

WEST VIRGINIA  
SECRETARY OF STATE

KEN HECHLER

ADMINISTRATIVE LAW DIVISION

Form 3

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OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

NOTICE OF AGENCY APPROVAL OF A PROPOSED RULE  
AND  
FILING WITH THE LEGISLATIVE OVERSIGHT COMMISSION ON  
EDUCATION ACCOUNTABILITY

AGENCY: Higher Education Policy Commission TITLE NUMBER: 133  
~~128~~

CITE AUTHORITY: WV Code §18B-1B-4

AMENDMENT TO AN EXISTING RULE: YES  NO

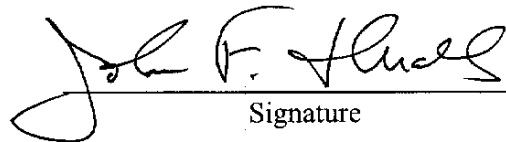
IF YES, SERIES NUMBER OF RULE BEING AMENDED: \_\_\_\_\_

TITLE OF RULE BEING AMENDED: \_\_\_\_\_  
\_\_\_\_\_

IF NO, SERIES NUMBER OF RULE BEING FILED PROPOSED: Series 2

TITLE OF RULE BEING PROPOSED: Higher Education Finance Policy  
\_\_\_\_\_

THE ABOVE PROPOSED LEGISLATIVE RULE HAVING GONE TO A PUBLIC HEARING OR A PUBLIC COMMENT PERIOD IS HEREBY APPROVED BY THE PROMULGATING AGENCY FOR FILING WITH THE SECRETARY OF STATE AND THE LEGISLATIVE OVERSIGHT COMMISSION ON EDUCATIONAL ACCOUNTABILITY FOR THEIR REVIEW.

  
Signature

**FILED**

**TITLE 133**

**FEB 2 10 57 AM '01**

**LEGISLATIVE RULE**

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
WEST VIRGINIA  
SECRETARY OF STATE

**SERIES 2**

**HIGHER EDUCATION FINANCE POLICY**

**1. General.**

**1.1. Scope. – This rule establishes the principles to guide the development of financing and resource allocation policies and procedures to be utilized by the Higher Education Policy Commission.**

**1.2. Authority: -- §18B-1B-4, subsection a-8**

**1.3. Filing Date. --**

**1.4. Effective Date. –**

**2. Purpose.**

**2.1. The primary purpose of this rule is to establish guidelines to be used by the Higher Education Policy Commission in:**

**2.1.1. Allocating state-appropriated unrestricted resources to the institutions.**

**2.1.2. Setting targets for shares of institutional revenues to be contributed from education and general unrestricted revenues.**

**2.1.3. Reviewing tuition and fee schedules approved by the individual colleges and universities for consistency with Policy Commission and West Virginia Code guidelines and parameters.**

**2.1.4. Establishing policies that address student financial aid decisions.**

**2.1.5. Establishing policies regarding the role of all educational and general unrestricted revenue in calculating institutional eligibility for equity funding.**

**3. Guidelines.**

**3.1. The following will guide the further development of the policies and procedures to be utilized in financing and resource allocation within the West Virginia system of public higher education:**

**3.1.1.** All data reported will be based on national uniform and consistent definitions as adopted or established by the Higher Education Policy Commission. If no national standard exists, the Policy Commission may adopt appropriate standards.

**3.1.2.** Institutional requirements for additional recordkeeping and reporting will be minimized.

**3.1.3.** A schedule for reporting of information and for decision making will be established by the Commission.

**3.1.4.** Information from peer institutions as determined by the Commission will be utilized in various ways. The most recently available IPEDS data will form the basis of any comparisons.

**3.1.5** The president or administrative head of each public college, university, regional campus, or community and technical college shall be responsible for ensuring that all requested information is submitted in a timely fashion to the Policy Commission and shall certify that the information submitted has been reviewed for accuracy.

#### **4. Principles.**

##### **4.1. Operating Budget.**

###### **4.1.1. Base Budget.**

**4.1.1.1.** The base budget amount for each budget request year will be determined by the Commission in consultation with each institution.

**4.1.1.2.** This base budget includes unrestricted education and general revenues from all sources.

**4.1.2.** State resources will be allocated to institutions in the following categories:

**4.1.2.1.** Continuation—base amount from previous year.

**4.1.2.2.** Sustained quality support.

**4.1.2.3.** Peer equity.

**4.1.2.4.** Research challenge.

**4.1.2.5.** Independently accredited community and technical college development.

**4.1.2.6.** Incentives for contributions to state priorities.

**4.1.3.** Funds from all these categories will be released to institutions in whole or part when the Policy Commission certifies that the institution is meeting the objectives established in its compact.

**4.1.4.** The Policy Commission will establish the amount to be included in its budget request for each category annually with the conditions that:

**4.1.4.1.** Funds will be requested for each category.

**4.1.5.** Sustained Quality Support.

**4.1.5.1.** Funds designated for sustained quality support will be allocated to all institutions in proportion to institutions' base budgets in accordance with §18B-1A-5, subsection b-6, E of the West Virginia Code.

**4.1.5.2.** Each year's allocations will be added to the institutions' base budgets for subsequent years unless the Policy Commission determines that substantial change in institutional mission or structure has occurred requiring a change in the base budget.

**4.1.6.** Peer Equity.

**4.1.6.1.** Policy Commission establishes benchmark funding amounts each year.

**4.1.6.2.** Allocated in accordance with §18B-1A-5, subsection b-6, A of the West Virginia Code.

**4.1.6.3.** Added to base.

**4.1.6.4.** Continued until all institutions achieve 100 percent of benchmark amounts.

**4.1.6.5.** The Policy Commission may adjust peer equity funds based upon imputation of assumed tuition funds consistent with peer averages.

**4.1.7.** Independently Accredited Community and Technical College Development

**4.1.7.1.** Allocated in accordance with §18B-1A-5, subsection b-6, B of West Virginia Code.

**4.1.7.2.** Funds allocated for this purpose must be separately controlled (not mingled with the "host" institution).

**4.1.7.3.** The funds allocated for transition will not be added to the institution's base budget.

**4.1.8. Research Challenge.**

**4.1.8.1.** Allocated in accordance with §18B-1A-5, subsection b-6, C of West Virginia Code.

**4.1.8.2.** Added to base.

**4.1.9. Incentives for Institutional Contributions to State Priorities**

**4.1.9.1.** The Commission will establish the method of allocation for these funds. The allocation mechanisms will be based on demonstrated contribution toward achievement of state priority goals in accordance with §18B-1A-5, subsection b-6 D of the West Virginia Code.

**4.1.9.2.** State priority funds will not be added to the institution's base allocation.

**4.1.10. Use of Funds Once Allocated.**

**4.1.10.1.** These uses must be in accordance with a budget approved annually by the institution's Governing Board.

**4.2. The Capital Budget.**

**4.2.1.** The Commission will utilize necessary funds from the state appropriation or tuition and fee revenues to cover annual repayment of bonded indebtedness incurred prior to July 1, 2001.

**4.2.2.** The Commission will develop procedures for creating an approved list of capital projects with provisos that:

**4.2.2.1.** Only projects on the approved list will be eligible for state funding—either through direct state appropriation for construction or for repayment of debt.

**4.2.2.2.** All capital projects, subject to dollar limits in Commission policy, will be brought to the Commission for approval regardless of source of funding or method of acquisition.

**4.2.2.3.** In the event of an emergency, an institution may make a special request for unanticipated capital funding needs.

### **4.3. Tuition and Fees.**

**4.3.1.** The Board of Governors of each institution will establish tuition and fee schedules within guidelines promulgated by the Commission or in West Virginia Code.

**4.3.2.** All tuition and fee revenues will remain at the campuses except as may be provided for by Higher Education Policy Commission action or statutory provisions.

#### **4.3.3. Guidelines for Establishing Tuition Rates**

**4.3.3.1.** Differentiation by level (e.g., graduate vs. undergraduate) and by program (e.g., law and medicine vs. other fields) is permissible.

**4.3.3.2.** Tuition rates should be near the medians for peer institutions. However, the intent is to relate tuition to "ability to pay" rather than to an absolute level.

**4.3.3.3.** Student tuition as a share of revenue (tuition and fees and state appropriation), should be graduated so that students pay the highest share of revenue at the research universities, a lower share at the four-year colleges, and the lowest share at community colleges, as defined by the Policy Commission. It is the intent of the Policy Commission to define tuition ranges with the specific tuition to be set by the governing board of each institution.

**4.3.3.4.** Community college tuition should approximate peer medians. In accordance with Article 10 §18B-10-1(h-3) tuition and fee rates for all component community colleges "will be commensurate with the tuition and fees charged by their peer institutions" within a time frame agreed upon between the institution and the Commission. Each institution with a component community college will submit a plan to the commission regarding the progress toward this goal. In accordance with the Policy Commission guidelines, community colleges offering upper division courses may charge tuition for such courses consistent with the tuition charged for similar courses at West Virginia public four-year institutions.

**4.3.3.5.** The Policy Commission shall set guidelines for out-of-state tuition levels which take into account the cost of instruction and an

appropriate relationship between in-state and out-of-state tuition levels.

#### **4.4. Student Financial Aid.**

**4.4.1.** Each institution shall develop explicit student financial aid policies that address such issues as:

**4.4.2.** The manner in which tuition and fee increases are offset by financial aid.

**4.4.3.** The balance of need-based and merit-based aid.

**4.4.4.** The balance of loan versus scholarship/grant awards.

#### **4.5. Tuition Pricing and Discounts.**

**4.5.1.** The Commission reserves the right to limit discounts or adjustments to tuition revenue. The extent to which tuition and fee pricing is offset or reduces tuition and fee revenue through various discounts such as tuition waivers, reciprocal agreements and metro fees will be a consideration in the Commission's decision regarding allocation of state appropriations to each institution.

#### **4.6. Other Revenues.**

**4.6.1.** Institutions are expected to acquire unrestricted and restricted revenues from educational and general sources other than tuition and fees and state appropriations.

**4.6.2.** Consistent with this intent:

**4.6.2.1.** The peer group median of the per student revenues from sources other than tuition and fee or state appropriations will be established as a target for each institution. State appropriation support for institutions exceeding such targets would not normally be reduced as a result of institutional success in this area.

**4.6.2.2.** Institutions are expected to seek approval from the Policy Commission for any supplemental budget requests or Budget Digest funding before seeking such funds.

## Summary of Finance Rule Comments

- I. Glenville State College Comments - Dr. Powell's letter of December 28, 2000 addresses the following:
  - A. Dr. Powell's comment that all institutions should be targeting 100% peer benchmarks instead of the 90% level in the proposed rule, has been addressed and the benchmarks have been set at 100% in the rule.
  - B. Dr. Powell's comment that there be a common tuition and fee rate for all the four-year colleges and a separate common tuition and fee rate for the stand-alone and component community colleges was previously discussed by the Commission during development of the peer institutions selection process and was not supported by the Commission. Therefore, no changes were made to the rule.
  - C. Dr. Powell's proposal for reduction of component community college tuition and fees to peer median levels is not precluded at this time by the statement in section 4.3.3.4 to allow a plan to be submitted by each institution. Therefore, no changes were made to the rule.
  - D. Dr. Powell's concern about the Commission approving federal fund applications of the institutions was felt best addressed in procedures and not made part of the rule.
  - E. Dr. Powell's comment concerning the Commission approving lottery funding was felt to be best addressed in procedures and not made part of the rule.
- II. Shepherd College Comments - Dr. Dunlop's letter of January 8, 2001 addresses the issue of component community college tuition reductions and is already addressed in section 4.3.3.4. of the rule allowing plans from each campus.
- III. Bluefield State College Comments - President Moore's letter of January 16, 2001 addresses three main issues:
  - A. In order to approach peer medians for the community college component, even very aggressive plans at the college could not accomplish this in any where near 6 years (the anticipated horizon for SB 653 implementation). President Moore describes a number of scenarios that illustrate this point. However, language in the rule has already made this point moot, since it allows a plan from each insitution rather than mandating a freeze on component community college tuition. Therefore, this concern has been met by the language in the present rule.

B. Dr. Moore is concerned that the peers selected for his two and four-year components in the peer list for institutions are not comparable to the in-state community colleges for purposes of establishing funding benchmarks. This is true for all the component institutions and again, can be approached through the plan for component tuition and fee reduction by each school taking into consideration specific situations at each school. No change in the present rule is needed at this time.

C. Dr. Moore is concerned that fees are not recorded consistently across institutions. This situation is being looked at but has no impact on the language of the rule as it exists.