

# JLARC Report Summary:

## Trends in Higher Education Funding, Enrollment, and Student Costs

### Key Findings

- Most spending at public four-year higher education institutions in Virginia and nationally is on activities other than direct instruction. Spending on student housing, dining, and intercollegiate athletics—through auxiliary enterprises—has been the largest driver of spending increases at Virginia institutions. (Chapter 2)
- State funding as a percentage of total revenue at institutions in Virginia and nationally has declined. In Virginia, State general funding per student (adjusted for inflation) declined 22 percent between 1991-92 and 2011-12. (Chapter 3)
- The price of higher education has increased substantially over the last two decades, though slightly less in Virginia than nationally. In Virginia, tuition and fees, plus charges for student housing and dining increased, on average, 150 percent between 1992-93 and 2011-12. (Chapter 5)
- Average annual income increased far less than the price of higher education, necessitating a large increase in the percentage of students who borrow and the amount they borrow. The average annual student loan amount in Virginia almost tripled between 1992-93 and 2011-12 to nearly \$10,000. (Chapter 6)

House Joint Resolution 108 (2012) directs the Joint Legislative Audit and Review Commission (JLARC) to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia. The resolution identifies 14 items related to the cost and operations of public, four-year higher education institutions in Virginia. Given the scope of this review, JLARC staff will release a series of reports under HJR 108 during 2013 and 2014. This first report in the series includes context that will be relevant to topics addressed in the subsequent JLARC reports on key topics, such as faculty activities and non-academic student fees and costs.

### Virginia's 15 Public Four-year Higher Education Institutions Vary Widely

Virginia has 15, four-year public higher education institutions. Collectively, these 15 institutions offer a wide range of educational experiences for students. For example, Virginia's colleges and universities collectively offer more than 1,400 academic programs across dozens of subjects culminating in bachelor's degrees, master's degrees, doctorates, and certificates.

In 2012, there were more than 200,000 students at Virginia's 15 public institutions. These students included undergraduate, graduate, and professional students. They also included full-time and part-time; in-state and out-of-state; and those who live on and off-campus. Virginia's public institutions also include highly selective institutions and those that are not as selective.

Virginia's public institutions also have a wide range of tuition and fees. For example, in-state tuition and fees in 2012-13 ranged from just under \$3,400 to more than \$9,200. Similarly, other mandatory fees ranged from about \$1,600 to nearly \$4,900.

### **Most Spending Is on Activities Other Than Direct Instruction and Largest Driver of Spending Increase in Virginia Has Been Auxiliary Enterprises**

During the last two decades, total spending by Virginia's 15 public higher education institutions increased from \$2.6 billion to nearly \$6 billion (130 percent increase). As total spending increased, the proportion of spending on instruction (consisting of instructional staff salaries and benefits, and educational facility operations and maintenance) has remained relatively steady at about one-third. This has also generally been the case nationally during the same time period. The remaining two-thirds of institutional spending is on functions such as research, student services, academic and institutional support, and auxiliary enterprises such as student housing, dining, and intercollegiate athletics.

During the last decade, total spending per student (accounting for inflation) increased about two percent at Virginia's six research institutions, and about 11 percent at Virginia's other nine institutions. Spending on auxiliary enterprises funded by students was the largest driver of spending increases. Auxiliary enterprise spending per student, after inflation, increased \$821 at Virginia's six research institutions and \$906 at the other nine institutions.

### **Virginia Institutions Derive Less of Their Total Revenue From the State Than National Average**

Virginia's public four year higher education institutions collect, on average, more total revenue per student than the nationwide average. This was the case in 1991 and was still the case in 2011. In 1991, Virginia's 15 public four-year higher education institutions collected, on average, \$16,229 in revenue per student, which was substantially more than the national average of \$10,952. By 2011, total revenue per student had increased in Virginia to more than \$35,000, while the national average had risen to about \$27,000.

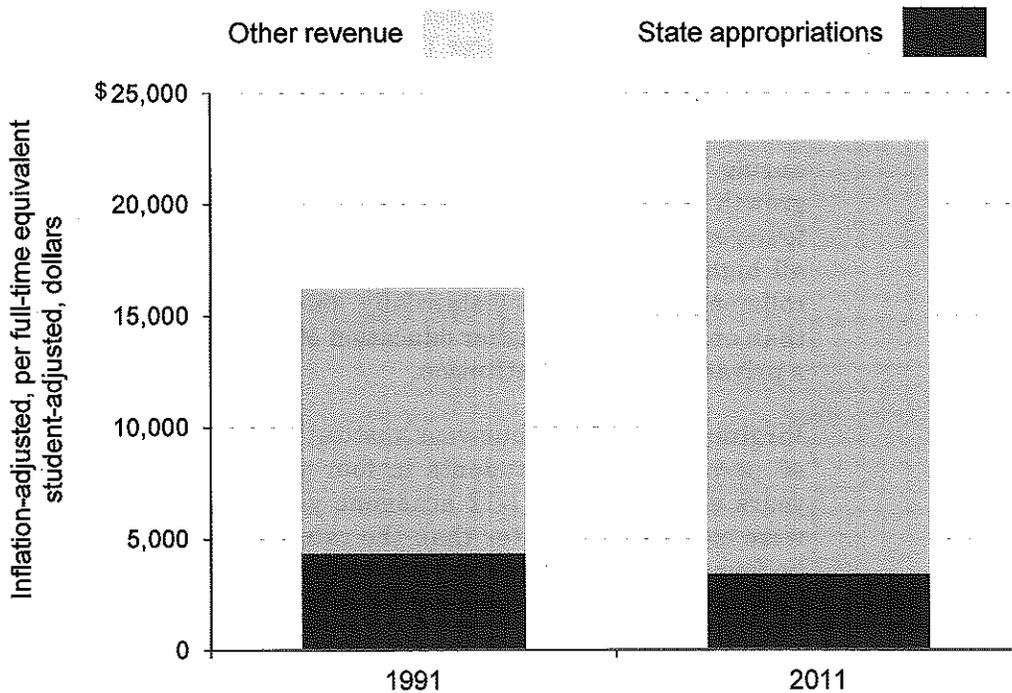
The State's portion of this higher total revenue, however, has declined during the last two decades and is lower than the average

for institutions nationwide and in the southeast region. Virginia's 15 institutions received, on average, 15 percent of their total revenue from State appropriations in 2011, down from 27 percent in 1991. Nationwide, institutions received 20 percent of their total revenue from state appropriations in 2011, down from 39 percent in 1991.

**State General Funding Per Student Has Declined by One-Fifth in Inflation-Adjusted Dollars**

During the last two decades, enrollment growth and inflation have eroded the value of general fund support to Virginia's 15 public four-year higher education institutions (figure). During the 1991-92 academic year, Virginia's institutions received, on average, \$4,332 in State appropriations per FTE student. By the 2011-12 academic year, this amount had dropped 22 percent in inflation-adjusted dollars to \$3,382. However, in inflation-adjusted dollars, total revenue per full-time equivalent student still grew about 40 percent.

**State Appropriations to Virginia's 15 Public Four-year Higher Education Institutions Declined by One-Fifth in Inflation-Adjusted, Per FTE Student Dollars (1991 to 2011)**



Source: JLARC staff analysis of information reported by institutions to the National Center for Educational Statistics.

### **Public Higher Education Institutions Now Raise More Revenue Through Charges to Students**

The reduction in the percentage of total revenue derived from states has coincided with increased reliance on tuition and fees provided by students. Virginia's institutions derived, on average, 23 percent of their total revenue from tuition and fees in 2011, up from 16 percent in 1991. This increase is similar to what occurred nationwide and among public four-year institutions in the Southeast. Consequently, students are now funding more of their educational experience through tuition and fees, and payments for services such as housing and dining.

*Consequently, students are now funding more of their educational experience ...*

Virginia's institutions have historically relied slightly more on revenue from auxiliary enterprises funded by students, such as housing and dining, than other institutions. This was the case in 1991 and was still the case in 2011. Virginia's institutions derived, on average, 14 percent of their total revenue from auxiliary enterprises in 2011, the same proportion as in 1991. During this time period, revenue from auxiliary enterprises at public four-year institutions in the Southeast and nationally has fluctuated between 10 and 12 percent of total revenue.

### **Virginia Institutions Have Increased Enrollment More and Graduated Students Faster Than National Average**

The number of students enrolled at higher education institutions has increased nationally, and to an even greater extent in Virginia, during the last 20 years. However, largely because of the faster growth in private four-year and public two-year enrollment, public four-year institutions now educate a slightly smaller percentage of all higher education students. In Virginia, private institution enrollment has grown substantially since 1991, and by 2011 more than one-fifth of all higher education students in Virginia attended a private four-year institution.

Virginia's 15 public four-year institutions graduated, on average, 46 percent of their students in four years and 63 percent in six years during the 2011-12 academic year. These graduation rates were considerably better than the rate nationally and among public four-year institutions in the southeast. Several Virginia institutions also graduated a substantially higher percentage than a statistical model would predict based on certain student and school characteristics.

### **Price of Attending Virginia Institutions Increased Less Than National Average, but Is Generally Higher in Virginia**

Between the 1991-92 and the 2011-12 academic years, tuition and fees nationwide at public four-year institutions increased 256 per-

cent—even more than the cost of hospital services. Tuition and fees at Virginia's institutions increased slightly less, 217 percent, during this time period and averaged \$9,452 for the 2011-12 academic year. However, Virginia's 15 public four-year higher education institutions, on average, increased their tuition and fees more on a percentage basis than other institutions in their same Carnegie classification. Virginia's institutions also charge more in tuition and fees, on average, than the average of other public institutions in their same Carnegie classification.

Other student charges, in particular housing and dining, have also increased nationally and in Virginia, but less than tuition and fees. However, average charges for these services have risen far more than average rent and meal costs during the last two decades. Student fees for on-campus housing across Virginia's institutions increased 134 percent between 1992 and 2011, and averaged about \$4,800 for the 2011-12 academic year. Student fees for on-campus meal plans increased by 107 percent in Virginia during the same time period, and averaged about \$3,700 for the 2011-12 academic year.

In 1992, Virginia's public institutions charged, on average \$7,165 for tuition and fees, room, and board. By 2011, these major components of the cost of attendance averaged nearly \$18,000—an increase of about 150 percent. However, these charges increased less on a percentage basis in Virginia than across public four-year institutions in the southeast, as well as nationwide. Despite this smaller percentage increase, these combined charges at Virginia's 15 public institutions increased more in nominal dollars. Virginia's 15 public institutions still charge more, on average, for these major components of higher education than public institutions nationwide.

### **Tuition and Fee Increases Nationally and in Virginia Substantially Outpaced Increases in Income**

Average annual income nationwide increased 86 percent between 1991 and 2011, to about \$54,000. However, because tuition and fees increased three times as much during the same time period, tuition and fees now consume a higher portion of this average annual income. Average tuition and fees in Virginia consumed ten percent of average annual income in 1991, and this portion had grown to 17 percent by 2011.

*... average tuition and fees in Virginia increased ... seven times more than the average income of college graduates.*

The above trend is similar when viewed in terms of income of those who have graduated with a four-year degree. In 2001, the average worker with a bachelor's degree made about \$42,900 annually. By 2011, this had increased 23 percent to about \$52,700. In contrast, average tuition and fees in Virginia increased 170 percent during

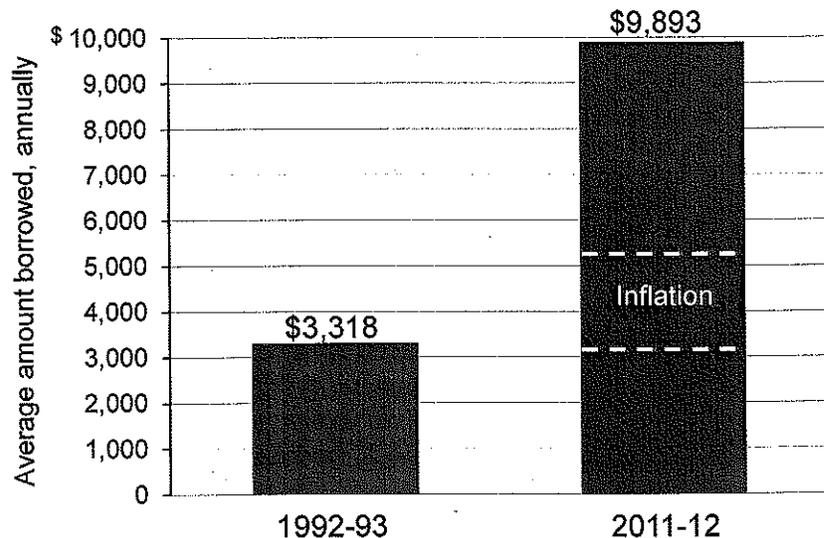
this time period—seven times more than the average income of college graduates.

**More Virginia Students Borrow to Attend Higher Education, and Borrow Increasingly Larger Amounts**

The above disparity between the price of higher education and income has necessitated a substantial increase in the number of students who borrow to pay for their higher education. In 1991-92, about 30 percent of students at Virginia’s 15 public four-year higher education institutions used student loans. By 2011-12, more than half the students in Virginia borrowed to cover at least some of the cost of higher education.

As more students used student loans, the amount of the average loan also increased substantially across Virginia’s 15 public institutions. In the 1992-93 academic year, the average student using loans borrowed \$3,318 to attend one year at a Virginia institutions. By the 2011-12 academic year, the average student using loans borrowed \$9,893 per year, or \$6,575 more than in 1992-93 (figure). Of this increase, inflation only accounted for about \$2,000, less than one-third of the total increase. The average loan amount jumped considerably as the most recent recession took hold. Between 2008 and 2009, the average loan amount increased nearly \$1,000, an increase of 13 percent.

**Average, Annual Student Loan Amount Has Nearly Tripled During Last 20 Years (1992-93 to 2011-12)**



Source: JLARC staff analysis of information collected by the State Council of Higher Education for Virginia.



Peter Blake  
Director

*COMMONWEALTH of VIRGINIA*  
*STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA*  
*James Monroe Building, 101 North Fourteenth Street, Richmond, VA 23219*

(804) 225-2600  
FAX (804) 225-2604  
www.schev.edu

June 3, 2013

Mr. Glen S. Tittermary  
Director  
Joint Legislative Audit and Review Commission  
Suite 1100, General Assembly Building  
Richmond, VA 23219

Dear Mr. Tittermary:

Thank you for the opportunity to comment on JLARC's report on higher education trends in funding, enrollment and student costs. It is timely and relevant, particularly in light of demographic, technological and resource pressures facing Virginia's colleges and universities. Thanks to sustained leadership from the Governor, the General Assembly, governing boards and presidents, Virginia's system of higher education continues to set high standards of excellence and efficiency.

I would like to comment briefly in two areas. First, it is true that colleges and universities have increased spending on auxiliary enterprises. This is a worthy area of study, and I look forward to JLARC's analysis of auxiliary enterprises spending. Nonetheless, institutions also have and continue to spend more on their primary academic mission: instruction and the associated support activities that make possible a safe and effective learning environment. While institutions have invested heavily in student housing, dining and other student activities, they remain committed to the academic mission. The academic enterprise includes not just instruction but support services such as libraries, curriculum development, technology, and maintenance of classrooms and laboratories. The reader should be assured that institutions have not lost that primary focus.

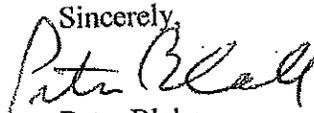
Second, the relationship between general fund support and increases in tuition and fees for Educational and General Programs cannot be overstated. As general fund support per Virginia student has declined, tuition has gone up. (Non-Educational and General programs, such as student housing, dining and intercollegiate athletics, are self-funded and, as such, can have more predictable year-to-year increases.) For at least the last 12 years, Educational and General Programs underwent radical funding changes that necessitated dramatic tuition adjustments if the institutions were to continue educating and graduating an ever increasing number of students in a timely fashion. What Virginia has experienced has been a redefinition in how we finance higher

Mr. Glen S. Tittermary  
June 3, 2013  
Page 2

education. At one time, the state covered approximately two-thirds of the cost of education for Virginia students. It now covers less than one-half at many institutions. The result is that students now pay a larger share of the cost. While the "cost" of education has not increased appreciably, the "price" a student pays certainly has.

Higher prices have led to higher levels of student debt. We want institutions to be accessible to all students, regardless of income and ability to pay, but we share well-known concerns about student debt. The Council of Higher Education consistently has advocated for additional need-based financial aid and other strategies to make college more affordable. We look forward to JLARC's recommendations on further efforts the state and institutions can take to reduce student debt burden.

Thanks again for the opportunity to comment on the initial report of House Joint Resolution 108. Your work will help ensure that our colleges and universities remain trusted and valuable institutions that elevate Virginia's quality of life.

Sincerely,  
  
Peter Blake



COMMONWEALTH of VIRGINIA  
Office of the Governor

Laura W. Fornash  
Secretary of Education

June 3, 2013

Mr. Glen S. Tittermary  
Director, Joint Legislative Audit and Review Commission  
Suite 1100, General Assembly Building, Capitol Square  
Richmond, VA 23219

Dear Mr. Tittermary,

Thank you for the opportunity to review a draft of the report *Trends in Higher Education Funding, Enrollment, and Student Costs*. I'm sorry that I'm not able to attend today's meeting and share in more detail the work Governor McDonnell has pursued during his Administration. Virginia is very fortunate to have a diverse group of high quality public institutions of higher education with strong leadership from our governor, presidents and Boards of Visitors. I also want to recognize the leadership of Majority Leader Kirk Cox, Senator Tommy Norment and Senator Walter Stosch. These legislators have been great partners for the governor and higher education, with all three serving on the Higher Education Commission and Delegate Cox and Senator Norment serving on Higher Education Advisory Committee as well as sponsoring the *Top Jobs* legislation.

Since taking office, Governor McDonnell has made higher education a top priority through the work of the Commission on Higher Education Reform, Innovation and Investment, the Virginia Higher Education Opportunity Act of 2011 and the Higher Education Advisory Committee. Two major components of this work include reform-based investment and greater access. As outlined in the *Top Jobs* (TJ21) legislation, we have set a roadmap for achieving an additional 100,000 new degrees by 2025 by increasing enrollment of Virginia students, improving graduation and retention rates and assisting students with some college credit to complete degrees. We are focusing additional degree attainment in high-demand, high-income fields, like STEM and healthcare, which are the keys to a 21<sup>st</sup> Century economy, providing financial aid resources aimed at middle and low-income families, and encouraging institutions to be more efficient and innovation in their delivery of higher education services. Some ways that our institutions are accomplishing these efficiencies include year-round use of facilities, technology-enhanced instruction, resource sharing, creating new innovative and economical degree paths and continuing restructuring and managerial reforms.

Our institutions have risen to the challenges and opportunities of meeting the goals of the Top Jobs legislation by holding down tuition, controlling costs, focusing on improving graduation rates, enhancing campus facility usage, increasing operational efficiency, and implementing other TJ21

goals. They reallocated more than what was required by the Appropriations Act in FY '12 to the key objectives of TJ21, while enrollment is projected to increase by 22,000 students over academic years 2009-10 to 2013-14. The number of associate and bachelor's degree awards will increase by 5,000 from academic year 2009-10 to 2013-14, ahead of pace to reach our 100,000 goal. None of these successes would have been possible without the leadership of our presidents, and that of their faculty and staff, along with the General Assembly, the Virginia Business Higher Education Council, and the Grow By Degrees coalition.

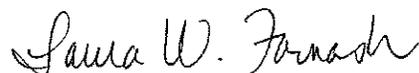
With the support of the General Assembly, we were able to invest an additional \$47 million in higher education for the upcoming fiscal year, on top of the \$350 million in new money that has already been requested and had approved over the past 3 years. With these dollars, we are reinvesting in Virginia's higher education system that saw a large reduction in funding during the economic recession. These new investments, plus significant efficiencies at our institutions, are creating greater access and affordability in higher education.

Even with these major initiatives, our work is not done. We are continuing our work through the Higher Education Advisory Committee and the governor's recent Executive Directive relating to responsibilities and duties of the State Council of Higher Education for Virginia. This summer, the Higher Education Advisory Committee will look at efficiencies in higher education by studying best practices in the Commonwealth and across the country. Further, I will participate in discussions with SCHEV and their Council on ways that they can best support the goals and objectives outlines in TJ21 as outlined in Executive Directive #6.

I would like to offer my support to the comments and technical amendments offered by SCHEV Executive Director Peter Blake, specifically, the comparison between instructional spending and auxiliary enterprises. I concur that you should compare spending for the entire Educational and General Programs (E&G) program area to the Auxiliary Enterprises program area as all of the support programs with the E&G areas are vital to our higher education institutions.

Thank you again for the opportunity to provide feedback on the report *Trends in Higher Education Funding, Enrollment, and Student Costs*. I look forward to reviewing the remaining reports outlined in House Joint Resolution 108.

Sincerely,



Laura W. Fornash