Aligning Investments to Virginia’s Postsecondary Goals & Priorities
October 26, 2017
Goals & Policy Strategies

• What are the state’s long-term goals?

  – TJ21
    • 100,000 More Degrees

  – SCHEV Strategic Plan: Best Educated State by 2030
    • 70 percent of adults with high quality credential or degree,
      1.5 million awards
Goals & Policy Strategies

• What are the priorities?
  – Access/affordability
  – Student success and completion
  – Traditionally underserved populations
  – Research/innovation
  – Workforce needs/economic development
  – Efficiency
2015 Educational Attainment of Virginia Counties and Independent Cities: Adults 25-64

VA: 51.1%
US: 45.8%

Sussex
Falls Church City

First Quintile (12.1% - 23.5%)
Second Quintile (23.6% - 28.8%)
Third Quintile (29.1% - 34.3%)
Fourth Quintile (34.8% - 42.4%)
Fifth Quintile (42.8% - 84.5%)

Source: Lumina Foundation
### 2015 Educational Attainment by Race
**Adults 25-64**

<table>
<thead>
<tr>
<th>Race</th>
<th>National</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>45.7%</td>
<td>50.7%</td>
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<tr>
<td>Hispanic</td>
<td>21.3%</td>
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<td>American Indian</td>
<td>23.9%</td>
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<td>African-American</td>
<td>29.3%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Asian and Pacific Islander</td>
<td>61.2%</td>
<td>67.9%</td>
</tr>
</tbody>
</table>

**Key Points:**

- Virginia’s attainment rates are greater than the national average in every category.
- Attainment gaps between races are still high.

Source: Lumina Foundation
Key Points:

- Degree and certificate production has outpaced enrollment growth in all sectors.

- Growth in certificates was the main factor increasing the community colleges’ ratio.

Source: IPEDS
Key Points:

- Bachelor's degrees dominate total production, followed by associates and master’s degrees.

- Certificates below the baccalaureate level have been playing an increasingly important role.

Source: IPEDS
ALIGNING FINANCE TO GOALS AND PRIORITIES:
TRENDS IN STATE INVESTMENTS
What drives overall state funding appropriation levels for higher education?

• Revenue availability
  – Taxes/economy

• Competing priorities
  – E.g., K-12; health care

• Demand/enrollment
  – Tuition revenue

• Strategic initiatives
  – Investment in specific projects/strategies
Key Points:

- Higher education’s share of the general fund has decreased as it has been crowded out by other budget categories (public safety, Medicaid, K-12 education).

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*Includes Colleges, Universities, and Affiliated Agencies, SCHEV, Higher Ed Centers, EVMS, & Jeff Labs

Source: Various budget documents
Key Points:

- State funding for higher education has varied over time, largely impacted by recessions and economic recoveries.
- Public 4-year institution levels increased 12% since 1996.
- Community college levels increased 25% since 1996.
Educational Appropriations per FTE Student
Constant 2016 Dollars

Key Points:

• Virginia educational appropriations per FTE student have consistently trailed the national average.

• VA was 79% of US average in 1996; 74% in 2016.

• The overall funding trend mirrors the national trend.

Source: FY 2016 SHEF Report
Key Points:

- Increases in general fund appropriations for student aid have partially offset increases in tuition.
- Public 4-year institution levels increased 104% since 1996.
- Community college levels increased 200% since 1996.

Source: SCHEV
Key Points:

- **Total educational revenue per FTE student** has increased in recent years.
- **Tuition revenue** has filled the hole left by decreasing educational appropriations.

Source: FY 2016 SHEF Report
Key Points:

- Total revenue per FTE student differs greatly among Virginia public institutions.

- The sources of revenue also differ greatly among institutions.

*Institutions in each category can be found on slides 43-45.
# Virginia Public Institutions Revenues by Category 2014-15

<table>
<thead>
<tr>
<th>Carnegie Classification</th>
<th>State</th>
<th>Federal</th>
<th>Tuition and Fees</th>
<th>Private</th>
<th>Local</th>
<th>Auxiliaries, Hospitals, Other</th>
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<td>Doctoral Univ: Highest Research Activity</td>
<td>12%</td>
<td>12%</td>
<td>24%</td>
<td>2%</td>
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<td>49%</td>
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<tr>
<td>Doctoral Univ: Higher Research Activity</td>
<td>24%</td>
<td>9%</td>
<td>36%</td>
<td>1%</td>
<td>0%</td>
<td>30%</td>
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<tr>
<td>Master's Colleges and Universities</td>
<td>25%</td>
<td>9%</td>
<td>31%</td>
<td>1%</td>
<td>0%</td>
<td>34%</td>
</tr>
<tr>
<td>Baccalaureate Colleges: Arts &amp; Sciences Focus</td>
<td>24%</td>
<td>5%</td>
<td>31%</td>
<td>0%</td>
<td>0%</td>
<td>40%</td>
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<tr>
<td>Community Colleges</td>
<td>34%</td>
<td>27%</td>
<td>32%</td>
<td>1%</td>
<td>1%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: IPEDS
ALIGNING FINANCE TO GOALS AND PRIORITIES:
TRENDS IN AFFORDABILITY
Key Points:

- University and community college E&G tuition and fees increased 91% and 100%, respectively.

- Virginia has the highest public university and community college tuition and fees in the SREB region.

Source: SCHEV
Key Points:

- University mandatory non-E&G fees have increased 104% since 1996, after adjusting for inflation.

- Community colleges saw a 37% ($8) decrease over this same time period.

Source: SCHEV
Key Points:

- Average room and board for public universities increased 48 percent from 1997, after adjusting for inflation.
Cost To Attend College: Estimated 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

• 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
Virginia In-State Undergraduate Tuition and All Mandatory Fees as a Percentage of Virginia Median Household Income

Key Points:

- Mandatory tuition and fees for in-state Virginia undergraduates is consuming an increasingly greater portion of a family's income in both the two- and four-year sectors.

Source: SCHEV, US Census Bureau
Virginia Financial Aid

- Federal aid is the majority of student aid in VA*
  - 63.3% Federal
  - 22.3% Institutional & Endowment
  - 9.0% Private and Local
  - 5.3% State

- Over 90% of state financial aid for the public sector is need-based

*Includes public universities, community colleges, and private universities

Source: SCHEV
Key Points:

- The average state award at public four-year institutions has increased 44% since 1996.
- Average awards have remained relatively flat for students attending community colleges.

Source: SCHEV
Key Points:

- Virginia ranked $9^{th}$ in the nation in need-based aid per undergraduate student in 2014-15.
Key Points:

- State aid has not kept up with increases in tuition.
- The average state award now covers much less of total tuition and fees in both sectors.

Source: SCHEV
Key Points:

- Virginia student debt continues to increase.

- Total borrowing for undergraduate students at public and private Virginia institutions was over $1 billion in 2015-16.

Known Debt at Graduation of Student Borrowers
Virginia Public Four-year Universities, Bachelor's Degree Recipients
Constant 2016 Dollars

Source: SCHEV
ALIGNING FINANCE TO GOALS AND PRIORITIES:
UNDERSTANDING COSTS
How much does postsecondary education cost?

• Reasonable and answerable question
• Answer will depend on purpose
  – Cost to the student?
  – Cost to the institution?
  – Cost to the state?
  – Total cost (student and institution)?
  – Incremental cost? (Cost to add or subtract X)
  – Cost of enrollment or cost of a credential?
Key Points:

• Most comparison states have similar average tuition + appropriations per FTE.

• Virginia’s reliance on tuition is greater than most of the comparison states.

Source: FY 2016 SHEF Report
Expenditures

- **Total Expenditures**
  - Expenses for instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, hospital services, independent operations, and other expenses.

- **Education and Related Expenditures**
  - Expenses for instruction, student services, and the instructional share of academic support, operations and maintenance, and institutional support.

- **Education and General Expenditures**
  - Expenses for education and related expenses plus organized research and public service.
Virginia Public Institutions by Carnegie Classification
2014-15 Expenditures per FTE Student

Key Points:

- Expenditures per student differ greatly by institution type.
- There are different ways of looking at expenditures. Each way has its own purpose.

Source: IPEDS
Key Points:

- Variation in spending per FTE and degree and certificate production per FTE student exists among the universities.

Source: IPEDS
Key Points:

- Variation in spending per FTE and degree and certificate production per FTE student exists among the community colleges.

Source: IPEDS
Cross-Subsidies

• Many institutions charge different prices for different programs.

• Some (mostly private) institutions have same sticker price, but offer different financial aid.

• Also common are “cross subsidies”:
  – State appropriations or endowment income subsidize high-cost students more than low-cost students; or
  – Tuition and fees from students whose education costs less pays for education of students whose education costs more.
Student costs beyond tuition and fees

- $10-15,000 per FTE student in addition to tuition and mandatory fees
- Most not paid to the institution
- Books, supplies, transportation
- Cost of living or opportunity cost
  - Time spent on courses is time students cannot spend working
  - Example: 30 weeks x 40 hours x $10/hr = $12,000
- Non-tuition cost often larger barrier than tuition and fees
Cost of Enrollment or Degrees?

• Tuition or enrollment-based funding supports:
  – Access and retention
  – Instruction/course enrollments

• But not:
  – Completion, transfer
  – Advising, support services

• Least expensive institutions often have low completion rates

• Time-to-degree is at least as important as annual cost
Additional total cost considerations

• Students / parents often do not see the subsidies built into in-state tuition rates and believe tuition and fees cover full institutional costs.

• State policymakers sometimes leave out students’ non-tuition costs and underestimate the full cost of education.
ALIGNING FINANCE TO GOALS AND PRIORITIES: LEVERAGING RESOURCES TO DRIVE OUTCOMES
Mapping State Financial Investments and Resources

• What is the scope of resources the state can leverage to advance credential completion and affect policy priorities and goals?
• What is the high-level historical orientation of these funding policies? (e.g., Sources of funds? Policy intent? Restrictions on use?)
Recommendations/Promising Practices

• Develop a **statewide strategic finance plan** for postsecondary education
  – Engage broad set of stakeholders
  – Scope resources that affect postsecondary outcomes
  – Articulate each agency’s role in advancing state toward postsecondary goal and workforce needs

• Conduct a broader assessment of **affordability** that:
  – Considers costs to students beyond tuition and fees
  – Sets a clear commitment to make college more affordable
  – Communicates a shared responsibility (state, institutions and students)

• Direct resources to be **student-centered** and **outcomes-based** in ways that prioritize support to underserved student populations and provide the financial incentives for institutions to adopt meaningful reforms.

• Provide **meaningful pathways** for students that effectively **lower prices** by: removing barriers of access, facilitating timely completion, recognizing various forms of learning, supporting credentials with work-place value.
STRATEGY LABS
State Policy to Increase Higher Education Attainment

StrategyLabs.LuminaFoundation.org
Carnegie Classifications

• Doctoral Universities: Highest Research Activity
  – George Mason University
  – University of Virginia-Main Campus
  – Virginia Commonwealth University
  – Virginia Polytechnic Institute and State University

• Doctoral Universities: Higher Research Activity
  – College of William and Mary
  – Old Dominion University
Carnegie Classifications

• Master's Colleges & Universities: Larger Programs
  – James Madison University
  – Radford University
  – University of Mary Washington

• Master's Colleges & Universities: Medium Programs
  – Longwood University
  – Norfolk State University
  – Virginia State University
Carnegie Classifications

• Master's Colleges & Universities: Small Programs
  – Christopher Newport University

• Baccalaureate Colleges: Arts & Sciences Focus
  – The University of Virginia's College at Wise
  – Virginia Military Institute
Glossary-Expenditures

- **Total Expenditures**
  - Expenses for instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, hospital services, independent operations, and other expenses.

- **Education and Related Expenditures**
  - Expenses for instruction, student services, and the instructional share of academic support, operations and maintenance, and institutional support.

- **Education and General Expenditures**
  - Expenses for education and related expenses plus organized research and public service.
Glossary-Expenses

• **Instruction**
  – Sum of all operating expenses associated with the colleges, schools, departments, and other instructional divisions of the institution and for departmental research and public service that are not separately budgeted.

• **Research**
  – Sum of all operating expenses associated with activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution.

• **Public Service**
  – Sum of all operating expenses associated with activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution.

• **Academic Support**
  – Sum of all operating expenses associated with activities and services that support the institution's primary missions of instruction, research, and public service.
Glossary-Expenses

• Student Services
  – sum of all operating expenses associated with admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program.

• Institutional Support
  – sum of all operating expenses associated with the day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development.

• Scholarships and Fellowships
  – sum of all operating expenses associated with scholarships and fellowships treated as expenses because the institution incurs an incremental expense in the provision of a good or service.

• Auxiliary Enterprises
  – sum of all operating expenses associated with essentially self-supporting operations of the institution that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service.
Glossary-Expenses

• Hospital Services
  – sum of all operating expenses associated with a hospital operated by the postsecondary institution (but not as a component unit) and reported as a part of the institution.

• Independent Operations
  – Expenses associated with operations that are independent of or unrelated to the primary missions of the institution (i.e., instruction, research, public service) although they may contribute indirectly to the enhancement of these programs. This category is generally limited to expenses of a major federally funded research and development center. Also included are information technology expenses, actual or allocated costs for operation and maintenance of plant, and depreciation related to the independent operations.

• Other Expenses and Deductions
  – sum of all operating expenses associated with functions other than those listed previously, i.e., instruction, research, public service, academic support, student services, institutional support, operations and maintenance of plant, depreciation, scholarships and fellowships, auxiliary enterprises, hospitals, and independent operations.
Glossary-SHEF

• Educational Appropriations
  – state and local support available for public higher education operating expenses. They are defined to exclude spending for research, agriculture-related programs, and medical education, as well as support for independent institutions or students attending them.

• Net Tuition
  – gross amount of tuition and fees, less state and institutional financial aid, tuition waivers or discounts, and medical student tuition and fees.

• Total Educational Revenue
  – sum of educational appropriations and net tuition revenue excluding any tuition revenue used for capital and debt service.
## Virginia Attainment Rates by County and Independent City

<table>
<thead>
<tr>
<th>County</th>
<th>Attainment Rate</th>
<th>County</th>
<th>Attainment Rate</th>
<th>County</th>
<th>Attainment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sussex</td>
<td>12.1%</td>
<td>Scott</td>
<td>22.6%</td>
<td>Wythe</td>
<td>26.7%</td>
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<tr>
<td>Greensville</td>
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<td>Grayson</td>
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<td>Russell</td>
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<td>Buchanan</td>
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<td>Page</td>
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<td>Essex</td>
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<td>Southampton</td>
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<td>Charles City County</td>
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<td>Caroline</td>
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<tr>
<td>Galax City</td>
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<td>25.2%</td>
<td>Bath</td>
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<tr>
<td>Richmond</td>
<td>20.6%</td>
<td>Waynesboro City</td>
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<td>Northhampton</td>
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<tr>
<td>Dickenson</td>
<td>20.7%</td>
<td>Accomack</td>
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<td>Petersburg City</td>
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<td>Amelia</td>
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<td>Henry</td>
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<td>Culpepper</td>
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<td>King and Queen</td>
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<td>Wise</td>
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<td>Pittsylvania</td>
<td>26.6%</td>
<td>Warren</td>
<td>30.3%</td>
</tr>
</tbody>
</table>

Source: Lumina Foundation
### Virginia Attainment Rates by County and Independent City

<table>
<thead>
<tr>
<th>County</th>
<th>Attainment Rate</th>
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<tbody>
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<td>Franklin City</td>
<td>34.8%</td>
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<tr>
<td>Staunton City</td>
<td>41.1%</td>
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<tr>
<td>Radford City</td>
<td>52.8%</td>
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<tr>
<td>Newport News City</td>
<td>35.1%</td>
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<tr>
<td>Rappahannock</td>
<td>41.5%</td>
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<tr>
<td>Charlottesville City</td>
<td>55.9%</td>
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<tr>
<td>Norfolk City</td>
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<tr>
<td>Salem City</td>
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<tr>
<td>York</td>
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<td>New Kent</td>
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<tr>
<td>Chesapeake City</td>
<td>41.8%</td>
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<tr>
<td>Montgomery</td>
<td>56.9%</td>
</tr>
<tr>
<td>Gloucester</td>
<td>35.3%</td>
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<tr>
<td>Fauquier</td>
<td>42.1%</td>
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<td>Williamsburg City</td>
<td>57.0%</td>
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<tr>
<td>Manassas Park City</td>
<td>36.1%</td>
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<tr>
<td>Fredericksburg City</td>
<td>42.4%</td>
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<td>Hanover</td>
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<td>Fluvanna</td>
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<td>Botetourt</td>
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<tr>
<td>Roanoke</td>
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<tr>
<td>Frederick</td>
<td>40.2%</td>
</tr>
<tr>
<td>Henrico</td>
<td>50.2%</td>
</tr>
<tr>
<td>King George</td>
<td>41.0%</td>
</tr>
<tr>
<td>James City County</td>
<td>52.1%</td>
</tr>
</tbody>
</table>

Source: Lumina Foundation