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OFFICE WEST VIRGINIA
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Form #6

**NOTICE OF FINAL FILING AND ADOPTION OF A LEGISLATIVE RULE AUTHORIZED
BY THE WEST VIRGINIA LEGISLATURE**

AGENCY: Higher Education Policy Commission TITLE NUMBER: 133

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 PROPOSED: 2

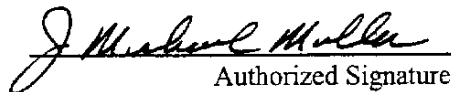
TITLE OF RULE BEING PROPOSED: Higher Education Finance Policy

THE ABOVE RULE HAS BEEN AUTHORIZED BY THE WEST VIRGINIA LEGISLATURE.

AUTHORIZATION IS CITED IN (house or senate bill number) SB 724

SECTION 18B-17-3(p), PASSED ON April 13, 2001

THIS RULE IS FILED WITH THE SECRETARY OF STATE. THIS RULE BECOMES EFFECTIVE ON THE
FOLLOWING DATE: July 1, 2001


Authorized Signature

TITLE 133
LEGISLATIVE RULE
WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
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: -- W.Va. Code §18B-1B-4(a)(8)

1.3. Filing Date. -- June 7, 2001

1.4. Effective Date. – July 1, 2001

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 educational and general revenues from all sources. Unrestricted educational and general revenues are defined as all audited unrestricted current fund revenues, expenditures, transfers, and other changes; minus auxiliary revenue, hospital revenue, and independent operations.

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 W.Va. Code §18B-1A-5(b)(6)(E).

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 W.Va. Code §18B-1A-5(b)(6)(A).

4.1.6.3. Added to base.

4.1.6.4. Continued until all institutions achieve 100 percent of benchmark amounts, as a measure of external equity. It is the goal of the Commission to first attain internal equity among institutions by raising the minimum value until all institutions reach the same level. External equity goals will be addressed only after internal equity has been accomplished. Further, it is the intention of the Commission that institutions should not lose ground relative to peer attainment. As used herein, "external equity" is the funding of the institution relative to

its peers, and "internal equity" is leveling of differences in peer funding among the West Virginia institutions.

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 W.Va. Code §18B-1A-5(b)(6) (B).

4.1.7.2. Funds allocated for this purpose must be separately controlled and accounted for either by the host institution, the community college component or as otherwise determined by the Commission.

4.1.8. Research Challenge.

4.1.8.1. Allocated in accordance with W.Va. Code §18B-1A-5(b)(6)(C).

4.1.8.2. Amounts awarded must be matched by the institution, on at least a one-for-one basis at the discretion of the Commission.

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 W.Va. Code §18B-1A-5(b)(6)(D).

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

4.1.9.3. Amounts awarded must be matched by the institution, on at least a one-for-one basis at the discretion of the Commission.

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 W.Va. §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, as part of its Compact, 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, with out-of-state tuition and fees covering at least the full costs of instruction. It is the intention of the Commission that there be no disincentives for the enrollment of non-resident students unless their admission results in a lack of opportunities for qualified West Virginia residents.

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.