



Addressing the Cost of Public Higher Education in Virginia

EDUCATION SUBCOMMITTEE,
SENATE FINANCE COMMITTEE

January 13, 2015

Study Mandate HJR 108 (2012)

Study the factors affecting the cost efficiency of higher education operations and identify opportunities to reduce cost of public higher education in Virginia

For full text see HJR 108 (2012)

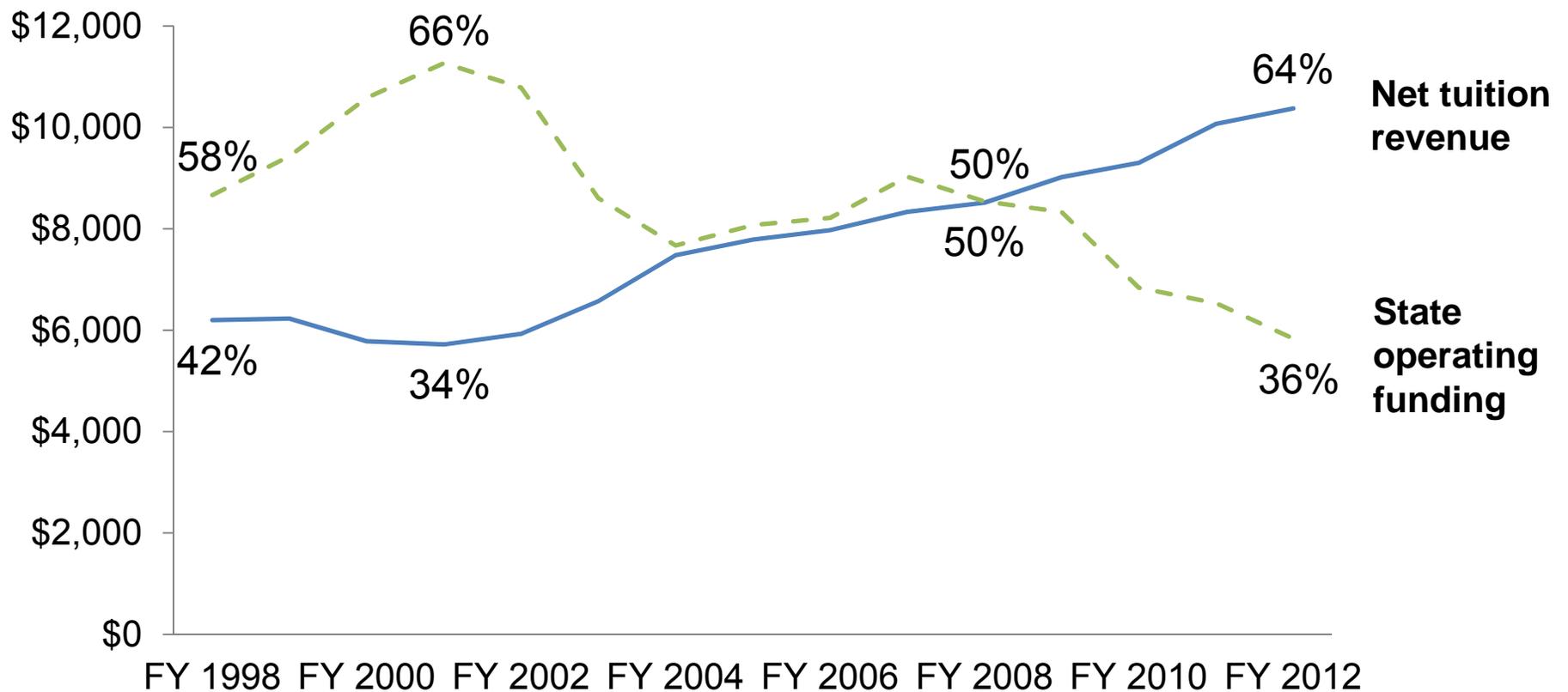
Five Reports in JLARC Higher Education Series

Report Title	Major Topics	Release Date
1. Trends in Higher Education	Spending, revenue, enrollment, graduation, student costs, borrowing	June 10, 2013
2. Review of Auxiliary Enterprises	Housing, dining, intercollegiate athletics, campus recreation, debt service	September 9, 2013
3. Review of Instruction and Research	Faculty workload and compensation, research, facilities	December 9, 2013
4. Review of Support Functions	Academic and institutional support, student services, and operations	October 14, 2014
5. Addressing Cost of Higher Education	Ways to improve efficiency, effectiveness, and reduce costs	November 10, 2014

Recommendations and Options Informed by Four Key Assumptions

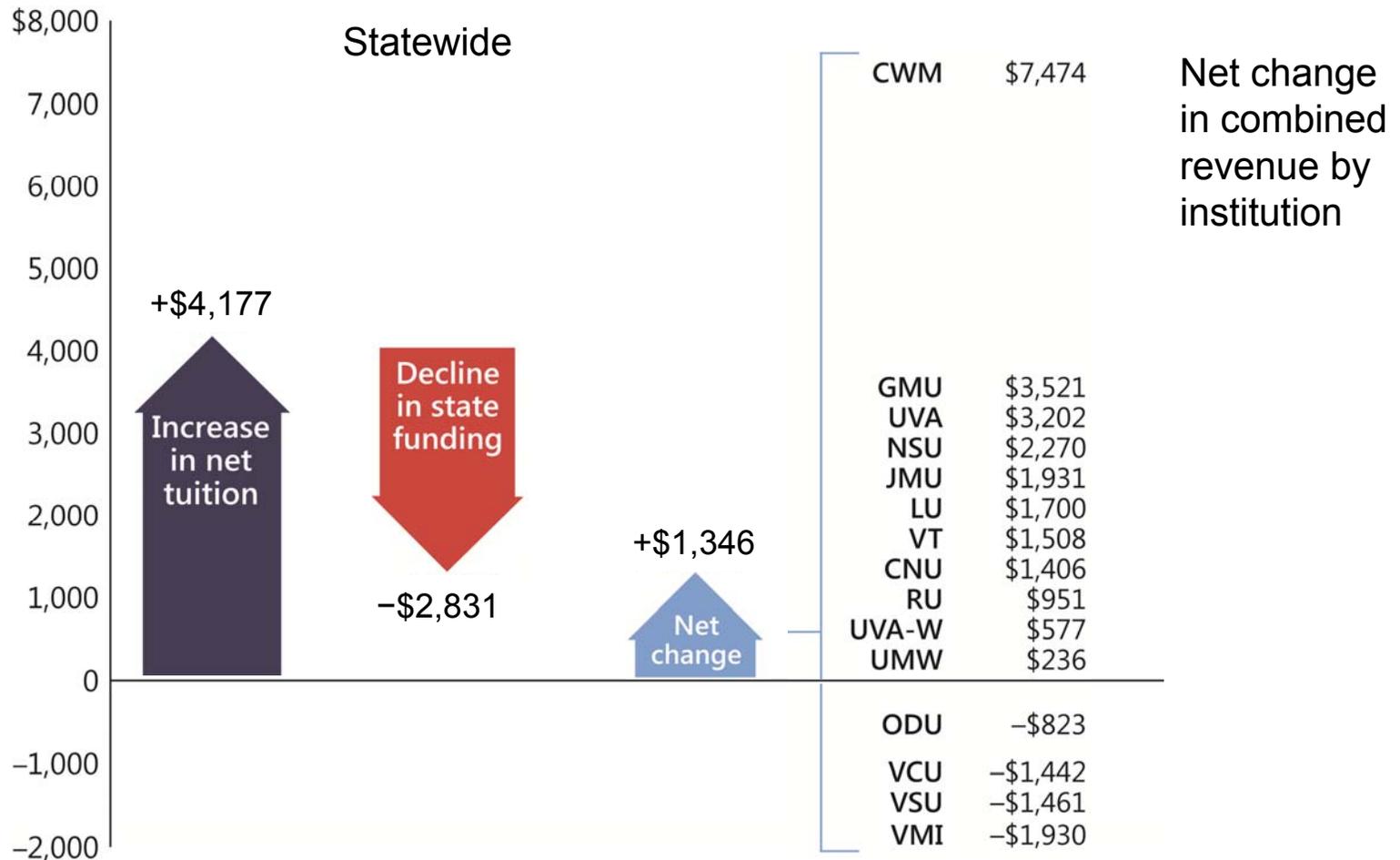
- Public higher education should be more affordable, particularly for low- and middle-income students.
- Little or no additional state higher education funding will be available.
- Academics—the core mission of higher education—should be prioritized.
- Decentralized system of higher education governance should generally be preserved.

Tuition Revenue Increased as State Funding Declined (FY 1998–FY 2012)



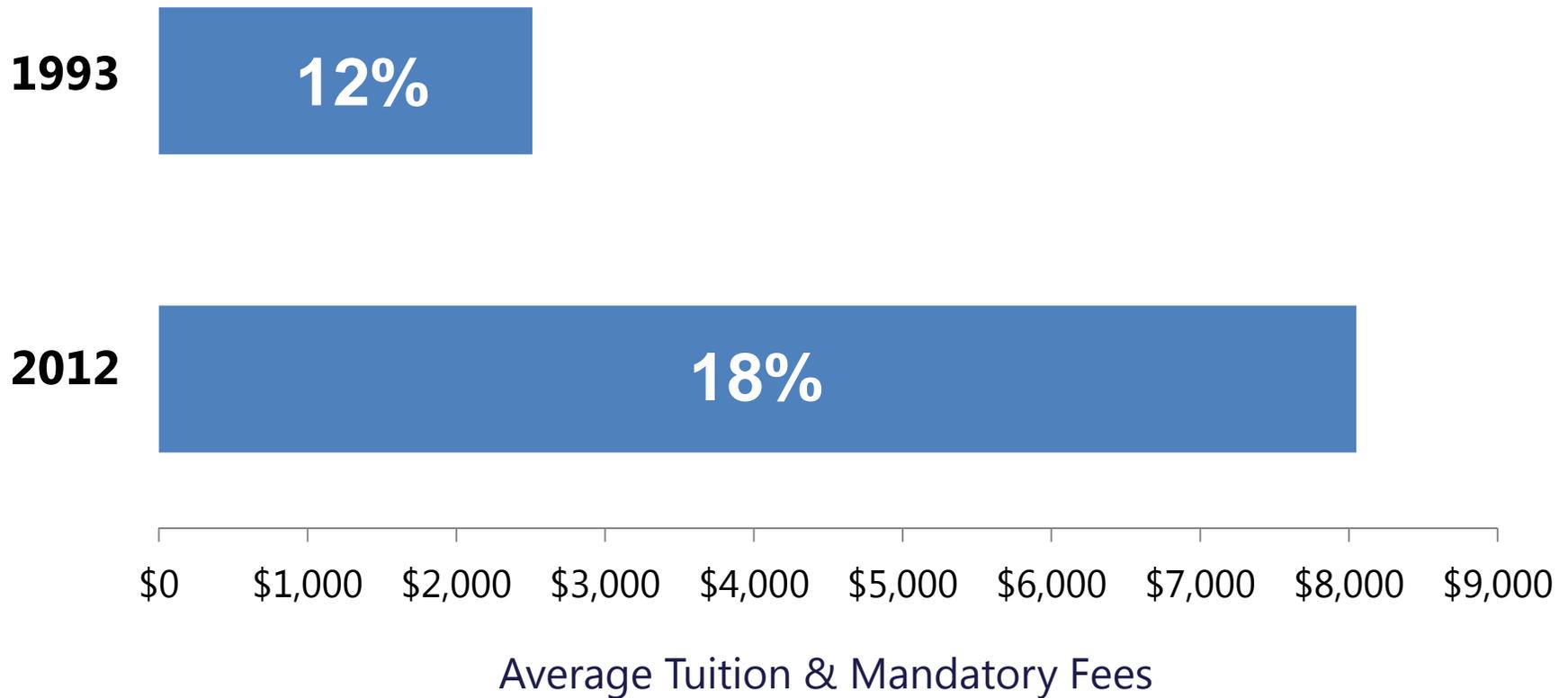
Net tuition revenue is per student FTE. State operating funding is per in-state student FTE.

Revenue from State Declined; Tuition Revenue from Students Increased



FY 1998–FY 2012. Per student, adjusted for inflation.

Tuition and Fees Increased as a Portion of Family Income

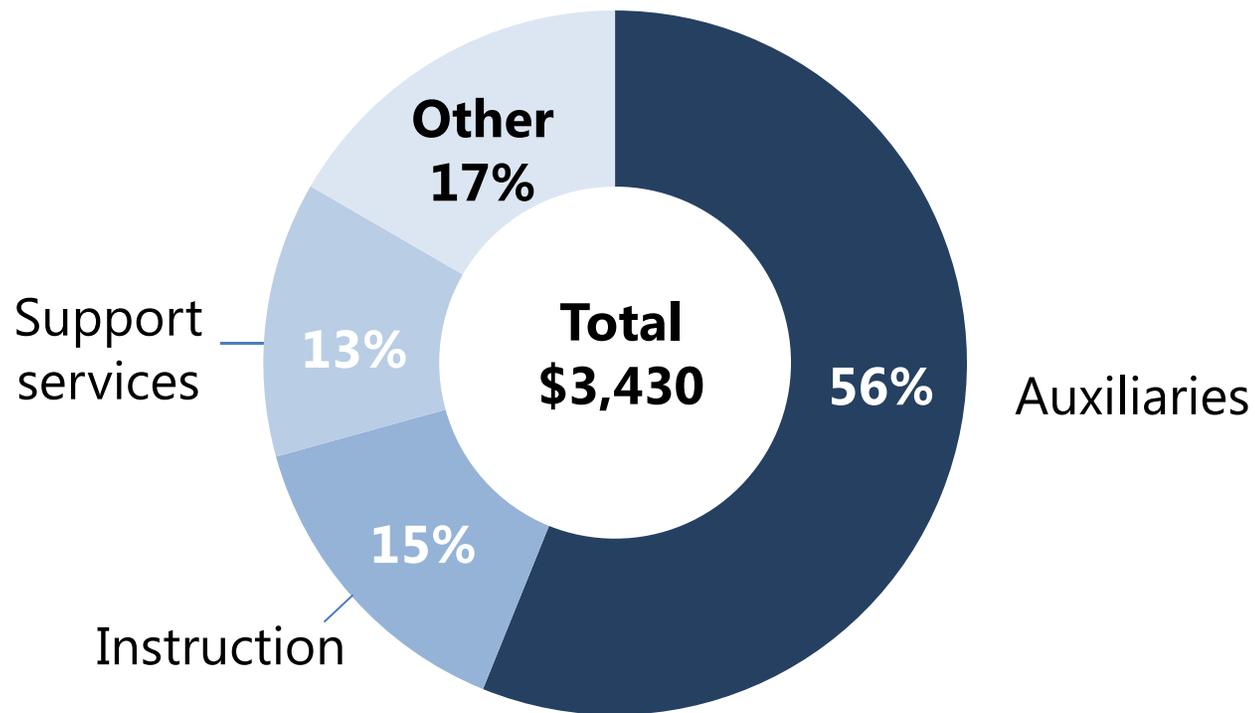


Operating Funding: Major JLARC Options

- Revise funding policy to account for limits of institutions to generate additional revenue
- Allocate higher proportion of funding to institutions least able to fund operations and those with student least able to afford tuition
- Limit tuition increases, and provide additional general funds

For complete list of recommendations and options, see pp. ix-xiii of *Addressing the Cost of Public Higher Education in Virginia, November 2014*.

Institutional Spending Increased 24 Percent, Primarily on Auxiliaries (FY 2002–FY 2012)



Total spending per student, adjusted for inflation.

Instructional Spending

- Major driver of rising faculty costs due to hiring more faculty to keep pace with enrollment growth
- Faculty compensation is below state goal and national benchmarks of competitiveness
- Tenured and tenure-track faculty are teaching marginally less; contingent faculty increasing

Support Function Spending

- Most Virginia institutions spend less than comparable schools
 - Largest proportion of spending for academic support
- Average span of control at Virginia institutions is below benchmark range
 - Nearly one-fourth of all supervisors have only one direct-report
- Procurement approach may fragment buying power

Support Function Spending: Major JLARC Recommendations

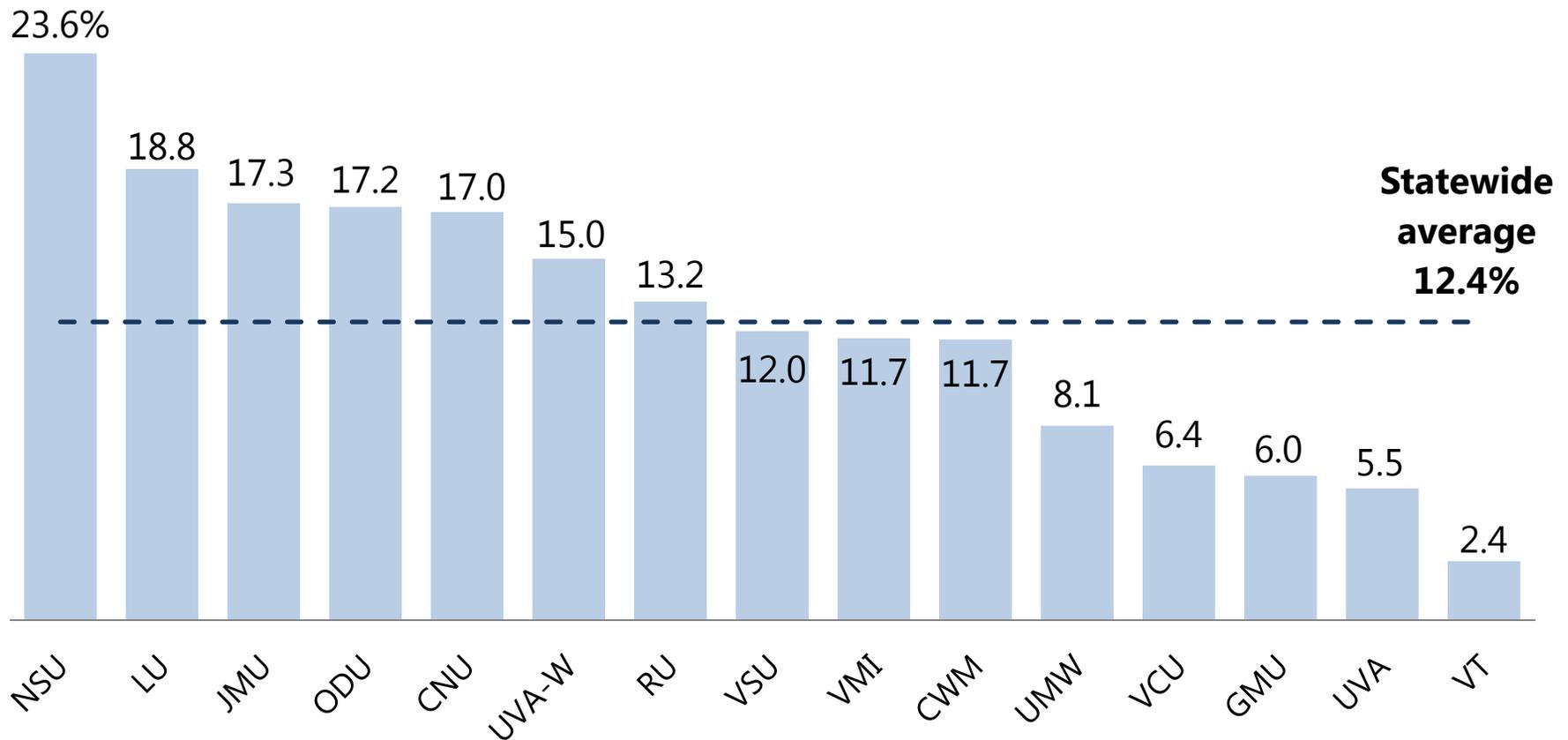
- Institutions review organizational structures and implement recommendations to improve efficiency
- Institutions review and revise human resource policies to promote wider spans, appropriate use of supervisors
- Hire consultant to estimate savings from higher education procurement cooperative and/or greater collaboration between DGS, VITA, and institutions

For complete list of recommendations and options, see pp. v-vi of *Support Costs and Staffing at Virginia's Higher Education Institutions, October 2014*.

Auxiliary Spending

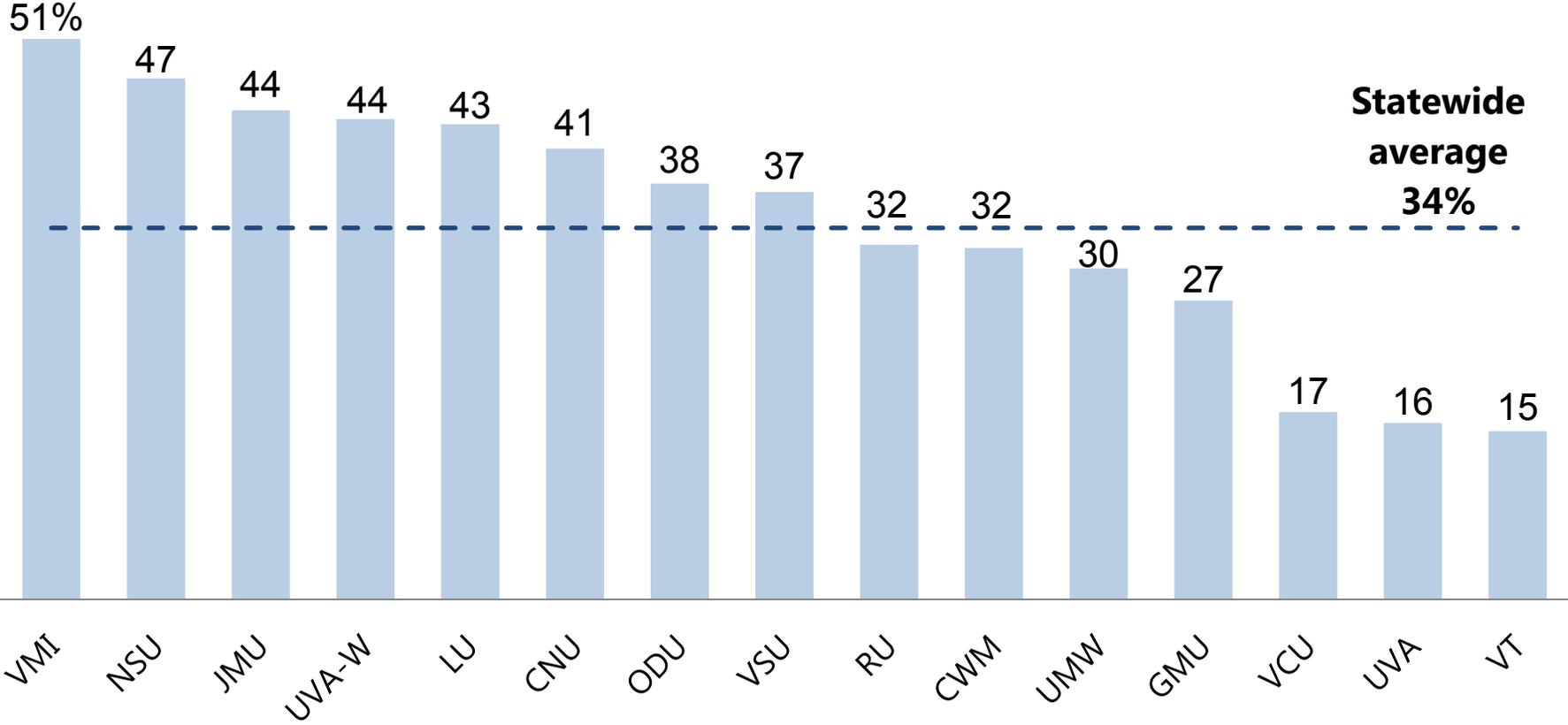
- Housing and dining costs grew, but costs were comparable to local market equivalents
- Athletics programs rely heavily on student fees to subsidize their operations
- Average mandatory non-E&G fees have grown substantially

Athletic Fees Averaged 12 Percent of Tuition and Fees (FY 2013)



Total tuition, mandatory E&G fees, and mandatory non-E&G fees for in-state undergraduates.

Non-E&G Fees Represent One-Third of Total Tuition and Mandatory Fees



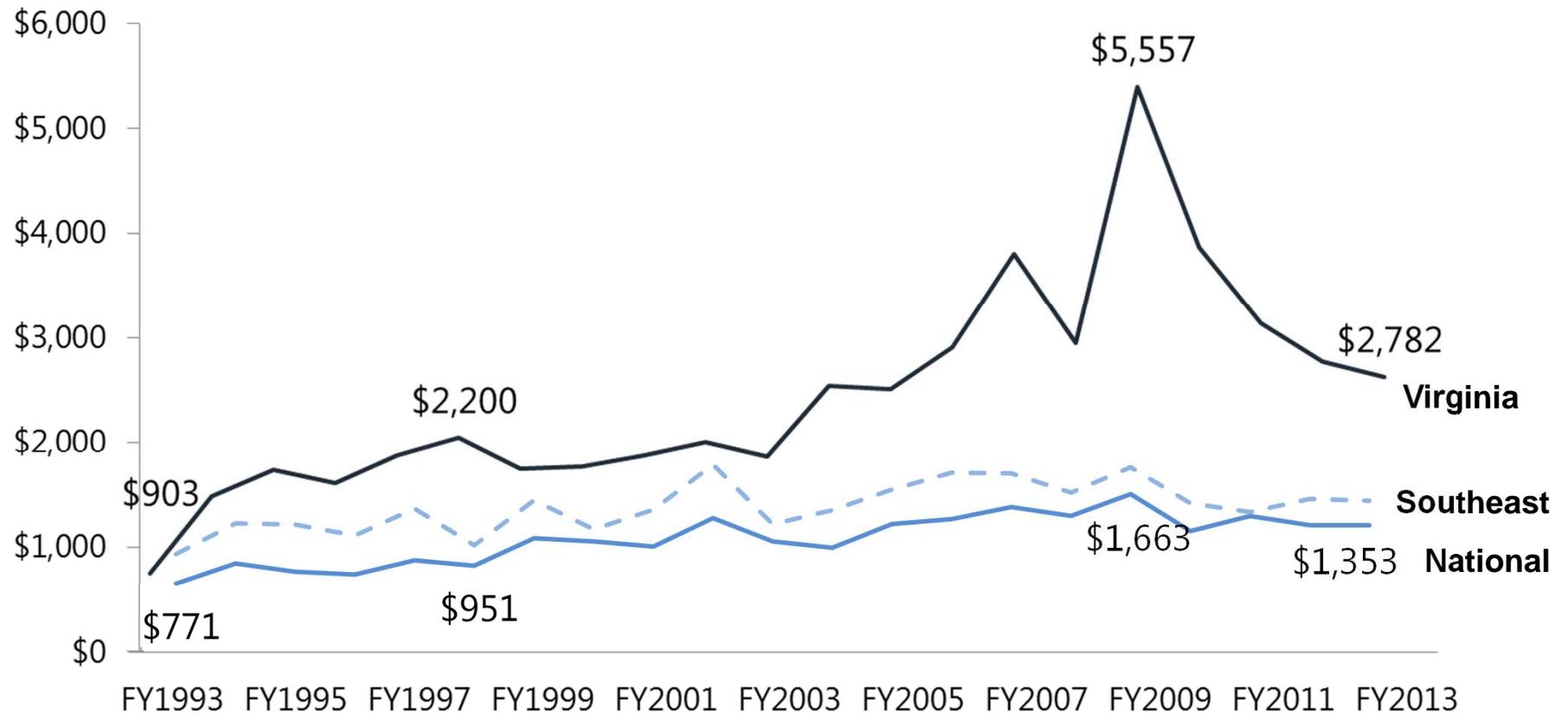
Auxiliary Spending and Non-E&G Fees: Major JLARC Recommendations

- Limiting mandatory athletics fees as a proportion of total tuition and mandatory fees
- Require institutions exceeding athletic fee limit to submit plans to reduce fees
- Institutions propose reductions in auxiliary services funded with mandatory non-E&G fees
- Remove exemptions to fee growth cap, and require approval to exceed cap

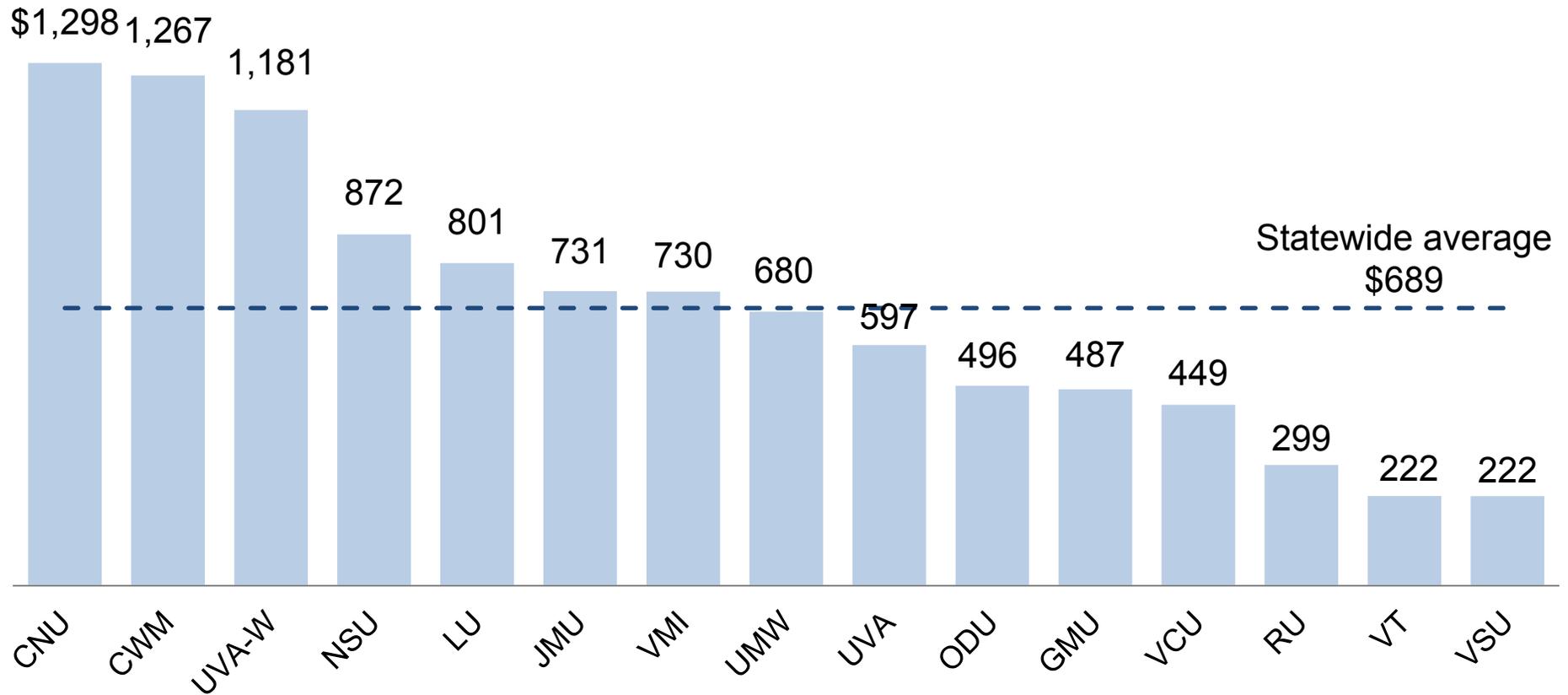
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Virginia's Capital Spending Exceeds National and Regional Averages

Capital spending per public student

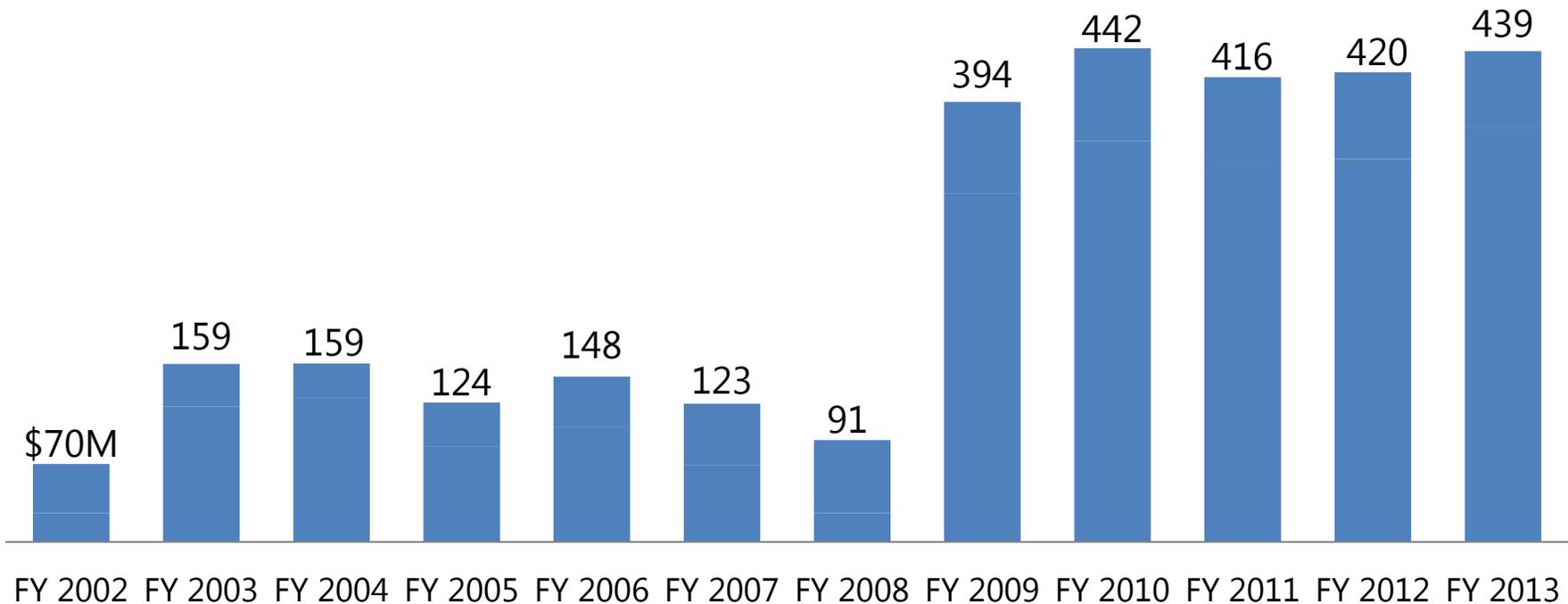


Substantial Portion of Mandatory Student Fees Pays Institutional Debt Service (FY 2013)



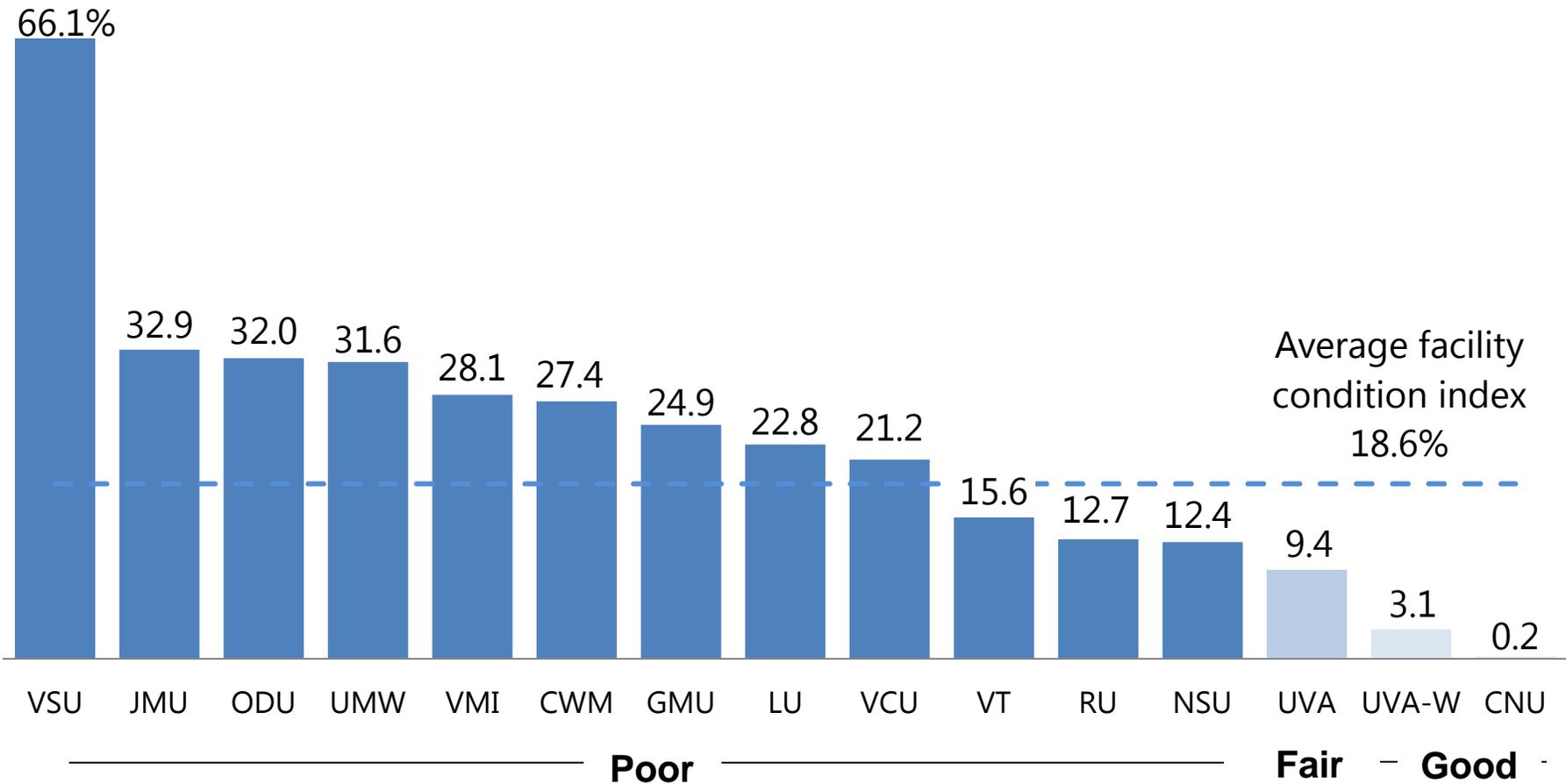
Mandatory E&G and non-E&G fees charged annually to full-time students to repay institutional debt service.

Annual State Debt Service Payments Have Increased Substantially (\$M)



Estimated state debt service payments on general obligation bonds and 21st Century Program bonds supporting capital projects at the public four-year institutions, in millions.

Estimated E&G Facility Condition Rating at Most Institutions is Poor (FY 2011)



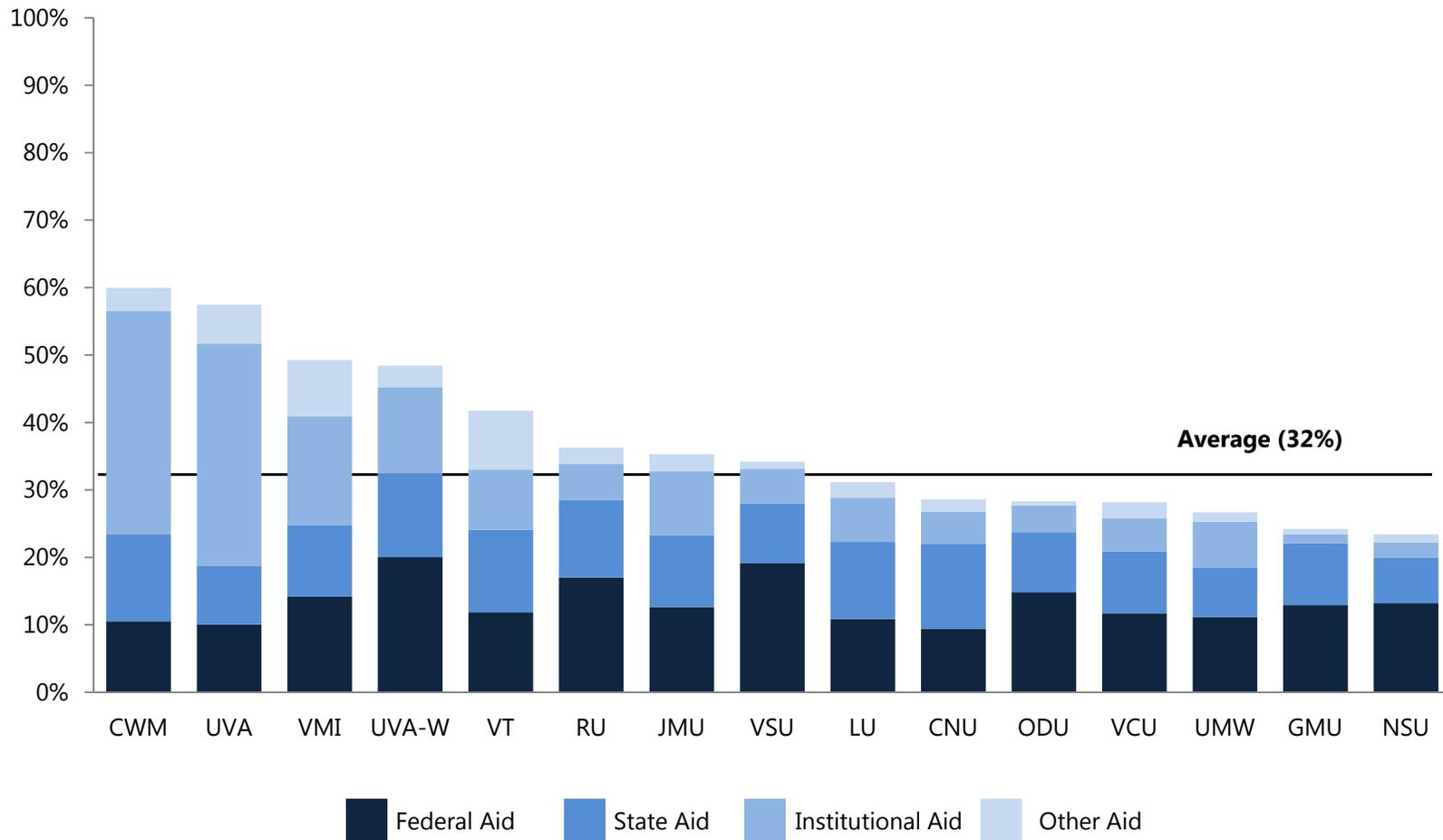
The facility condition index indicates poor facility quality if it exceeds 10 percent.

Capital Spending and Debt: Major JLARC Recommendations / Options

- Prioritize capital requests using objective and cross-institutional analysis
- Use prioritization criteria to determine which projects are recommended for funding
- Increase state maintenance funds and state oversight of institutions' maintenance activities

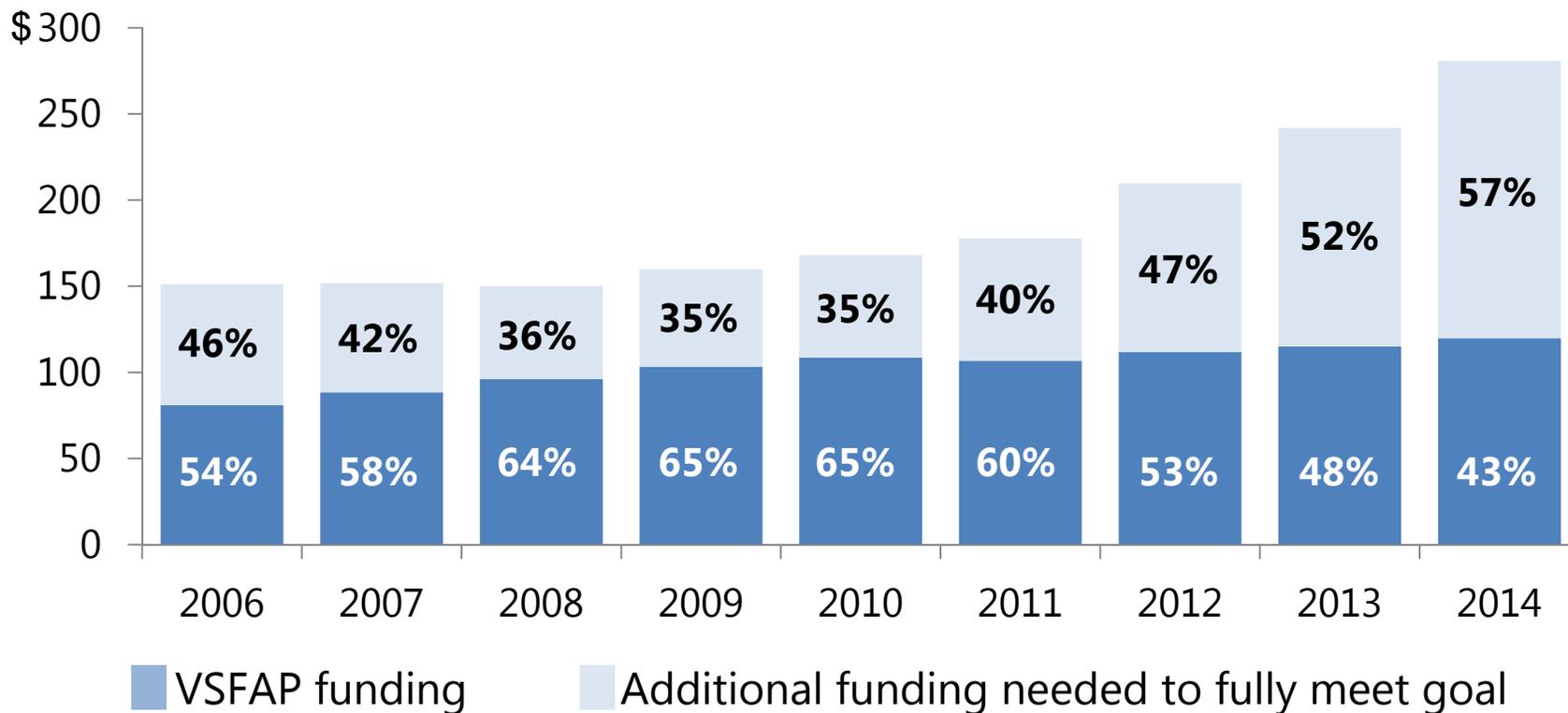
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Student Aid in Virginia Meets One-Third of Need

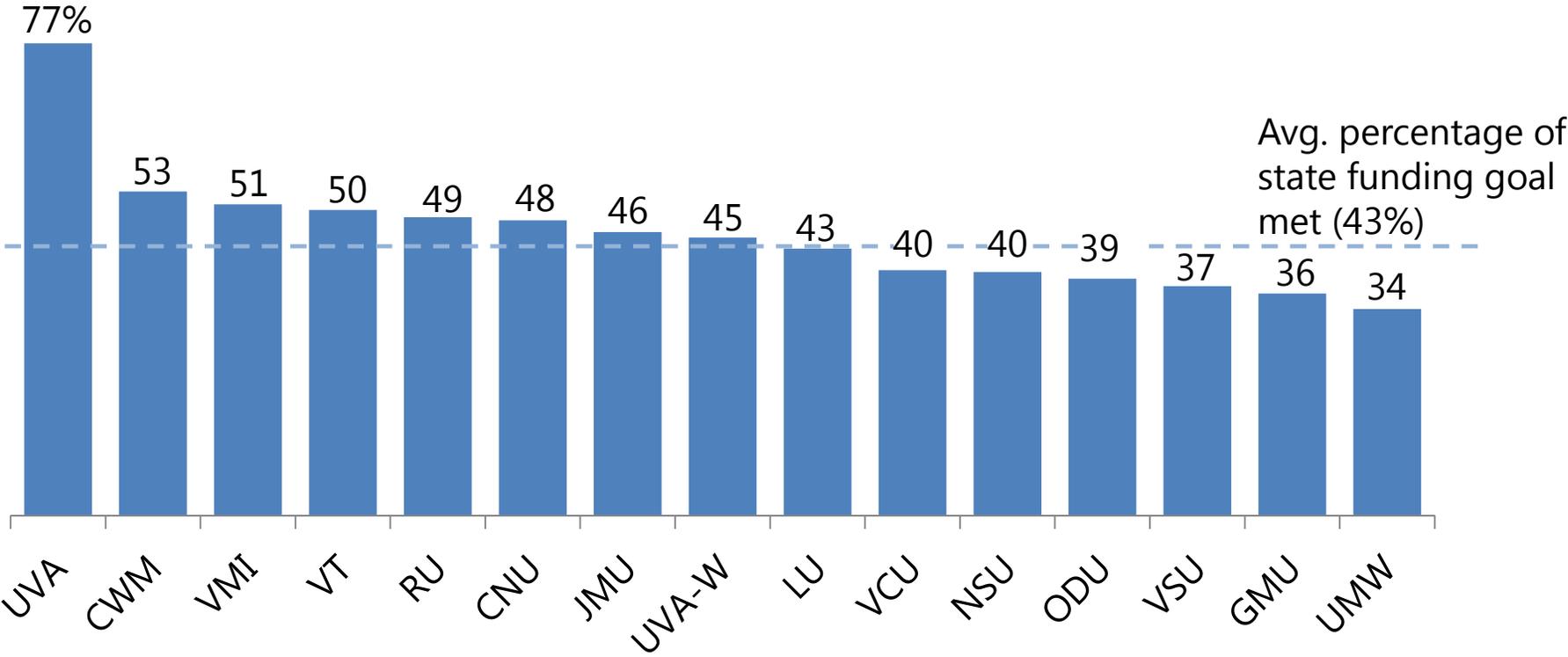


State Has Not Met VSFAP Funding Goal

FY 2014 dollars (Millions)



VSFAP Is Not Allocated in Proportion to State-Recognized Financial Need



Student Aid: Major JLARC Recommendations / Options

- Reallocate state student aid across schools in accordance to students' financial need
- Restrict student aid funds to low- and middle-income students when VSFAP is not fully-funded
- Redirect state aid funds from private to public institutions

For complete list of recommendations and options, see pp. ix-xiii of *Addressing the Cost of Public Higher Education in Virginia, November 2014*.

Questions? Comments?

For more information ...

<http://jlarc.virginia.gov>

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