



## JLARC higher education report series (2012-2014)

---

# JLARC higher education report series was requested amid concern about rising costs

- Tuition & fees more than tripled
- Institutional reliance on tuition & fees for revenue nearly doubled
- Amount students borrowed nearly doubled

All data 1991-2011

## JLARC released five higher education reports under HJR 108 (2012 General Assembly)

Report title	Release date
Trends in Higher Education Funding, Enrollment, and Student Costs	June 2013
Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions	Sept 2013
Review of Academic Spending and Workload at Virginia's Public Higher Education Institutions	Dec 2013
Support Costs and Staffing at Virginia's Higher Education Institutions	Oct 2014
Addressing the Cost of Public Higher Education in Virginia	Nov 2014

---

## In this presentation

- **Legislative action through 2017 Session**
- Major findings and recommendations not fully addressed

Attachment: JLARC study findings and recommendations

---

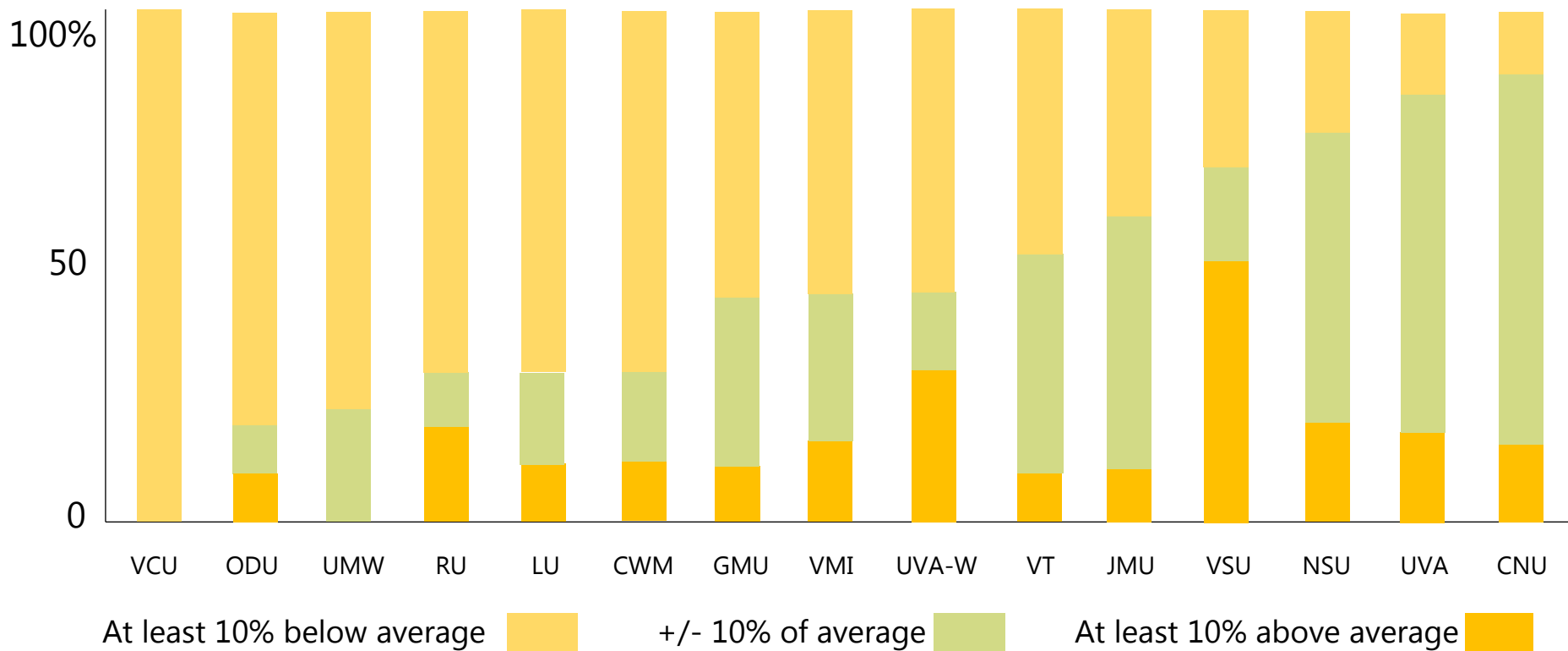
# Academic spending

- Virginia's schools spent about the same—or less than—the national average on instruction
- Main reason for increased spending on faculty was to keep pace with enrollment growth

# Academic spending (continued)

- Faculty salaries at most schools, in most academic disciplines, were at or below national average

Percentage of academic disciplines (faculty salaries)



## Academic spending (continued)

- Faculty spent more time on research and less on teaching than previously



## Academic spending (continued)

- Research institutions funded ≈\$300 million in uncovered research costs. Used multiple sources; tuition & fees.

Institution	Sponsored research - Cost share & Indirect F&A (2012)	Un-sponsored, internal research (2011)	Total uncovered costs
VT	\$35.1	\$114.4	\$149.5
UVA	24.6	3.7	28.3
ODU	15.8	38.3	54.1
CWM	6.4	14.2	20.6
VCU	8.0	22.1	30.1
GMU	5.7	12.1	17.8
<b>Statewide</b>	<b>\$95.6</b>	<b>\$204.5</b>	<b>\$300.1</b>

Note: Dollars shown in millions



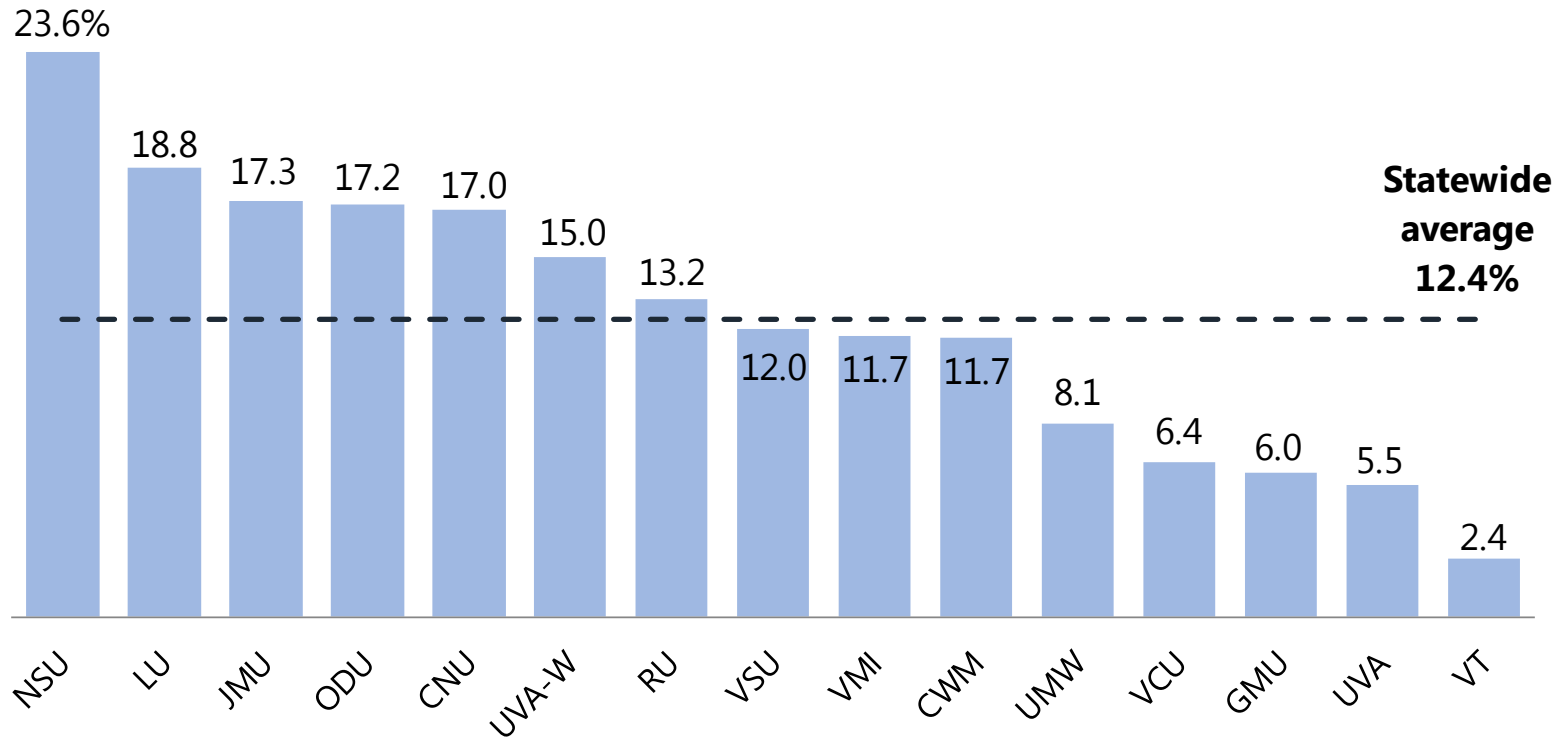
---

# Academic spending

- ✓ Appropriation Act (2014-2016)
- ✓ Benchmark average faculty salaries at the discipline level and improve the transparency of the peer group model
- ✓ Conduct and participate in national faculty teaching load assessments to benchmark teaching loads
  
- ✗ Regularly re-base appropriated and actual average faculty salaries
  
- ✗ Track funding for research and develop a process to report on the progress of state-supported research projects

# Intercollegiate athletics

- Intercollegiate athletics used about 12 percent of tuition and fees (FY12)



---

# Intercollegiate athletics

- ✓ HB 1897 / §23-1.2
  - ✓ Impose a limit on mandatory athletic fees by limiting proportion of tuition and fees used to fund intercollegiate athletics
  - ✓ Require institutions above athletic fee limit to develop plans to reduce fees
- ✓ Appropriation Act (2014-2016)
  - ✓ Clearly list intercollegiate athletics fee amounts on institution website
  - ✓ Create a standard way to calculate and publish mandatory non-E&G fees, including for intercollegiate athletics

---

# Administrating spending

- Administrative spending—at most schools—was less than nationwide average
- Largest category of administrative spending was for academic support
- Virginia schools may have had too many supervisors or too many layers in their organizational structures
- Institutional procurement did not always capitalize on economy of scale and purchasing power

---

# Administrative spending

- ✓ Appropriation Act (2014-2016)
- ✓ Review organizational structure and identify ways to streamline
- ✓ Require reports on spans of control and the number of supervisors with six or fewer direct reports
- ✓ Revise policies to eliminate unnecessary supervisory positions by developing standards for broader spans of control
- ✓ Set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts
- ✓ Report on all institutional purchases that are exceptions

---

## In this presentation

- Legislative action through 2017 Session
- Major findings and recommendations not fully addressed
  - Tuition & fees; Funding
  - Non-academic spending
  - Capital spending & debt service

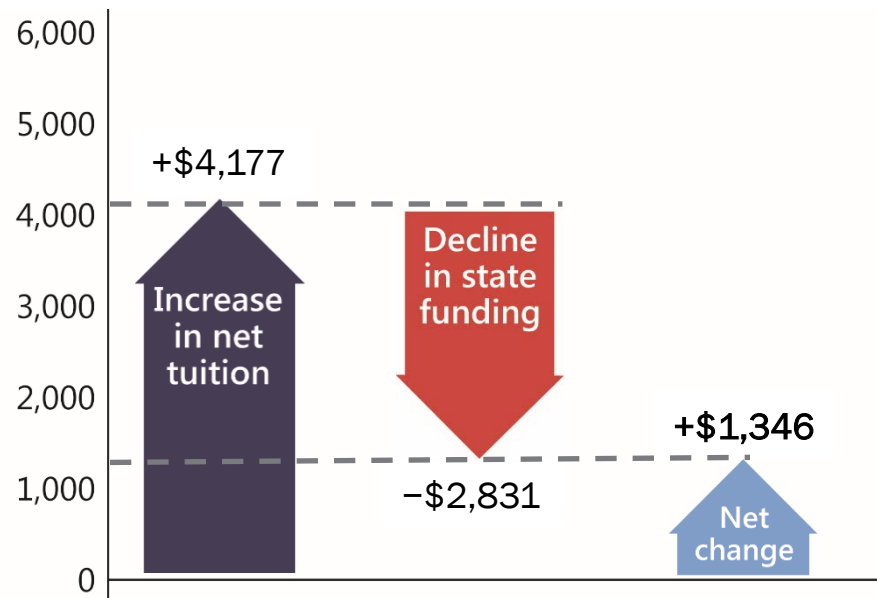
---

## Tuition & fees; Funding

- Tuition & fees increase far outpacing inflation, income
- State funding per student dropped from \$8,666 to \$5,835, adjusting for inflation (FY98–FY12)
- Institutions now rely far more on students, rather than the state, to fund E&G operations

## Tuition & fees; Funding (continued)

- Net tuition increased by substantially more than decline in state funding, on average (FY98-FY12)

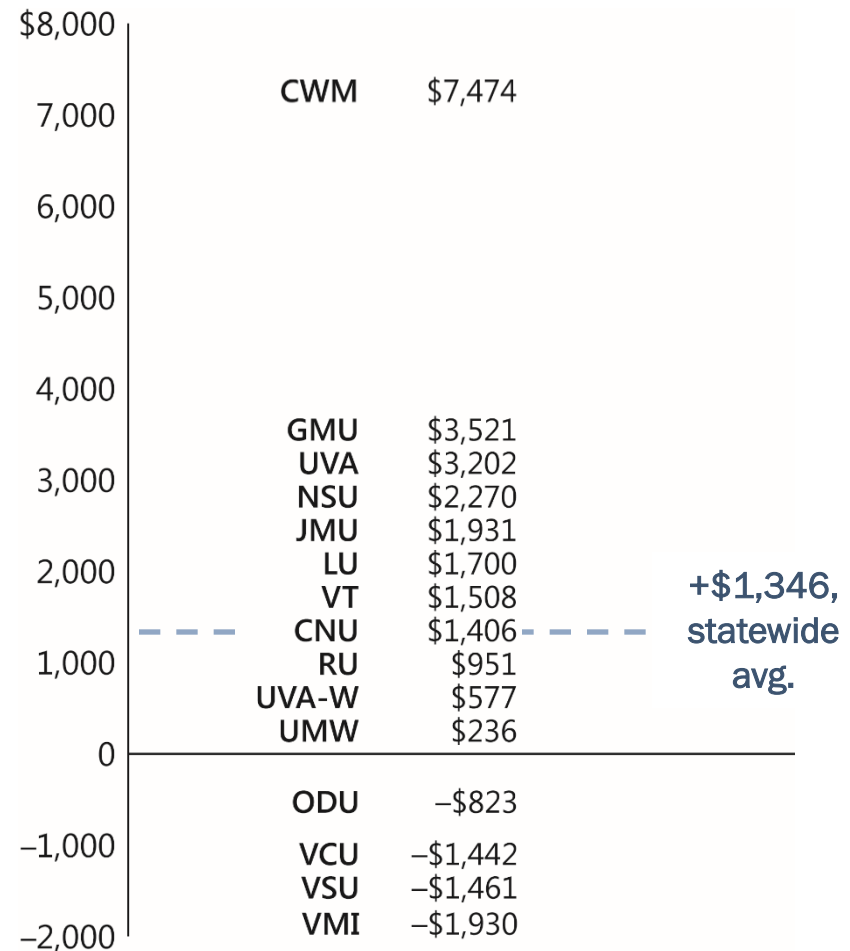


Note: Per student, adjusted for inflation.



# Tuition & fees; Funding (continued)

- Net change varied substantially by school



Note: Per student, adjusted for inflation.

---

## Tuition & fees; Funding

- ✓ Appropriation Act (2016)
- ✓ Limit annual increases in tuition and mandatory E&G fees, while providing additional state operating funds to offset forgone tuition revenue
- ✗ Update the underlying data for the base adequacy model and make additional modifications to the formula as warranted
- ✗ Ensure full funding under the base adequacy model before appropriating general funds for institutional initiatives or the performance funding model

---

## Several factors creating organizational and financial challenges for certain institutions

- Continued cost increases; declining affordability
- Stagnating / declining high school graduates
- Capital expansion = higher fixed costs
- Inability to recruit out-of-state students that pay much more in tuition & fees

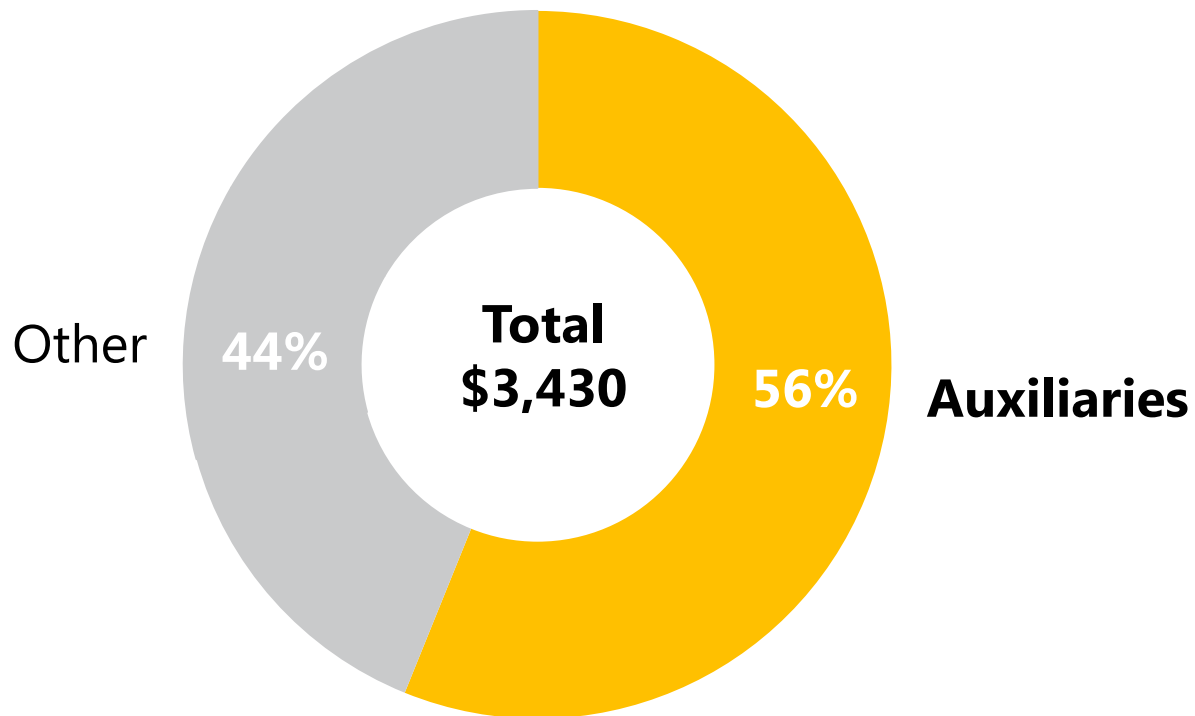
---

## Several factors creating organizational and financial challenges for certain institutions (continued)

- ✘ Revise the cost-share goal to account for characteristics that may limit the ability of institutions to generate additional net tuition revenue
- ✘ Allocate a higher proportion of operating funding to institutions that (i) are least able to fund academic operations and (ii) have a relatively high proportion of students with lower ability to pay

## Non-academic spending

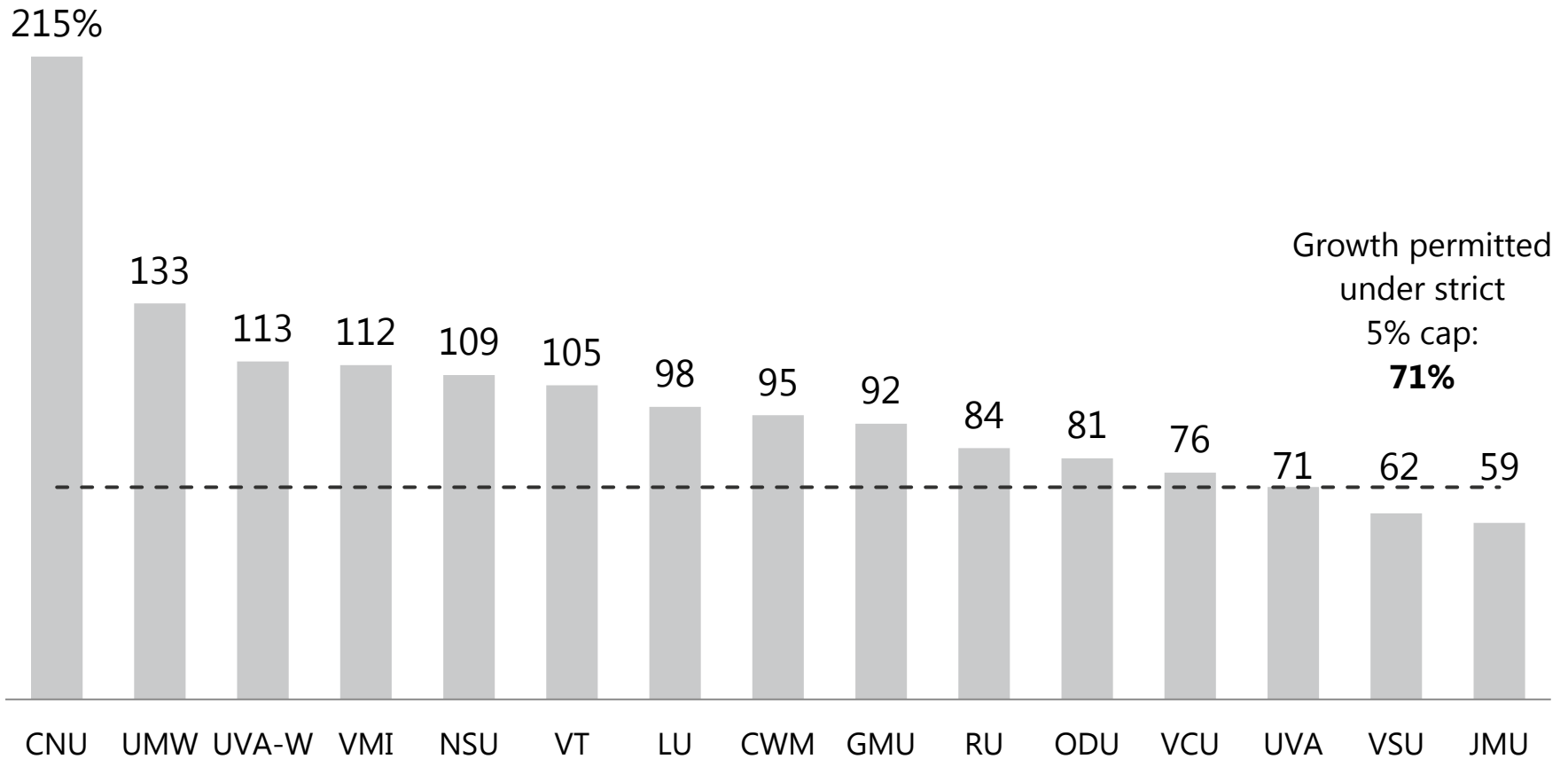
- Auxiliary spending was the primary driver of spending increase (FY02-12)



Total spending per student, adjusted for inflation.

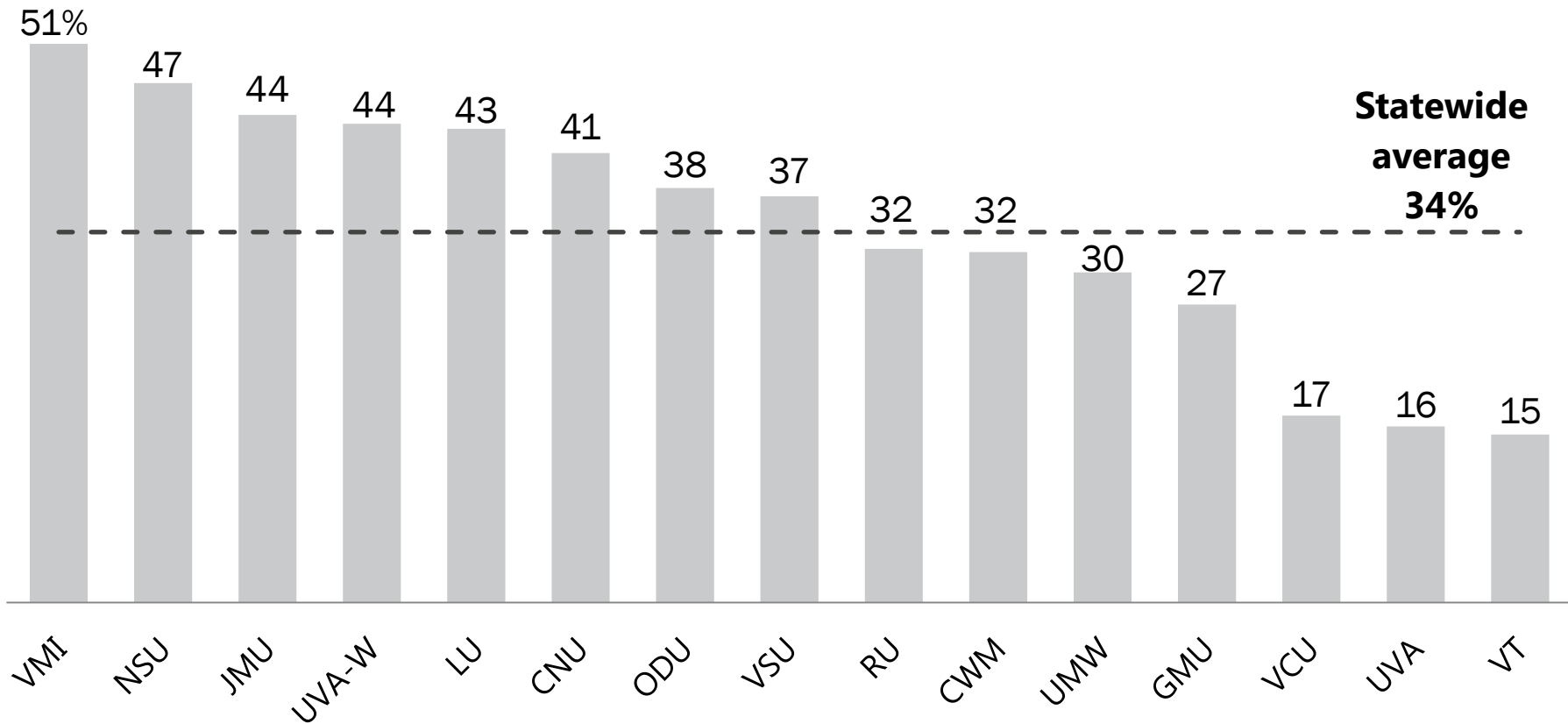
## Non-academic spending (continued)

- Non-E&G fees grew more than existing 5% growth cap ('03-'14)



## Non-academic spending (continued)

- Non-E&G fees averaged 1/3 of total tuition and mandatory fees



## Non-academic spending (continued)

- Schools increased mandatory non-E&G fees while some faced difficulty funding E&G operations
- Five schools relied more on non-E&G fees, despite shortfalls in base academic funding

Mandatory non-E&G fees  
as percentage of total mandatory charges

---

	FY 1999	FY 2014
UVA-Wise	31%	44%
CNU	31	41
NSU	42	47
LU	40	43
ODU	36	38



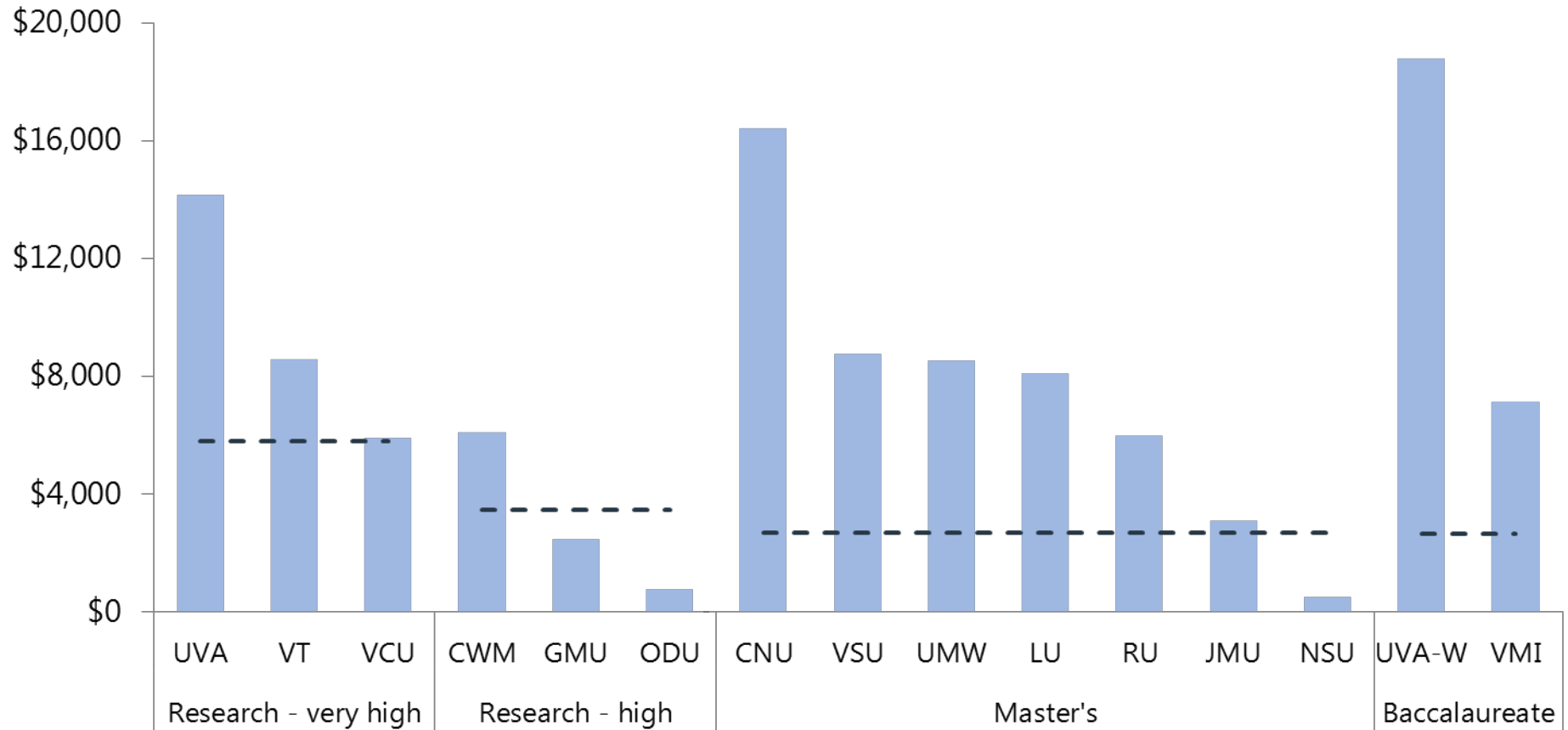
---

## Non-academic spending (continued)

- ✘ Require an evaluation of non-athletic services and activities funded by mandatory non-E&G fees
- ✘ Remove all exemptions from annual 5% cap on mandatory non-E&G fee growth; reduce growth cap
- ✘ Require express authority to exceed non-E&G growth cap

# Capital spending & Debt service

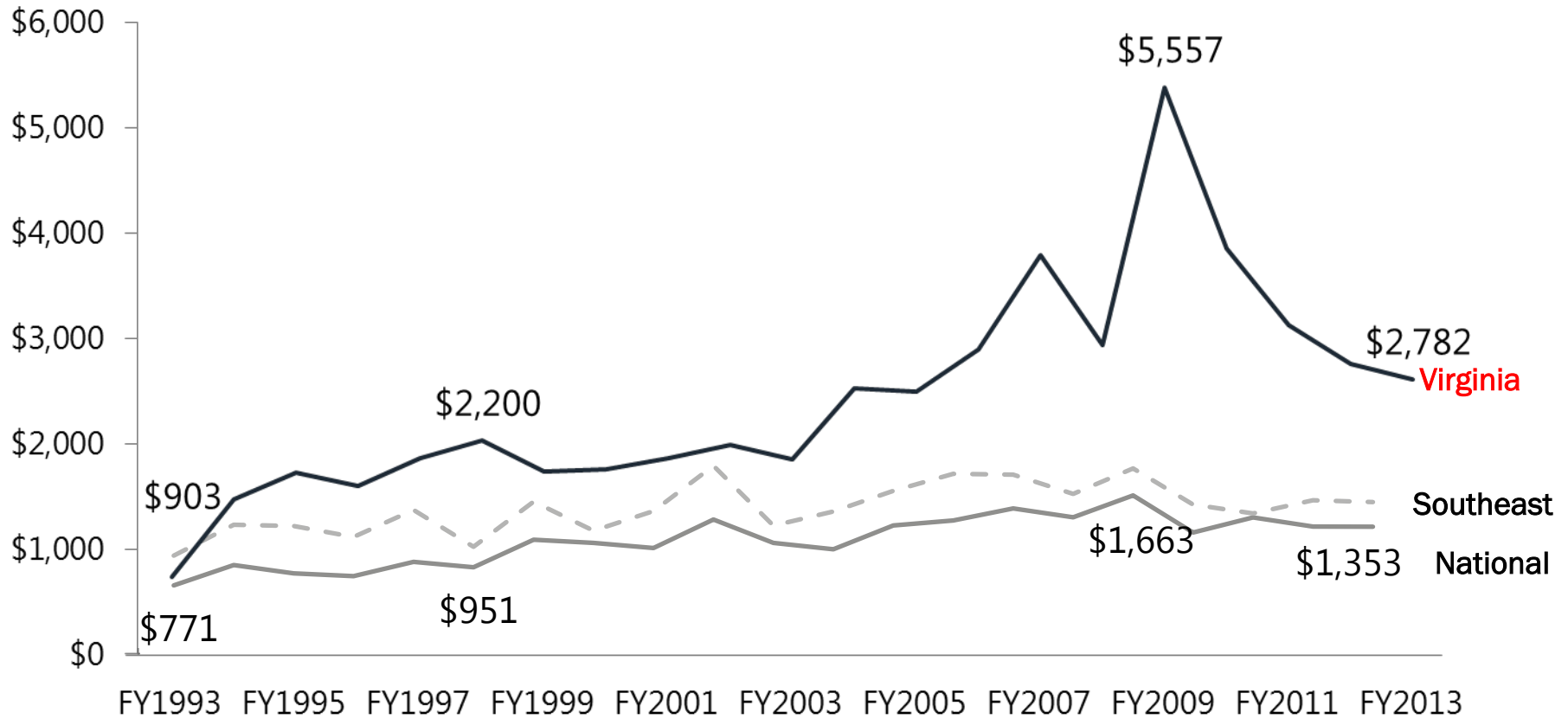
- Most schools spent more on construction than similar schools nationwide (FY12)



# Capital spending & Debt service (continued)

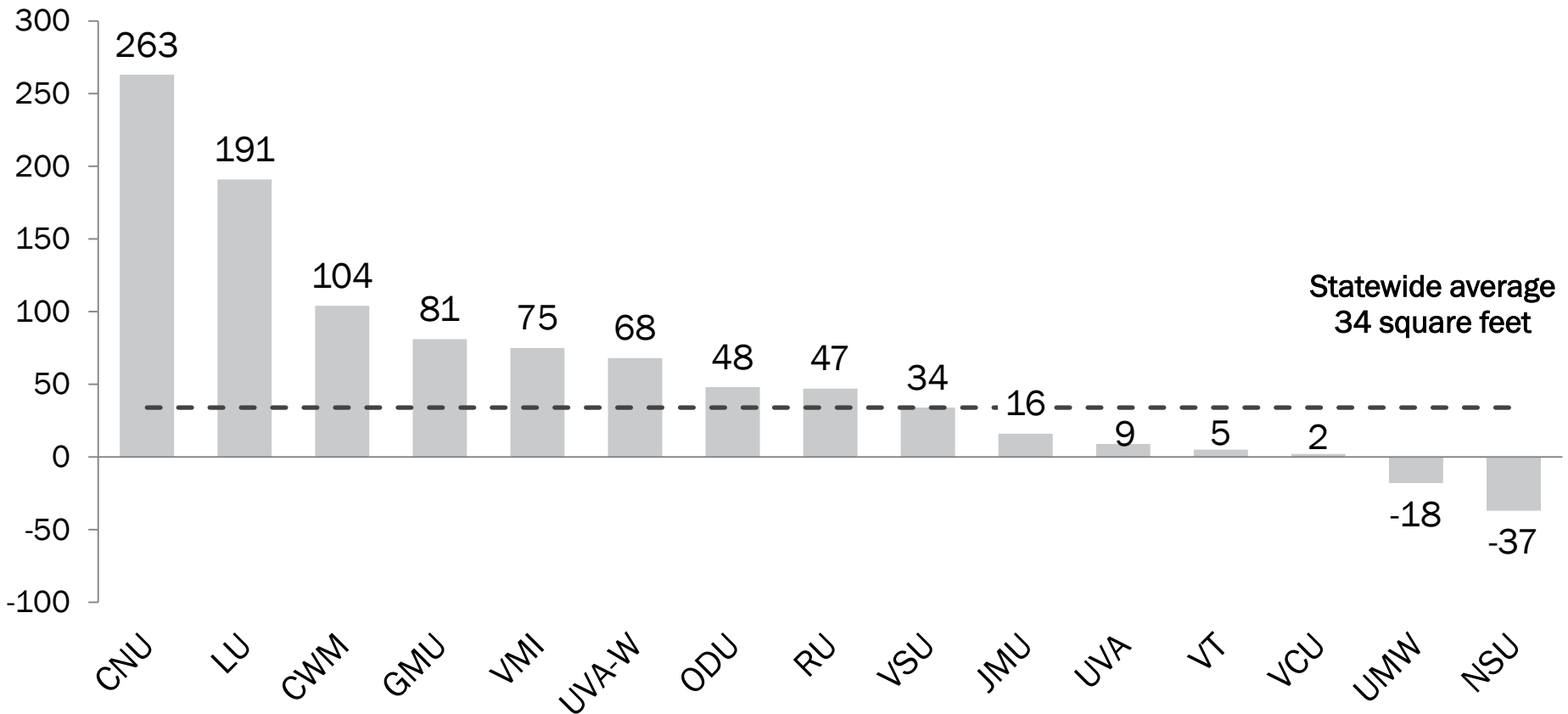
- Virginia had historically spent more on capital than other states

Capital spending / student



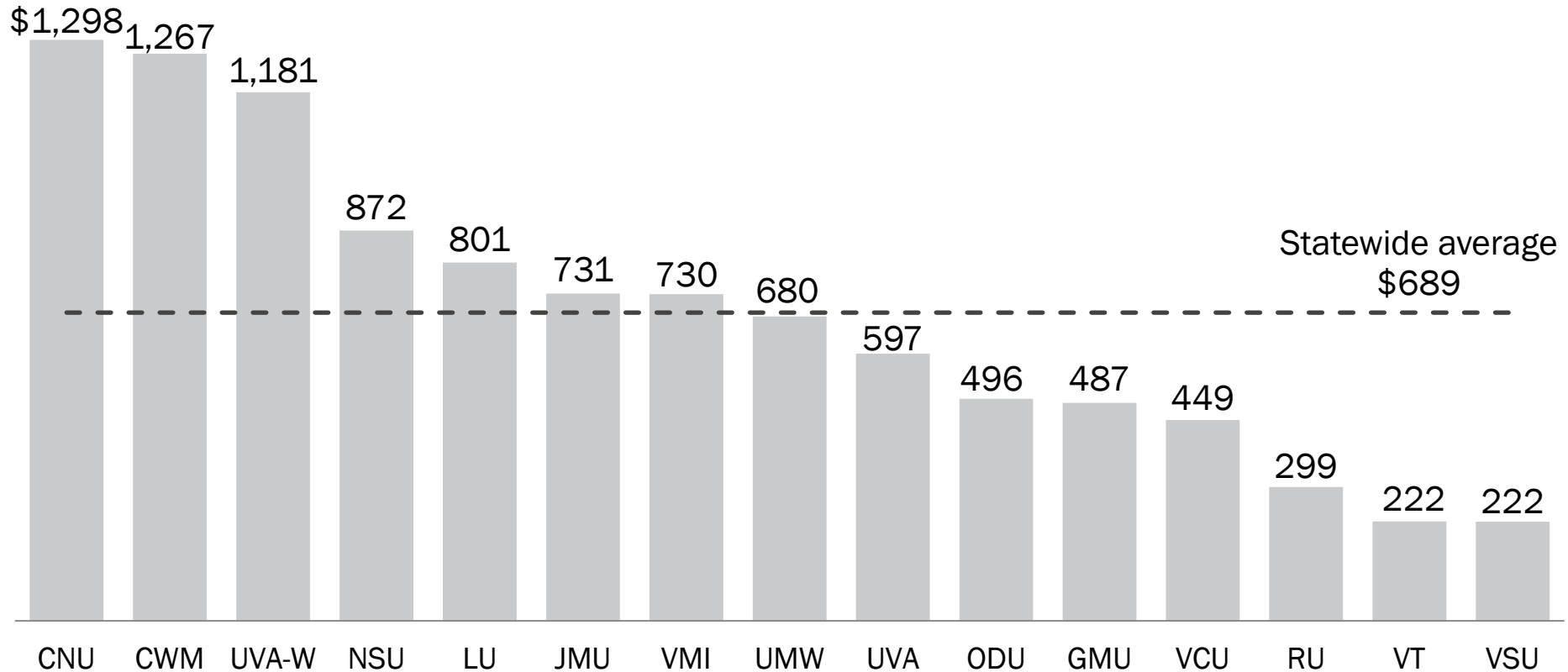
# Capital spending & Debt service (continued)

- Square footage per student increased at most schools (FY05-12)



# Capital spending & Debt service (continued)

- Students were charged to repay institutional debt service (FY13)



---

## Capital spending & Debt service (continued)

- Instructional space guidelines were based on 40-year-old standards
- Research space guidelines likely over-estimated need

---

## Capital spending & Debt service (continued)

- ✓ Appropriation Act (2014-2016)
- ✓ Use prioritization process results to determine which requests to fund
- ✓ Develop instructional and research space guidelines that adequately measure current use of space and plans for future use
- ✓ Revise maintenance reserve funding formula to reflect facility condition, age, and use
- ✗ Modify capital prioritization process to provide objective, state analysis and prioritization of capital requests

---

# Questions?

Justin Brown, Senior Associate Director

[jbrown@jlarc.virginia.gov](mailto:jbrown@jlarc.virginia.gov)

(804) 371-4576



---

## Attachment: JLARC study findings and recommendations

- Academics
- Administrative services
- Auxiliary services
- Tuition & fees; funding
- Student financial aid
- Debt service & capital spending

---

## Key findings: Academics

- Instructional spending was at or below national average
- Spending on faculty rose primarily to keep pace with rising student enrollment
  - Reliance on part-time / adjunct
- Virginia faculty salaries fell below state and national benchmarks
- Research resulted in \$300 million of additional costs

*See Review of Academic Spending and Workload at Virginia's Public Higher Education Institutions, December 2013*

# Recommendations: Academics

- Regularly re-base appropriated and actual average faculty salaries
- Benchmark average faculty salaries at the discipline level and improve the transparency of the peer group model
- Conduct and participate in national faculty teaching load assessments to benchmark average faculty teaching loads against similar institutions
- Coordinate a committee to identify instructional technology to lower instructional costs while maintaining or enhancing student learning
- Track funding for research and develop a process to report on the progress of state-supported research projects
- Develop instructional and research space guidelines that adequately measure current use of space and plans for future use of space

## Implemented?

--

Appropriation Act

Appropriation Act

Appropriation Act

--

Appropriation Act

---

## Key findings: Administrative services

- Administrative spending—at most schools—was less than nationwide average
- Largest category of administrative spending was for academic support
- Virginia schools may have had too many supervisors or too many layers in their organizational structures
- Institutional procurement did not always capitalize on economy of scale and purchasing power

*See Support Costs and Staffing at Virginia's Higher Education Institutions, October 2014*

# Recommendations: Administrative services

- Review organizational structure and identify ways to streamline where possible
- Require reports on spans of control and the number of supervisors with six or fewer direct reports
- Revise policies to eliminate unnecessary supervisory positions by developing standards that establish and promote broader spans of control
- Review and participate-in cooperative procurement
- Set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts
- Report on all institutional purchases that are exceptions

## Implemented?

Appropriation Act

Appropriation Act

Appropriation Act

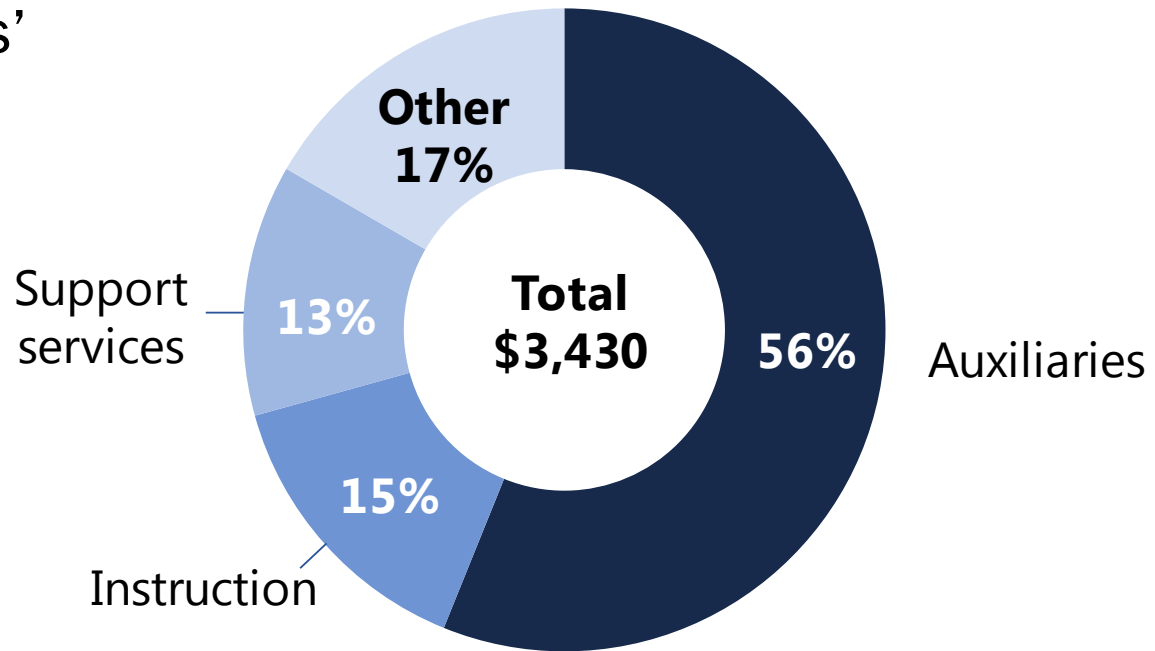
--

Appropriation Act

Appropriation Act

## Key findings: Auxiliary services

- Majority of schools' spending increase was on auxiliary services (FY02-FY12)

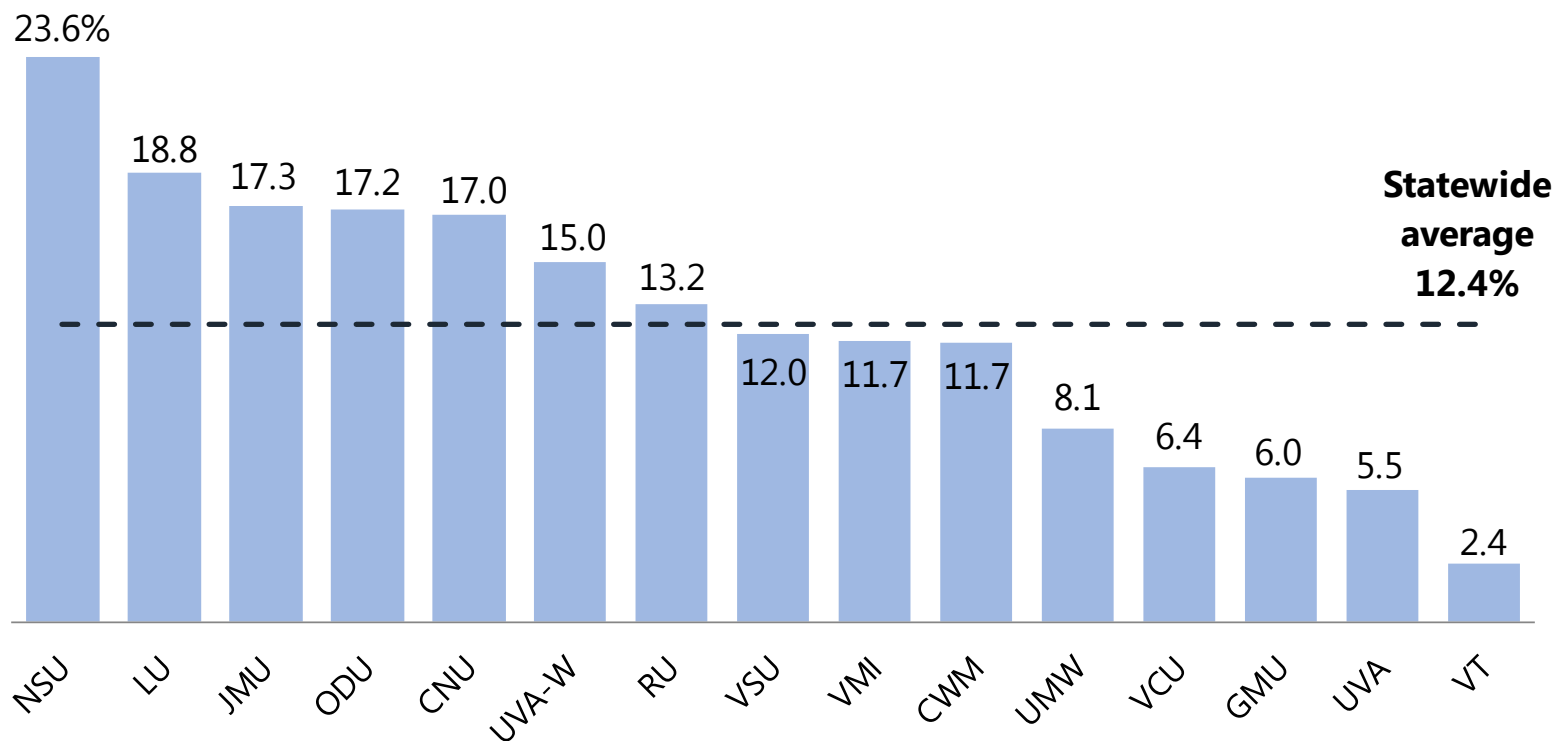


Note: Total spending per student, adjusted for inflation.

See *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions*, September 2013 and *Addressing the Cost of Public Higher Education in Virginia*, November 2014

## Key findings: Auxiliary services (continued)

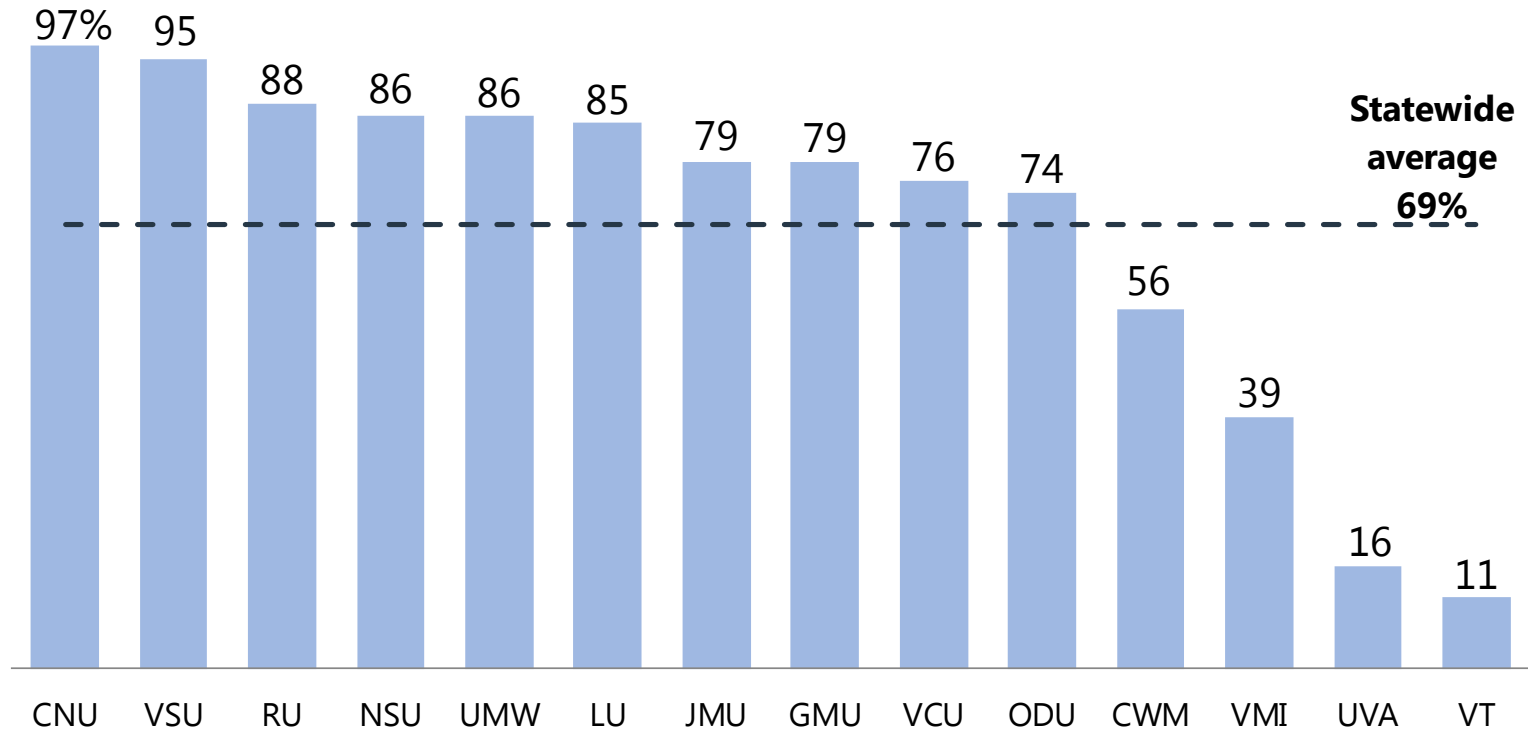
- Intercollegiate athletics used about 12 percent of tuition and fees (FY12)



See *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions*, September 2013 and *Addressing the Cost of Public Higher Education in Virginia*, November 2014

## Key findings: Auxiliary services (continued)

- Athletic revenue came mostly from students (FY12)



See *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions*, September 2013 and *Addressing the Cost of Public Higher Education in Virginia*, November 2014



---

## Key findings: Auxiliary services (continued)

- Campus recreation used about three percent of tuition and fees
  - Generally less than private sector alternatives
- Virginia schools charged about the same, or less than, other schools nationwide for housing and dining

*See Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions, September 2013 and Addressing the Cost of Public Higher Education in Virginia, November 2014*

# Recommendations: Auxiliary services

	<u>Implemented?</u>
■ Clearly list intercollegiate athletics fee amounts on institution website	Appropriation Act
■ Create a standard way to calculate and publish mandatory non-E&G fees, including for intercollegiate athletics	Appropriation Act
■ Update Chart of Accounts to improve comparability and transparency	Appropriation Act
■ Assess feasibility and impact of raising revenue through campus recreation and fitness enterprises, to reduce reliance on student fees	Appropriation Act
■ Impose limit on mandatory athletic fees by limiting proportion of tuition and fees used to fund intercollegiate athletics	HB 1897 / §23-1.2
■ Require institutions above athletic fee limit to develop plans to reduce fees	HB 1897 / §23-1.2

---

## Recommendations: Auxiliary services (continued)

- Require an evaluation of non-athletic services and activities funded by mandatory non-E&G fees
- Remove all exemptions from annual five percent cap on mandatory non-E&G fee growth; reduce growth cap
- Require express authority to exceed non-E&G growth cap

Implemented?

--

--

--

---

## Key findings: Tuition & fees

- Institutions generally high quality
  - Virginia had nation's 2<sup>nd</sup> highest graduation rate (72% in 6 years)
  - UVA, CWM, and VT top 20 graduation rates in nation
- Institutions also high cost
  - Virginia had 5<sup>th</sup> highest average net cost
  - Tuition & fees increased 122 percent (FY02-FY12)

See *Addressing the Cost of Public Higher Education in Virginia*, November 2014

---

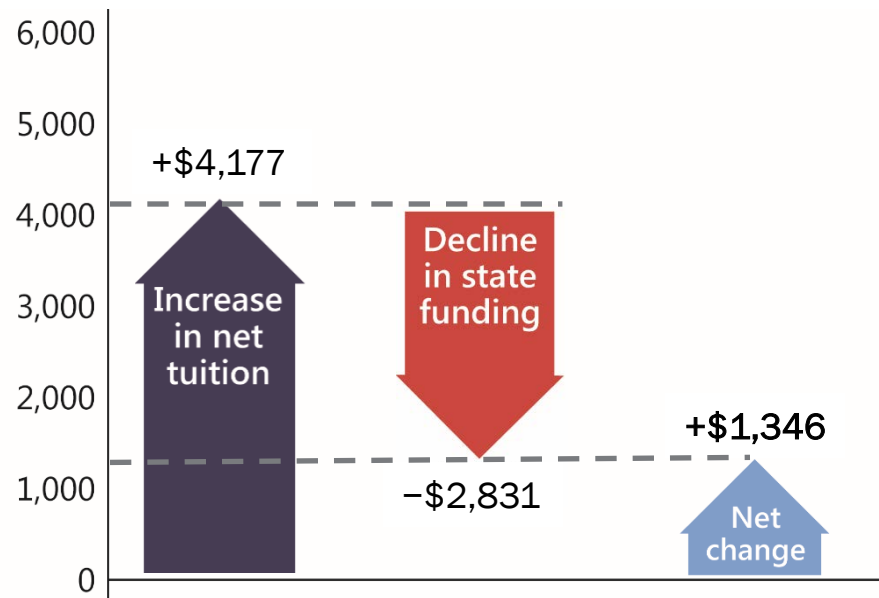
## Key findings: Funding

- State funding per student dropped from \$8,666 to \$5,835, adjusting for inflation (FY98–FY12)
- Institutions now rely far more on students, rather than the state, to fund E&G operations

See *Addressing the Cost of Public Higher Education in Virginia*, November 2014

## Key findings: Funding (continued)

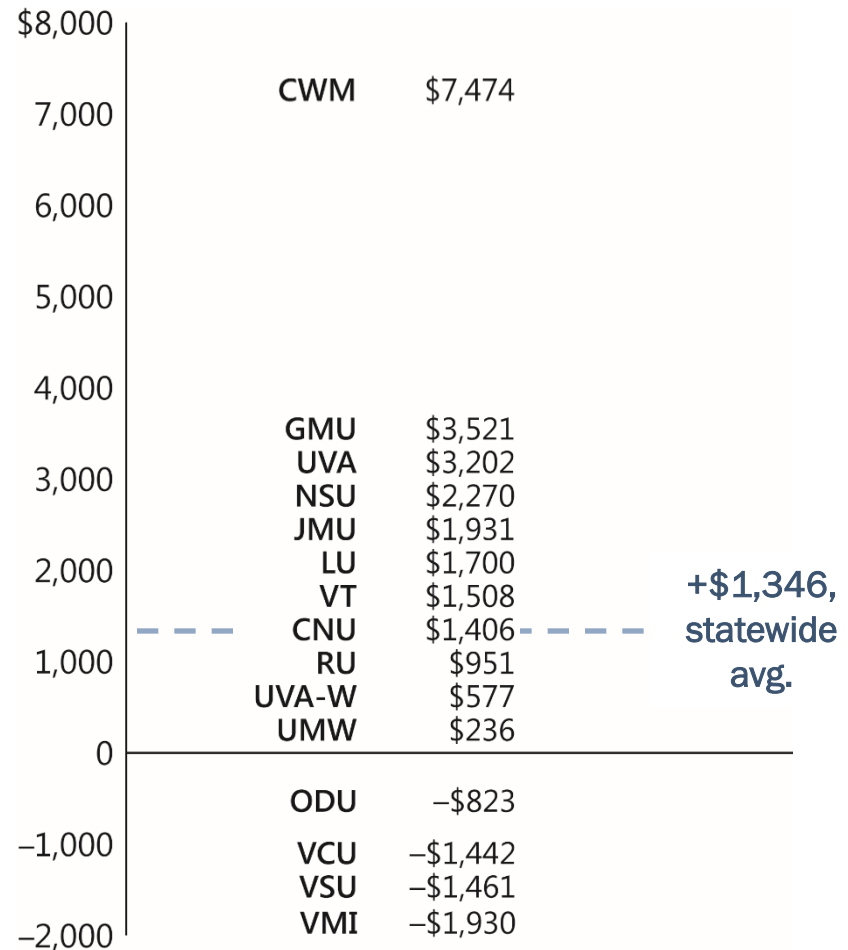
- Net tuition increased by substantially more than decline in state funding, on average (FY98-FY12)



Note: Per student, adjusted for inflation.

# Key findings: Funding (continued)

- Net change varied substantially by school
- Some institutions struggling to adapt; especially with
  - stagnating / declining enrollment
  - higher fixed costs
  - Lower tuition pricing power / fewer out-of-state students



Note: Per student, adjusted for inflation.

# Recommendations: Tuition & fees; funding

- Update the underlying data for the base adequacy model and make additional modifications to the formula as warranted
- Revise the cost-share goal for each public four-year institution to account for characteristics that may limit the ability of institutions to generate additional net tuition revenue

Implemented?

--

--



# Options: Tuition & fees; funding

- Allocate a higher proportion of operating funding to institutions that (i) are least able to fund academic operations and (ii) have a relatively high proportion of students who have lower ability to pay
- Ensure full funding under the base adequacy model before appropriating general funds for institutional initiatives or the performance funding model
- Limit annual increases in tuition and mandatory E&G fees for in-state undergraduate students while providing additional state operating funding to offset forgone tuition revenue

Implemented?

--

--

Appropriation  
Act

---

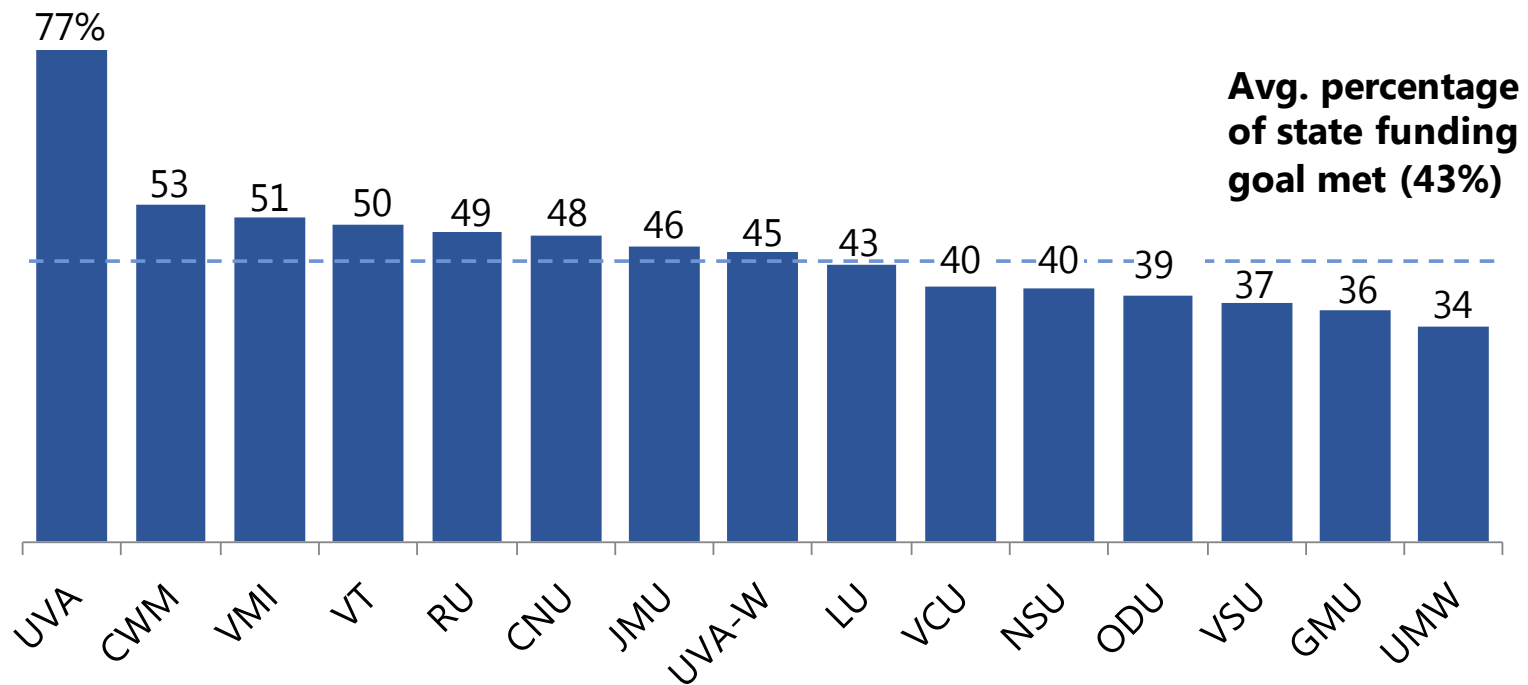
## Key findings: Student financial aid

- Studies found financial aid increases enrollment and completion, particularly for lower-income students
- Insufficient financial resources was a primary reason students cited for not completing college
- State student aid fell short of goal; allocation did not sufficiently prioritize low and middle-income students
- About one-third of state financial aid was awarded to students at private institutions

See *Addressing the Cost of Public Higher Education in Virginia*, November 2014

## Key findings: Student financial aid (continued)

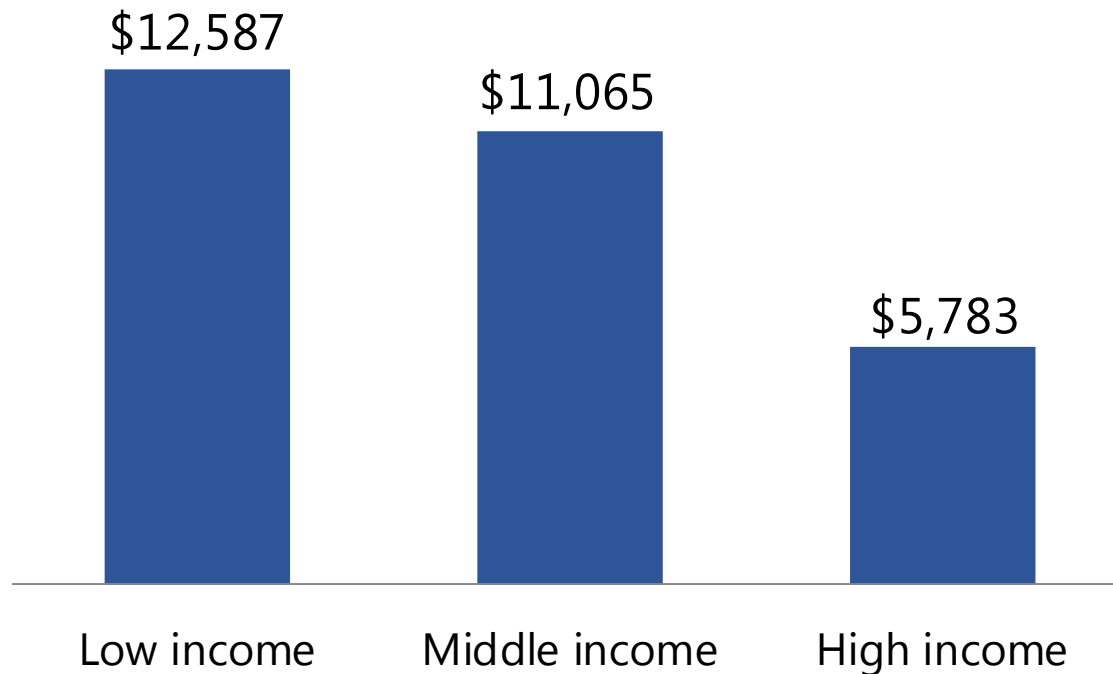
- VSFAP was not allocated in proportion to state-recognized financial need



VSFAP = Virginia Student Financial Assistance Program

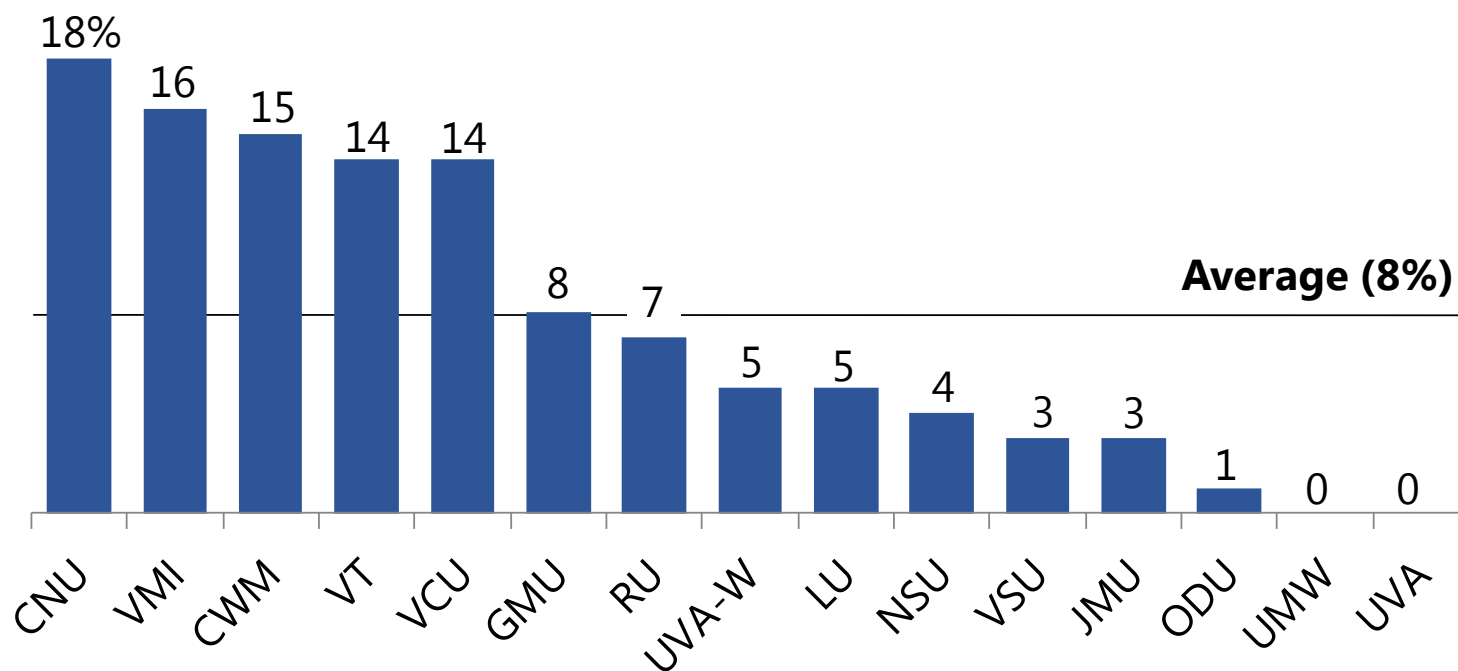
## Key findings: Student financial aid (continued)

- Low- and middle-income students had more unmet financial need than high income students



## Key findings: Student financial aid (continued)

- Several schools awarded VSFAP funds to high-income students



---

## Recommendations: Financial aid

- Allocate VSFAP funds so an equal percentage of financial need is met at each institution
- Restrict VSFAP to low- and middle-income students when appropriations are less than funding goals

### Implemented?

Deliberations  
ongoing;  
Joint  
Subcommittee  
on the Future  
Competitiveness  
of Virginia Higher  
Education

---

## Option: Financial aid

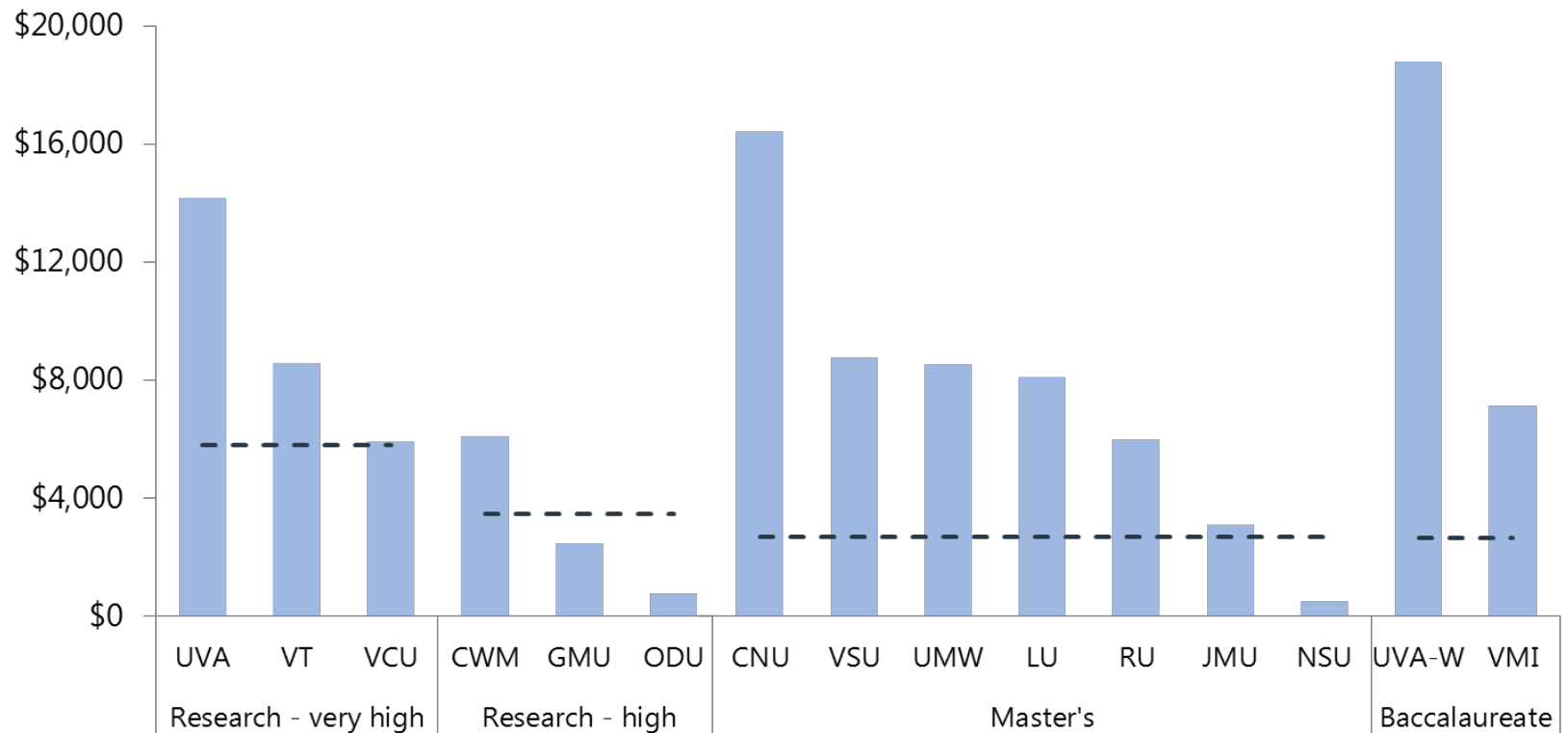
- Provide more financial aid through VSFAP by limiting eligibility of private students to financial aid to low- and middle-income students with financial need

Implemented?

--

# Key findings: Debt service and capital spending

- Virginia capital spending exceeded national and regional averages

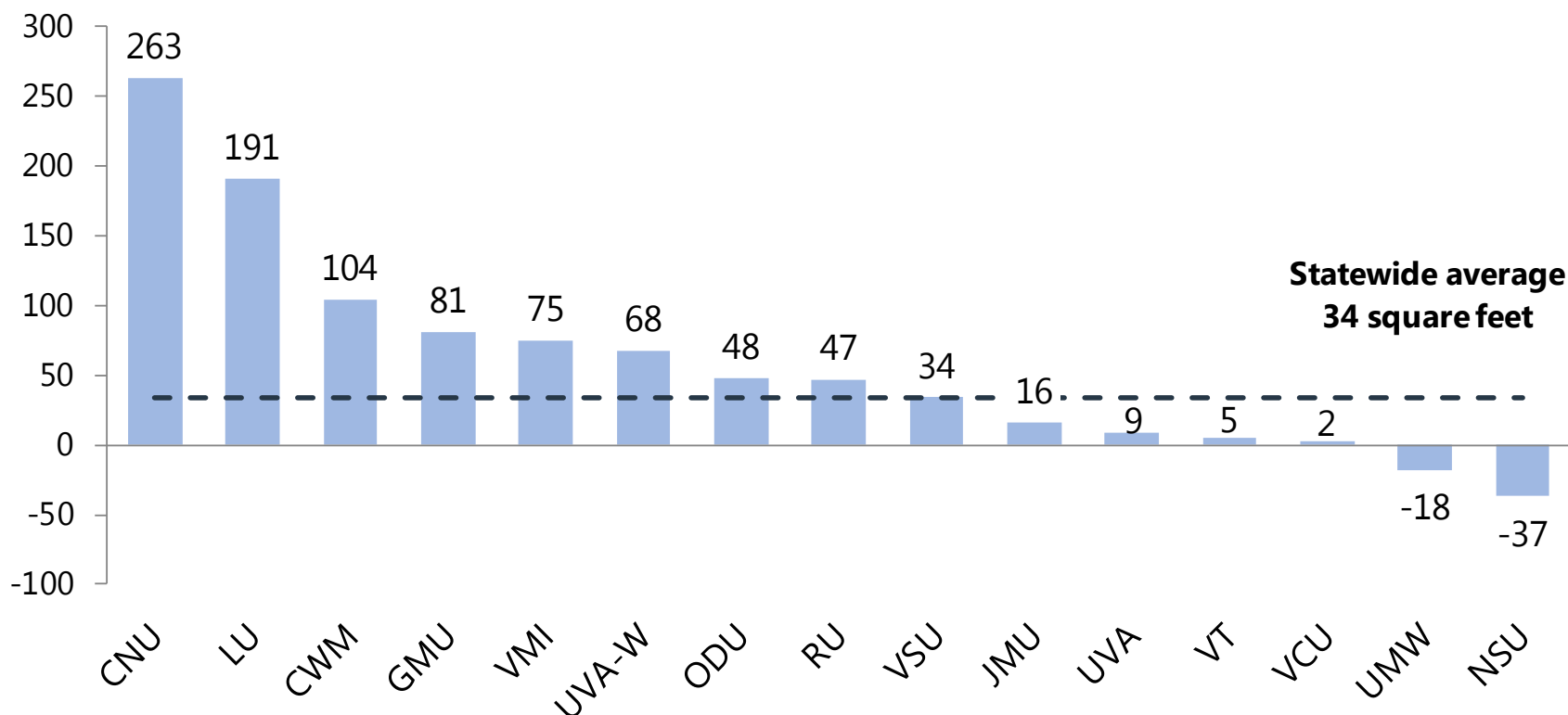


See *Addressing the Cost of Public Higher Education in Virginia*, November 2014



## Key findings: Debt service & capital spending (continued)

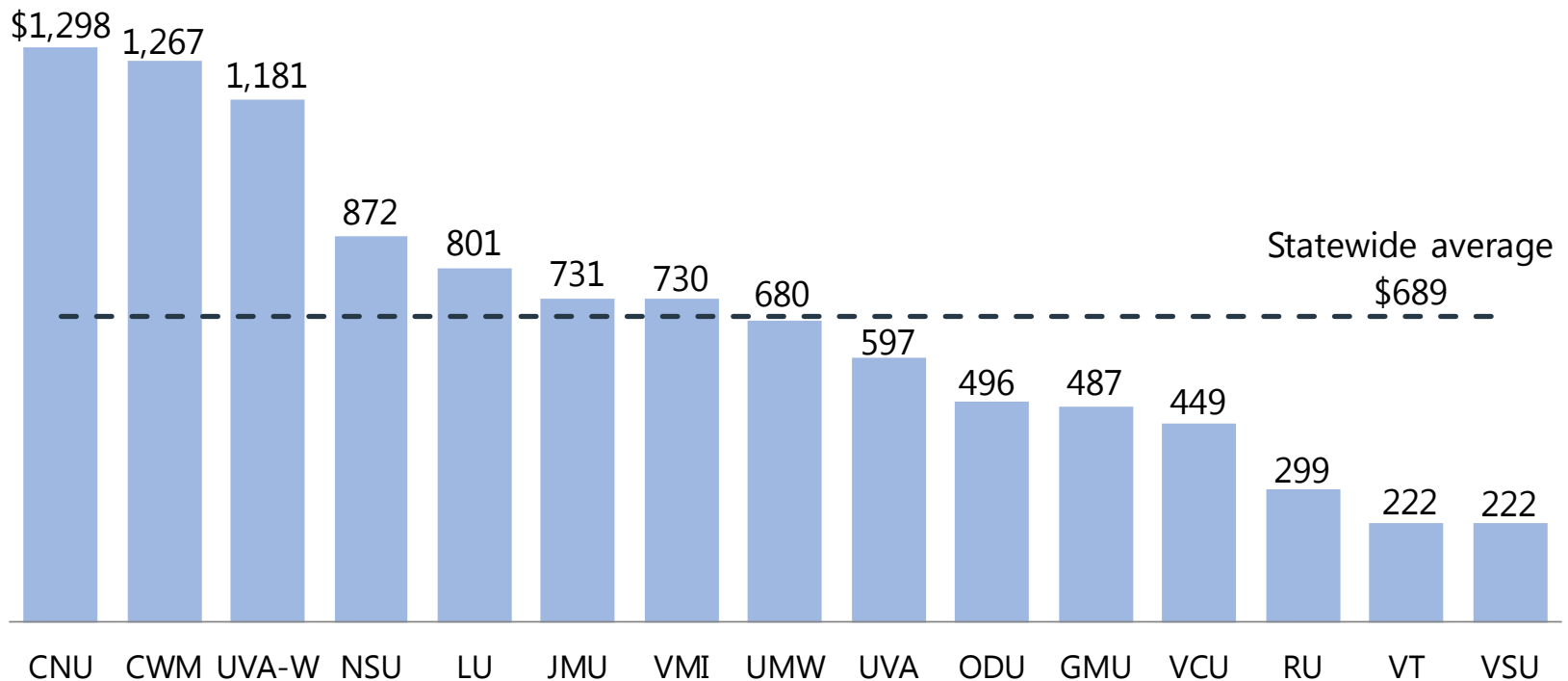
- Square footage / student increased at most schools (FY05 to FY12)



See *Addressing the Cost of Public Higher Education in Virginia*, November 2014

## Key findings: Debt service & capital spending (continued)

- Substantial portion of capital spending funded through debt service; paid by students through mandatory fees



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

---

## Key findings: Debt service & capital spending (continued)

- Deficiencies with capital process prevented fully informed statewide prioritization
  - Outdated space utilization guidelines
  - Lack of centralized information about facility condition
  - Challenge to identify highest need projects, across schools

See *Addressing the Cost of Public Higher Education in Virginia*, November 2014

# Recommendations: Debt service & capital

- Modify capital prioritization process to provide objective, state analysis and prioritization of capital requests
- Use prioritization process results to determine which requests to fund
- Revise maintenance reserve funding formula to reflect facility condition, facility age and use

## Implemented?

--

Appropriation  
Act

Appropriation  
Act