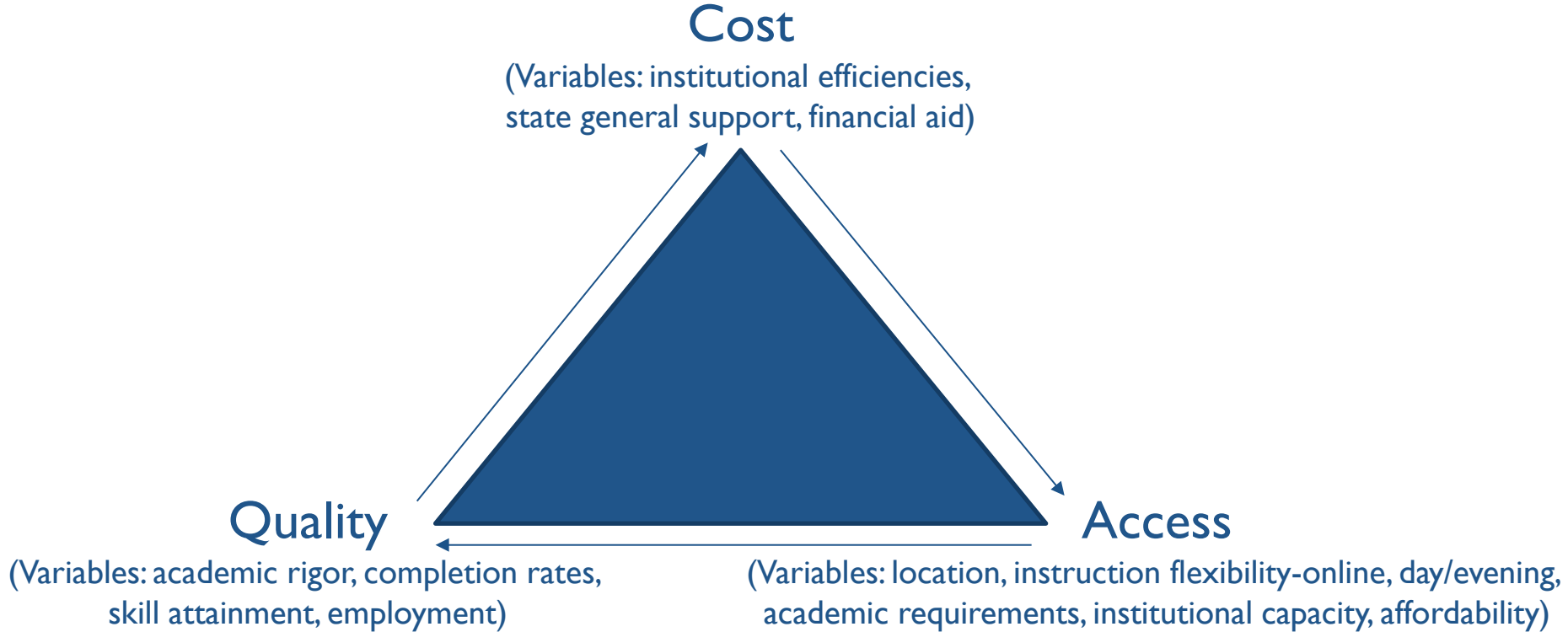


Overview of the Cost of Higher Education

July 26, 2017



Components of Higher Education



Source: *The Iron Triangle*, A report from the National Center for Public Policy and Higher Education and Public Agenda.



Cost versus Price - and Affordability versus Value

- Definitions:
 - **Cost per student:** Total appropriations divided by total students.
 - **Cost of attendance:** Includes tuition and fees, room and board, books and supplies, transportation, and personal expenses.
 - **Net Price:** Sticker price minus gift aid (federal, state, institutions, and other including grants, scholarships, any aid that doesn't need to be repaid).
- **Affordability:** *Believed to be within one's financial means. Applies to students, state and federal governments, and institutions.*
- **Value:** *Relative worth, merit, or importance. Can be individual and public.*
- State policymakers will have to decide on a definition of affordability to achieve desired goals based on a mixture of appropriate policies – this will include the weighing of public good versus that of individuals.

Source: SFC presentation from 2012 - Peter Blake, Director of SCHEV, Finance Committee Presentation October 2012.



Defining Cost

| Cost to: | Definition |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Students (total cost of attendance) | What a student pays to attend a higher education institution in Virginia. Total cost of attendance includes tuition, fees, room and board, books and supplies, and other expenses. |
| Institutions (cost per student) | What an institution spends to educate its student population. Cost to an institution includes instruction, student financial aid, student support services, and operations and maintenance of campus buildings. Institutions also spend resources on running auxiliary enterprises (bookstores, athletic programs) and sponsored programs (supported at least in part by external funds, i.e. federal grants, etc.), but these costs have dedicated streams of revenue. |
| Commonwealth of Virginia (funding) | What the Commonwealth spends to support the education of in-state students at Virginia's public institutions of higher education, student financial aid, and research. |



Costs to Attend College

Tuition and Educational Fees (E&G)

Non-educational fees (non E&G)

Room and Board

Books and Supplies

Other expenses (transportation, health care, study abroad)

Cost of Attendance (student budget)



Costs to Attend College

Estimated Average Cost of Attendance in Virginia Public Four Year, In-state Students, On Campus 2016-17

| | |
|------------------------------------------------------------|-----------------|
| Tuition and Educational Fees (E&G) | \$8,177 |
| Non-educational fees (non E&G) | \$3,960 |
| Room and Board | \$9,989 |
| Books and Supplies | \$1,354 |
| Other expenses (transportation, health care, study abroad) | \$3,424 |
| <hr/> | |
| Cost of Attendance (student budget) | \$26,904 |

Source: Tuition, fees, room and board from SCHEV Tuition and Fees Report 2016-17. Other expenses from national averages provided by US Dept of Education, IPEDS 2016-17 costs of attendance.



Costs to Attend College

Estimated Average Cost of Attendance in Virginia Public Four Year, In-state Students, On Campus 2016-17

| | | |
|--------------------------------------------------|------------------------------------------------------------|---------|
| State support | Tuition and Educational Fees (E&G) | \$8,177 |
| Auxiliaries (State monitored with caps) | Non-educational fees (non E&G) | \$3,960 |
| | Room and Board | \$9,989 |
| | Books and Supplies | \$1,354 |
| | Other expenses (transportation, health care, study abroad) | \$3,424 |

Cost of Attendance (student budget)

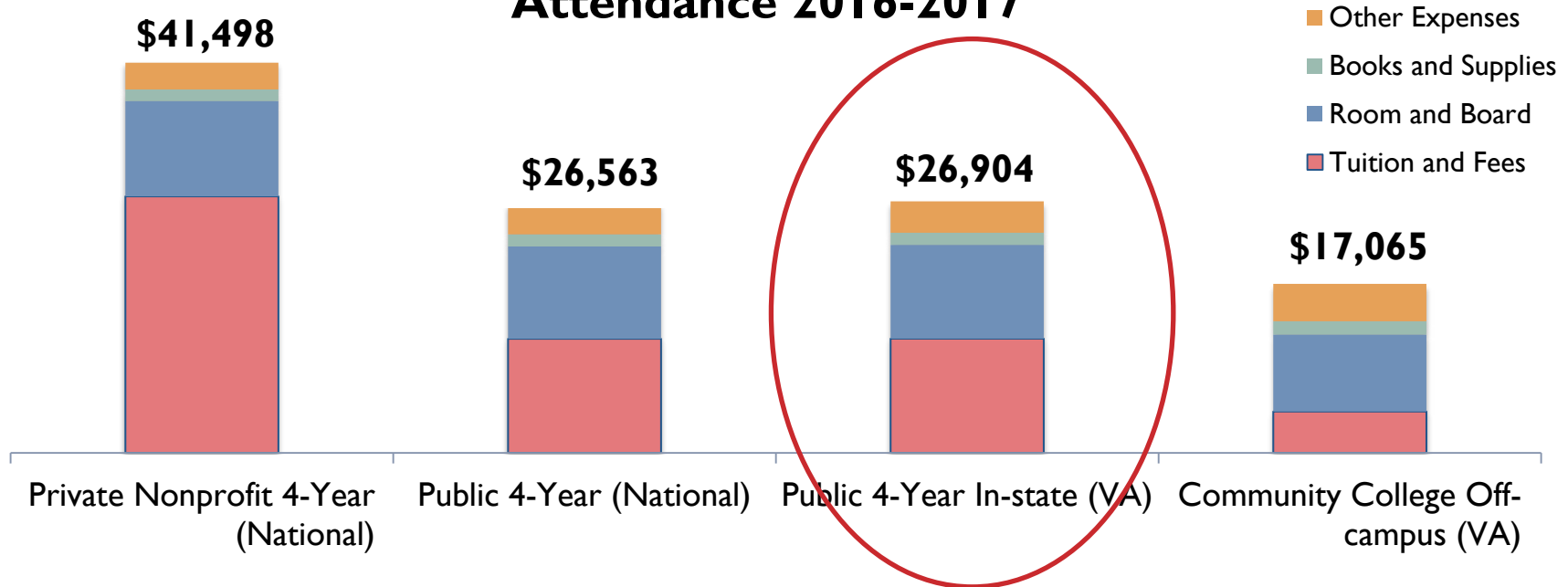
\$26,904

Source: Tuition, fees, room and board from SCHEV Tuition and Fees Report 2016-17. Books, supplies and other expenses from national averages provided by US Dept of Education, IPEDS 2016-17 costs of attendance.



Cost of Attendance Comparisons

Estimated Full-time Undergraduate Cost of Attendance 2016-2017

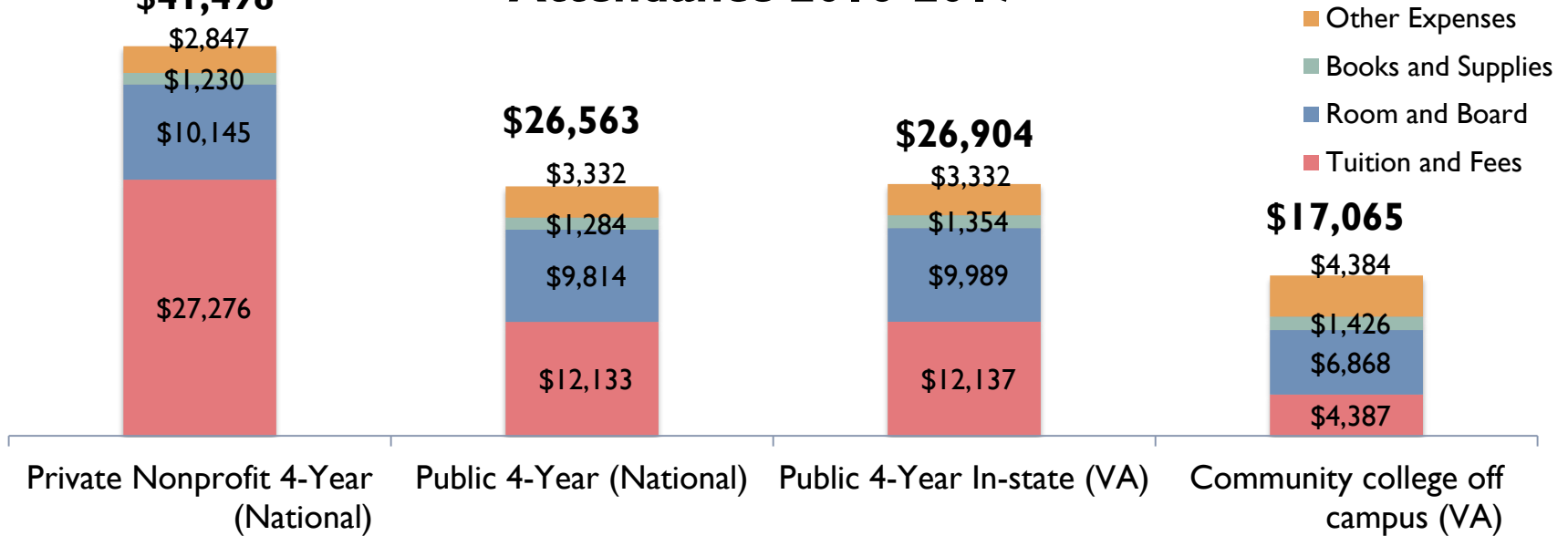


Source: Tuition, fees, room and board from SCHEV Tuition and Fees Report 2016-17. Books, supplies and other expenses for VA from college reported data from SCHEV. National averages provided by US Dept of Education, IPEDS 2016-17 costs of attendance.



Cost of Attendance Comparisons

Estimated Full-time Undergraduate Cost of Attendance 2016-2017



Source: Tuition, fees, room and board from SCHEV Tuition and Fees Report 2016-17. Books, supplies and other expenses for VA from college reported data from SCHEV. National averages provided by US Dept of Education, IPEDS 2016-17 costs of attendance.



Cost of attendance vs Affordability

Tuition and Educational Fees (E&G)

Non-educational fees (non E&G)

Room and Board

Books and Supplies

Other expenses (transportation, health care, study abroad)

Cost of Attendance (student budget)

\$XX,XXX

Source: Tuition, fees, room and board from SCHEV Tuition and Fees Report 2016-17. Books, supplies and other expenses from national averages provided by US Dept of Education, IPEDS 2016-17 costs of attendance.



Affordability/Net Price

| | |
|------------------------------------------------|-----------------|
| Cost of Attendance (student budget) | \$XX,XXX |
| Federal aid and state aid, scholarships | (\$xx,xxx) |
| <hr/> | |
| Net Price | \$xx,xxx |
| <hr/> | |
| Remaining balance | |
| Loans | |
| Student and expected family contribution (EFC) | |
| Other (work, other sources) | |



Affordability Example: UVA-Wise Student

Income Range \$20,000-29,000 (2014-15)

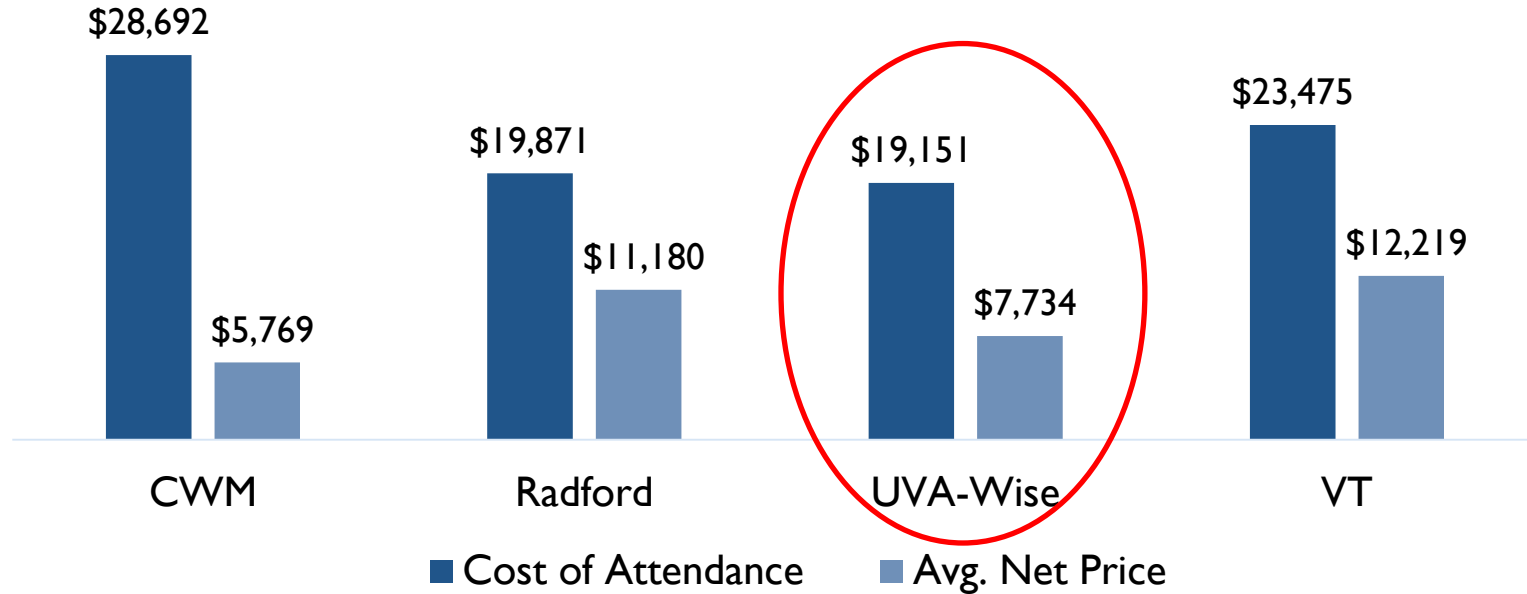
| | |
|------------------------------------------------|-----------------|
| Cost of Attendance (student budget) | \$19,151 |
| Federal aid and state aid, scholarships | (\$11,417) |
| <hr/> | |
| Avg. Net Price | \$7,734 |
| <hr/> | |
| Remaining balance | |
| Loans | \$3,300 |
| Student and expected family contribution (EFC) | \$436 |
| Other (work, other sources) | \$3,684 |

Source: SCHEV staff, SCHEV A02: http://research.schev.edu/ips/affordability_0.asp



Cost of Attendance vs. Net Price

Student in Income Range of \$20,000-\$29,999 (2014-15)

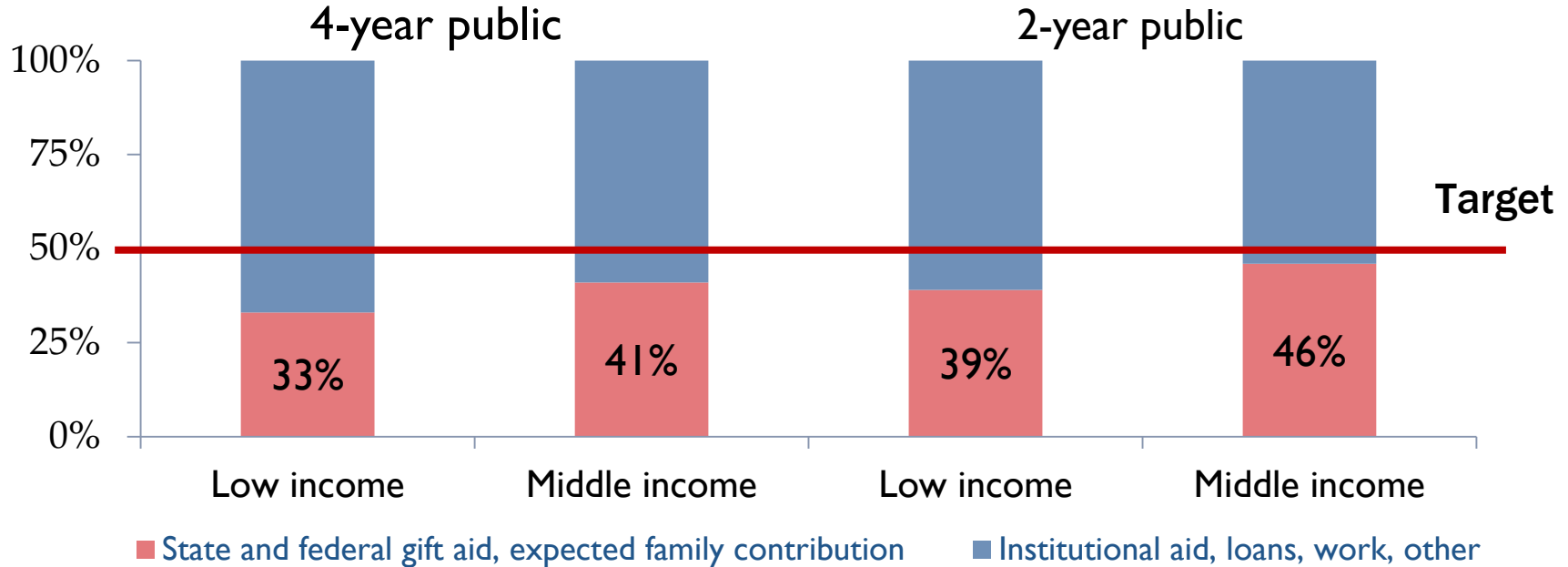


Source: SCHEV staff, SCHEV A02: http://research.schev.edu/ips/affordability_0.asp



SCHEV Affordability Measure

Meet half of the cost of attendance for low- and middle-income students through expected family contribution and state and federal grant aid by 2030



Source: SCHEV staff, <http://research.schev.edu/fair/strategicplan2.asp>



Examples of Funding Policies Related to Cost

- **Base Adequacy** – core funding needed for institutions to adequately meet their academic mission.
- **Enrollment Growth** – Additional costs above current funding levels needed to support additional students.
- **Cost-Sharing Goal** – Policy was adopted in 2004 to recognize a shared responsibility between the state and students in covering higher education costs. Goal would be that the general fund would provide 67 percent of the cost.
- **Student Financial Aid** – Additional funding needed to provide access to qualified students so that costs are not a barrier.
- **Faculty Salaries** – Salary levels needed for Virginia to be competitive with peer institutions in attracting and retaining quality teaching and research faculty. Referred to as the 60th percentile.

Source: SFC staff presentations.



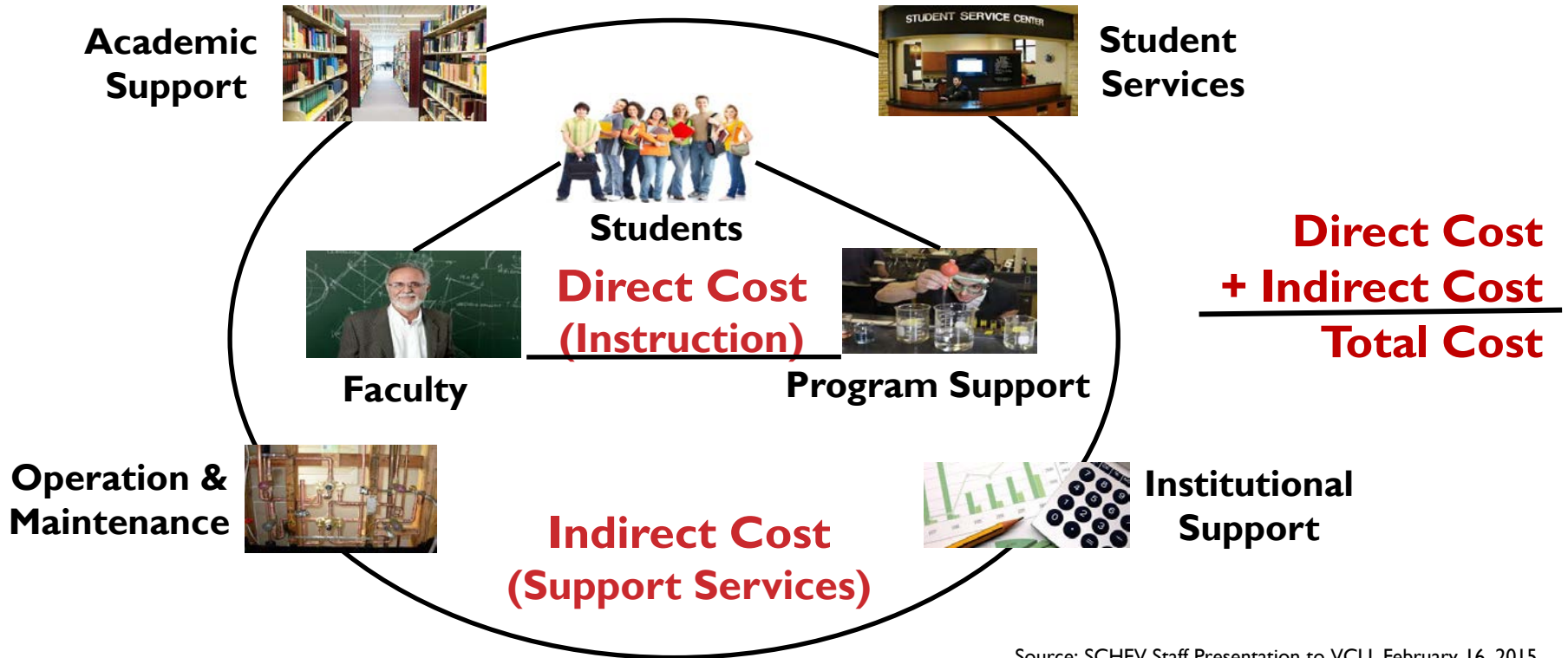
Base Adequacy

- The Joint Subcommittee on Higher Education Funding Policies recommended guidelines that estimate the funding needed to support adequately the institutions' Educational and General (E&G) programs – resulting in the nickname “**base adequacy**.”
 - E&G programs support the institutions' core academic mission (instruction, advising, libraries, and computing).
 - The guidelines incorporate national staffing norms and funding patterns at public peer institutions.
- Funding at the institutions under the model have been hovering around 100% based on the additional resources collected on the NGF side.
 - Two of the public four-year institutions (Old Dominion University and Virginia Military Institute) and Eastern Virginia Medical School are below 100% funding under the model.

Source: SFC staff presentations.



Base Adequacy



Source: SCHEV Staff Presentation to VCU, February 16, 2015.



Base Adequacy Status

| Institution | Calculated Need ^{1,2} | Available Resources ^{3,4,5} | % Funding to Guide | Funding Shortfall | GF Share |
|-------------|--------------------------------|--------------------------------------|--------------------|-------------------|----------|
| CNU | \$69,436,318 | \$73,858,307 | >100% | | 61% |
| CWM | \$155,473,746 | \$201,100,639 | >100% | | 40% |
| GMU | \$455,957,658 | \$519,945,195 | >100% | | 51% |
| JMU | \$274,364,778 | \$313,723,828 | >100% | | 48% |
| LU | \$66,030,408 | \$68,504,771 | >100% | | 63% |
| NSU | \$62,581,033 | \$72,988,895 | >100% | | 56% |
| ODU | \$303,612,623 | \$286,955,719 | 95% | (\$16,656,904) | 61% |
| RU | \$123,160,968 | \$127,127,384 | >100% | | 60% |
| UMW | \$60,246,471 | \$66,551,797 | >100% | | 57% |
| UVA | \$512,745,486 | \$630,964,021 | >100% | | 35% |
| UVAW | \$23,913,373 | \$25,464,074 | >100% | | 60% |
| VCU | \$564,843,338 | \$616,937,493 | >100% | | 49% |
| VMI | \$31,020,951 | \$30,231,599 | 97% | (\$789,352) | 40% |
| VSU | \$58,779,719 | \$59,396,483 | >100% | | 49% |
| VT | \$647,027,714 | \$704,173,276 | >100% | | 38% |
| RBC | \$11,681,107 | \$11,721,311 | >100% | | 65% |
| VCCS | \$889,144,307 | \$901,088,191 | >100% | | 63% |
| Total | \$4,310,019,999 | \$4,710,732,982 | 109% | (\$17,446,256) | 50% |
| EVMS | \$80,416,675 | \$73,157,832 | 91% | (\$7,258,843) | 37% |
| Grand Total | \$4,390,436,674 | \$4,783,890,814 | | (\$24,705,099) | |

Notes:

(1) Based on actual FY16 student FTE and FY14-FY16 3-year average discipline credit hours.

(2) The blended salary is from 2016-18 Activity-Based Budget (ABB)

(3) Available resources are from 2018 GF appropriations and FY18 nongeneral fund revenue in the 2016 six-year plan, net of financial aid.

(4) GF adjustments are OCR funding at NSU and VSU, and VCCS central office (FY16 adjustment).

(5) NGF includes required funding for programs 101-40, 102 and 103 made in October 2009.

Source: SCHEV staff analysis, October 2016.



Cost-Sharing Policy

- Until the early 1990s, the general fund covered 60 to 70 percent of E&G costs at four-year institutions. With a recession in the early 1990s, a cost-sharing policy was abandoned for in-state students and out-of-state students were required to pay their full cost.
 - From 1993 to 2003, in-state tuition was subject to mandated caps, freezes, and a 20 percent rollback.
- In 2004, the General Assembly reinstated an E&G cost-sharing goal for in-state students under which the state would cover 67 percent of the costs, with tuition revenues supporting the remaining 33 percent.
 - Because the state share of cost applies only to in-state students, the general fund target varies by institution based on the mix of in-state and out-of-state students.
- Due to reductions and a lack of new resources, over time, state support has not kept pace with tuition revenue.

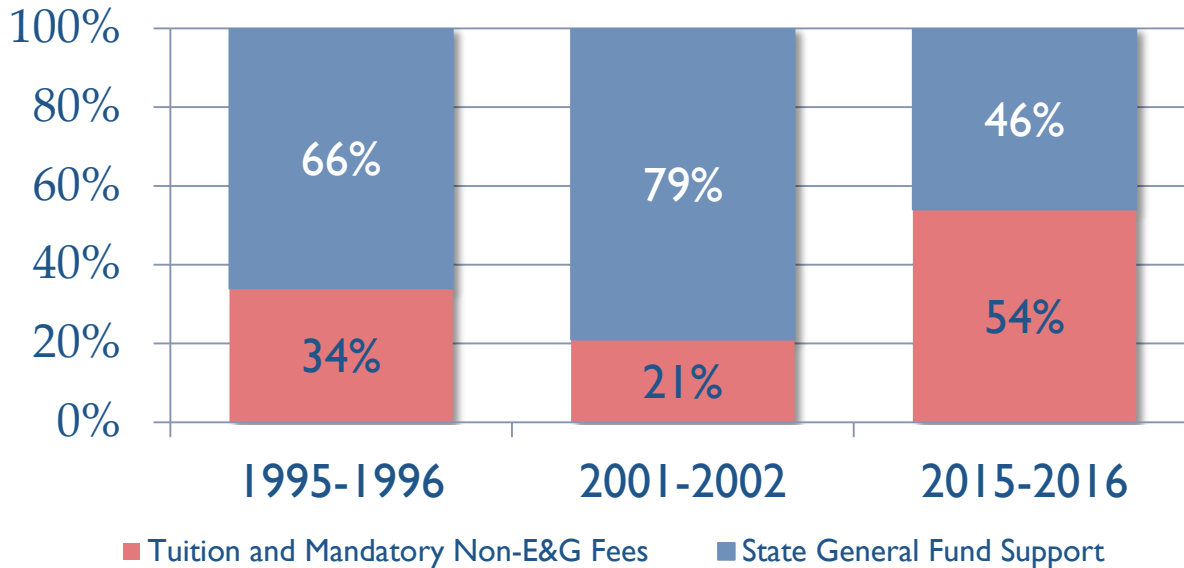
Source: SFC staff presentations.



Cost-Share Over Time

Share per Full-time Equivalent Student

(2015 Constant Dollars)



Economic recessions and tuition freezes, such as the one from 2000-2002 can impact the state's ability to meet its commitment to support 67 percent of the cost to educate in-state students. Students pay the remainder via tuition, which can fluctuate with state support.

Source: SCHEV and SFC staff, SCHEV data, May 2017.



Other States/National Comparison



In-State Undergraduate Tuition and Fees

| Ranking | State | Tuition and Fees |
|----------|-----------------|------------------|
| 1 | New Hampshire | \$15,650 |
| 2 | Vermont | \$15,450 |
| 3 | Pennsylvania | \$13,880 |
| 4 | New Jersey | \$13,560 |
| 5 | Illinois | \$13,280 |
| 6 | Michigan | \$12,460 |
| 7 | Virginia | \$12,320 |
| 9 | South Carolina | \$12,190 |
| 19 | Kentucky | \$9,950 |
| 42 | North Carolina | \$7,200 |

Source: The College Board,
*Annual Survey of Colleges, Average
2016-17 In-State Tuition and Fees
at Public Four-Year Institutions by
State*, October 2016.



Focus on Cost of Education/Affordability



Joint Subcommittee on the Future Competitiveness of Virginia Higher Education

- (a) review ways to maintain and improve the quality of higher education, while providing for broad **access** and **affordability**;
- (b) examine the impact of financial, demographic, and competitive changes on the sustainability of individual institutions and the system as a whole;
- (c) identify best practices to make the system more efficient, including shared services, institutional flexibility, and easily accessible academic pathways;
- (d) evaluate the use of distance education and online instruction across the Commonwealth and appropriate business models for such programs;
- (e) review current need-based financial aid programs and alternative models to best provide for student **affordability** and completion;
- (f) **review the recommendations of the Joint Legislative Audit and Review Commission on the study of the cost efficiency of higher education institutions and make recommendations to their respective committees on the implementation of those recommendations;**
- (g) study the effectiveness and value of transfer students;
- (h) evaluate the effectiveness of dual enrollment in reducing the cost of higher education; and
- (i) study the effectiveness of preparing teachers to enter the K-12 system.



Joint Subcommittee on the Future

Competitiveness of Virginia Higher Education

The Subcommittee will also conduct a focused review of **access, affordability, quality, and autonomy issues** related to Virginia's public higher education system. As part of that review, the Subcommittee will explore ways to:

- (a) improve the quality of higher education;
- (b) review the autonomy and flexibility granted to Virginia's public higher education institutions, including the history of restructuring and the expansion of autonomy;
- (c) examine access and affordability in higher education, including the **cost of education** and need-based financial aid programs;
- (d) review the impact of financial, demographic, and competitive changes on the sustainability of Virginia's public higher education system; and
- (e) identify any practices that would result in more **efficient outcomes regarding cost and completion**, including dual enrollment and online programs.



Options to Consider?

- Revisit JLARC recommendations?
- Time to revisit funding models and goals?
- Explore low-cost options that balance cost, quality, and access?
- Review 529 options?
- Others?

