

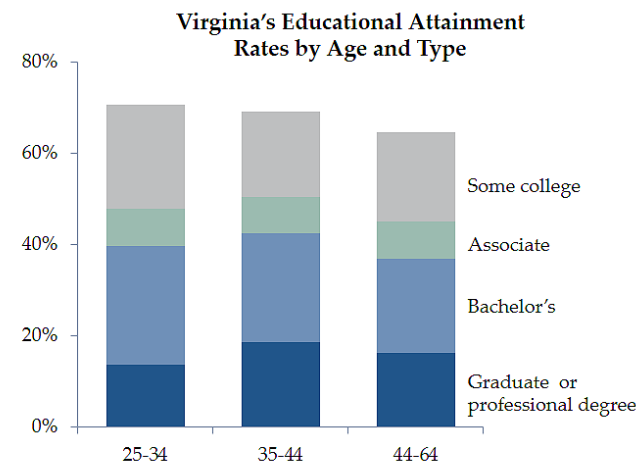
## The Virginia Plan for Higher Education: 2017 Report Summary

Virginia faces a future in which higher education will play an increasingly important role. Virginians will need deeper and broader knowledge and skills to be engaged, productive participants in our evolving Commonwealth and its economy. At the same time, the demographics of the emerging generation are changing; an increasing share of our youth will come from populations that historically have been underrepresented both in higher education and the highly educated sectors of our workforce. These changes transpire at a time when the cost of attending college has increased beyond the capacity of many Virginians.

The Virginia Plan for Higher Education is designed to identify trends that the Commonwealth must address if it is to prosper and succeed. Through input by higher-education partners, The Virginia Plan is intended to help guide a vision for Virginia's future through a common framework built on the premise that all partners in higher education must work together to help Virginia, its citizens and its regions.

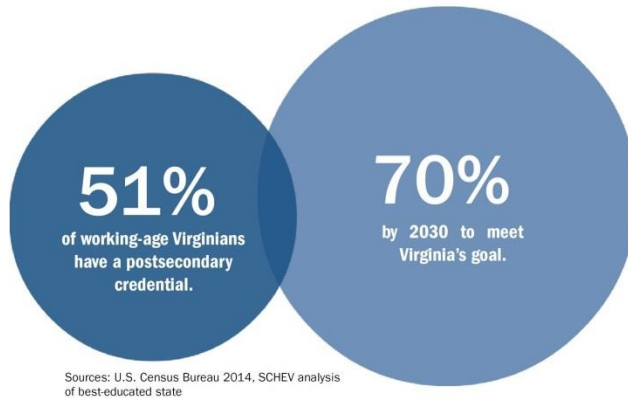
### The Value of Postsecondary Education

Achieving education beyond high school supports the prosperity of Virginia, its citizens and its regions. An educated population and well-trained workforce increase economic competitiveness, improve the lives of individuals and support community engagement.



In addition to needing a postsecondary education to meet current job demands, individuals with an associate degree or greater are 38% more likely to have employer-sponsored health care than those with a high-school diploma. Communities and regions also prosper from higher levels of postsecondary education. Individuals with postsecondary education credentials are more likely to vote in elections and volunteer in their communities. They also provide a greater net benefit to taxpayers through increased tax revenues and reduced government expenditures through Social Security, Medicaid, Medicare and other services.

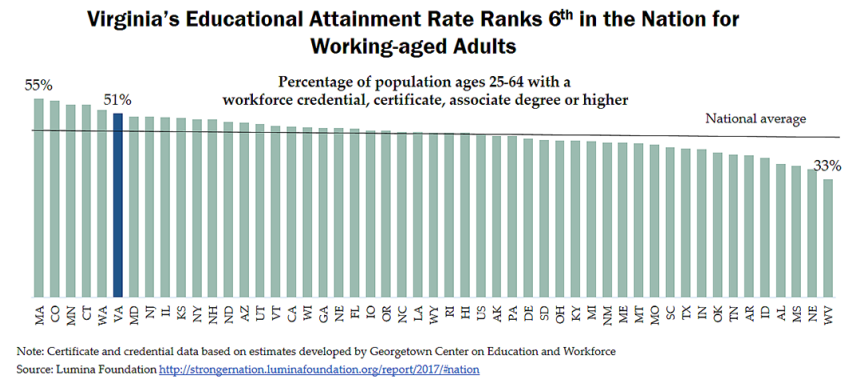
Virginia’s objective to be the best-educated state requires the percentage of working-age adults with postsecondary credentials to grow to 70% by 2030.



While having a well-educated population is beneficial for Virginia, it also is important to ensure that additional credentials align with the talent needs of businesses and that the credentials earned are high-quality. In the coming years, through several state and national projects, Virginia will measure quality and assess how well credentials produced by educational institutions are meeting the demands of employers.

Virginia ranks sixth compared to other states with 51% of its working-age population with a workforce credential or degree.

### Virginia Compared to the Nation and Other States



To achieve this best-educated status, SCHEV estimates that higher-education institutions will need to grant 1.5 million awards by 2030. In 2016-17, Virginia institutions awarded 118,837 certificates and undergraduate and graduate degrees, just 0.9% fewer than the prior year's all-time record.

## Findings and Recommendations

Each year, the State Council of Higher Education for Virginia reviews progress on The Virginia Plan for Higher Education's objectives, goals and measures. The following includes findings and recommendations to help reach Virginia's best-educated state status. These are organized by The Virginia Plan's goal areas.

### Provide affordable access to all

- **Implement a shared commitment to low tuition and fee growth.** While Virginia established a funding goal in 2004 of providing 67% of the cost of public higher education for in-state students, it has not been able to meet this commitment. For 2017-18, the estimated share of costs provided by the state is 47% – 20 points below the 2004 goal. Lower state funding combined with increases in non-education-related services means that more costs are passed to students and parents in the form of rising tuition and fees. Keeping tuition and fee growth low requires a shared commitment by the state and institutions to:
  - **Increase public investment in higher education.** For the past two years, tuition increases at public institutions have been the lowest in 15 years. This is largely due to increased state support. SCHEV's recommendations include support for basic operations, faculty recruitment and retention, maintenance of new buildings and investments in equipment.
  - **Decrease costs at institutions.** To address the growth in non-education-related fees, SCHEV recommends that institutions and the state support a reduction in institutions' annual increase of non-education-related fees from the current cap of 5% to 3%.
  - **Meet the financial needs of students with less ability to pay.** Meeting gaps in need would help increase access and completion for students. SCHEV recommends an increase in state funding to address the growing gap in financial need.
  - **Increase alternative opportunities for students to attain an affordable credential.** Supporting affordable pathways includes a commitment to improve efficient use of transfer pathways; provide funding incentives for the two-year transfer-grant program; and support attainment of workforce credentials in high-demand fields.
  - **Drive partnerships among pre-K-12, institutions, economic development and business.**
  - **Increase access and transparency of information to potential students.** To help students make more informed decisions on college and transfer options, in 2018 SCHEV will develop a tool for students moving from community college to four-year institutions; facilitate uniform financial-aid award letters to clarify grants and scholarships versus loans; and develop a student-focused site that provides information on Virginia's postsecondary options and the general steps to go to college.

### Optimize success for work and life

- **Improve quality in higher education to meet student and employer expectations.** SCHEV will monitor public institutions' efforts to assess student learning in the core areas of critical thinking, writing, quantitative reasoning and civic engagement.
- **Strengthen regulation of private-sector institutions to increase student protection.** In 2018, SCHEV will improve the process of revoking an institution's certificate to operate for considerations of quality and protection of students and taxpayers through state code or regulation revisions.
- **Identify and implement strategies that support student success and completion.** SCHEV recommends state funding to support student access and success initiatives at institutions.

### Drive change and improvement through innovation and investment

- **Support strategies that provide more stability in tuition and fees.** In 2018, SCHEV will work with policy makers to implement strategies that allow institutions to minimize tuition increases when limited state funding is available or a state budget cut occurs.
- **Foster collaboration and innovation through competitive grants.** Grants through the Fund for Excellence supported programs that are expected to save the first cohort of students an average of \$10,000 per credential received.
- **Reduce textbook costs for students by offering more courses that use open educational resources.** In 2018, SCHEV will continue to support efforts through the Open Education Virginia Advisory Committee, the multi-institutional Virtual Library of Virginia and other efforts to reduce textbook costs.

### Advance the economic and cultural prosperity of the Commonwealth and its regions

- **Support collaborative research, development and commercialization.** Virginia's universities expended more than \$1.46 billion in academic research in federal FY2016; however, the Commonwealth's overall share of expenditures has declined 4% in the past three years. SCHEV will continue to provide support to the Virginia Research Investment Committee and Fund grants that support research collaboration and commercialization.
- **Identify key areas of research opportunity to strategically position Virginia as an economic leader.** In 2018, the Virginia Research Investment Committee will implement strategies to guide Virginia's research and innovation efforts. SCHEV recommends increased state support in this area.
- **Increase internships and work-based learning opportunities and support alignment of programs to meet worker shortages in-high demand areas.** SCHEV will support efforts by the Virginia Chamber of Commerce, the Virginia Economic Development Partnership, Go Virginia and institutions to increase the alignment of education and workplace skills through efforts such as internships and project-based learning.

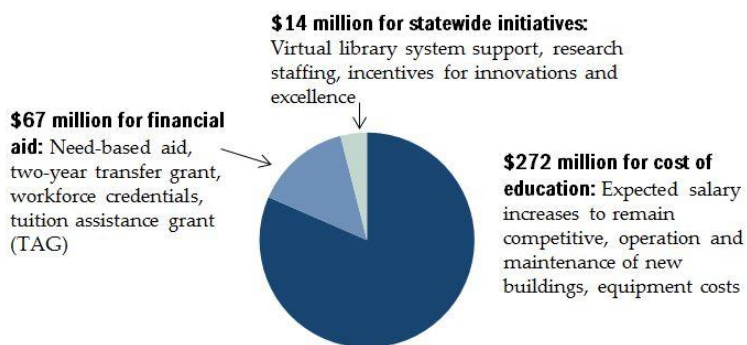
## Higher Education Operating and Financial Aid Budget Recommendations for 2018-2020

The State Council of Higher Education, in its coordinating role of higher education in Virginia, annually provides budget recommendations to the governor and General Assembly. The recommendations were developed based on five principles to ensure they: (1) are aligned with The Virginia Plan for Higher Education, notably affordable access, student success and economic and cultural prosperity; (2) seek more stable and predictable funding, with the expectation that students and families will find an affordable college education; (3) incentivize efficient delivery of high-quality education; (4) are measured in light of state revenue estimates and demands for reserves; (5) reaffirm the Council's support for institutional autonomy within a framework of accountability and transparency. If these recommended levels are met, students and parents will continue to see lower than average increases in tuition and fees.

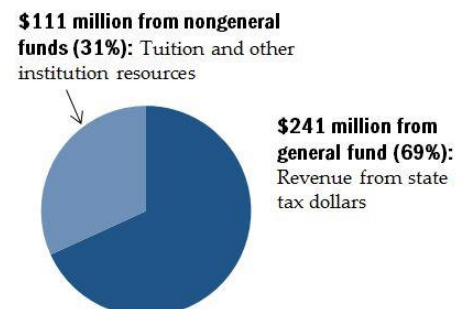
### **\$352 million in additional funding recommended, including 69% from the state general fund to support lower tuition and fees and maintain quality.**

The recommendations include funding from two sources: the state general fund (tax dollars) and nongeneral funds such as tuition and other institutional resources. This amount represents a general-fund increase of 3.5% for FY 2019 and 7.9% in FY 2020 to make progress on state funding goals. Below is a brief summary of the recommendations:

#### Proposed allocation of \$352 million in additional funding



#### Source of funding: 69% from general fund



Figures do not total exactly due to rounding.

**Cost of education (educational & general): \$272 million (\$163 million from state general fund)**

- \$44 million to support four institutions that are operating below the state's estimates for basic operations and instructional needs (Old Dominion, Virginia Military Institute, Richard Bland and Eastern Virginia Medical School). ✓
- \$172 million in pay increases to improve faculty recruitment and retention to maintain quality of education and meet growth in high-demand programs. Virginia faculty pay ranks in the 34th percentile compared to its peers nationally; some are as low as the 20th percentile. ✗
- \$26 million to support maintenance of new buildings. ✗
- \$16 million in debt service to support \$207 million for institutional and research equipment. ✓
- \$15 million to support student access, success and completion, particularly among first-generation or other nontraditional students. *(Partial)*

**Financial Aid: \$67 million (all from state general fund)**

- \$55 million to address the growing gap in financial need among students and mitigate cost increases for those with limited ability to pay. ✓
- \$12 million to support other aid programs including the two-year college transfer grant, workforce credentials and tuition assistance for students attending private four-year nonprofit colleges in Virginia. *(Partial)*

**Statewide initiatives: \$14 million (\$12 million from state general fund)**

- \$10 million in financial benefits earned by institutions. Institutions that meet performance benchmarks agreed by the state would receive interest earned on tuition and fees collected and rebates from credit card purchases. Currently, these funds are held by the state due to recent budget reductions. ✓
- \$4 million in other funds including incentive grants to support innovations, staff support for statewide research investment and the Virginia Library consortium (VIVA) to grow open-source resources to reduce textbook costs. *(Partial)*

**Policy considerations in support of more sustainable and efficient funding**

Virginia's system of higher education is among the nation's strongest. Lack of stability and predictability in state funding, however, place the system at risk. SCHEV has identified eight policy options to allow for more efficient use of funding that leads to more predictability in tuition and fees for students and parents. Some examples include:

- Authorizing institutions explicitly to retain annual balances in a reserve fund. ✓
- Expanding out-of-state enrollments to increase revenues and support the system. ✗
- Reducing increases in non-education related mandatory fees, such as athletics, transportation and student life, from the current cap of 5% to 3% or less annually. ✓

## Virginia Research Investment Committee

The Virginia Research Investment Committee was created in the 2016 legislative session to promote excellence in research and development in the Commonwealth, especially excellence in applied research conducted by the public universities in collaboration with other public and private entities that leads to economic development through commercialization, entrepreneurship and job creation.

The Committee awards grants and loans from the new Virginia Research Investment Fund to support collaborative, translational academic research. The VRIF, a special nonreverting, revolving fund created in the state treasury, was initiated with \$12 million in general funds in the current biennium (\$4M in FY17 and \$8M in FY18) and \$29 million in bonding authority. Beginning in 2018, the VRIC also will approve updates to the Commonwealth Research and Technology Strategic Roadmap.

Chaired by the director of the State Council of Higher Education for Virginia, the VRIC is a nine-member body consisting of five ex officio members – the secretaries of Finance and Technology, the staff directors of the House Appropriations and Senate Finance committees and the SCHEV director – and four nonlegislative citizen members who are members of the Growth and Opportunity for Virginia (GO Va) board (two appointed by the General Assembly and two by the Governor).

In the past year, the Committee advanced the Commonwealth’s innovation ecosystem in multiple ways, including three milestone achievements:

Date	Milestone	Investment
May 24, 2017	Authorization for bond funding for facilities and equipment for the new Global Genomics and Bioinformatics Research Institute.	\$20M in bond authority to UVa
December 11, 2017 and January 8, 2018	Award of three grants for collaborative, applied research projects from the Virginia Research Investment Fund	\$2.5 million (\$1.2M and \$1.1M to VaTech and \$256K to UVa)
Ongoing through March 31, 2018	Oversight of a study and receipt of a report on the Commonwealth’s research assets	\$200K to TEconomy Partners, LLC

The introduced budget includes \$8 million in each year of the 2018-2020 biennium to support the work of the Virginia Research Investment Committee, \$29 million in debt capacity for laboratory equipment and facilities, and approximately \$250,000 in each year of the biennium to support SCHEV staff support for VRIC.