



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN BARRY D. KNIGHT

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HIGHER EDUCATION UPDATE

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House Appropriations Committee Staff

HIGHER EDUCATION FUNDING

- Educational & General Programs
 - Supported by the General Fund and Nongeneral Funds (primarily tuition and fees)
- Auxiliary Enterprise
 - Self-supporting
 - Revenues derived from sales and student fees
 - Includes bookstores, dorms, dining, student unions, athletics, parking, telecommunications, recreation
- Sponsored Programs
 - Primarily the research activities
 - Revenues derived from federal, state, and private grants and contracts

EDUCATIONAL AND GENERAL PROGRAMS

- Instruction
 - Single largest component of E & G
 - Undergraduate, graduate and first professional instruction
 - Community education: Non-credit training programs for computer software skills, foreign language skills
 - Family practice: Community-based residency programs for graduate medical students in generalist medicine
- Research
 - State-supported research centers
 - Department-sponsored programmatic research or curriculum development
 - Does not include sponsored research
- Public Service
 - Outreach programs for area K-12 school children
 - Public lecture series

EDUCATIONAL AND GENERAL PROGRAMS

- Support Programs
 - Academic Support
 - Libraries
 - Academic administration
 - Academic computing
 - Student Services
 - Admissions offices and registrars
 - Guidance and counseling
 - Financial aid administration

EDUCATIONAL AND GENERAL PROGRAMS

- Support Programs
 - Institutional Support
 - Executive management of the institution
 - Fiscal, legal, and personnel operations
 - Campus police
 - Operation and Maintenance of Plant
 - Building and grounds maintenance
 - Utilities
 - Custodial

SIX-YEAR PLANS

BACKGROUND

- HAC Staff proposed creation of the 6-year Plan process at the 2010 annual HAC Retreat
- The Top Jobs legislation in the 2011 Session incorporated the 6-Year Plan process in § [23-38.87:17](#), Institutional six-year plans
- 2023 process has been augmented with input from Boston Consulting Group
 - More extensive use of data with a focus on:
 - Enrollment
 - Student & Labor Market Needs
 - Financial Effectiveness & Sustainability
- Individual institution Fact Packs can be found on the SCHEV website
 - <https://www.schev.edu/institutions/planning-performance/six-year-plans>


2023 SIX YEAR PLAN SPENDING

- Table below summarizes spending by major categories (\$ in millions)

Category	FY 2025	FY 2026
Faculty & Staff Salaries	\$137.0	\$271.6
Financial Aid	25.9	46.9
Base Operating Costs	46.8	85.8
Institution-Specific Initiatives	<u>59.6</u>	<u>102.0</u>
Totals	\$269.4	\$506.4
Funded By Tuition & Reallocations	\$224.6	\$418.4

2023 SIX YEAR PLAN SPENDING

- Tuition revenue and reallocations would fund about 83% of the full 6YPs submitted by the institutions
 - Tuition increases averaged about 3% to 4% with a median increase of 3%
- In addition to the 6YP proposed spending, a 6YP process change in 2023 allowed institutions to submit requests for general fund initiatives
- The biennial six year plan request included \$1.3 billion GF
 - Almost 50% of this amount is related to a series of VCCS workforce program requests
 - Requests for additional financial aid and support for the significant growth in the Virginia Military Survivors and Dependents Education Program (VMSDEP) waivers account for another 20% of the biennial request

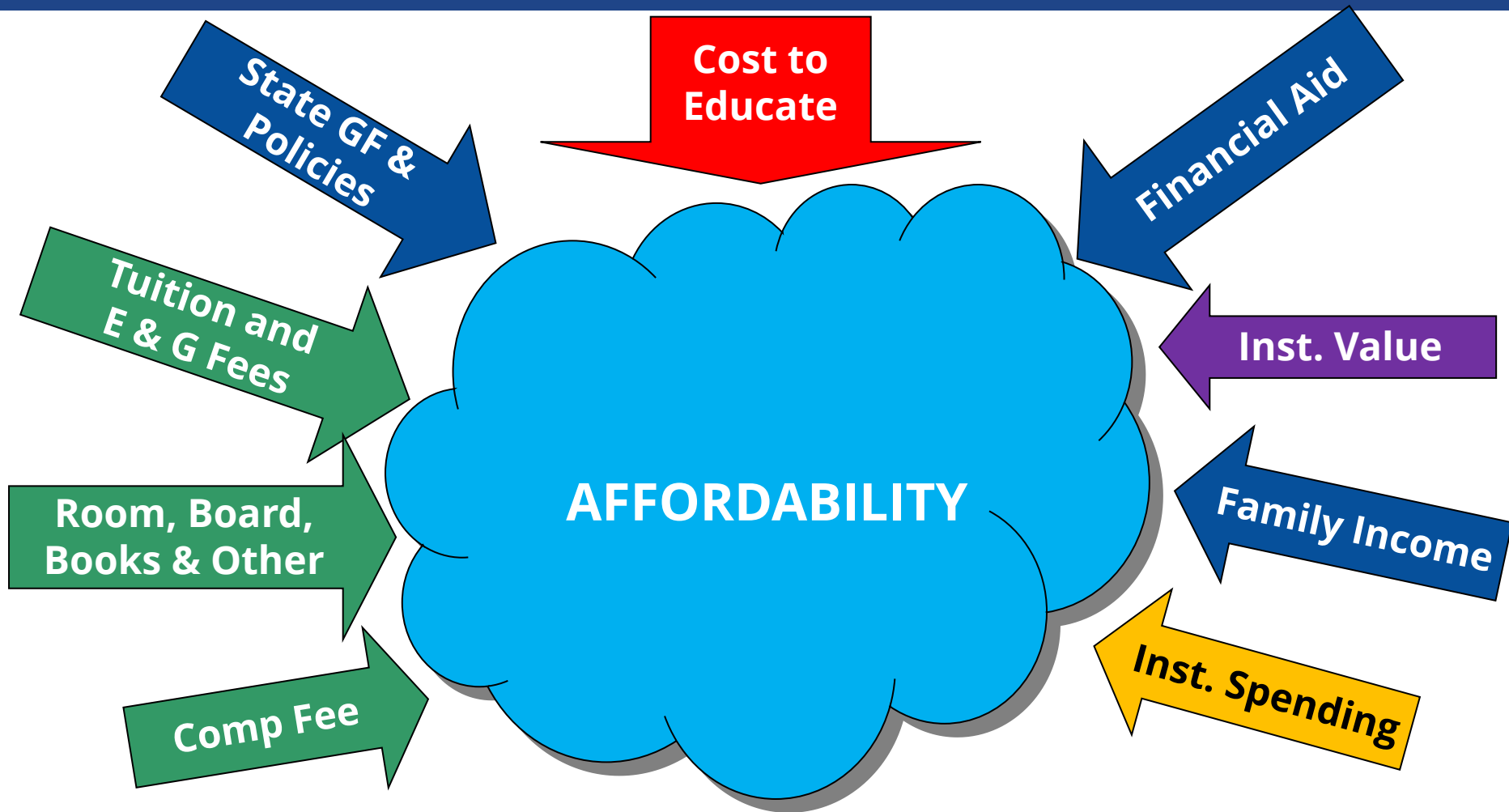


HIGHER EDUCATION AFFORDABILITY

KEY TERMS & CONCEPTS

- Sticker Price: The tuition amount published on institution websites before any financial aid
- Net Price: Sticker price minus any financial aid or discounts
 - Because there are many sources of financial aid this is, at best, an estimate
- Cost: what an institution must pay to educate a student
 - Salaries (faculty & admin), fringe benefits, student services, plant etc.
- Price does not equal Cost
 - State GF
 - Institution cross subsidies
- Cost of Attendance (COA)
 - Basis for financial aid
 - Besides tuition, COA includes fees, room & board, books, transportation, supplies, and personal expenses

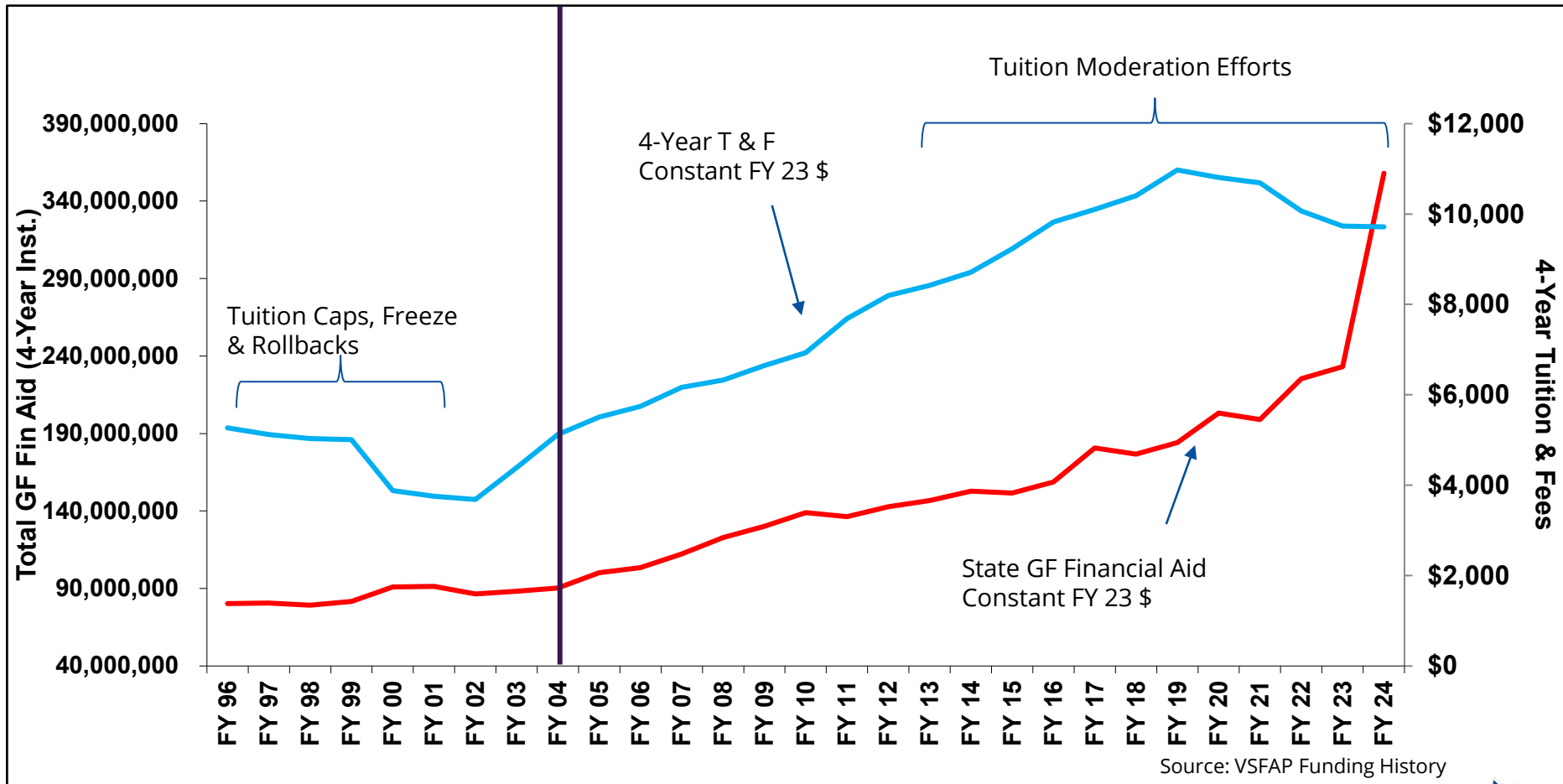
WHAT IS AFFORDABILITY? THE MAJOR FACTORS



FINANCIAL AID

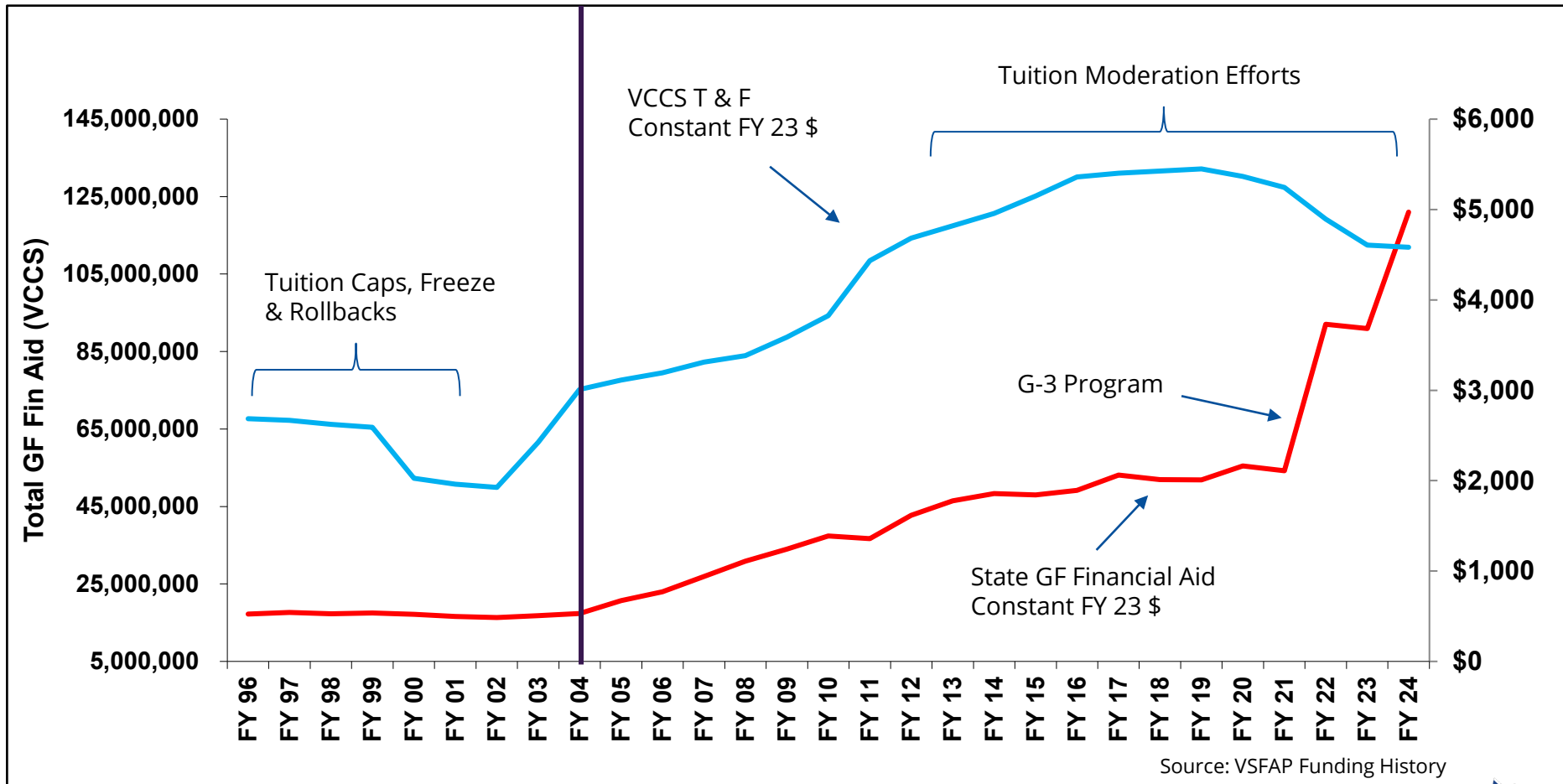
- There are two major forms of financial aid:
 - Grants
 - Loans
- Grants
 - Pell
 - State (Virginia Guaranteed Assistance Program & Virginia Commonwealth Award)
 - Institutions also provide grant aid through use of tuition & in some cases endowment income
- Loans
 - Federal programs (Stafford, PLUS)
 - Private loans
- In order to qualify for financial aid a student must file a Free Application For Federal Student Aid (FAFSA)
 - FAFSA process has been revised by the federal government (FAFSA Simplification Act)
 - Revised process scheduled to begin December 2023 for the 2024-25 award year

SINCE FY 2004, TOTAL GF FINANCIAL AID HAS INCREASED SIGNIFICANTLY AT THE 4-YEARS, ABOUT 300% IN CONSTANT FY 23 DOLLARS



Source: VSFAP Funding History

SINCE FY 2004, TOTAL GF FINANCIAL AID HAS INCREASED SIGNIFICANTLY AT THE VCCS, ABOUT 600% IN CONSTANT FY 23 DOLLARS



Source: VSFAP Funding History

USE OF TUITION FOR FINANCIAL AID HAS INCREASED 288% SINCE FY 2012

Institution	FY 2012	% of Tuition	FY 2022	% of Tuition
GMU	\$ 0	0.0%	\$ 3,925,326	2.0%
ODU	2,393,406	3.0%	2,714,818	2.8%
UVA	15,437,000	15.0%	50,864,397	25.0%
VCU	5,617,863	3.7%	43,615,120	21.0%
VT	0	0.0%	7,322,906	3.1%
CWM	3,773,471	11.1%	16,167,000	20.2%
CNU	420,030	1.6%	2,801,576	7.3%
UVA-W	50,000	0.8%	50,000	1.0%
JMU	1,196,322	1.9%	6,094,460	4.6%
LU	1,336,587	5.6%	2,576,250	11.1%
UMW	262,802	1.1%	6,064,000	23.9%
NSU	1,500,000	11.3%	2,202,401	10.9%
RU	1,526,046	3.7%	0	0.0%
VMI	327,621	4.8%	0	0.0%
VSU	2,103,585	14.4%	1,920,120	10.5%
RBC	60,000	1.8%	60,000	1.4%
VCCS	2,958,009	0.7%	4,960,255	1.3%

USE OF TUITION FOR FINANCIAL AID

- Use of tuition for financial aid has grown in recent years
 - Waivers are not captured in the data
- Seven institutions use 10 or more percent of their in-state tuition revenue as financial aid
 - UVA about 25% (about 36% of I/S undergrads have need)
 - UMW about 24% (over 46% of I/S undergrads have need)
 - VCU about 21% (about 61% of I/S undergrads have need)
 - CWM about 20% (about 42% of I/S undergrads have need)
 - Longwood about 11% (about 59% of I/S undergrads have need)
 - NSU about 11% (about 90% of I/S undergrads have need)
 - VSU about 11% (about 87% of I/S undergrads have need)
- Two institutions utilize 5% to 8% (CNU & JMU)
- Remaining institutions are in the less than 3% range
- Is this practice sustainable? Practical?
- Should there be limits?

FAFSA SIMPLIFICATION

- FAFSA Simplification Act and Consolidated Appropriation Act of 2021
 - Implementation beginning with 2024-25
- Most visible change is moving away from Expected Family Contribution (EFC) to Student Aid Index (SAI)
 - The lowest EFC is zero; while the SAI can go down to -1,500
- No longer split the family contribution based on number of family in college
- Takes into account family assets, including small business and farms
 - Unlike stocks & investments, much of farm and small business assets are not as liquid
 - These assets, especially family farms, would lose residual value if broken up
 - Based upon analysis by the Iowa Student Aid Commission, the average net value of a small family farm is \$1.7 million which under revised process would create an SAI of over \$90,000 compared to EFC of about \$5,000

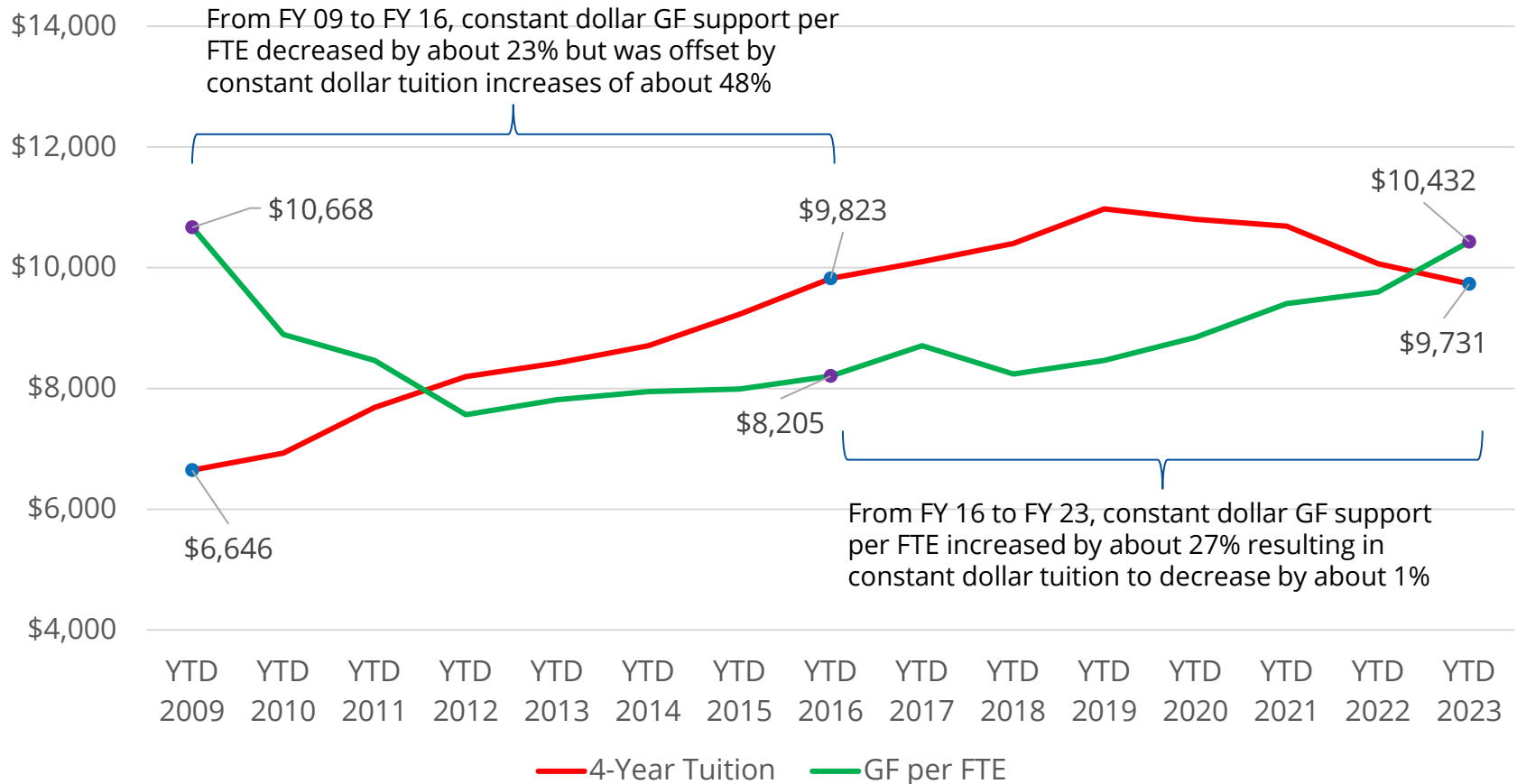
FAFSA SIMPLIFICATION IMPACTS

- While many low-income students already automatically qualify for the maximum Pell, the net effect of the revised process may be moving low-income students to maximum Pell and middle-income students likely demonstrating less need and potentially losing eligibility for aid and federal loans
- Low-income students comprise about 45% of in-state undergraduate students with financial need
 - These students receive about 85% of Pell awards and about 58% of state financial aid grants
- Middle- & Upper- income students comprise about 55% of in-state undergraduate students with financial need
 - These students receive about 15% of Pell awards and about 42% of state financial aid grants
- FAFSA Simplification may put eligibility for federal loan programs and state financial aid for these students at risk

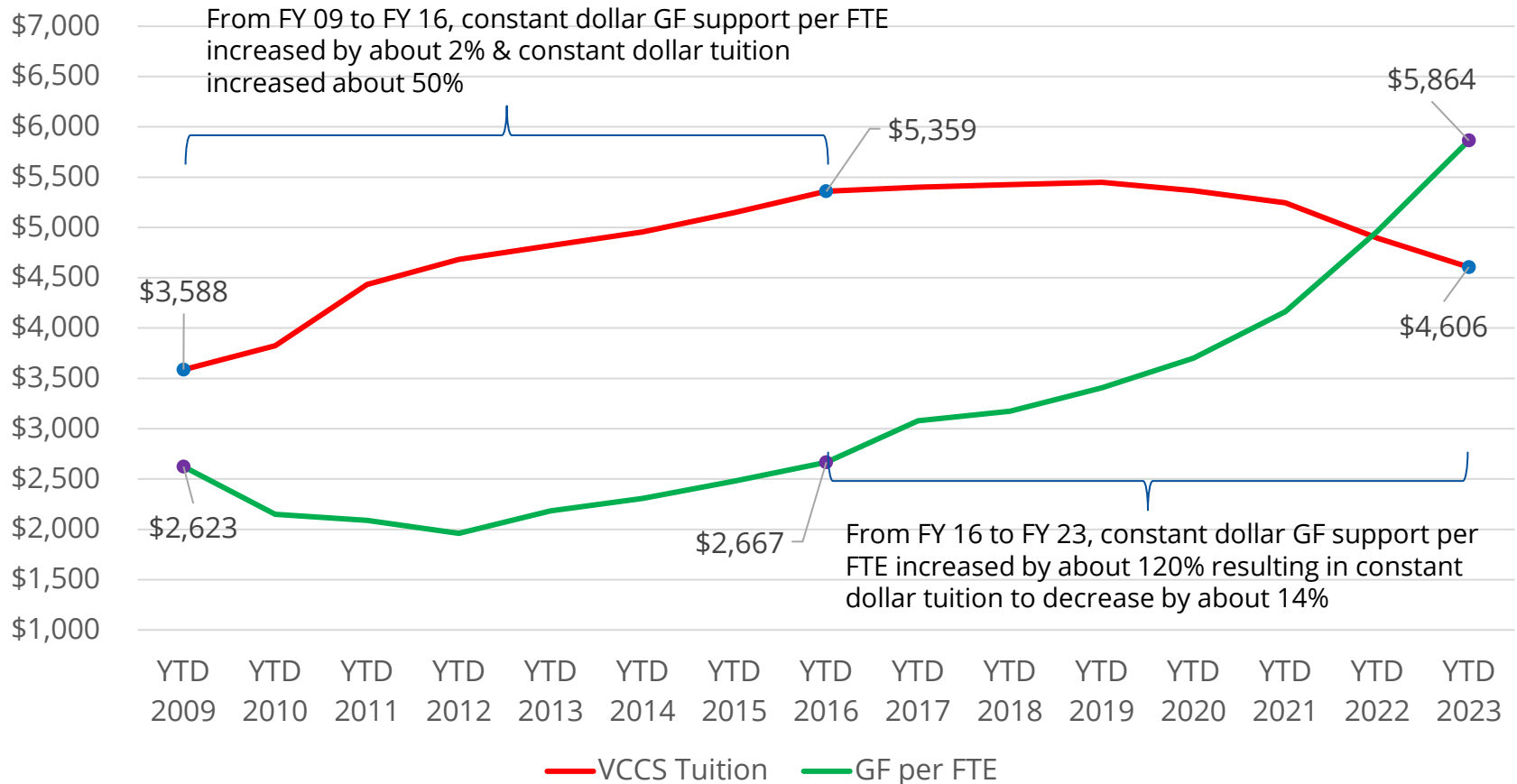
DOES FINANCIAL AID PROVIDE AFFORDABILITY?

- Financial aid alone does not seem to provide for affordability
- Financial aid increases did not moderate tuition in last 20 years
- At 4-year institutions net pricing through financial aid does assist lower income students but they only comprise about a quarter of the total in-state undergraduate population
 - Students at 4-years from middle & upper income families that demonstrate some financial need comprise about 29% of student population and may also benefit to a lesser degree
- At 2-year institutions net pricing through financial aid does also assist lower income students but again they only comprise about a quarter of the total in-state undergraduate population
 - Students at 2-years from middle & upper income families that demonstrate some financial need comprise about 12% of student population and may also benefit to a lesser degree

GENERAL FUND SUPPORT MODERATES TUITION GROWTH (CONSTANT FY 23 DOLLARS)



GENERAL FUND SUPPORT MODERATES TUITION GROWTH (CONSTANT FY 23 DOLLARS)





OTHER PROGRAMS

TUITION ASSISTANCE GRANT (TAG)

- TAG program provides general fund support for Virginia residents attending non-profit private institutions in the Commonwealth
 - Supports the students, not the institution
- \$100.3 million GF in FY 2024 to provide grants up to \$5,000
 - Serves about 21,000 undergraduate students
- Programmatic equivalent of the general fund subsidy provided to each student attending public colleges and universities
 - While not need-based, about 3/4 of the students receiving a TAG grant are from low- and middle- income families or demonstrate financial need
- Program takes some of the enrollment pressure off the public institutions
 - It is cost effective as the TAG grant is about half of the average GF subsidy the state provides to public institutions



HIGHER EDUCATION ISSUES

POLICY QUESTIONS - TUITION

- Simply increasing financial aid may not be the solution to address affordability
 - About 40% of in-state undergraduates are identified as having financial need, that means that the remainder would not qualify for financial aid and pay sticker price
- There is a positive correlation between tuition moderation and increased general fund support
 - Cannot dismiss impact of pandemic as factor in recent tuition actions
 - Tuition moderation helps all in-state students
- Should state consider linking tuition increase limits to other factors?
 - CPI
 - Median wage growth

POLICY QUESTIONS – FINANCIAL AID

- Financial aid policy and practices should be re-evaluated given FAFSA Simplification
 - Evaluate the impact on student groups before simply replacing EFC with SAI
 - There may be a major redistribution of financial aid
- Should state consider a new financial aid program that focuses assistance on specific high demand programs?
 - Would not replace existing program
 - Would still contain a financial need component
- State needs to re-evaluate all its tuition waiver programs to ensure financial sustainability

QUESTIONS