

SENATE OF VIRGINIA

Senate Finance Committee

Higher Education: Issues for 2016 and Future Outlook

November 20, 2015



SENATE FINANCE COMMITTEE

Higher Education – Environment and Outlook for the Future

- Containing costs in higher education and increasing the number of degrees will be a challenge at the current investment level in this area.
- Reductions to higher education during the last recession were substantial.
 - During the 2010 Session, FY 2012 appropriations to higher education were reduced by 27 percent.
 - Currently, GF appropriations are at \$1.8 billion, still below the FY 2008 peak.
- Tuition increases have backfilled a portion of these reductions.
- Affordability for students has declined but must be examined holistically – tuition, financial aid, and debt.
- A renewed focus will be required to take actions that will foster sustainability and success for students, including completion of degrees or certifications.



Joint Subcommittee on the Future Competitiveness of Virginia Higher Education

- Budget language created this Joint Subcommittee in the 2015 Session in an effort for the legislature to lead the conversation on higher education issues.
 - Envisions significant support from the State Council of Higher Education for Virginia (SCHEV).
- The language was created due to the desire from both bodies to chart a shared vision for higher education.
- Membership includes four members appointed by the Chairman of each of the Money Committees.
 - House – Delegates Jones, Cox, Massie and Hester.
 - Senate – Senators Norment, Colgan, Saslaw and Alexander.
- Three meetings were held in 2015 to provide initial background information to the members.
- Report Due Dates:
 - Interim Report due November 2016.
 - Final Report due November 2017.



Issues for the Joint Subcommittee

- **Affordability/Access** (Enrollment, Financial Aid, etc.)
- **Innovation in Higher Education**
- **Pathways/Online Instruction** (academic or workforce pathways, non-traditional students, and types of online instruction)
- **Sustainability** (examination of the current higher education model to determine whether the system and individual institutions are sustainable in the market)
- **K-12 Linkages** (Dual enrollment, teacher preparation, etc.)
- **Review of Assessments of Other States or Similar Institutions/Best Practices**



Higher Education in Virginia

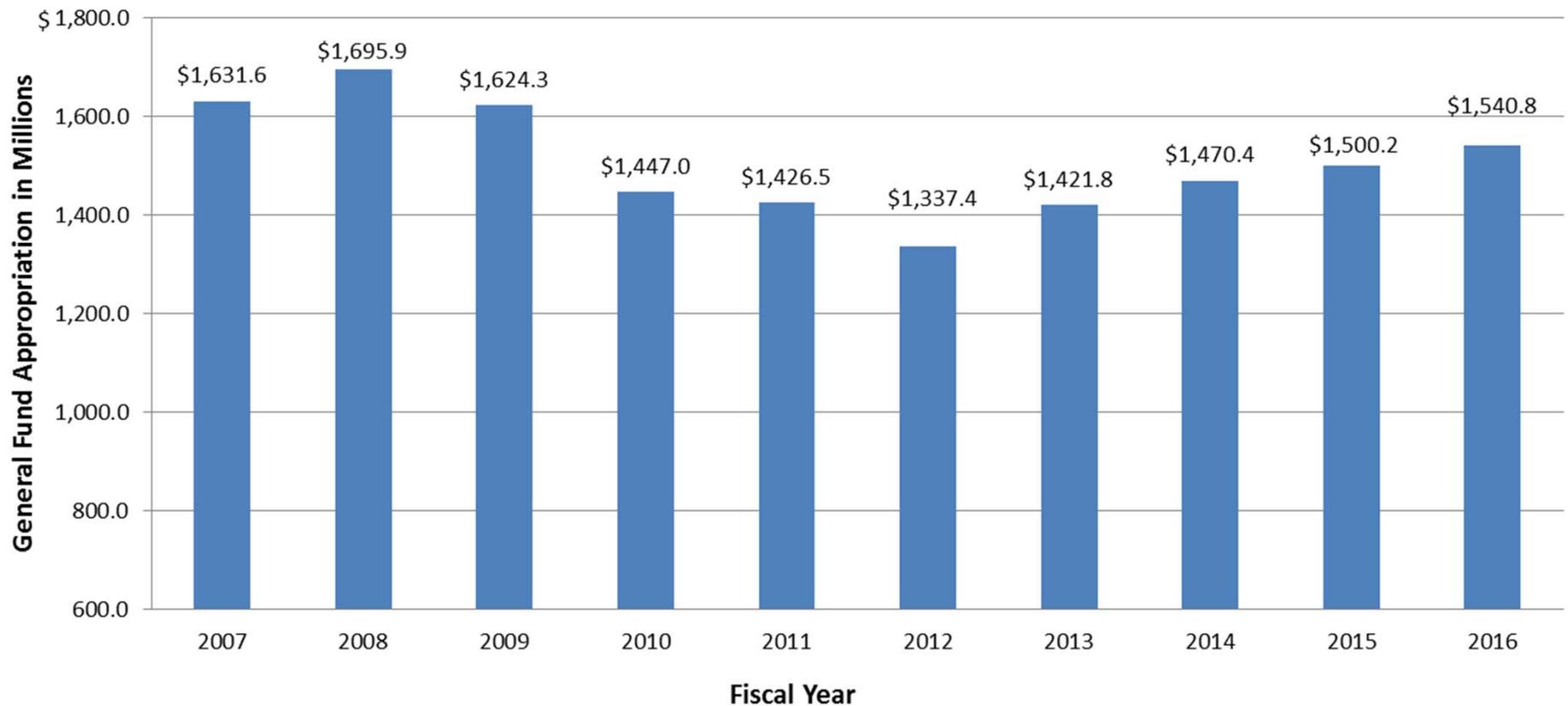
A Snapshot

- Virginia's **public higher education** system is the 11th largest in the country based on enrollment. The system includes:
 - **15 four-year institutions;**
 - **23 community colleges with 40 campuses;**
 - **One two-year college;**
 - **Four regional higher education centers;**
 - **One institution focused mainly on research and graduate education; and**
 - **About 399,000 students.**
- Higher Education GF annual appropriations peaked in FY 2008 at almost \$1.9 billion.
- Current GF appropriations for FY 2016 are at almost \$1.8 billion, still about \$130 million below the peak, even after substantial investments in higher education over the past few years.



Higher Education Appropriations are Still Below the Peak

Higher Education Operating General Fund Appropriations

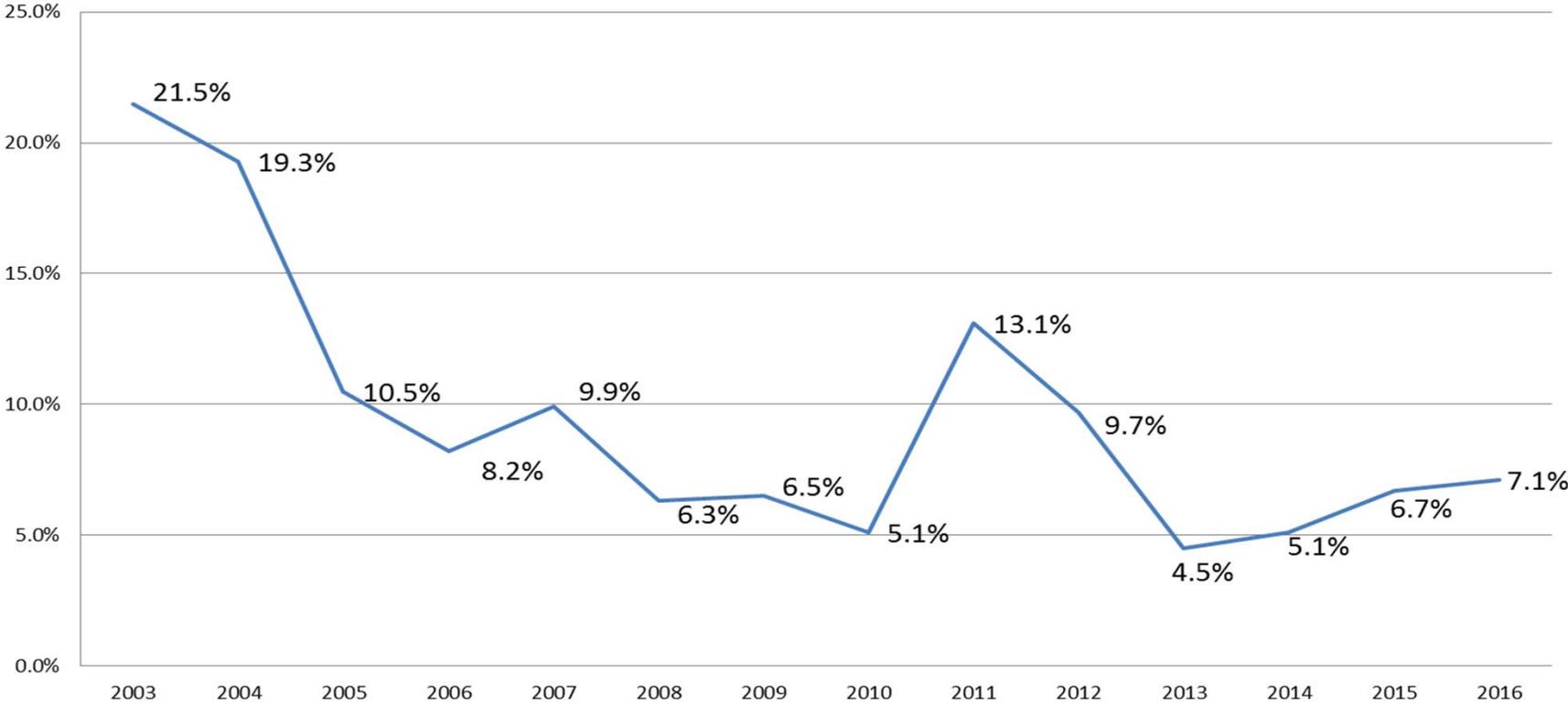


Note: This does not include GF student financial aid.



Percentage Increases for Tuition and E&G Fees Fluctuate

Average Annual Increases
Tuition and E&G Fees for In-State Undergraduate Students
2003-2016

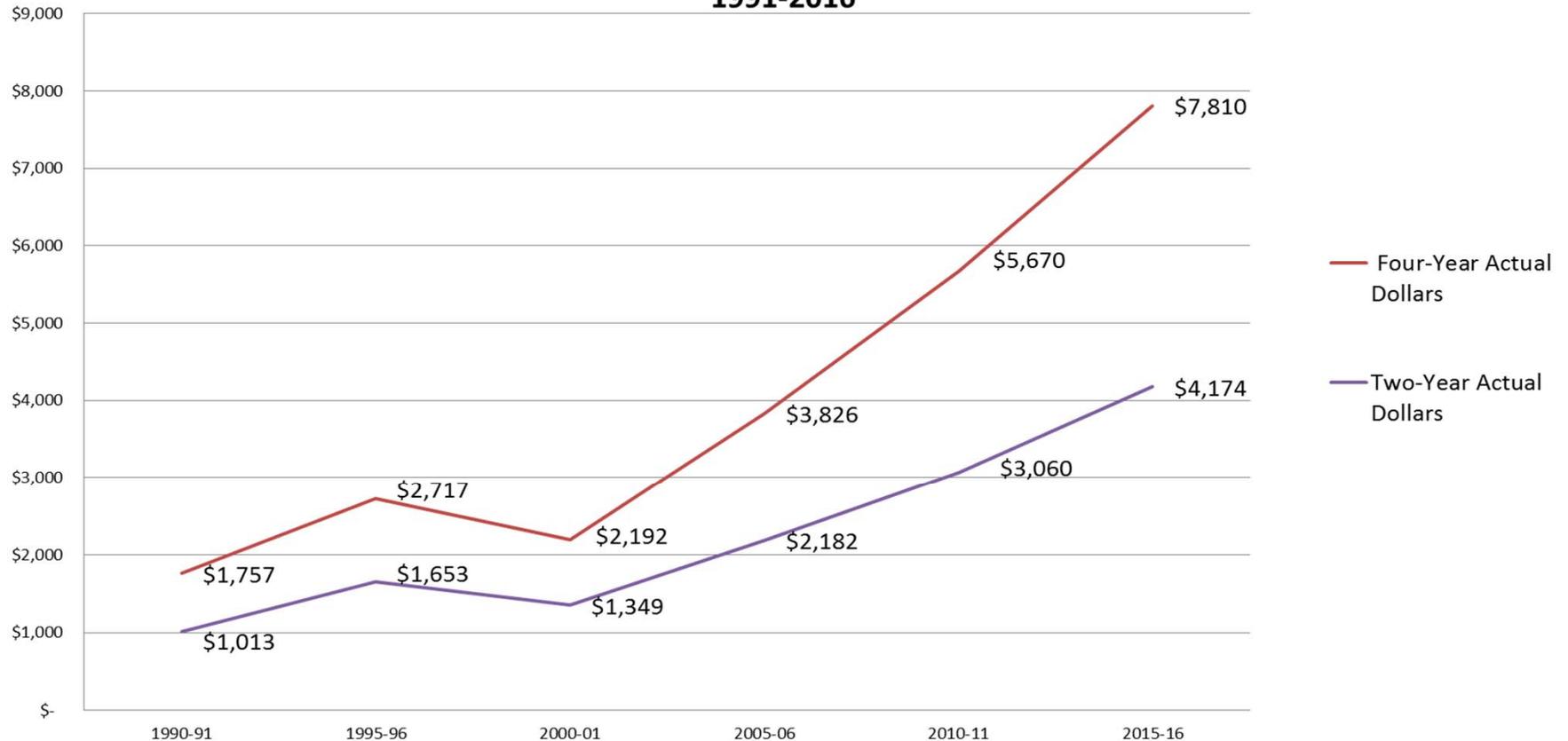


Source: SCHEV 2015-16 Tuition and Fee Report.



Tuition and Mandatory E&G Fees Continue to Increase

Average Full-Time In-State Undergraduate Tuition and Mandatory E&G Fees
(Four-Year and Two-Year Institutions)
1991-2016

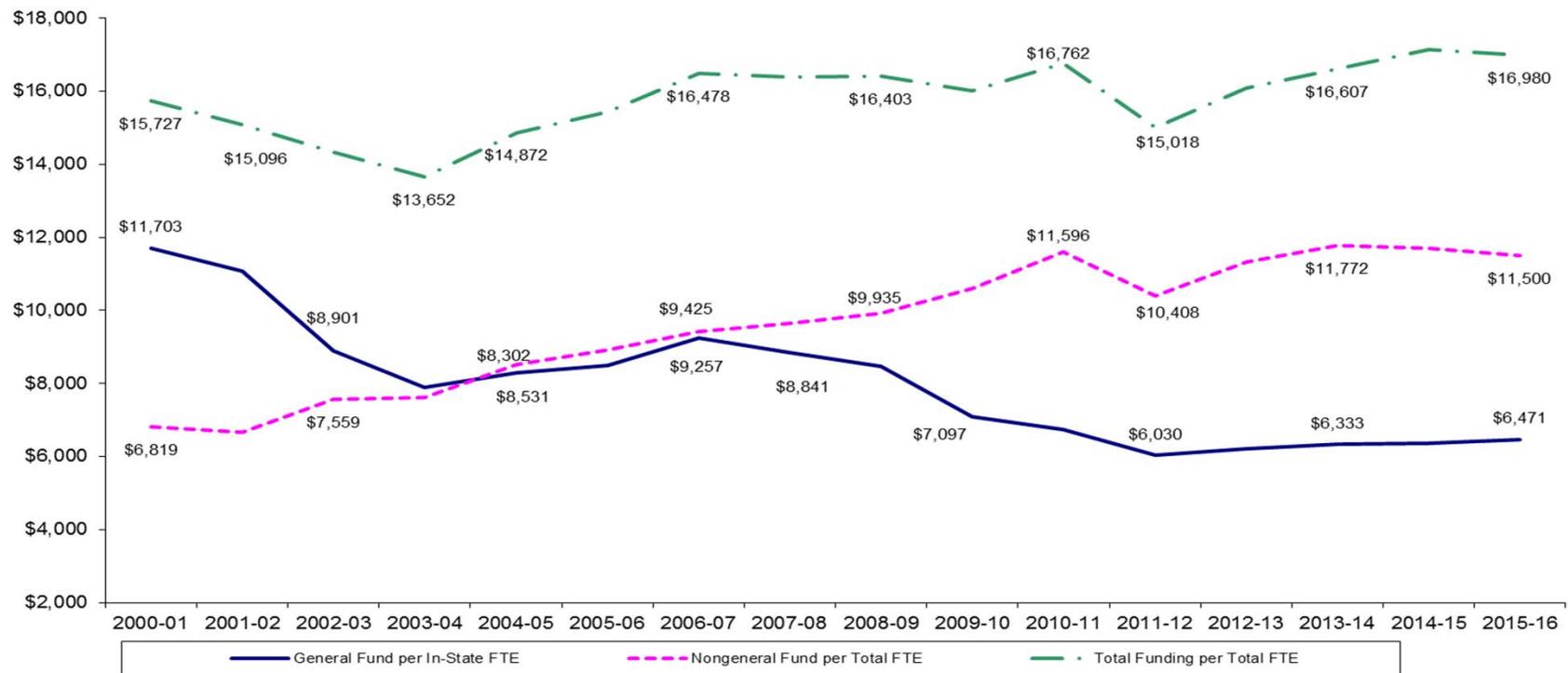


Source: SCHEV's 2015-16 Tuition and Fees at Virginia's State-Supported Colleges and Universities.



Indicators of Affordability

Average Funding per FTE Student at Four-Year Institutions for E&G programs
(in 2015-16 constant dollars)



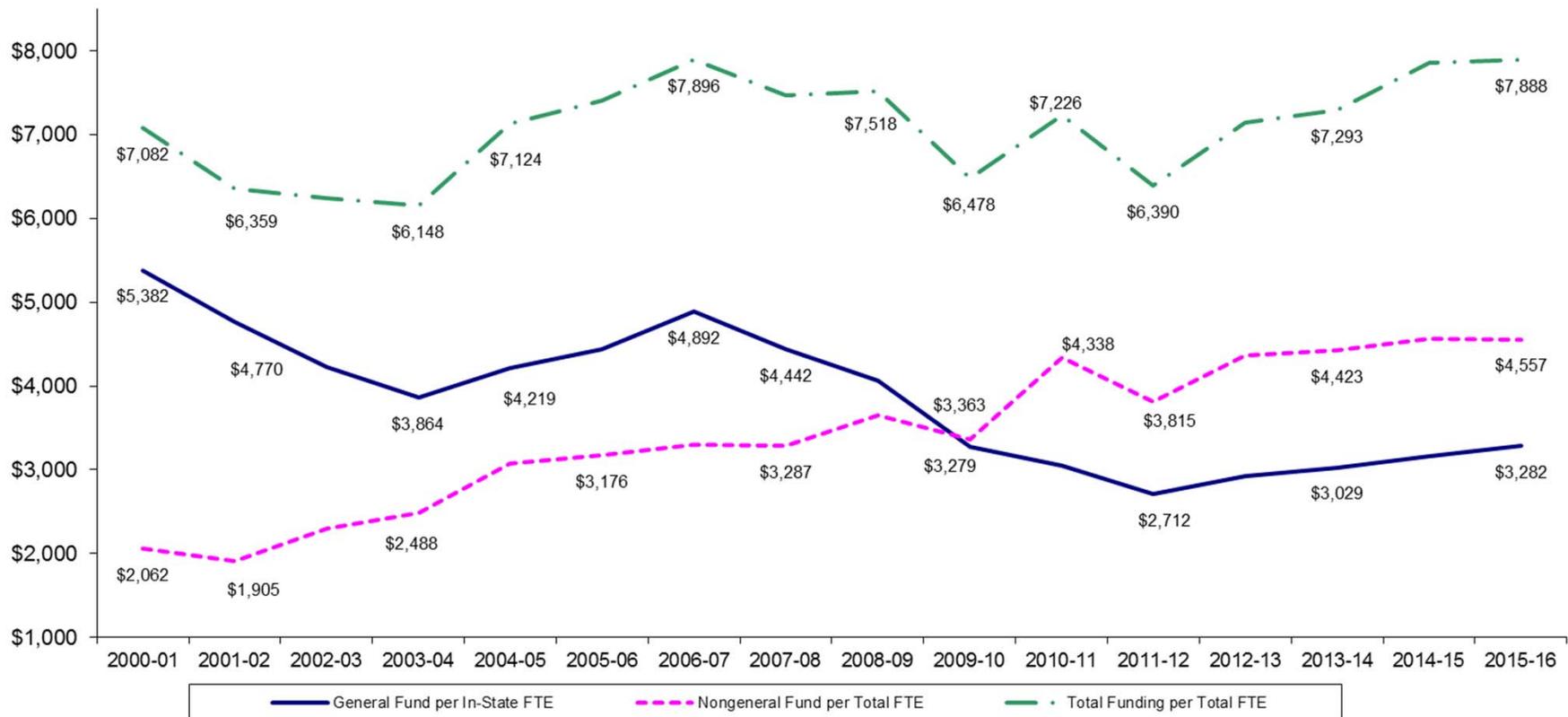
Source: SCHEV data, 2015.

- Total funding per FTE has remained fairly stable (top line).
 - The declining GF per FTE support and the corresponding increase in the NGF per FTE demonstrates the shift in cost from the state to students and families.



Indicators of Affordability

Average Funding per FTE Student at Virginia Community Colleges for E&G programs
(in 2015-16 constant dollars)

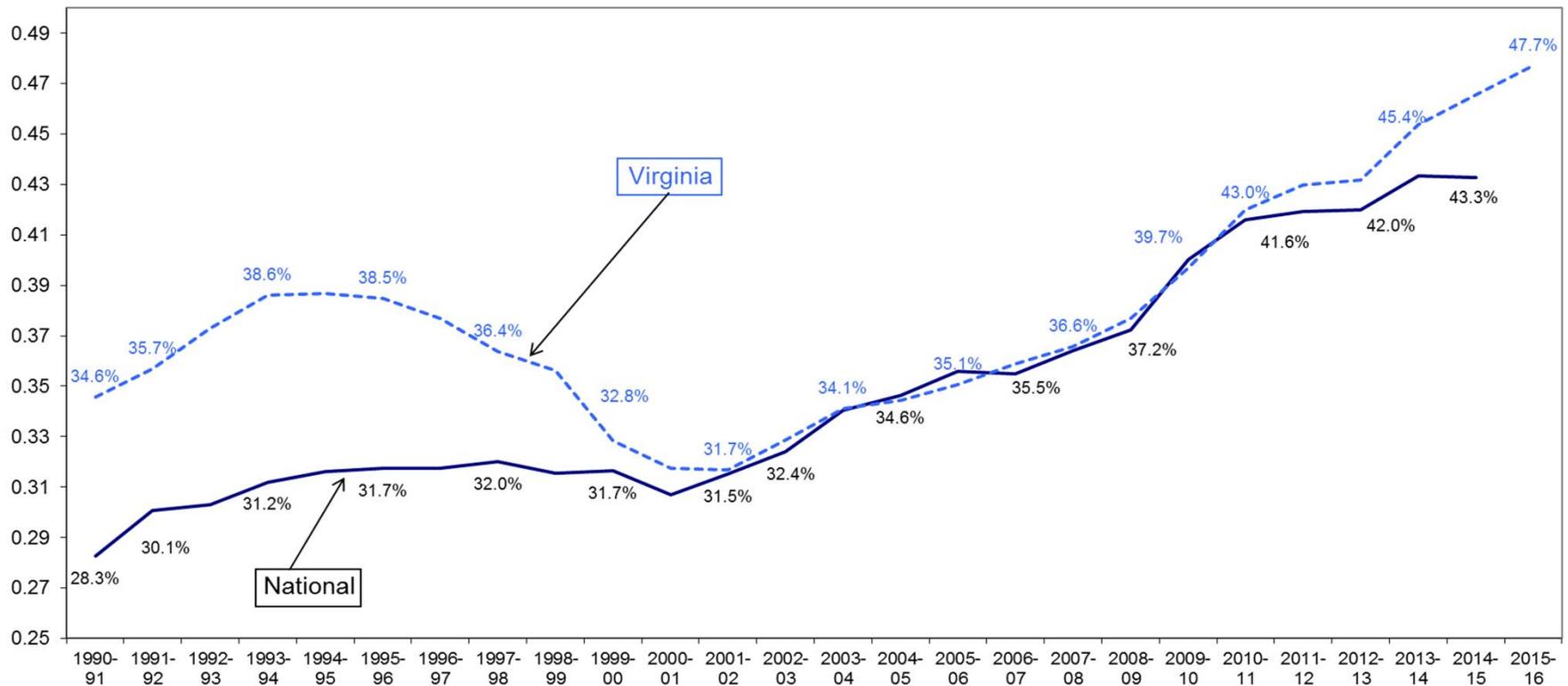


Source: SCHEV data, 2015.



Rising Costs Have Increased the Percentage of Disposable Income Needed to Pay for College

Average Public 4-Year Total Undergraduate Charges
As a Percent of Per Capita Disposable Income

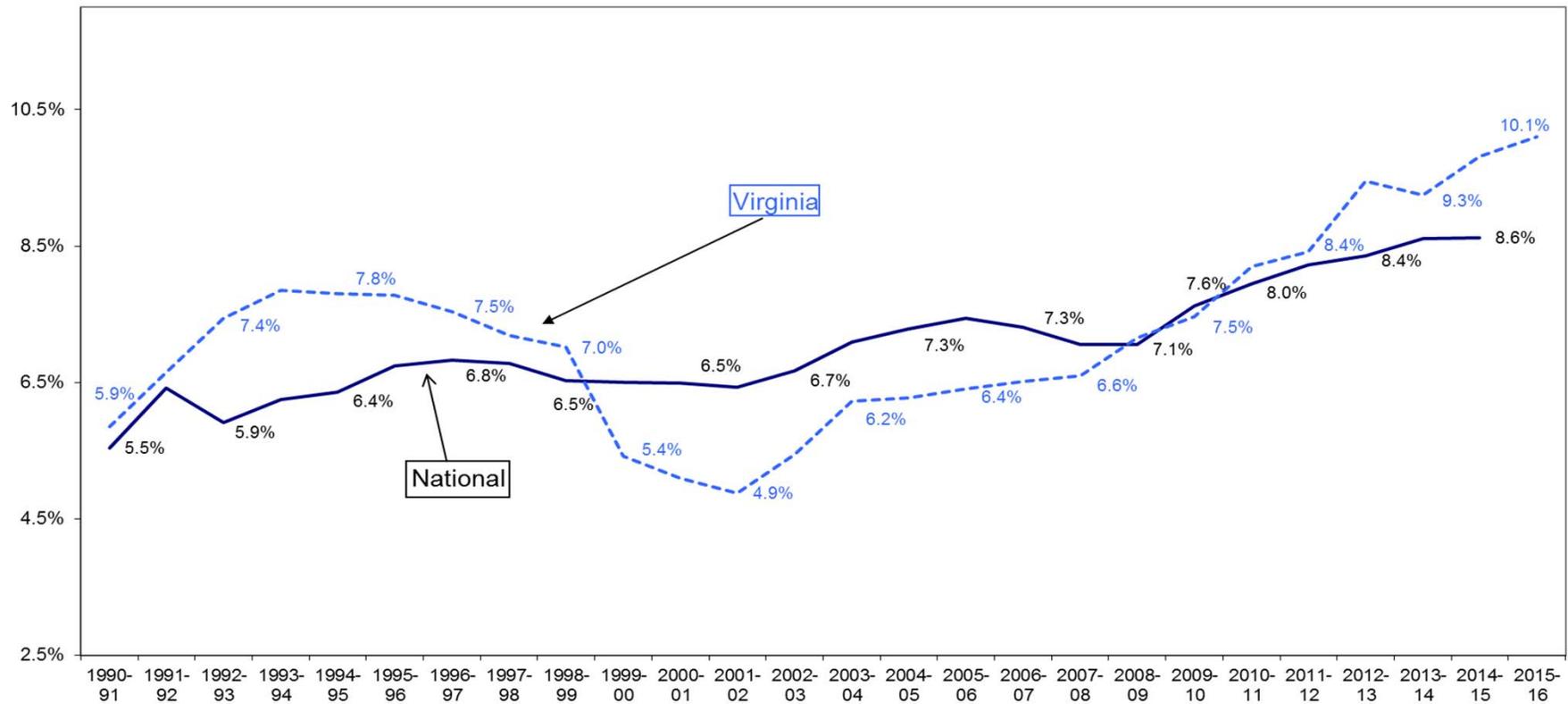


Note: Cost includes tuition and mandatory fees, and room and board.
Source: SCHEV, 2015 and College Board, US Bureau of Economic Analysis.



Rising Costs Have Increased the Percentage of Disposable Income Needed to Pay for College

Average Public 2-Year Total Undergraduate Charges
As a Percent of Per Capita Disposable Income

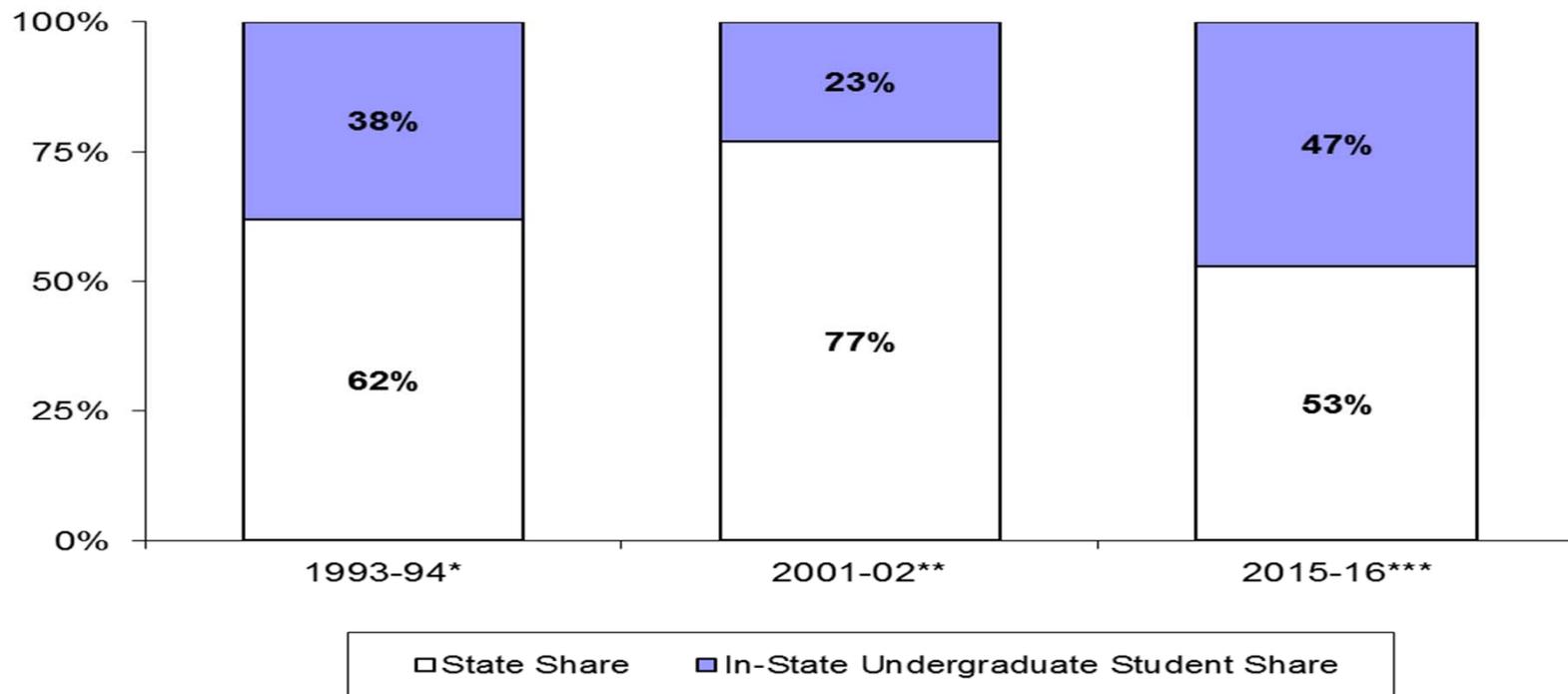


Note: Cost includes tuition and mandatory fees.
Source: SCHEV, 2015 and College Board, US Bureau of Economic Analysis.



In-State Undergraduate Students Pay More than the Current State Goal of 33 Percent

Cost Share Relationship between the State and In-State Undergraduate



Notes: *The tuition policy required out-of-state students to pay 100% of cost, but had no cost-share requirement for in-state undergraduate students. Calculation based on the average appropriated cost of education.

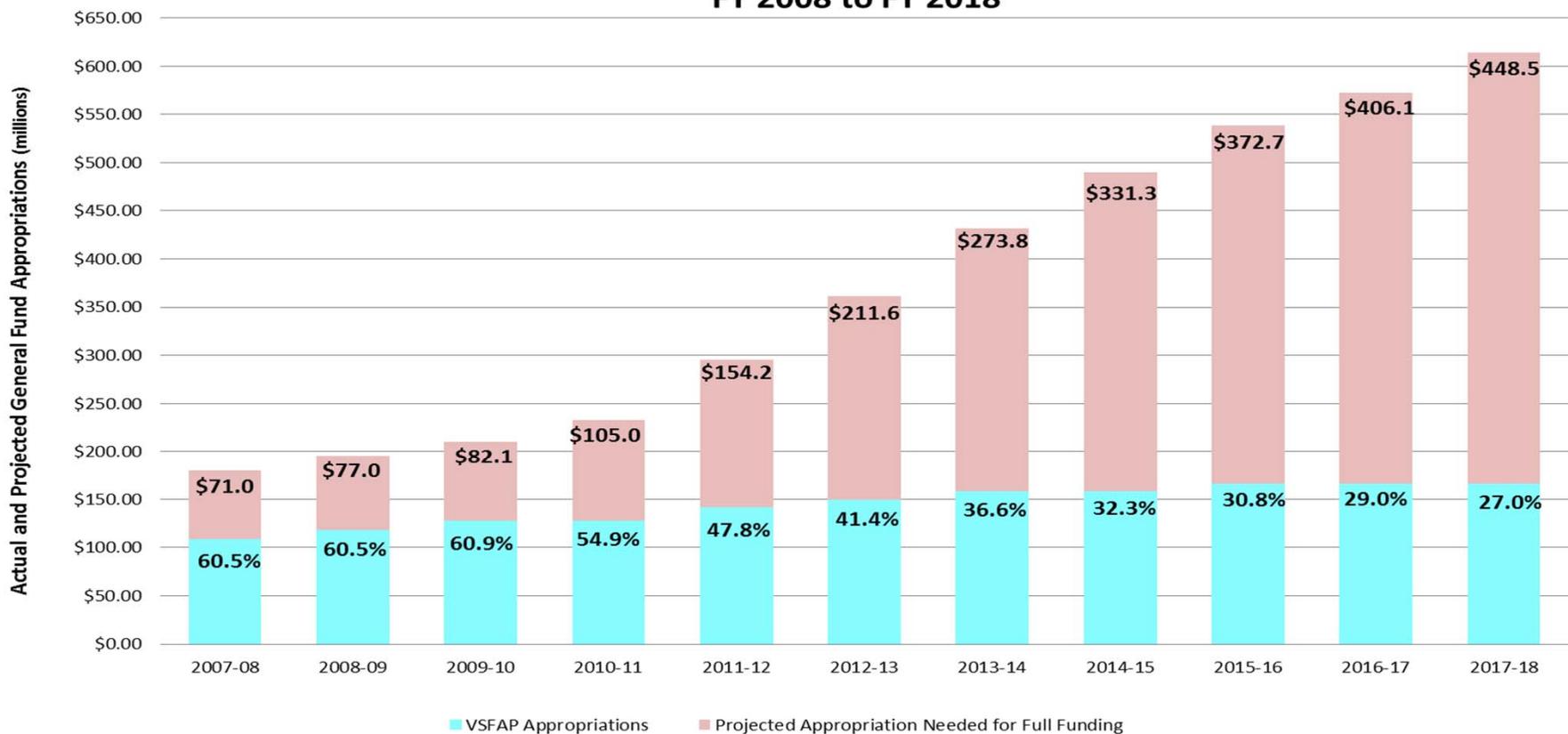
**The goal of the tuition policy was for in-state undergraduate students to pay 25% of the cost. Calculation based on the average appropriated cost of education.

***The goal of the tuition policy is for students to pay 33% of the cost. Calculation based on average guideline calculated cost of education.



Percent of Need Met Under Financial Aid is Declining

Virginia Student Financial Assistance Program Appropriations (in millions) and Percent Projected Need Met
FY 2008 to FY 2018

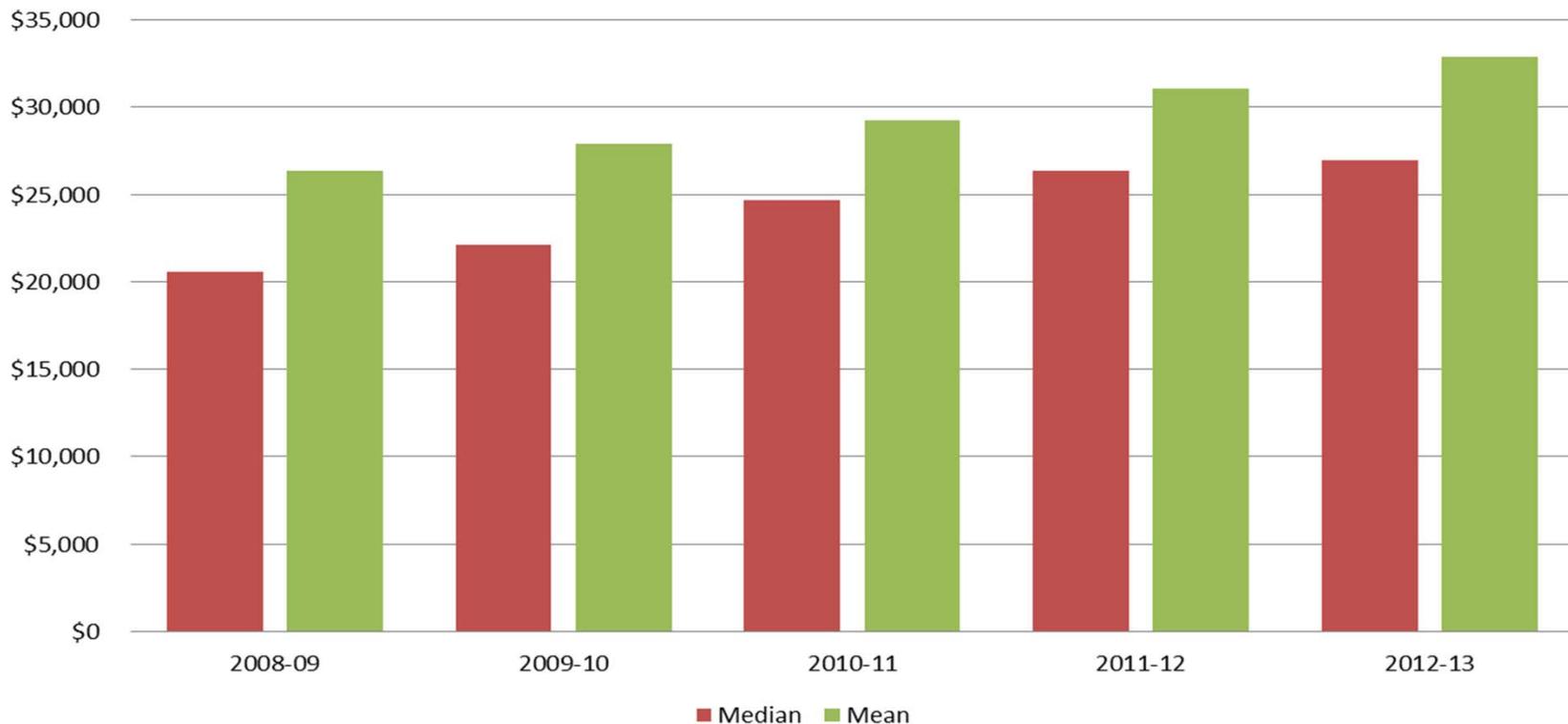


Source: SCHEV data, October 2015.



Virginia Student Debt is Increasing

Known Debt at Graduation of Student Borrowers (Public Four-Year Bachelor's Degree)



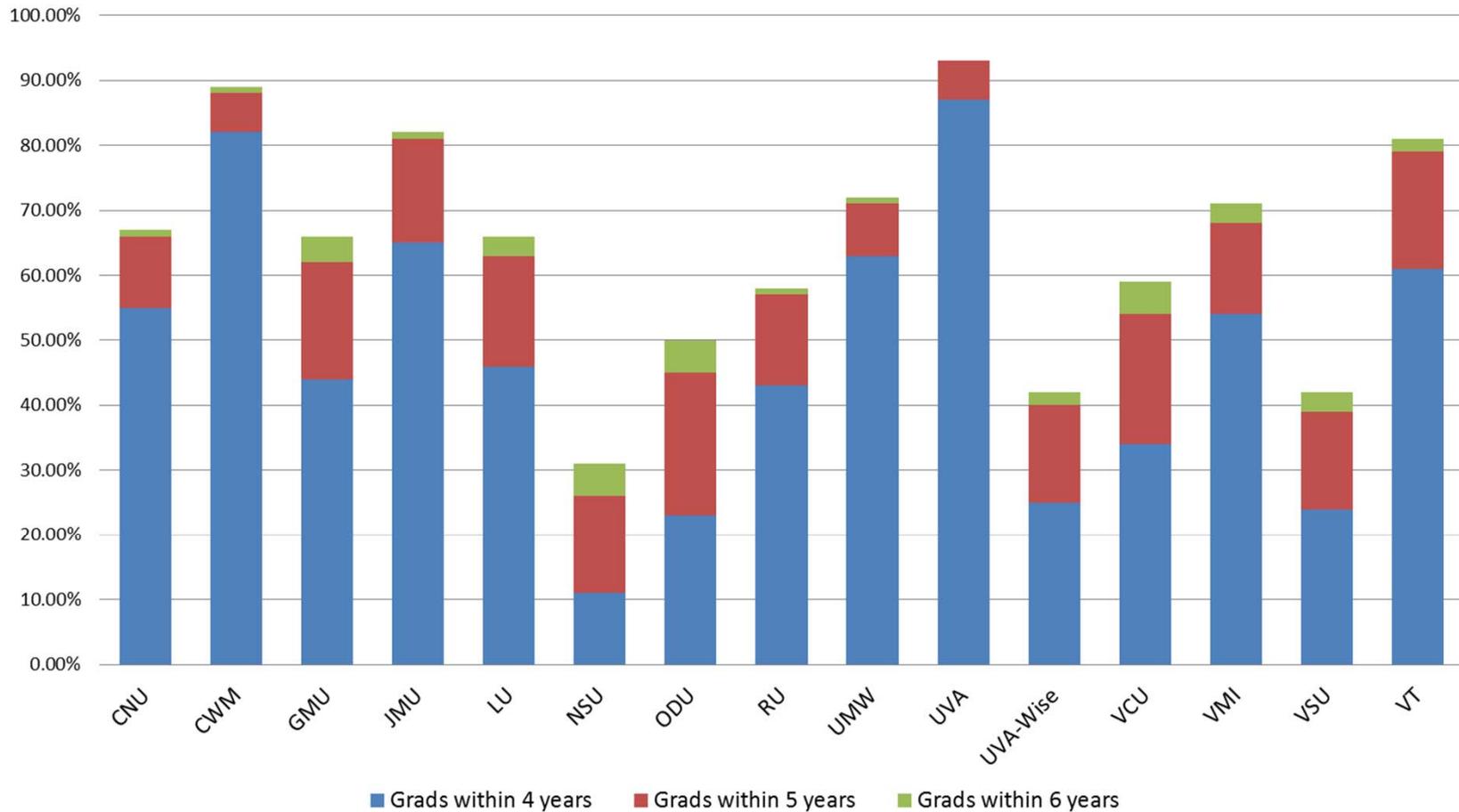
Source: SCHEV Research Data, September 2015

Note: The four-year bachelor's degree mean and median debt levels reported on this site may differ from that reported by individual institutions. Many institutions report indebtedness based on the Common Data Set definition, which limits the indebtedness level reported to include only those students who entered the institution as first-time in college (FTIC) students. The inclusion of graduates who entered as transfer students may tend to lower the overall mean or median debt level because it does not include any debt that transfer students acquired while attending previous institutions outside Virginia and relatively few transfers from Virginia's two-year colleges incur debt prior to transfer.



Virginia Four-Year Public Institution Graduation Rates Vary

Cohort Graduation Rates, Four-Year Public Institutions

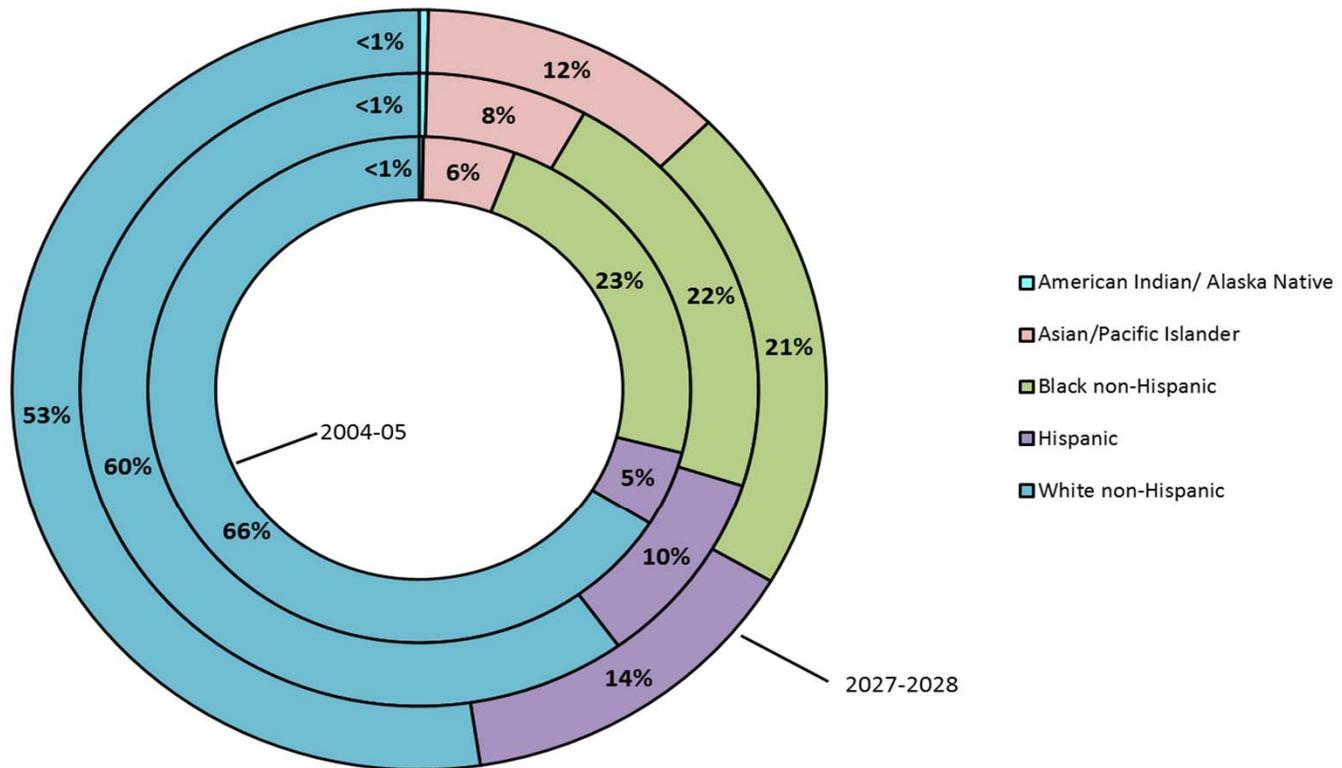


Source: SCHEV data, Cohort 08-09, August 2015.



Demographic Changes for Virginia

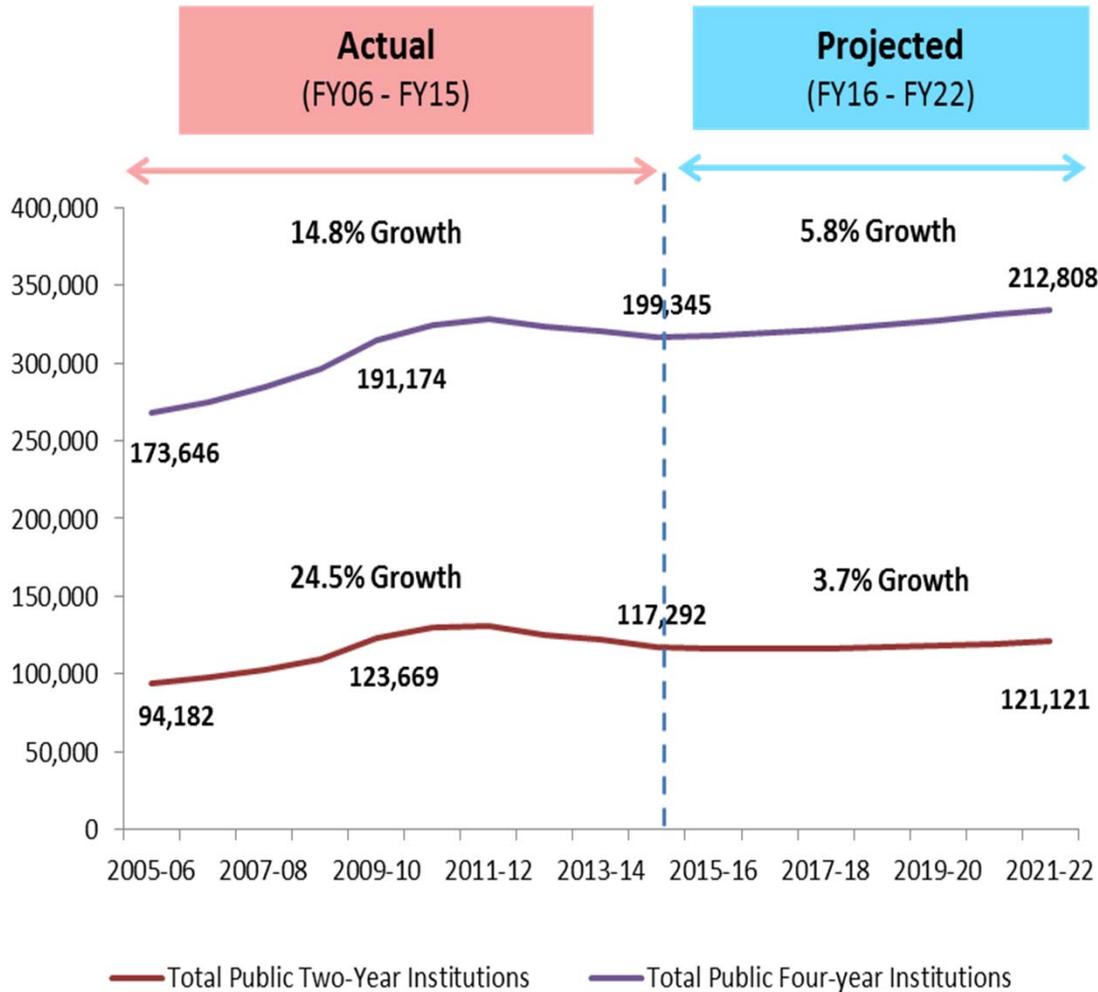
Virginia Public High School Graduates by Race/Ethnicity
2004-05 (Actual), 2014-15 (Actual) and 2027-2028 (Projected)



Source: WICHIE and SCHEV data.



Enrollment Growth and Projections



- Public institutions experienced greater growth from FY 2005 - FY 2014 than they are projecting for the period between FY 2016 – FY 2022.
- VCCS enrollments are incredibly difficult to project and often decrease as the economy improves.
- Enrollment projections for public institutions are intentionally conservative.
- Enrollment is not the goal, completions are the goal. Can be increased by greater retention, difficult to project.
- Most of the projected growth will be at GMU, JMU, ODU, VCU, VSU, and VT.

Source: SCHEV data, November 2015.



Declining Affordability and Changing Demographics Impact Enrollment

- Changing demographics impact affordability in a number of ways.
 - Different aid needs.
 - More student success programs, can be costly.
 - Institutions may be required to be more flexible in the initial performance of students or expand reliance on alternative models (transfer and online).
- Enrollment has slowed – some institutions are already experiencing challenges.
- Workforce certifications could also begin to compete with traditional degrees.
- Performance Factors – including retention and graduation rates will also impact enrollment at the four and two-year institutions.



Virginia and Higher Education Institutions are Focused on Retaining Students

- Virginia recently joined Complete College America.
 - Performance Funding,
 - Corequisite Remediation,
 - Full-time is 15,
 - Structured Schedules, and
 - Guided Pathways to Success (GPS).
- Institutions have already initiated programs that are focused on student success, retention, and graduation.
 - Predictive analytics and early warning systems,
 - Summer bridge programs,
 - Out in four programs, and
 - Work-study options.



Six-Year Plan Initiatives

Summary of Selected Initiatives in Institutional Six-Year Plans - Summer 2015

Institution	Faculty Salaries	Enrollment Growth	Financial Aid	Alternative Degree Completion/ Non-traditional Populations	Faculty Expansion	Research	Retention/ Additional Degrees	Student Success	Transfers
CNU	✓		✓		✓	✓		✓	
CWM	✓	✓	✓	✓			✓		
GMU	✓	✓	✓	✓		✓		✓	
JMU	✓		✓	✓		✓	✓	✓	
LU	✓					✓	✓		
NSU	✓		✓	✓	✓			✓	✓
ODU	✓		✓	✓		✓			
RBC	✓			✓			✓	✓	
RU	✓		✓		✓		✓	✓	✓
UMW	✓		✓	✓			✓	✓	
UVA	✓	✓	✓	✓		✓		✓	
UVA-Wise	✓	✓				✓	✓		
VCCS	✓		✓	✓			✓	✓	✓
VCU	✓		✓	✓	✓	✓	✓	✓	
VMI	✓		✓	✓	✓	✓	✓	✓	
VT	✓	✓	✓	✓	✓	✓	✓	✓	
VSU				✓			✓	✓	

Source: SFC staff analysis of higher education six-year plans, November 2015.



Research Proposals will Compete with Other Higher Education Funding

- Several different groups will have proposals related to research.
 - GO Virginia:
 - Developed by Virginia Higher Education Business Council, Council on Virginia's Future and the Virginia Chamber of Commerce to incentivize collaboration between business, higher education, and government **regionally**.
 - Particular emphasis on aligning education and skills training with employer needs.
 - Regional sector-specific initiatives in life sciences, cybersecurity, and medicine.
 - Proposes both a state funded grant program for regional initiatives as well as capital improvement projects for both buildings and equipment.
 - Administration discussions around:
 - Buildings,
 - Higher Education Equipment Trust Fund (HEETF),
 - Themes like Cybersecurity and BioSciences,
 - Centers of Excellence, and
 - Pool of funds to retain top talent.
 - SCHEV recommendation for a pooled bond authorization to finance new or renovated facilities and equipment (\$50 million in FY 2017, \$100 million in FY 2018).



SCHEV Recommendation Details

(GF in millions)

Item	FY 2017	FY 2018
2% Faculty Salary Increase (flexibility to provide and/or merit options)	\$28.8	\$28.8
Base Adequacy	3.1	6.3
Operations and Maintenance of New Facilities	12.5	15.3
Undergraduate Financial Aid	24.1	32.1
Performance Allocation for Student Success	15.0	15.0
Graduate Student Financial Aid	4.0	6.0
Transfer Grant and Transfer Grant Incentive	2.0	4.2
Tuition Assistance Grant (TAG)	5.7	8.5
Affordable Pathways	5.0	5.0
Virtual Library of Virginia (VIVA)	1.4	1.4
Fund for Excellence and Innovation	0.5	1.0
SCHEV Staffing	0.3	0.4
Virginia Longitudinal Data System (VLDS)	1.3	1.3
Workforce Credentials	10.0	15.0
HEETF (debt service)	0	11.8
Research Competitiveness (debt service)	\$0	\$5.7
TOTAL (does not include several small items)	\$113.6	\$158.0



Looking Forward to the 2016 Session

- Discussions will continue regarding the appropriate level of funding for operations and financial aid for Virginia's public colleges and universities.
- Requests will compete with workforce and research initiatives.
- A strong system of higher education remains vital to the economy – issues related to sustainability of our current public higher education system will continue beyond this Session.
 - Work to develop a plan to move the system forward whether state resources are available or not.
- Capital outlay requests also impact the sustainability of Virginia's public institutions.
 - Enrollment declines magnify how there must be a balance between facilities and what students and the State can afford.
 - Older facilities drive maintenance costs and new facilities drive the need to fund additional operations and maintenance.

