Higher Education Six-Year Plans 2012-2018

House Appropriations Committee Retreat

November 16, 2011

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Background

- HB 2510 or the Higher Education Opportunity Act of 2011 co-patroned by Delegate Cox & Delegate Dance 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
  - Sec Education
  - Executive Director SCHEV
  - Director DPB
  - HAC Staff Director
  - SFC Staff Director
- Plans would be approved by each Board of Visitors after feedback from the OPSIX
  - Plans reflect no new general fund
  - Plans reflect tuition & fee increase requirements
- General Assembly & Governor would have this information available prior to Session prior to 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 such as TJ 21 and institution operating issues

Enrollment Plans

- 4-Year institutions project nearly 19,000 FTE or about 10 percent growth over the six-year planning period
  - About 80% of the projected growth is due primarily to undergraduate students with over three-quarters in-state students
  - Seven institutions comprise the bulk of the projected growth – ODU, VSU, JMU, GMU, Radford, UVA & NSU
- 2-Year institutions project about 12,000 FTE or about 9 percent growth over the planning period
- Enrollment growth is driven primarily by improved student retention (about 2/3 of all growth)
  - Increases in the number of transfer students account for about 22% of enrollment growth
  - Increases in new first-time freshmen (FTF) account for about 10% of enrollment growth

Enrollment Growth Policy Issues

- Seven institutions drive the 94% of in-state undergraduate enrollment growth
- As shown in the table to the right, increases are driven primarily from retention
- Should state allocate funds for enrollment tied to expectations to improve graduation & retention rates?
  - Six-year graduation rates for the institutions could be a factor in terms of whether to incentivize new freshmen enrollment
  - Several of the schools with lower grad rates have presented initiatives to improve retention and graduation
- Should we encourage some institutions to grow more through transfers than increasing first time freshmen?

Enrollment, Retention & Graduation

	Retention	Transfers	New FTF	Retention Rate	6-Yr Grad
GMU	1,163	230	39	85.7%	63.4%
ODU	1,928	335	0	79.6%	49.5%
UVA	839	19	222	96.2%	92.7%
JMU	1,054	75	312	91.0%	82.5%
NSU	385	483	238	66.7%	34.5%
Radford	1,051	53	242	76.0%	56.6%
VSU	1,267	86	0	74.0%	41.3%
Totals	7,687	1,281	1,053		

2011 Session Enrollment Incentive

- During the 2011 Session, four institutions were incentivized to increase the number of first-time freshmen (FTF) slots for in-state students
  - William & Mary agreed to increase FTF by about 45 resulting in a cumulative in-state enrollment increase of 150
  - UVA agreed to phase-in an increase in FTF of about 245 resulting in a cumulative in-state enrollment increase of 980
  - JMU increased FTF by about 170 and agreed to phase-in an increase of an additional 225 resulting in a cumulative in-state enrollment increase of 1,580
  - Va Tech agreed to increase FTF by about 50 resulting in a cumulative in-state enrollment increase of 200
- Each institutions is moving forward in terms of increasing FTF as well as in-state transfer students
- Continuation of the funding commitment for these slots is a high priority

Financial / Academic Plans

- OPSIX Guidance – assume no new GF and present a plan with needs met through NGF (tuition) only
- Institutions outlined spending proposals which can be broadly placed into three funding silos:
  - First, operating support items considered a high priority by the institutions
    - Salary increases were at the top of most priorities
    - Maintenance, utility costs, library, technology
  - Second, increased financial aid for all student groups
    - NGF Revenue increases to create need-based aid
  - Third, new initiatives to meet either TJ 21 or institutional strategic goals
    - STEM-H program proliferation
    - New faculty & staff
    - Research
- Plans highlight a divide in the higher education system
  - "Haves" & "Have-nots"
    - "Haves" tend to have larger out-of-state student populations compared to other institutions
  - Some institutions are able to accomplish much of their plan through modest tuition increases while others would have to raise tuition significantly just to meet basic operating costs

Financing the Plan
Impact on I/S Undergraduates

- Institutions first determined the amount of spending necessary to achieve state & campus goals
- Spending items were not clearly prioritized other than salary increases were at the top of most lists
- Institutions then took different approaches to financing the plan
- 13 of 17 took the full amount of spending and calculated the tuition increases that would result
  - The increases driven by these spending levels were typically around 20 percent
  - Institutions placed a prominent disclaimer in the plan that the increases were for modeling purposes only and there was no intent to implement the level of spending without GF support
  - Institutions indicated that the increases they would bring to their BOV would be much less
- CWM & GMU also calculated the tuition impact on fully funding their plan
  - Increases at GMU was about 8% & at CWM was in the teens
  - The amounts generated fully funded their plans
  - There was no disclaimer and each institution indicated that they would discuss the increases with their BOV
- UVA & VT calculated tuition increases that they considered reasonable
  - Increase at UVA was about 6.5% & at VT was about 8.5%
  - The amounts generated would only cover about 50 percent of the spending contained in the plan

Financial / Academic Plans
Next Steps

- OPSIX provided feedback
  - Tell us what you would propose to your BOV in terms of reasonable tuition increases to finance your plan
  - Prioritize your spending & indicate what items would be funded within your tuition increase proposals
  - Discourage placing the full burden of salary increases on students especially in-state undergraduates
    - This reflected compromise language as some members of the OPSIX thought that the revised plans should exclude salary increases since this is a statewide policy issue
  - Provide us additional information on institutionally funded financial aid
    - Source of revenue by student group
    - Distribution of financial aid by student group
- Revised plans would be submitted by mid-October

Revised Plans

Spending Proposals Total $324.2 million

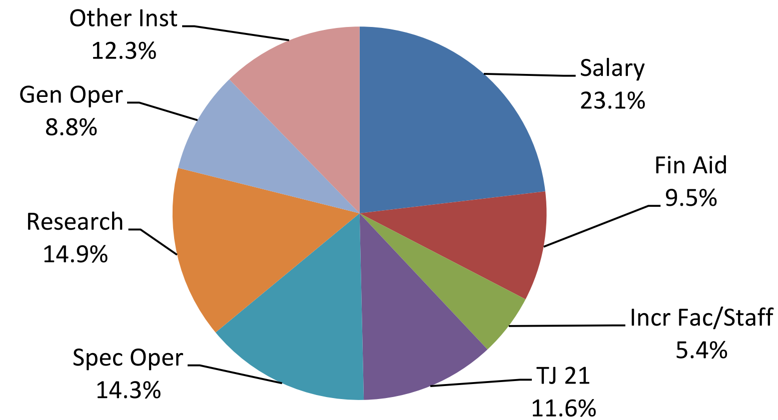
- Salary increases for faculty & staff ($60.3 million)
- Financial Aid ($17.5 million)
  - Undergraduate & graduate financial aid (I/S & O/S)
- Additional faculty & staff positions ($44.7 million)
- Research ($28.2 million primarily at doctoral)
- Specific institution operating support needs such as library, utilities, maintenance ($47.6 million)
- Generic operating support ($38.6 milli0on for replacing ARRA, new enrollment growth, base adequacy, prior enrollment growth)
  - This may be duplicative of other requirements such as more faculty
- TJ 21 initiatives ($43.9 million for STEM-H, improve retention & graduation, distance learning & improved use of facilities)
- Variety of other institutional initiatives ($43.6 million for new programs, public service, previously submitted initiatives, prior enrollment growth)

Total Spending Proposals Funded By Tuition

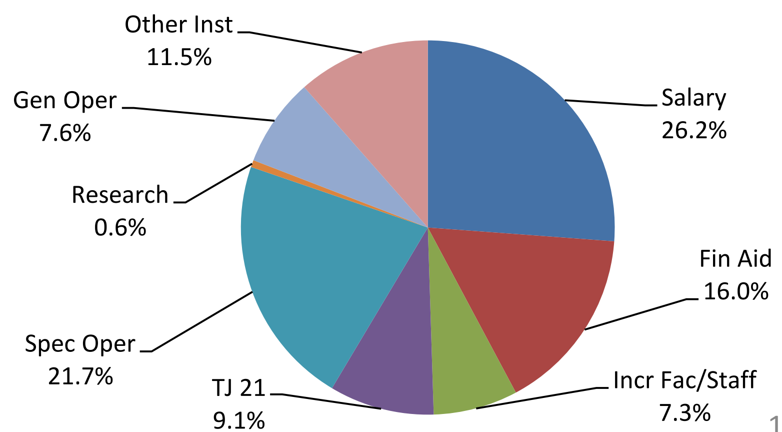
CWM, JMU, UVA & VT

- Institutions could finance about 58% of their overall spending requirements with no new general fund
- Salary increase are the single largest requirement identified by colleges followed by research, operating support for specific items such as utilities, library & maintenance, other institution-specific initiatives, TJ 21 initiatives and financial aid
- Absent new GF support, institutions would direct the dollars generated by tuition increases primarily to salary increases, operating support for specific items & financial aid
  - Research would not be funded through tuition increases
  - Less than half of the TJ 21 initiatives would be funded

Initial Spending Proposal
$126.7 million



Spending Based On Tuition Increases
$73.5 million

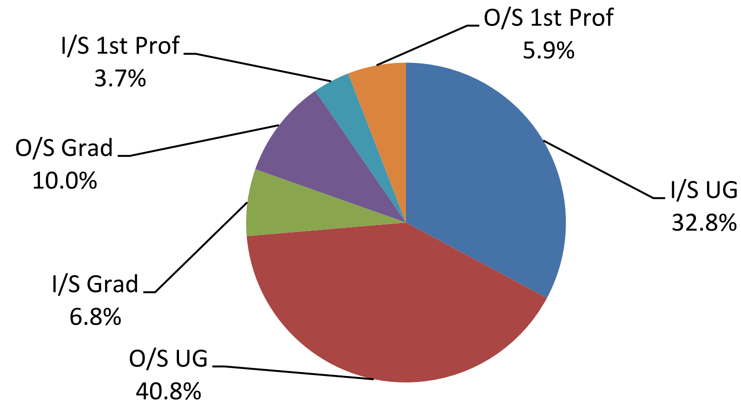


Revenues Generated By Student Group

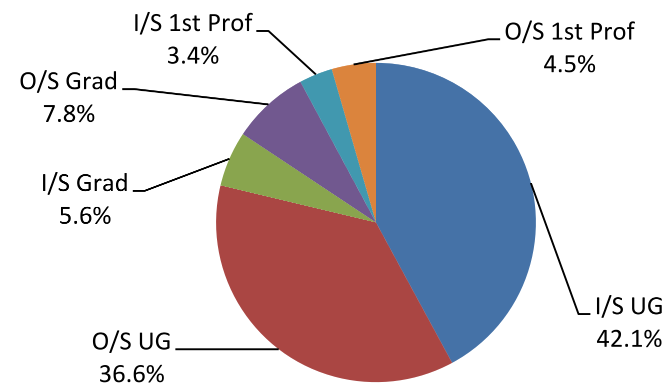
CWM, JMU, UVA & VT

- These four institutions are generally associated with having more revenue elasticity due to O/S population
- While O/S undergraduates still provide a sizable portion of new revenue under their plans, in-state undergraduates are expected to shoulder a larger portion in the six-year plan
- Factors driving the change:
  - O/S price point is at or very close to market
  - Shifts toward in-state enrollment
  - Price / value comparisons

FY 2012 NGF Base
Proportion of Revenue by Source



Incremental NGF Revenue
Proportion of Revenue by Source

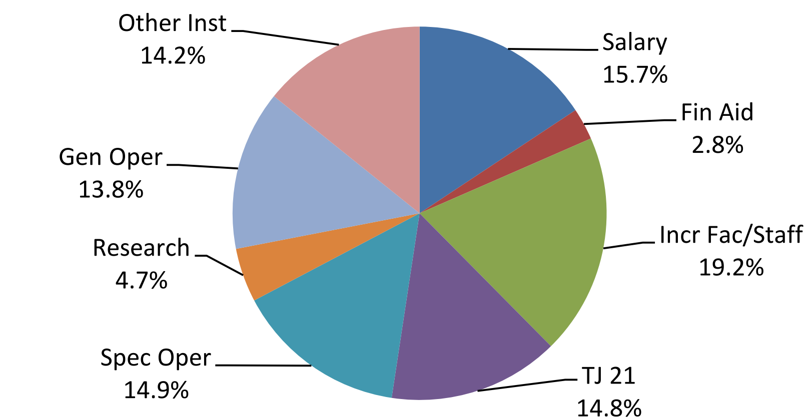


Total Spending Proposals Funded By Tuition

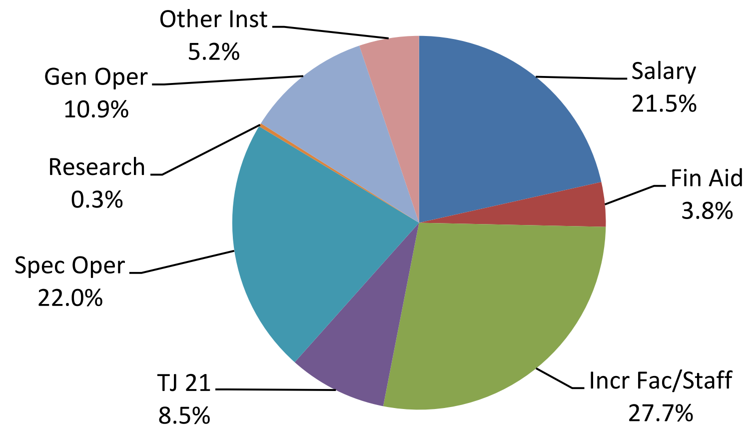
Remaining Institutions

- Remaining 13 institutions could finance about 52% of their overall spending requirements with no new general fund
- Additional faculty & staff positions are the single largest requirement identified by the remaining 13 colleges followed by salary increases
- Absent new GF support, institutions would direct the dollars generated by tuition increases primarily to new faculty & staff positions, salary increases, and operating support for specific items
  - About one-third of the TJ 21 initiatives would be funded through tuition

Initial Spending Proposals
$197.6 million



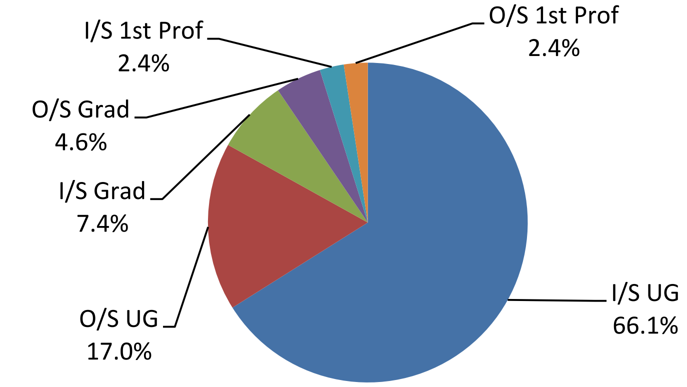
Spending Based On Tuition Increases
$103.4 million



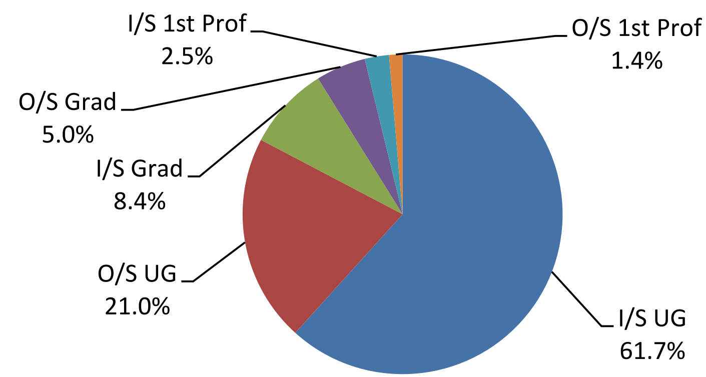
Revenues Generated By Student Group
Remaining Institutions

- Institutions are generally looking to O/S undergraduates & all graduate students for greater revenue generation
- Factors driving the change:
  - Some room on O/S price point
  - Slight increase in out-of-state enrollment
  - Price / value comparisons on in-state side
  - Less undergrad / graduate cross-subsidy

FY 2012 NGF Base
Proportion of Revenue by Source



Incremental NGF Revenue
Proportion of Revenue by Source



Salary Increases

- Each institution has identified faculty & staff salary increases as a high, if not the highest, priority for new spending
- Faculty salary increases range from less than 1% at NSU to almost 7% at the VCCS
  - ODU, Longwood & UVA-Wise identify pools of funding but no specific increase – meet recruitment & retention goals
  - Most institutions are in the 2% to 5% range
- Classified increases generally are proposed at 3%
  - Several institutions have no planned increase for classified reflecting fiscal reality
  - UVA has 2% increase for classified & 6.3% increase for university staff (Level 3)
- Most institutions fund some portion of the proposed increases under their tuition increase assumptions
  - CNU, Longwood, UVA-Wise & RBC are not able to fund salary increases in FY 13 without GF support

Salary Increases Policy Questions

- Several factors drive the priority for salary increases:
  - Five years since the last increase
  - Colleges are unique since they compete nationally for faculty talent
    - Faculty are mobile which highlights the need to address retention & compression issues
  - Colleges employ about half of the state government workforce
    - Some anecdotal evidence of classified staff moving between agencies
  - Should point out that the compensation issues facing colleges are valid across state government
- Do institutions have the authority to provide faculty and/or staff salary increases absent a statewide initiative?
  - If so, should specific guidance, limits & calculations be provided to ensure equitable treatment across the system?
  - 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
    - Several are unable to provide increases absent some new GF
  - Some institutions will not be able to provide increases to all employee groups
  - Varying methods of calculation
- Who is responsible for the impact of any increase on other items?
  - VRS & other fringe benefits
  - Salary increases drive increased funding need under higher education state funding models

Financial Aid

- Every institution, except for the VCCS, either is proposing to use a portion of new tuition revenues for financial aid or is currently setting aside a portion of tuition revenues for financial aid
  - Based on the financial aid survey in the revised six-year plans
- For most institutions the proportion of tuition revenue used for financial aid is 5% or lower
- However, three institutions (CWM, UVA & VSU) are in the mid-teens, in terms of the proportion of in-state undergraduate revenue being generated for financial aid purposes
  - UVA & CWM agreed to provide financial aid as part of the restructuring agreements (Level 3)

Financial Aid Policy Questions

- Should some portion of tuition revenue be re-allocated 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?
  - Several institutions had difficulty doing so
  - Transparency for parents / students
- Fairness & sustainability questions remain

STEM-H Initiatives

- Regardless of type of institution everyone has a either a STEM-H proposal or references STEM-H throughout the six-year plan
  - Desire to fill perceived state needs / expectations
  - Perception of available funding
- Should STEM-H be driven by student demand or do we adopt a "build it and they will come" approach?
  - UVA indicates that many of their incoming students are choosing / demanding STEM programs
  - Some start-up costs are necessary, however, what are the expectations of reallocation of existing resources for this purpose as students migrate to STEM from other programs?
- Should we expend significant amounts to develop these programs at strong liberal arts colleges or leverage marginally fewer resources at institutions already positioned to deliver STEM-H programs effectively?
- Based on the institutional priorities, new general fund will be required to implement these proposals

Additional Faculty & Staff

- High priority for every institution especially for those who have experienced significant enrollment growth
  - For example, GMU, ODU, VCU, JMU, & VCCS
- Impacts quality of instruction
  - For example, full-time faculty provide curriculum development, counseling services, & research
- Focusing additional funds on this issue addresses institutional concerns for unspecified funding wants such as base adequacy, ARRA, past enrollment growth

Issues for the 2012 Session

- Address the institution’s request to move forward with salary increases
- Develop a coherent policy on the use of tuition dollars for financial aid
- How should GF be targeted?
  - Incentivizing enrollment growth
    - Transfers vs new freshmen
    - Graduation rates as a factor
    - Continue 2011 initiative at CWM, JMU, UVA & VT
  - Assist institutions in improving graduation & retention
    - New full-time faculty
  - “Haves” vs. “Have-nots”
    - Allow institutions that are able to finance its six-year plan through modest tuition increases while directing limited GF to fiscally stressed institutions?
- Do we create new STEM-H programs or leverage existing programs at targeted institutions?
- Research

Issues for the 2012 Session
Reallocation of Existing Resources

- Institutions reported some reallocations as part of their six-year plans
  - Amounts varied by institution
  - OPSIX looked for greater reallocation options such as students moving from other programs into STEM-H
- In response, institutions have proposed that each provide 2% of their GF base for objectives outlined in TJ 21
  - About $25 million with dollars generated remaining within the institution
- Institutions would also provide up to an additional 1% to match institution-specific initiative funding provided in the budget
- The proposals were in lieu of the “2-4-6” plans requested by the Governor
- Institutions are re-working the proposal to address the potential inequity created by using the GF base as the source of the reallocation pool
  - This approach negatively impacts institutions that are more dependent on GF for the E & G budget which tend to correspond to institution with high in-state student populations

Questions