the STEM and Health fields we have discussed ideas such as awarding the enrollment growth incentive at a factor of 1.5 for approved enrollment projections with STEM targets. These are some of our most expensive programs so a GF base budget multiple might also be effective in encouraging growth.

Enticing more young people to join the STEM-H professions is also important and we have contemplated the positive effects of scholarships for undergraduate and graduate students, tuition discounting in certain disciplines and forgivable loans for service. Expanding student enrollments in the sciences means hiring more faculty. Incentive funds that would provide a state match to laboratory start-up costs would also be helpful in improving our position in a competitive job market.

## **Instructional Technology**

Advances in technology, especially in “cloud” storage and access, and in video transmission, made possible by higher speed data networks, have created opportunities for enhancing student access while maintaining or improving instructional quality. With sufficient sharing and scaling we also have the opportunity to lower costs.

We see several areas where state provided incentives could move the adoption and sharing of emerging technologies along at a more rapid pace. It may well be time to develop a coordinated plan for instructional technology infrastructure and learning management systems for the Commonwealth's institutions of higher learning. I want to be careful to point out that we are speaking about "coordinated" not necessarily "centralized." As we know full well, Virginia's diversified set of institutions serving different missions and constituents has worked to the Commonwealth's benefit. We remain steadfast in our unique characters, but newer "open source and standards" technologies provide opportunities for sharing, cost reduction, and improved services. We have a proven model of such coordinated effort through the Virtual Library of Virginia where state resources are leveraged \$1 to \$5 to expand books and resource materials to both public and private higher education institutions.

Course redesign and on-line course development, particularly in STEM and in other high demand courses, is an interest that exists on most of our campuses. The portfolio of on-line courses available to our students is expanding and course redesign for electronic delivery is also an area that may offer the greatest potential for resource sharing and cost reduction. Just last week at Virginia Tech's invitation, over 100 institutional representatives attended an open house to showcase the Math Emporium, a nationally recognized course redesign model. Participants from around the state got a hands-on look at this facility and resources that have saved Virginia Tech millions in instructional costs while increasing student learning outcomes.

It should be recognized that the equivalent of a "new product development division" found in private business, disappeared from the organizational chart of our colleges and universities about three recessions ago. Therefore, wholesale course redesign requires faculty release time from other instructional responsibilities and support from technologists. On-line course design does not mean "post your powerpoints" on Blackboard or some other learning management system. We are moving into the creation of digital, multimedia content that is highly interactive and academically robust. Incentive funds from the state for this type of initiative will provide marketable and measurable courses that can address the needs of traditional and non-traditional students.

It may also be time to think about the creation of a new degree-granting entity in the Commonwealth, one that would collaborate with our public and private colleges and universities to provide a catalog of on-line courses that when properly arranged and sequenced might lead to a no-frills low-cost degree in areas with high workforce demand. This may prove to be a powerful tool in addressing the educational needs of those Virginians who have completed some college credit, but who have not yet attained a degree.

We envision that a low-overhead, central organization could contract with existing institutions for its student information, financial aid, financial accounting and other needed systems. Initially, it might serve curricular needs in only major areas of study, leaving the first two years to our community college system. The mission of this entity would be to provide degrees, rather than the full "collegiate experience" offered by most of the institutions in the state. Conceptually, such a degree-granting entity could be newly created for this purpose, or it could be an existing institution that chooses to offer this sort of online degree. From our discussions of this concept to date, it appears that numerous public and private institutions would be willing to assist with instructional content and other services, but whether being the degree-granting entity for an entirely online degree is compatible with any existing institution's mission, plan and "brand" is a separate question. That is an area this Committee may want to explore.

While not an incentive per se, an investment by the State, perhaps with SCHEV, to better understand the demand for on-line education would be very helpful. This would be especially beneficial in designing the curriculum and delivery mechanism for this population.

The University of Virginia, Virginia Tech, George Mason, and James Madison are working together as a collaborative called 4-VA, with Cisco. We are considering how we might use the Cisco technologies to expand dual enrollment offerings around the state, but especially in geographic areas with underserved populations. We will also be using the telepresence technology to expand and improve offerings in STEM areas and in sharing instructional resources in disciplines such as languages and cultures. The Commonwealth has provided an incentive of \$850,000 per institution to advance this initiative. The effort is not in any way intended to be exclusive, but in the formative stages a manageable number of participants is advantageous. As ideas and concepts transition to courses and programs, other institutions will be encouraged to join the collaborative.

It is encouraging that Cisco, in conversations that have included Governor McDonnell and the company's CEO John Chambers, has decided to work collaboratively with our higher education institutions to make Virginia a model for enhanced collaboration in technologically advanced instructional delivery. It is the kind of public-private cooperative effort envisioned by the Governor's Commission and embodied in the TJ-21 legislation.

### **Year-Round Use of Facilities**

Considerable activity is currently scheduled in the summer months on many college campuses: summer school, conferences and camps are the norm. However, institutions have continued to look at how campus facilities might be used to greater advantage in the summer months. Suggestions that have emerged include expansion of traditional summer school offerings, that could be linked to initiatives designed to accelerate time to degree. For example, one of our large urban universities is furthering the development of summer session as a "third semester" to reduce time to degree by offering additional sections of gateway, bottleneck and required courses.

Expansion of summer college readiness programs for recent high school graduates may prove helpful, not only in use of facilities, but in assisting students with skill development necessary for advancement through their course of study. A common syllabus could be developed such that registered students could take the program at a college near their home rather than at the college they plan to attend. Incentives related to this initiative might incorporate general fund assistance with 12-month faculty appointments and summer financial aid.

Discussion of this topic in the Commission proceeded along two tracks that may be useful to highlight here. One track emphasized the need for every institution to have a plan for optimal year-round utilization of facilities and resources. While recognizing the uniqueness of each institution, the legislation embodies the expectation that every school will have a year-round optimization plan.

At the same time, year-round utilization is listed among the areas targeted for incentive funding, and this raises the possibility that some institutions will be assisted financially in implementing a more far-reaching change to a year-round instructional model. As the discussion goes forward in this Committee, it may be useful to think in terms of supporting one or more pilot projects for the latter, more far-reaching type of change, while including year-round optimization planning as one of several requirements and criteria by which all institutions qualify for performance-based funding.

### **Research**

University-based research activity is a powerful stimulator for economic development. We should do all that we can to encourage investment in research programs that are linked to the strategic interests of the Commonwealth. We think it is

time to revisit the methodology used for indirect cost recovery. In fact, to incent research activity it is suggested that the 2003 thirty percent cap be removed so that 100% of indirect costs might be used for incentivizing research funding.

The Commonwealth has struggled over the years in defining a strategic research agenda, but we believe that it would be in the State's interest to define the domain areas of strategic importance. We look forward to working with the Center for Innovative Technology to complete the Commonwealth Research and Technology Strategic Roadmap as they identify key industry sectors where investments in research and technology are justified.

Incentive funds could also be effectively used to fund research that is poised for commercialization. One incentive would be a competitive "proof of concept" grant to bridge the "valley of death" and to encourage commercialization of promising technologies. A second initiative would be a commercialization fund to facilitate securing intellectual property and catalyze entrepreneurial activities. We appreciate the efforts made by the Governor and General Assembly to increase funding by \$4 million to the Commonwealth Research Commercialization Fund.

### **Student Financial Aid**

All of our institutions are complementing state funding for financial aid with funding from private sources and from student tuition. Institutional capacity to provide funding varies considerably among institutions. Many if not most institutions would identify enhanced funding for need based student aid as a number one priority for additional state funding, especially given the pending Pell Grant reductions. Once SCHEV provides the information base for this Committee to develop the operational definition of "middle income," then revised methodologies for distribution of available funds can be made.

### **Accelerated Degree Completion**

Knowing that a reward would be available for the reduction in the average time-to-degree calculation for a particular college or university might serve as an incentive to that institution to "shepherd" students through the process more quickly. An award pool might be utilized to enhance funding for faculty and staff development, performance bonuses, or to support an innovation grant fund.

While it is the case that institutions can effect an improvement in time-to-degree statistics, changing student behavior is perhaps a richer target of opportunity. A tuition rebate, or partial loan forgiveness, for the student who completed his/her degree in fewer than eight semesters might be a possibility. Again, the increased availability of financial aid in the summer could well encourage more rapid progress through the curriculum.

Only a small percentage of students (20-25 percent) who now enter a four-year college with 20-30 credits actually finish in fewer than four years. To increase the number of students who finish in less than four years, institutions need to create advising and support offices to market, custom design, and package three-year degree programs. Additional funding to support such an effort would stimulate this activity. A variation of this would be to support 3+1 programs in which at the end of four years the student would receive a bachelors and masters degree.

### **Summary**

My intention in our time together today was not to discuss all of the ideas that have come forward, nor to advance any particular incentive, but rather to expose you to some of the thinking that has occurred to date. In case you are wondering, I should mention that I have purposely deferred two related topics that will be addressed by others at upcoming meetings.

One is the general subject of the “economic opportunity metrics” that are called for in the legislation – I understand that a representative of NCHEMS will discuss that at our next meeting. And the other is what to do with the existing Institutional Performance Standards and the corresponding benefits tied to the IPS under the Restructuring Act. I am aware that Peter Blake will be offering SCHEV insights regarding the IPS. It seems logical to begin with development of the incentives and measures tied to the objectives of the Top Jobs legislation, and then circle back to the IPS and reconcile the two.

Hopefully, some of the incentive ideas in this presentation have generated questions in your mind, or better yet, they have served as catalysts for other good ideas. With Deputy Secretary Fornash’s approval I would like invite your comments and suggestions now.

It would be my hope that in the Advisory Council’s August meeting the presidents, with the benefit of your feedback today and your active input over the course of the next several weeks, would have vetted these and other ideas so that we could return with a set of proposed incentives, qualifications, and performance measures for your consideration.

#	Category	Thoughts, ideas, suggestions	Funding incentives	Qualifying Criteria	Performance Measures
1	Enrollment & Degree Production				
2	STEM -H				
3	Instructional Technology				
4	Year-round use of Facilities				
5	Research				
6	Student Financial Aid				
7	Accelerated Degree Completion				