Higher Education Six-Year Plans 2016-2022

House Appropriations Committee Retreat
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Background

- The Higher Education Opportunity Act of 2011 included the requirement for institutions to submit six-year plans
  - Enrollment
  - Academic
  - Financial
- A six person advisory committee (OPSIX) was established to review the plans and provide feedback to the institutions
  - Sec Finance & Education
  - Director SCHEV & DPB
  - HAC Staff Director
  - SFC Staff Director
- Plans would be approved by each Board of Visitors after feedback from the OPSIX
  - Plans assume no new general fund & reflect tuition & fee increase requirements
- General Assembly & Governor would have this information available prior to Session to inform their funding decisions

Six-Year Plans

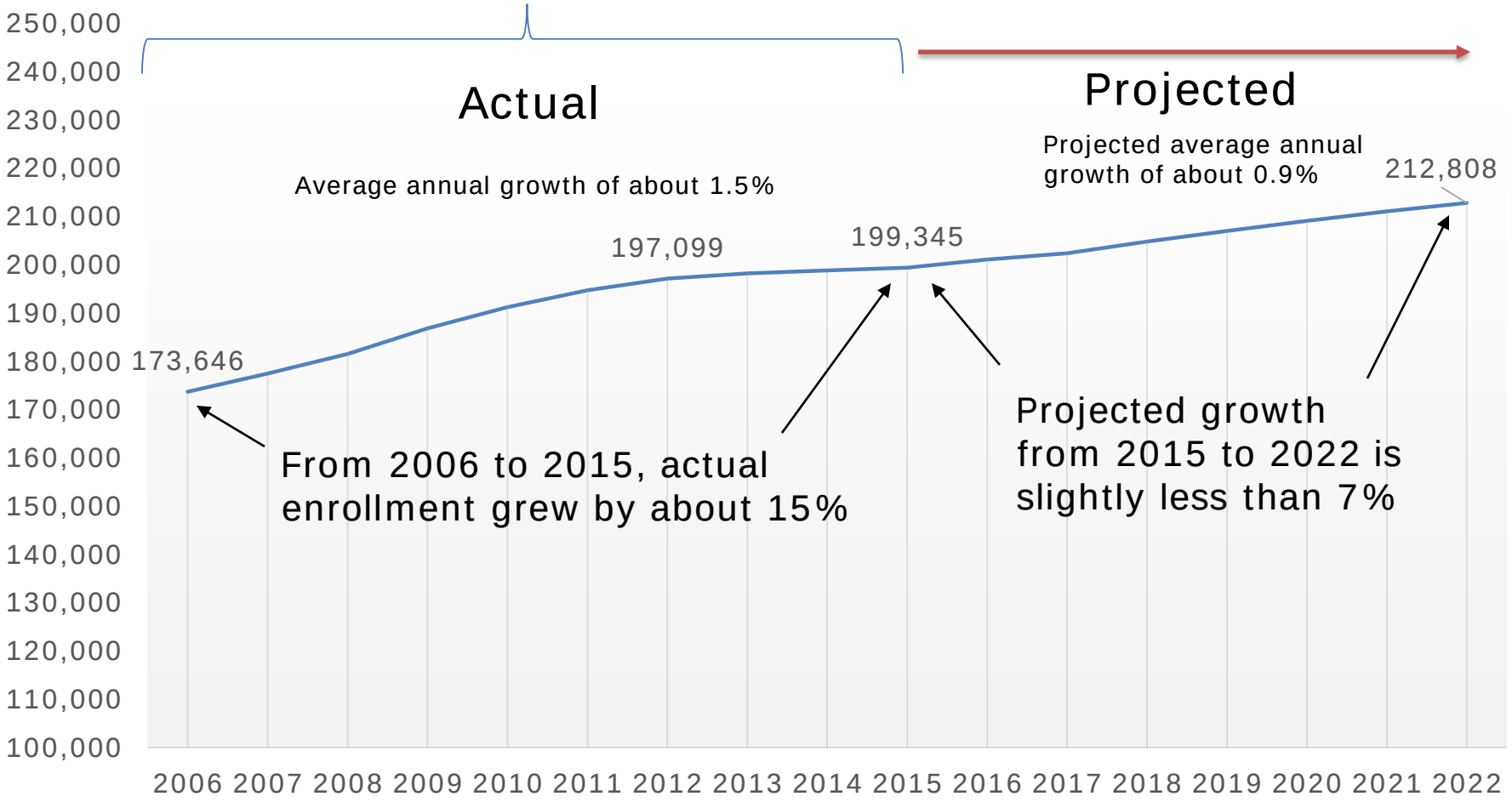
- Three sections:
  - Enrollment
  - Academic
  - Financial
- Academic / Financial sections are merged together and encompass the programmatic and resource requirements for enrollment growth assumptions, new initiatives, and institution operating issues
  - In addition, the current six-year plan also addressed capital outlay & restructuring issues

ENROLLMENT

4-Year Institution Enrollment Plans

- Actual college enrollments at 4-year institutions grew by about 15% for the ten-year period from 2006 to 2015 or almost 26,000 students
  - An average annual growth of about 1.5%
- Going forward 4-Year institutions project growth of about 13,500 from 2015 to 2022 or slightly less than about 7 percent
  - A projected average annual growth of less than one percent
- About 86% of the projected growth is attributable to undergraduate students with over three-quarters coming from in-state students
  - Six institutions comprise about almost 90 percent of the projected growth in undergraduates – GMU, ODU, VCU, VT, JMU & VSU
- Improvements in student retention are primary growth driver
  - New first-time students (about 15%) & transfers (about 8%) make up less than one-quarter of the growth

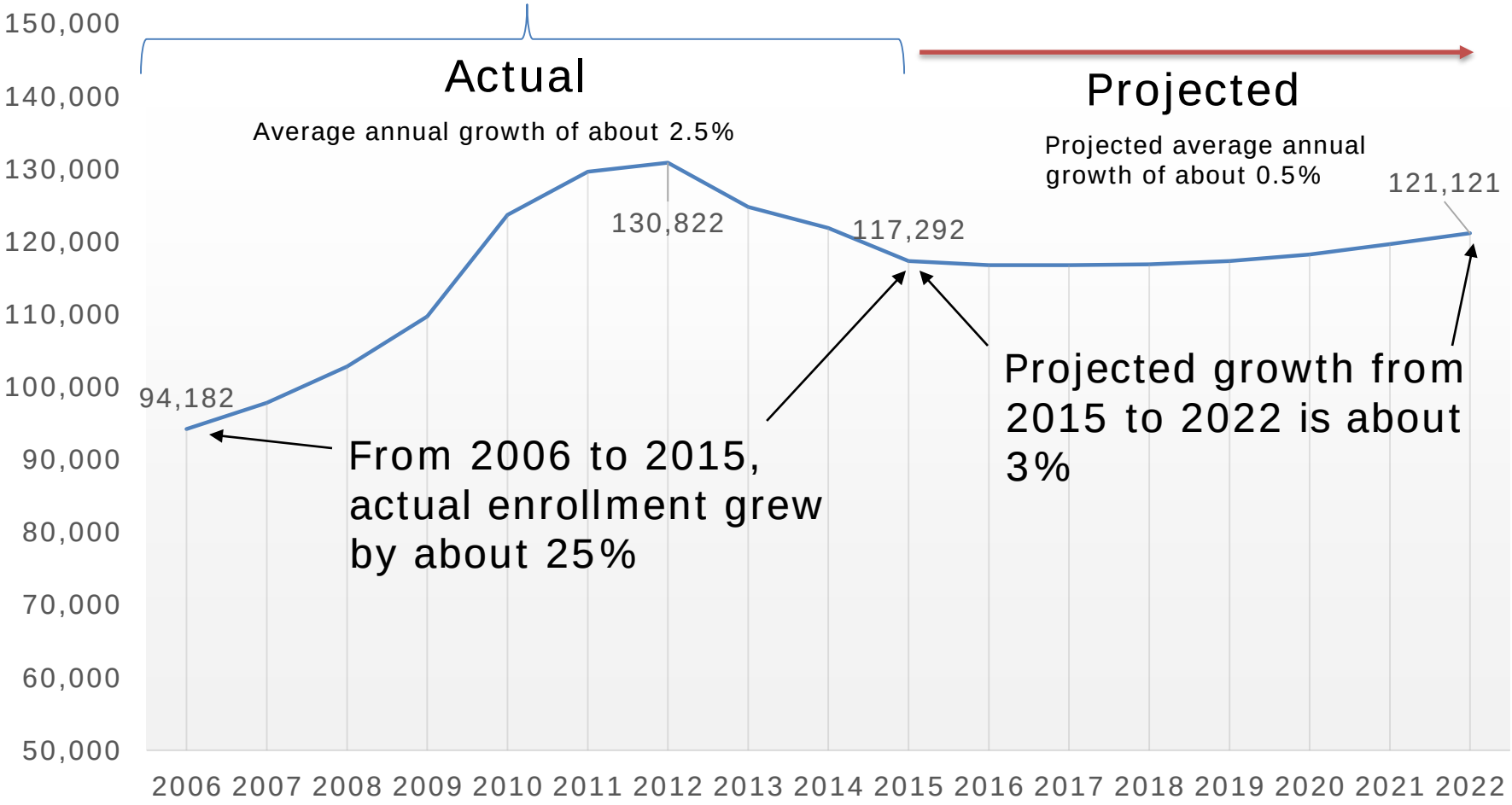
Four-Year College Actual & Projected Enrollment (Annual FTE)



2-Year Institution Enrollment Plans

- Actual college enrollments at 2-year institutions grew by about 25% for the ten-year period from 2006 to 2015 or almost 23,000 students
  - An average annual growth of about 2.5%
  - Enrollment has actually declined since the 2012 peak reflecting improving economic conditions
- Going forward 2-Year institutions project growth of about 3,800 from 2015 to 2022 or slightly more than 3 percent
  - A projected average annual growth of less than one-half percent
- The two-year projected growth is somewhat uncertain as it is driven by VCCS which is open enrollment and subject to economic cycles

Two-Year College Actual & Projected Enrollment (Annual FTE)



Enrollment Growth Policy

- In recent years the General Assembly has focused funding as follows:
  - New enrollment funding at institutions with higher graduation rates, i.e. 65% or greater
  - Increased transfers at other institutions
  - Improving retention & graduation
  - Since the 2011 Session, over $60 million has been provided for new undergraduate in-state seats, new transfers, and improved retention & graduation alone
- These projections generally reflect those efforts:
  - About two-thirds of new first-time enrollment is occurring primarily at those institutions with higher graduation rates
  - Similarly, almost two-thirds of projected new transfer growth is occurring at those institutions identified last session for increased transfer funding as well as transfer grant incentive funding

Transfer Grant Enrollment Incentive

- The Transfer Grant program provides grants of **$1,000 to $2,000** (STEM) to eligible students who complete an associates degree and transfer to a four-year institution
- During the 2015 Session, $600,000 was provided to six institutions to increase the number of transfer grant eligible students (ODU, VCU, UVA-Wise, NSU, Radford, VSU) by providing an additional **$1,000 incentive**
  - Improves access & affordability – up to $3,000 in aid available
- Each institution has indicated that they are moving forward with plans to achieve this goal
  - Partnering with local community colleges to get information about this incentive to prospective students
  - College fairs & recruitment visits with high school students
  - Financial aid days
  - Academic advisors sharing information

FINANCIAL / ACADEMIC PLANS

Financial / Academic Plans

- Institutions did not treat 6YP funding guidance assumption consistently
  - Some assumed new GF others assumed no new GF in their calculations
  - We will focus on the total plan cost amounts as opposed to tuition only
- Institutions outlined spending proposals totaling about $883 million for the biennium with the following priorities:
  - Salary increases & compensation for faculty & other staff (39% or about $346 million)
  - Financial aid (6% or about $48 million)
  - Enrollment, O & M, Base Funding, additional faculty & staff (24% or about $207 million)
  - Specific Initiatives such as student success, retention, research, workforce, online programs & STEM (26% or about $230 million)
  - Library, Technology and Misc. comprise the remaining 5% or about $52 million in requests

Salary Increases & Compensation

- Each institution has identified faculty & staff salary increases as a high, if not the highest, priority for new spending
- Proposed teaching faculty salary increases range from a non-percentage based pool at Longwood to 6% at the CWM
  - The funding pool approach identifies salary needs to meet recruitment, retention, equity & compression issues
  - Most institutions are in the 2% to 5% range with a slightly lower range for admin faculty
- Only about half of the institutions propose classified employee increases with ranges similar to admin faculty
- Most institutions fund some portion of the proposed increases under their tuition only revenue assumptions

Salary Increase Policy Questions

- Colleges face competition to recruit & retain faculty especially given that faculty are mobile
  - National vs Regional
  - Discipline
- Institutions have staked a claim on the authority to provide faculty and/or staff salary increases absent a statewide initiative
  - No specific guidance, limits or calculations have been be provided and the equity question still exists
  - Is it reasonable to have some segments of state government providing salary increases?
- How should the state treat the “Haves” vs. the “Have-nots”?
  - Providing increases is cost prohibitive at some colleges – an equity issue
  - Some institutions will not be able to provide increases to all employee groups
- Who is responsible for the impact of any increase on other items?
  - VRS & other fringe benefits
- Greater clarity should be provided with future increases related to merit-based vs. across-the-board
  - Consistent with institutional requests, legislative intent was clearly merit-based
  - There have been some questions raised about this in budget execution

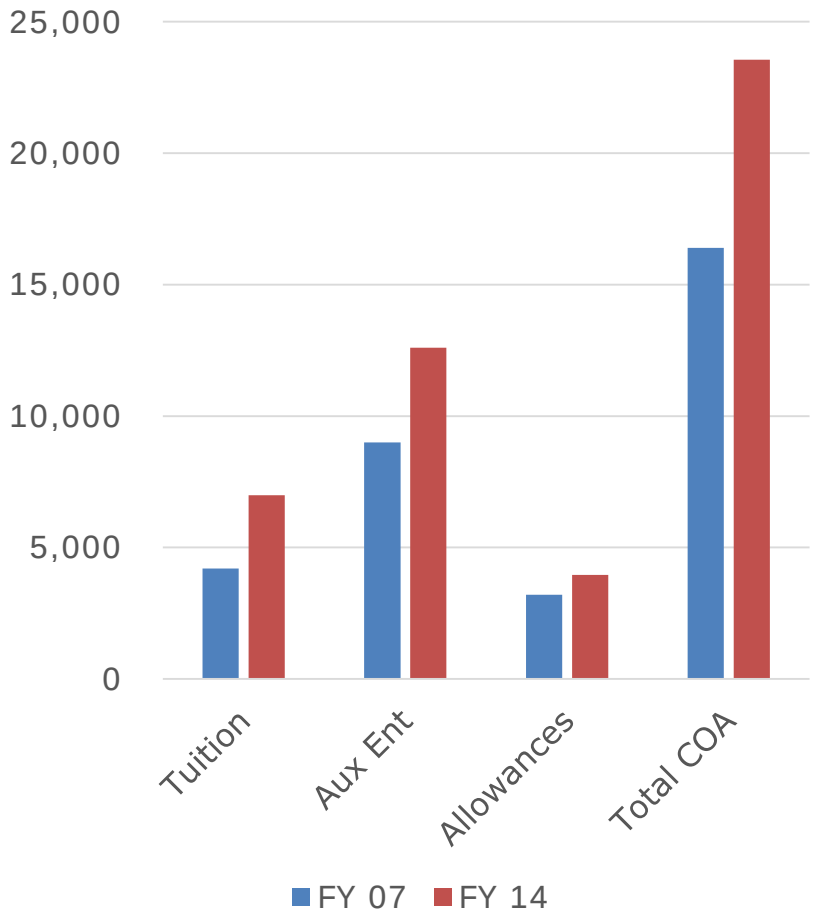
Financial Aid

- Institutional proposals in the six-year plan generally center on the use of tuition for financial aid
- However, institutions expect the state financial program funding to increase general fund support
  - SCHEV makes this a high priority in its annual recommendations
  - Recent Council recommendations would require about $56 million GF over the biennium relative to the existing methodology

Financial Aid Drivers: *Cost of Attendance (COA)*

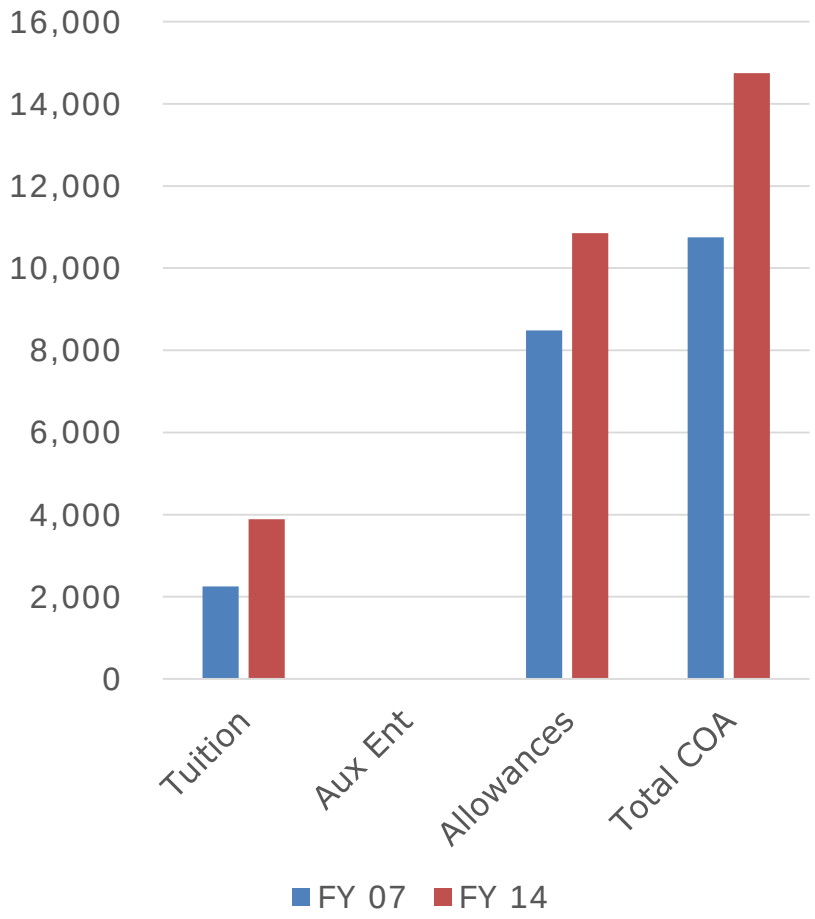
- Cost of Attendance is institution-specific
- Includes actual charges for:
  - Tuition and mandatory E & G fees
  - Mandatory non-E & G fees ("Comp Fee")
  - Room & Board (allowances are provided for students living at home and VCCS)
- Institution-specific calculated allowances for:
  - Books & supplies
  - Transportation
  - Misc. personal & other expenses
- Cost of attendance (COA) is the building block of financial aid calculations
  - COA is used to determine student loan borrowing
  - COA less expected family contributions and other gift aid determines state financial aid requirements

Change in the Cost of Attendance at 4-Year



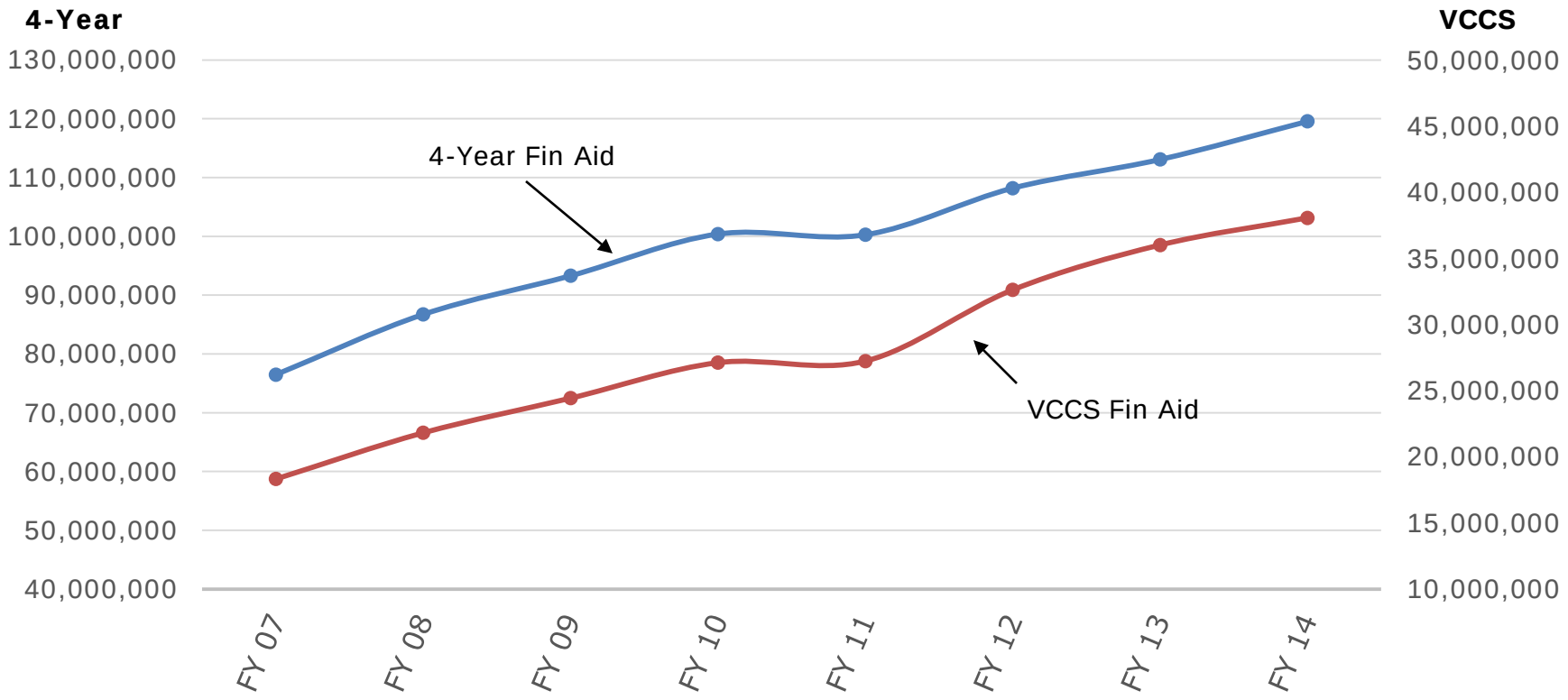
- COA increased by $7,160 of about 44% from ‘07 to ‘14
- Tuition charges increased by an average of $2,794 and drove 39% of the total change in COA
- Auxiliary Enterprises (Room & Board and Comp Fee charges) increased by $3,602 and drove 50.3% of the total change in COA
  - Room & Board impacted over two-thirds of that increase
- Calculated Allowances increased by $765 and drove 10.7% of the total change in COA

Change in the Cost of Attendance at VCCS

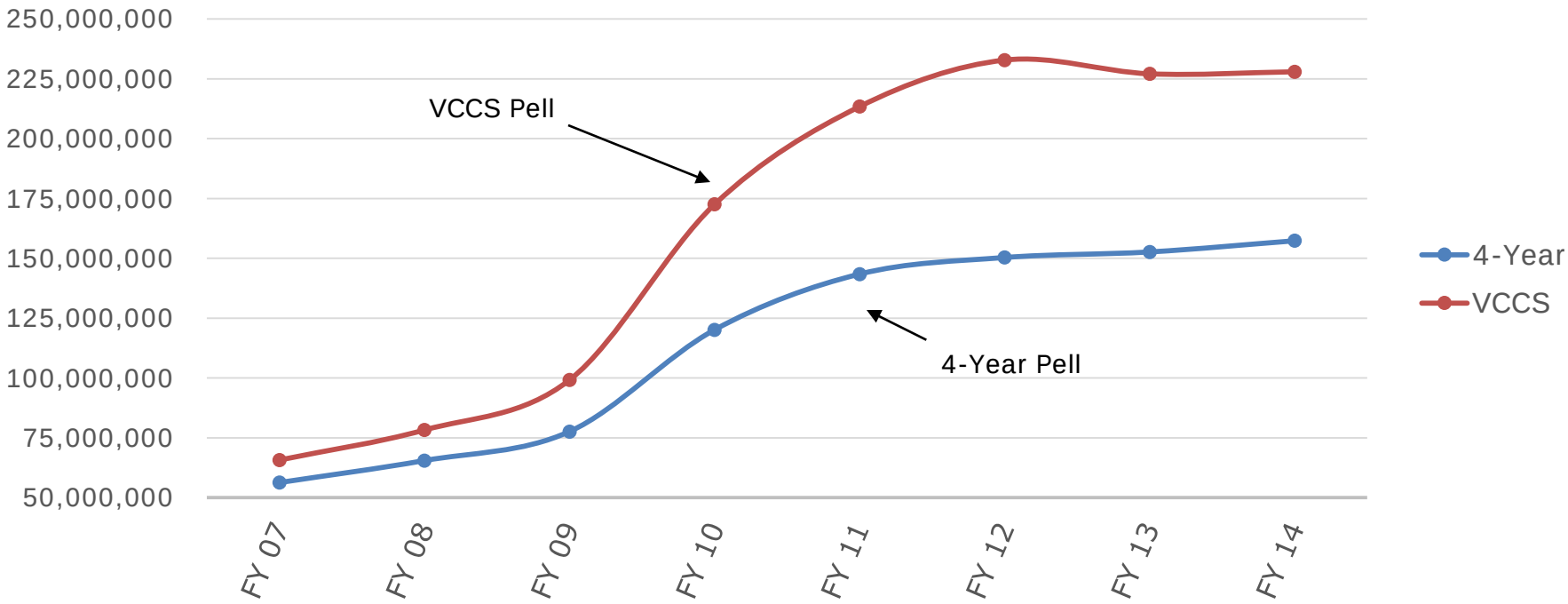


- COA increased by $4,001 or about 37% from ‘07 to ‘14
- Tuition charges increased an average of $1,631 and drove about 41% of the total change in COA
- Auxiliary Enterprises did not change and the charges are negligible ($14 annual fee)
- Calculated Allowances increased by $2,370 and drove about 59% of the total change in COA
  - While the VCCS has no dorms or food service, the federal allowance policy for such costs was responsible for over 55% of this change

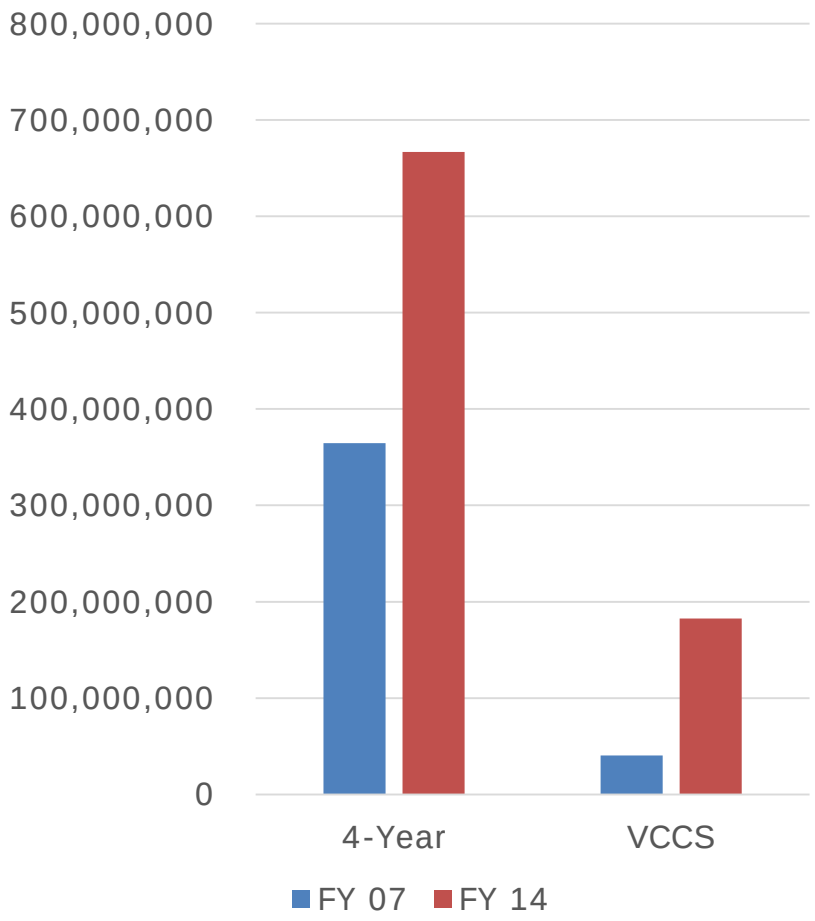
State Undergrad Fin Aid Has Increased Since FY 07
4-Years = 56% & VCCS = 108%



Pell Grants Increases Since FY 07 Are Significant
4-Years = 180% & VCCS = 247%



Change in Borrowing FY '07 to FY '14



- Total Loans grew by almost 83% at 4-Years but over 350% at the VCCS
  - Outpaces COA increases which as previously noted were 44% at 4-years and 37% at VCCS
- Growth in students with family incomes below $50,000
  - 32% at 4-years and 85% at VCCS
- Federal policy changes in 2008 allowed for greater borrowing at lower interest rates
  - Feds also instituted PAYE

Change From '07 to '14 in COA, Pell, State Aid & Loans

	COA	Pell	State Aid	Loans
4-Years	43.7%	179.4%	56.3%	82.8%
VCCS	37.2%	246.8%	107.8%	353.1%

- COA growth from '07 to '14 driven mainly by non-academic costs which accounted for 50 percent or more of the change
- Pell & State grants grew significantly and more than kept pace with changes in COA
- Use of Loans increased significantly despite the increase in grants
- Student financial demographic changes explain this in part
- Federal policy changes also a factor

Use of Tuition as Financial Aid

- All institutions propose using a portion of new tuition revenues for financial aid or setting aside a portion of tuition revenues for financial aid
  - Based on the financial aid survey in the revised six-year plans
- About 35% of the tuition used for fin aid is directed at in-state undergrads
- The amount of in-state undergraduate tuition funds used for financial aid ranges from 0% at GMU to almost 25% at VSU
  - For most institutions the proportion of tuition revenue used for in-state financial aid is below 6%
- Three institutions (CWM, UVA & VMI) are in the mid- to upper-teens, in terms of the proportion of in-state undergraduate revenue being generated for financial aid purposes
  - CWM is nearing twenty percent
  - No national norms available

Financial Aid Policy Questions

- Financial aid reform has been a topic for several sessions
- COA is driven by federal methodology & institution-specific calculations
  - Anomalies and inconsistency in the data between institutions
  - Should we require SCHEV to standardize?
    - Statewide / Regional Averages for allowances
    - Look for ways to reduce textbook costs
- Should state policy place limits on the reallocation of tuition revenue for financial aid purposes?
  - Amount Limits: Percentage / Dollar
  - Use Restrictions: I/S do not subsidize O/S ✓
- Should colleges be required to account for the amounts generated by student group?
  - Transparency for parents / students
  - Fairness & sustainability questions remain

Higher Education Research & Development (NSF 2013)

- Primarily a focus for GMU, ODU, UVA, VCU & VT especially in cancer & biosciences
- Top ten academic research states are CA, NY, TX, PA, MD, MA, IL, NC, MI, OH
  - The same states comprised the top ten in 2001
- Johns Hopkins University has been ranked # 1 since 1989
  - It accounts for slightly more than 3 percent of all research expenditures (about $2.2 billion) driving Maryland's ranking
- NC Research Triangle
  - UNC, Duke, & NC State are all highly ranked research institutions (consistent top 25 rankings for Duke & UNC and top 50 for NC State)
  - Combined they total about $2.4 billion or 3.6% of total R & D
- Virginia's top three research institutions (VT, UVA, VCU) combined are about 1.5 percent (about $1.1 billion)
  - VT has generally been ranked in top 50 and recently moved into the top 40
  - UVA has generally been in top 75 and recently moved into the top 60
  - VCU ranking has generally been around top 100

Research Issues

- Funding aimed at trying to improve rankings may not be the most effective use of limited resources
- There is remarkable consistency in the academic research rankings over the last four decades
  - Composition of the top tiers is fairly consistent with less than a handful of institutions moving out of the top 40
- Relative proportion of spending at each tier is also consistent. For example, according to an NSF survey of higher education R & D, since 1996:
  - Top 10 consistently comprise about 18% of total R & D
  - Top 20 consistently comprise about 31% of total R & D
  - Top 40 consistently comprise about 50% of total R & D

Potential Strategies to Increase R & D in Virginia

- Target investments that support national research focus
  - Health-related research such as cancer & brain disorder
- Focus efforts at certain disciplines and institutions
- Expand the research capacity of key institutions to allow for key faculty recruitment
  - Add new or renovate existing space
  - Continue / expand HEETF research equipment
- Public-Private Partnerships
  - Look for more collaborative opportunities with industry and other institutions
- Intellectual Property Issues

CAPITAL OUTLAY

Capital Budget Submissions

- More than 330 capital budget requests involving general fund support totaling about $8.2 billion in the 2016-18 biennium
  - Higher education institutions including extension, VIMS, EVMS and higher centers have 225 or about two-thirds of the project requests and comprise $6.7 billion or over 80% of the GF dollars requested
- These requests do not yet reflect the review performed by DGS
- Of the total projects, 41 have been previously authorized by the General Assembly to proceed through the planning phase

Projects Previously Authorized for Planning

- As noted there are 41 projects that were approved to complete planning using either central planning funds or agency / institution funds
  - Higher education institutions were generally required to fund all or at least half of all project planning
- Based on a recent DGS review the value of these 41 projects is about $1.6 billion
  - Higher education comprises 24 projects and about $946 million
- Further project review will be conducted to determine appropriate fund splits (research, auxiliary enterprises), equipment requirements, and actual project readiness to proceed

Other Capital Outlay Factors

- Prior commitments for certain projects
  - Vet Care Centers
  - Wastewater
  - Project Supplements
- Legislative Priorities & Considerations
  - Renovation & Re-purposing of Existing Space vs. New Construction
  - Research as an economic development catalyst
  - Debt capacity and potential use of one-time GF
    - Preliminary debt capacity has increased to about $540 million average annual for the ten-year period
    - What is a prudent amount of debt to authorize?
  - Factor in growth / decline and trends in enrollment
- Project price requests are significantly higher than recent experience
  - Do we consider funding based on standardized pricing per square foot for certain project types (classroom, lab, office, science, admin, research, etc.)?
  - Require greater value engineering, fund raising, or scope changes?

Questions