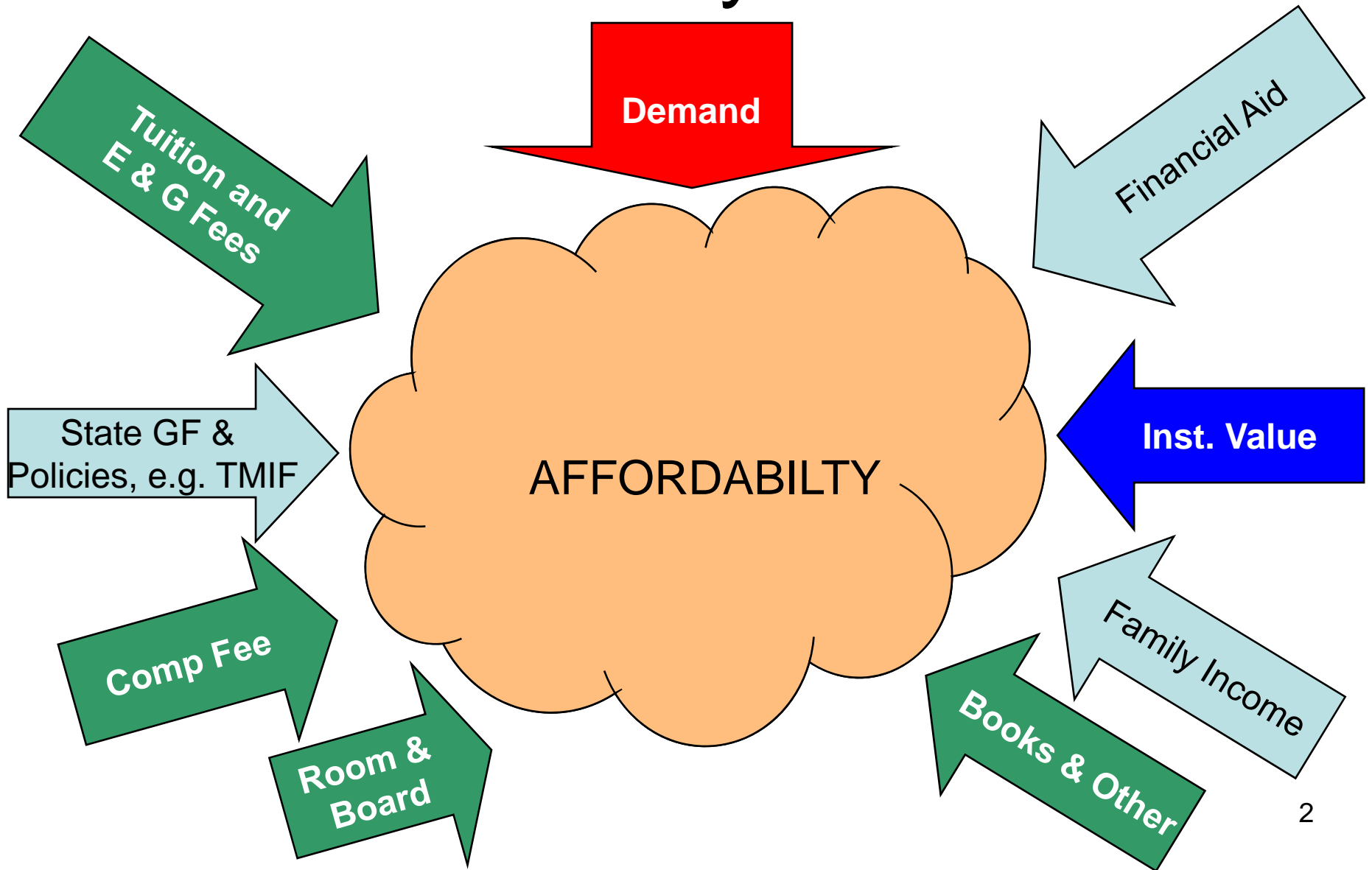


Higher Education Affordability

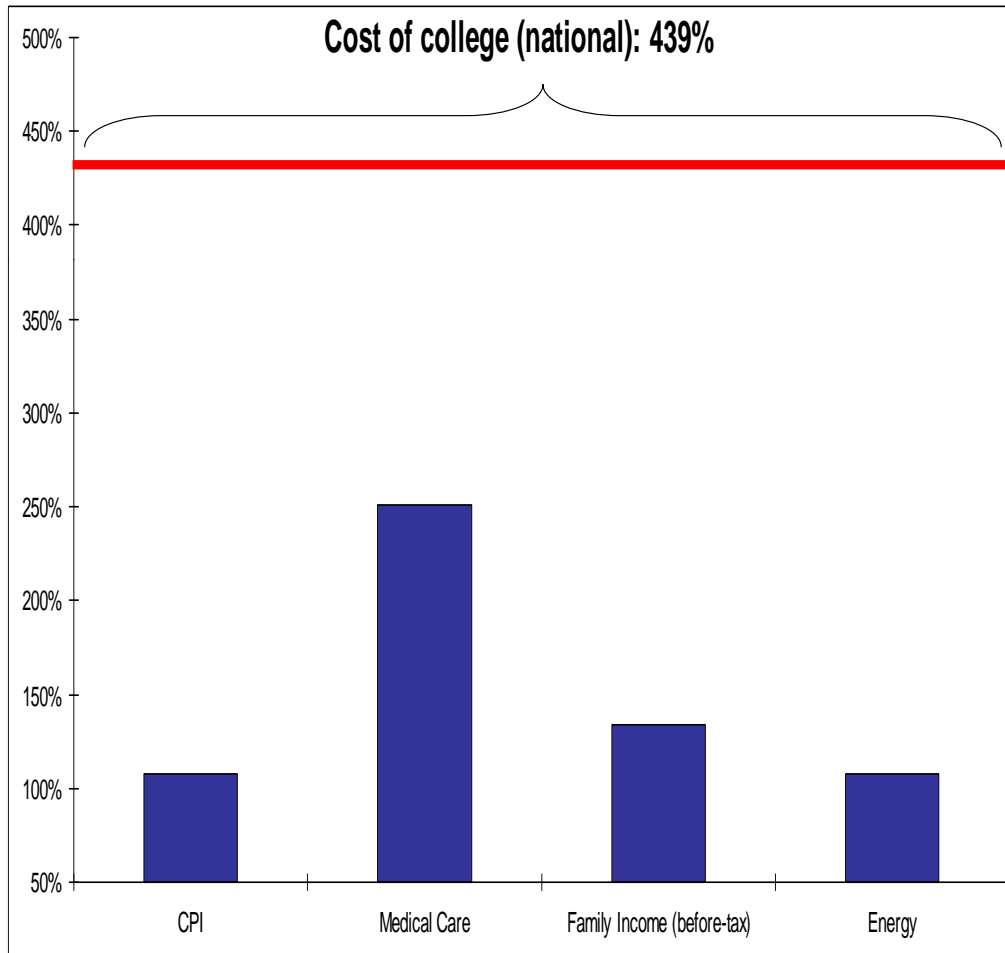
Higher Education Subcommittee

January 19, 2009

Affordability Factors



Nationally, from 1985 to 2005, the current dollar cost of college has increased rapidly



- College costs have risen faster than any other product or service in last two decades
- Reasons cited for rapid increase:
 - Uneven state & federal support
 - Increasing demand for education / enrollment
 - Growth in non-instructional costs

Tuition and E & G Fee History & Significant State Policy Decisions

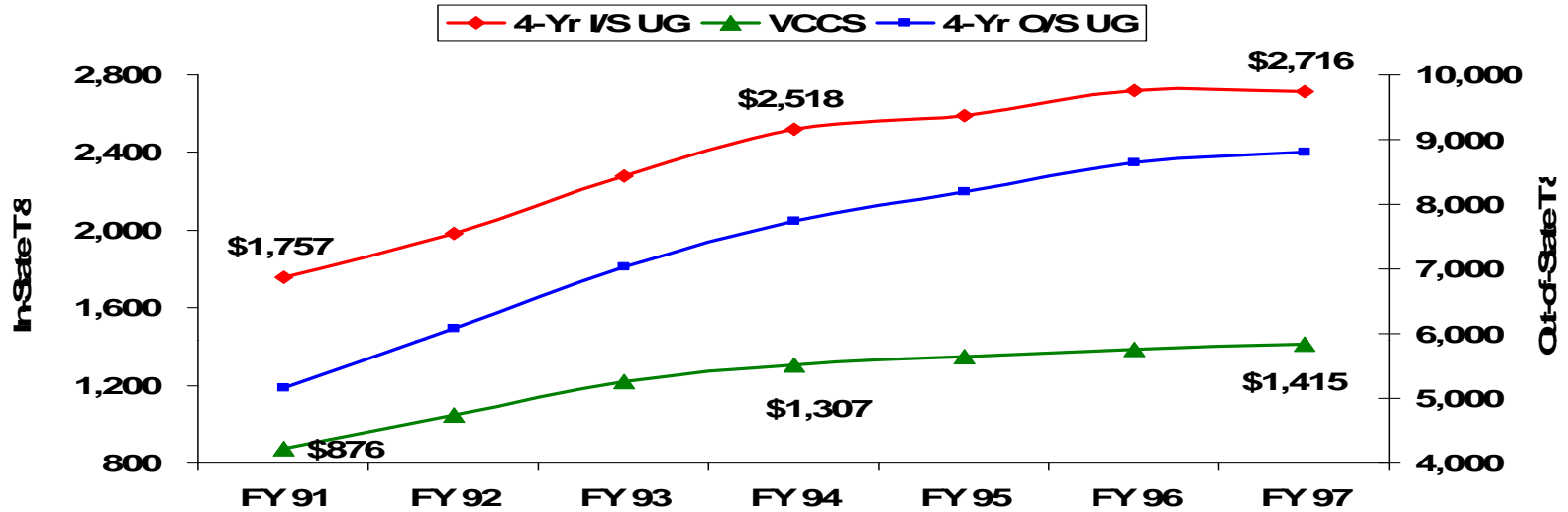
Instructional Costs

- Educational & General Programs (E & G)
 - Based on Virginia's funding policy, we only subsidize the education general programs costs
 - Funding streams
 - State general fund
 - Tuition and Mandatory E & G Fees (Tuition & Fees)
 - In-state policy goal of 33 percent of the cost of education
 - Out-of-state required to pay at least 100 percent of the cost of education
- Books & supplies

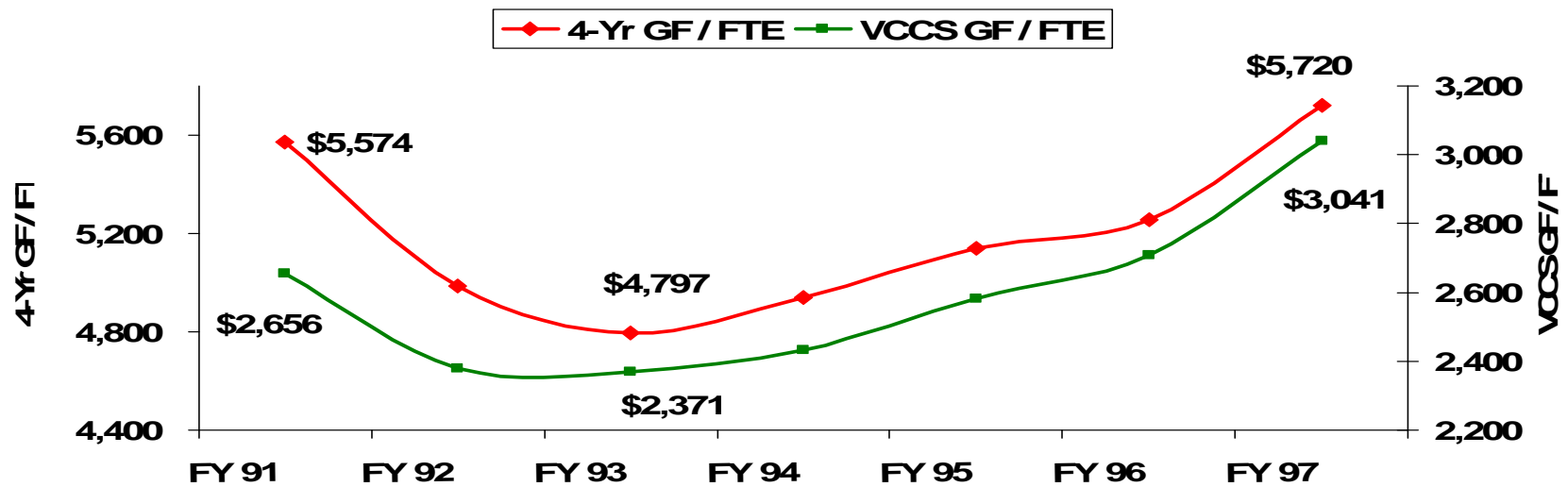
1991-1997

Abandon Appendix M Funding Guidelines & Tuition Controls

Tuition & E & G Fees



General Fund Per FTE



1991-1997

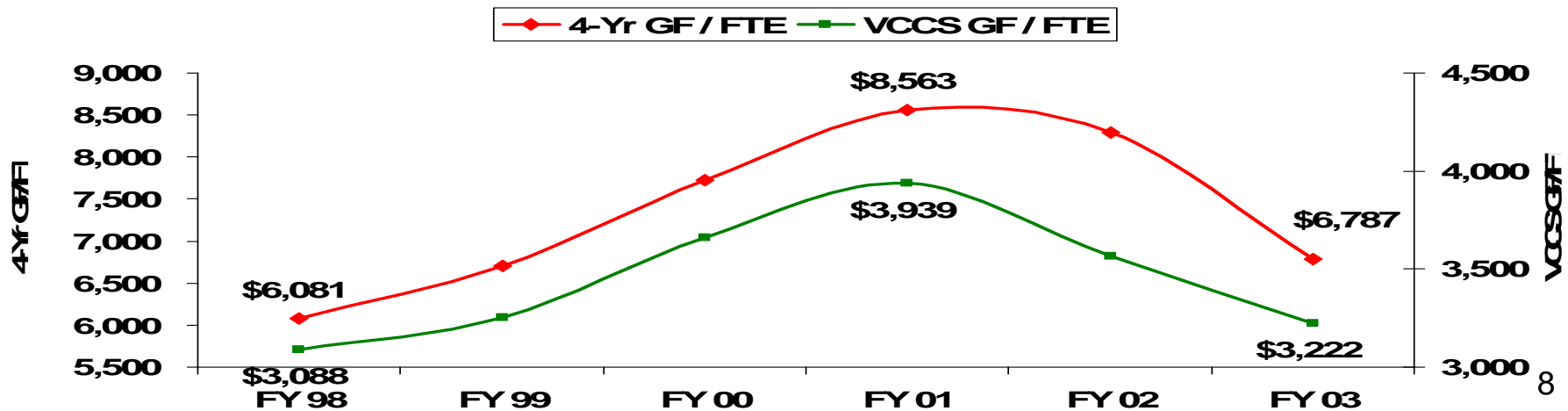
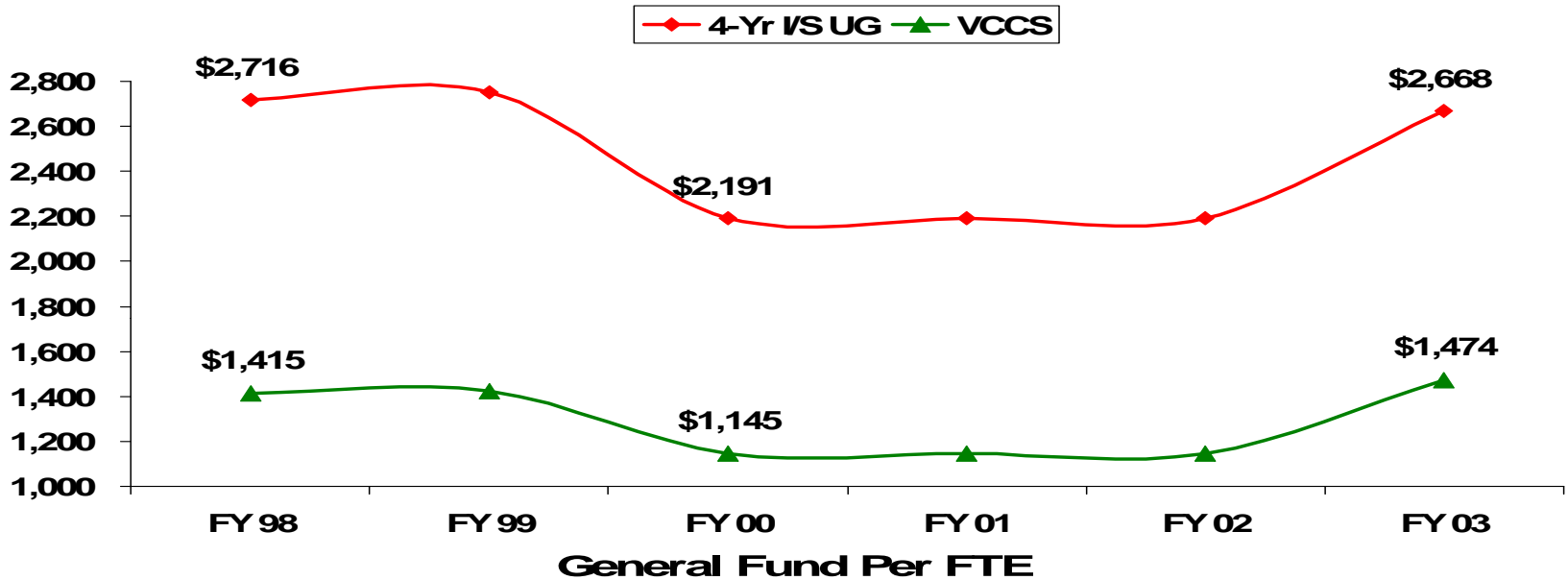
Abandon Appendix M Funding Guidelines & Tuition Controls

- In response to the 1991 recession, general fund support per FTE dropped in the early 1990s by about 19 percent
- From 1991 to 1994, in-state tuition & fees grew by over 40 percent in response to those reductions
- As a result, tuition caps were implemented beginning in FY 94 through FY 96 and then in FY 97, a tuition freeze was implemented
- As the economy began to rebound, Virginia provided increased general fund support in order to fund higher education programs under a capped and then frozen tuition environment
 - GF increased by 17 percent at 4-year institutions & 25 percent at the VCCS
- Out-of-state tuition growth during the period was due to state policy requiring that those students pay at least 100 percent of educational cost

1998 – 2003

General Fund Buildup and Continuation of Tuition Controls

Tuition & E & G Fees



1998 – 2003

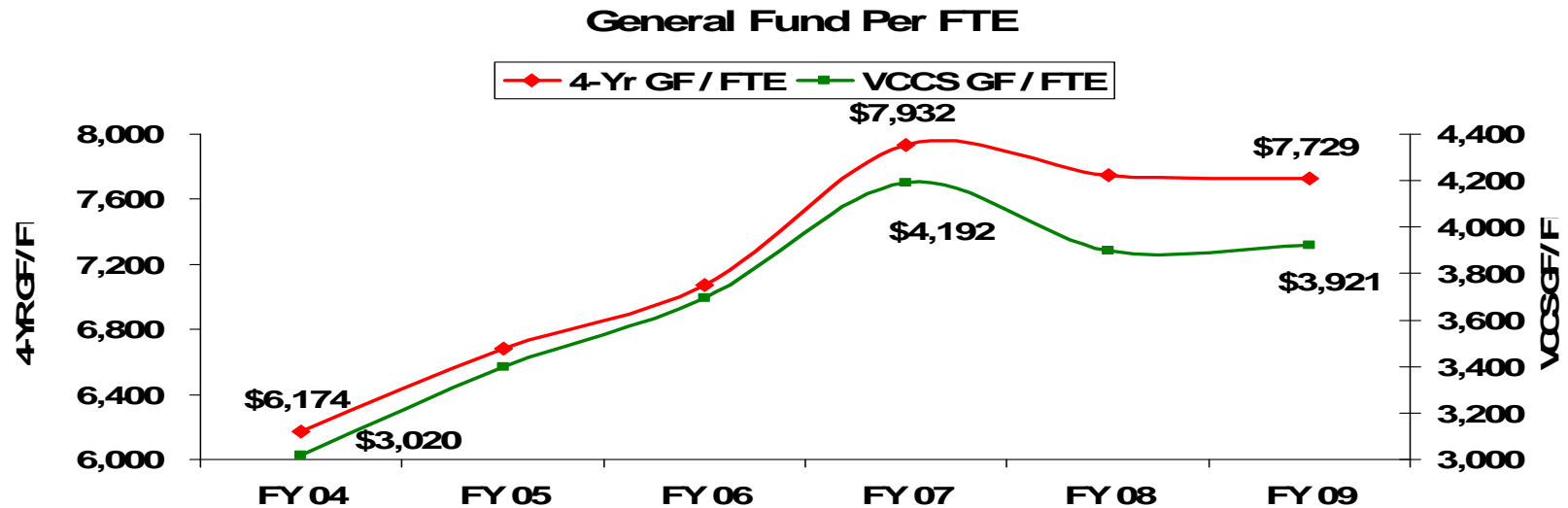
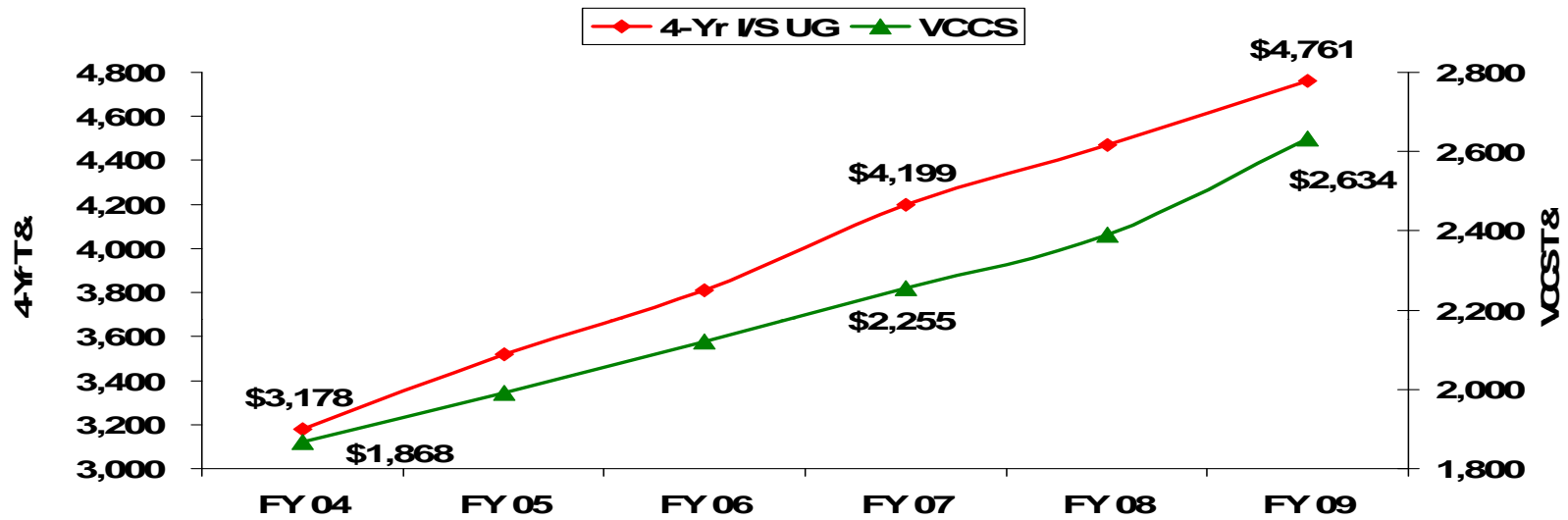
General Fund Buildup and Continuation of Tuition Controls

- With state revenues increasing annually at double-digits, general fund support for higher education also grew significantly under the tuition freeze
 - For the two-year period of FY 98 & 99 GF grew a total of about 17 percent
- FY 2000, a 20 percent tuition rollback was implemented
 - NGF revenues were replaced with GF which grew by 15 percent in one year from FY 1999 to FY 2000
- The tuition freeze was then kept in place until FY 2003 when general fund support again dropped about 20 percent as a result of the recession
- The tuition freeze was lifted and institutions increased tuition to help offset the reductions
 - In FY 2003, institutions instituted a mid-year tuition increase in response to the October 2002 budget cuts

2004 – Present

Funding Guidelines, Restructuring & the Tuition Moderation Fund

Tuition & E & G Fees



2004 – Present

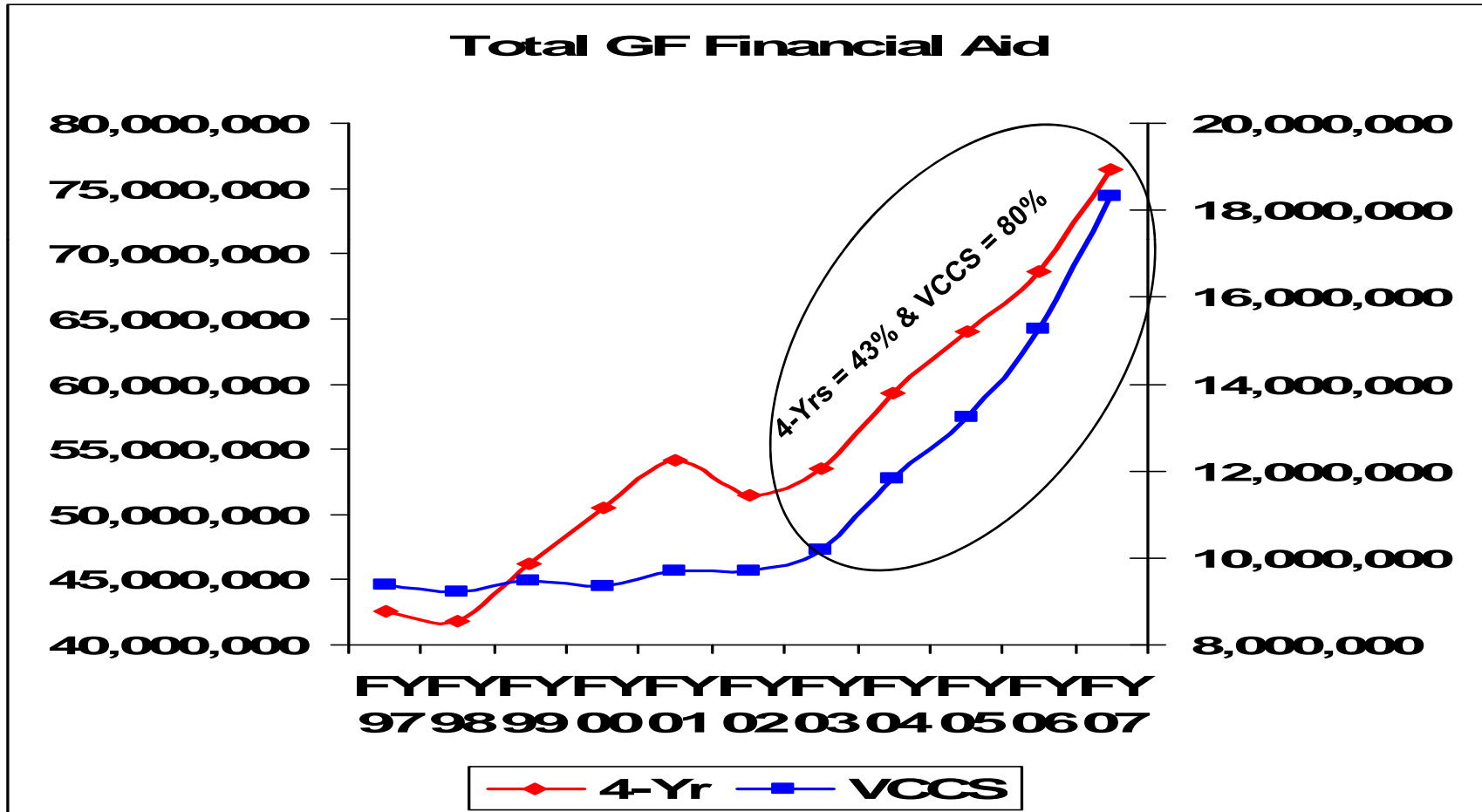
Funding Guidelines, Restructuring & the Tuition Moderation Fund

- General fund support grew under the funding guidelines
 - Higher education moved from 85 percent of its guideline funding to over 95 percent by FY 2007
 - GF per FTE grew by 17 percent at 4-year institutions and over 30 percent at the VCCS
- Under restructuring agreements, tuition and fee control was restored to Boards of Visitors
- Even with the significant general fund increases from FY 2004 to FY 2007, tuition and fees continued to increase at nearly double-digit rates annually
- As a result, the state implemented a Tuition Moderation Incentive Fund in FY 2008 and continued the policy into the FY 09-10 biennium
 - Tuition increases moderated to 6 percent in FY 2008 & 6.6 percent in FY 2009
 - 11 of 17 institutions followed the TMIF in FY 2009 keeping tuition increases to no more than 4 percent
 - The remaining six institutions (GMU, UVA, VCU, VCCS, VT, WM) increased tuition by about 10 percent in FY 2009

Financial Aid

Financial Aid Has Increased Significantly Since FY 97

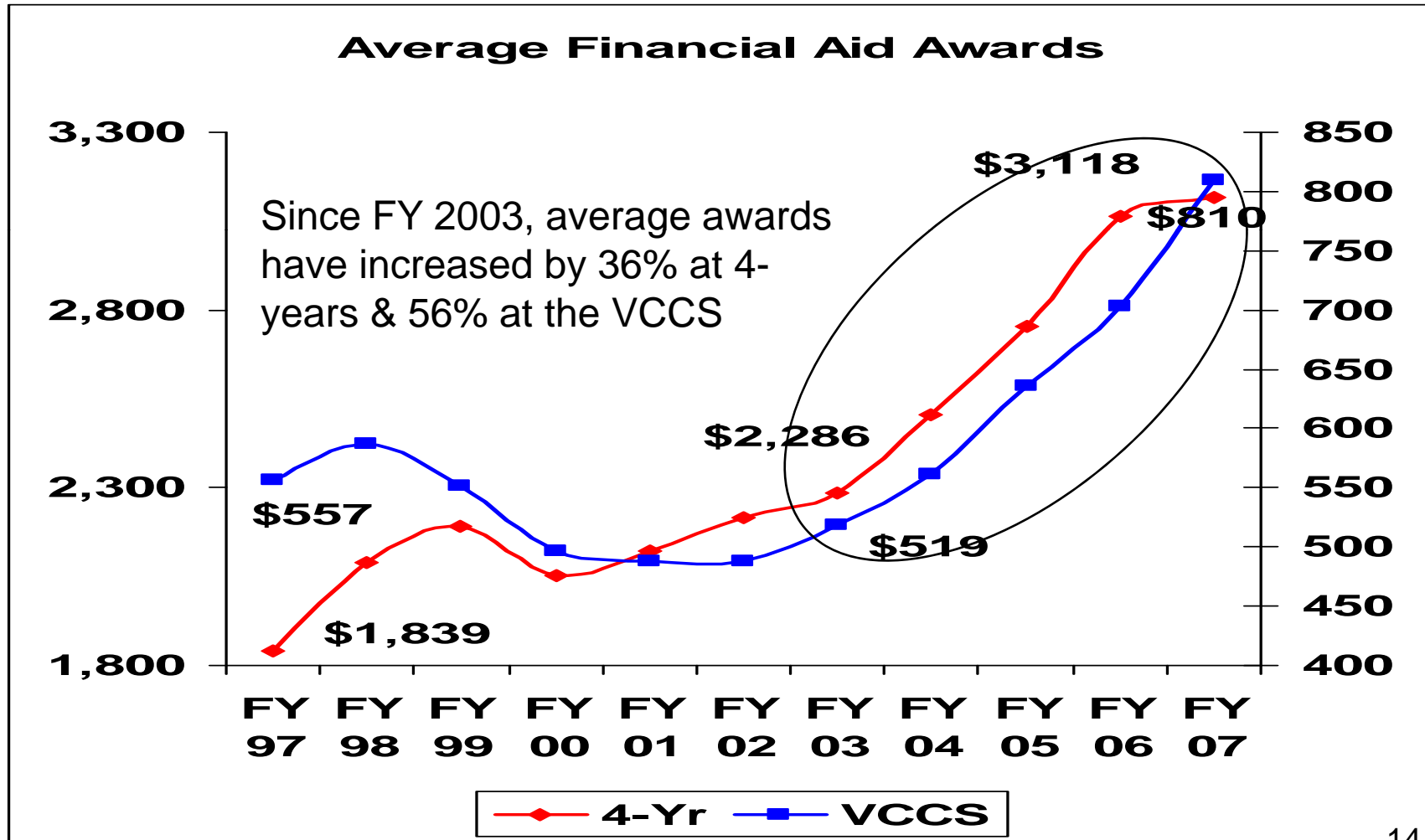
4-Years = 80% & VCCS = 95%



Average Awards Have Increased Significantly

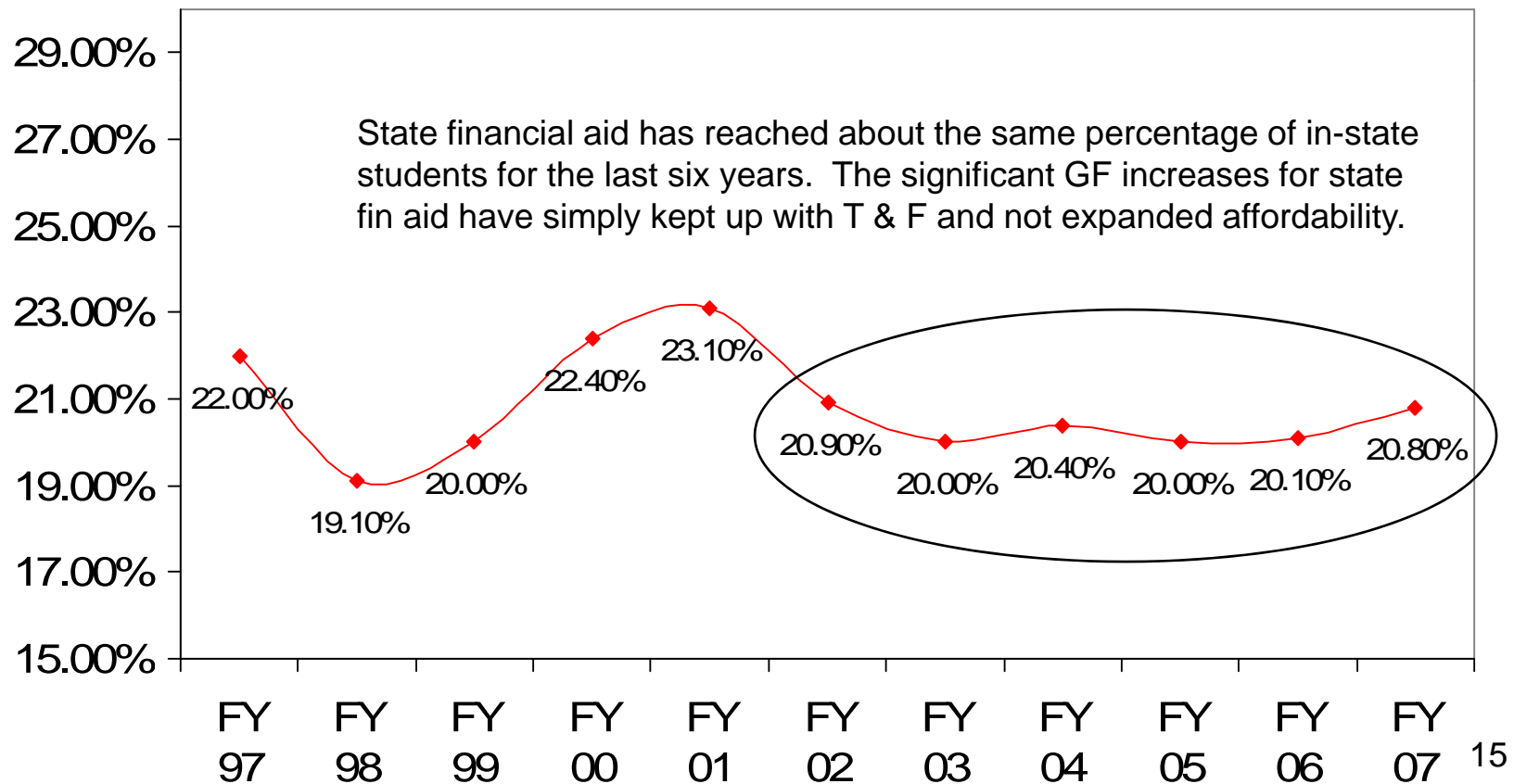
Since FY 97

4-Years = 70% & VCCS = 45%



Results of Financial Aid Increase

Percentage of In-State Students Receiving State Financial Aid



State Policies Options Affecting Affordability

Tuition Incentive Moderation Fund (TMIF)

- The TMIF was first implemented in the 2007 Session of the General Assembly
 - \$7.2 million was allocated to institutions who kept tuition increases for in-state undergraduates to six percent
 - All institutions complied
- In the 2008 Session, the General Assembly increased the TMIF to \$17.5 million each year
 - To be eligible institutions were asked to keep tuition increases for in-state undergraduates to three percent with an additional percent that could be imposed if used for financial aid
 - All but six institutions (GMU, UVA, VCU, VT, CWM & VCCS) complied

Institutional Reasons for Noncompliance with the 2008 TMIF

- No guarantee that the funds would be on-going to offset foregone tuition revenue
- One size fits all nature of the tuition increase allowance under TMIF
 - Should TMIF take ability to pay into consideration in determining both GF allocation and tuition moderation goal for an institution?
 - Should TMIF take into consideration increases dedicated for financial aid programs started under restructuring agreements?
- The amounts in the fund were insufficient to meet certain costs increases when coupled with a three percent tuition increase
 - Salary increases, energy costs, financial aid & institutional spending initiatives were often cited in newspapers

2009 Session Issues

Higher Education Institutions

- Reductions of \$86.1 million GF in FY 2009 and \$210.0 million GF in FY 2010
 - First year reductions generally range from 5% to 7% with slightly lower reductions for NSU & VSU
 - Second year reductions were 15% for all institutions except NSU (13%), VSU (11.3%), Richard Bland (10%) and the VCCS (10%)
 - Reductions did not take into account NGF revenue-generating ability or whether an institution moderated tuition in FY 2009 thereby foregoing future revenue stream
 - Actual reductions to be determined by Boards of Visitors
- An additional \$2.0 million was cut in FY 2010 to eliminate pay practice supplemental funding

Higher Education Affordability

- The proposed budget captures \$6.3 million GF in FY 2009 which reflects the unallocated TMIF funds for the six institutions (GMU, UVA, VCU, VT, CWM, VCCS) that did not participate in the program
- The proposed budget provides \$5.0 million in the second year as continuation funding for the 11 institutions that kept in-state undergraduate tuition increases to no more than 4% in FY 2009
- The proposed budget eliminates the TMIF in FY 2010 resulting in \$12.6 million GF savings
 - The elimination of the fund is based on the assumption that the percentage of in-state students attending the 11 participating institutions reflects 20 to 25 percent of the overall in-state undergraduate population
 - However, the 11 participating institutions generally have the highest proportional in-state undergraduate populations (e.g., CNU = 96%, Longwood = 94%, Radford = 92%, ODU = 91%)
- The budget as introduced proposes a \$25.9 million GF increase in financial aid in anticipation of significant tuition increase for in-state undergraduate students
 - Funding is allocated to only 12 of 17 institutions
 - CNU, CWM, UVA, VMI & VT did not receive an allocation based on the proposed methodology
 - Based on current financial data and the proposed allocation about 14% of in-state undergraduates may be able to maintain the current affordability level

Budget Issues

\$200 million Identified By Institutions

- Operations & Maintenance of New Facilities - \$27.6 million
- Enrollment growth - \$22.7 million
- Financial Aid - \$12.2 million
- Utility / energy costs - \$22.8 million
- Eminent scholars - \$6.1 million
- Unavoidable Cost Increases - \$22.1 million
- Offsetting Reductions to Maintain Services - \$80.7 million
- Changes in Fringe Benefit Programs – savings TBD
- Other - \$4.6 million