



JLARC higher education report series (2012-2014)

BOARDS OF VISITORS ORIENTATION

*Access, Affordability and Accountability in
21st-century Public Higher Education*

JLARC higher education report series was requested amid concern about rising costs

- Tuition & fees more than tripled
- Institutional reliance on tuition & fees for revenue nearly doubled
- Amount students borrowed nearly doubled

All data 1991-2011

In this presentation

- **Legislative action through 2017 Session**
- Major findings and recommendations not fully addressed

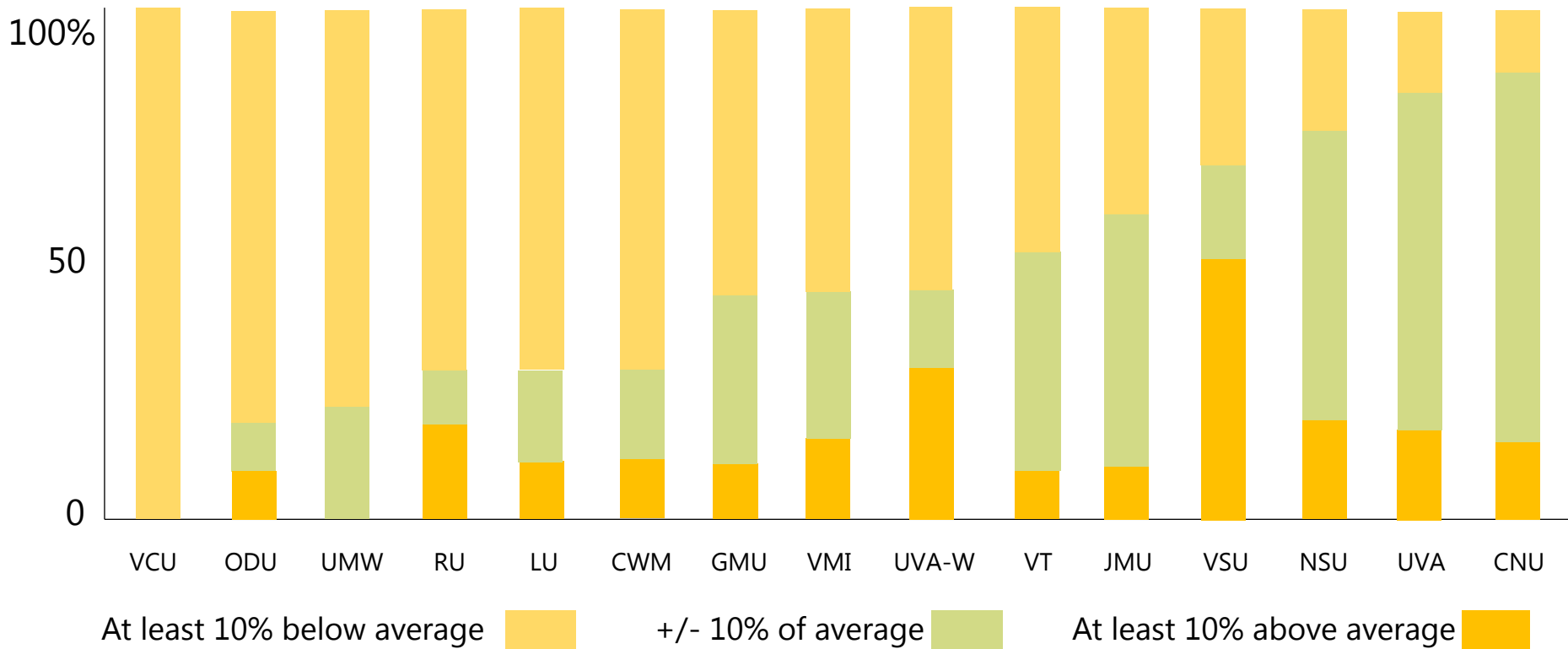
Academic spending

- Virginia's schools spent about the same—or less than—the national average on instruction
- Main reason for increased spending on faculty was to keep pace with enrollment growth

Academic spending (continued)

- Faculty salaries at most schools, in most academic disciplines, were at or below national average

Percentage of academic disciplines (faculty salaries)



Academic spending (continued)

- Faculty spent more time on research and less on teaching than previously



Academic spending (continued)

- Research institutions funded ≈\$300 million in uncovered research costs. Used multiple sources; tuition & fees.

Institution	Sponsored research - Cost share & Indirect F&A (2012)	Un-sponsored, internal research (2011)	Total uncovered costs
VT	\$35.1	\$114.4	\$149.5
UVA	24.6	3.7	28.3
ODU	15.8	38.3	54.1
CWM	6.4	14.2	20.6
VCU	8.0	22.1	30.1
GMU	5.7	12.1	17.8
Statewide	\$95.6	\$204.5	\$300.1

Note: Dollars shown in millions

Academic spending

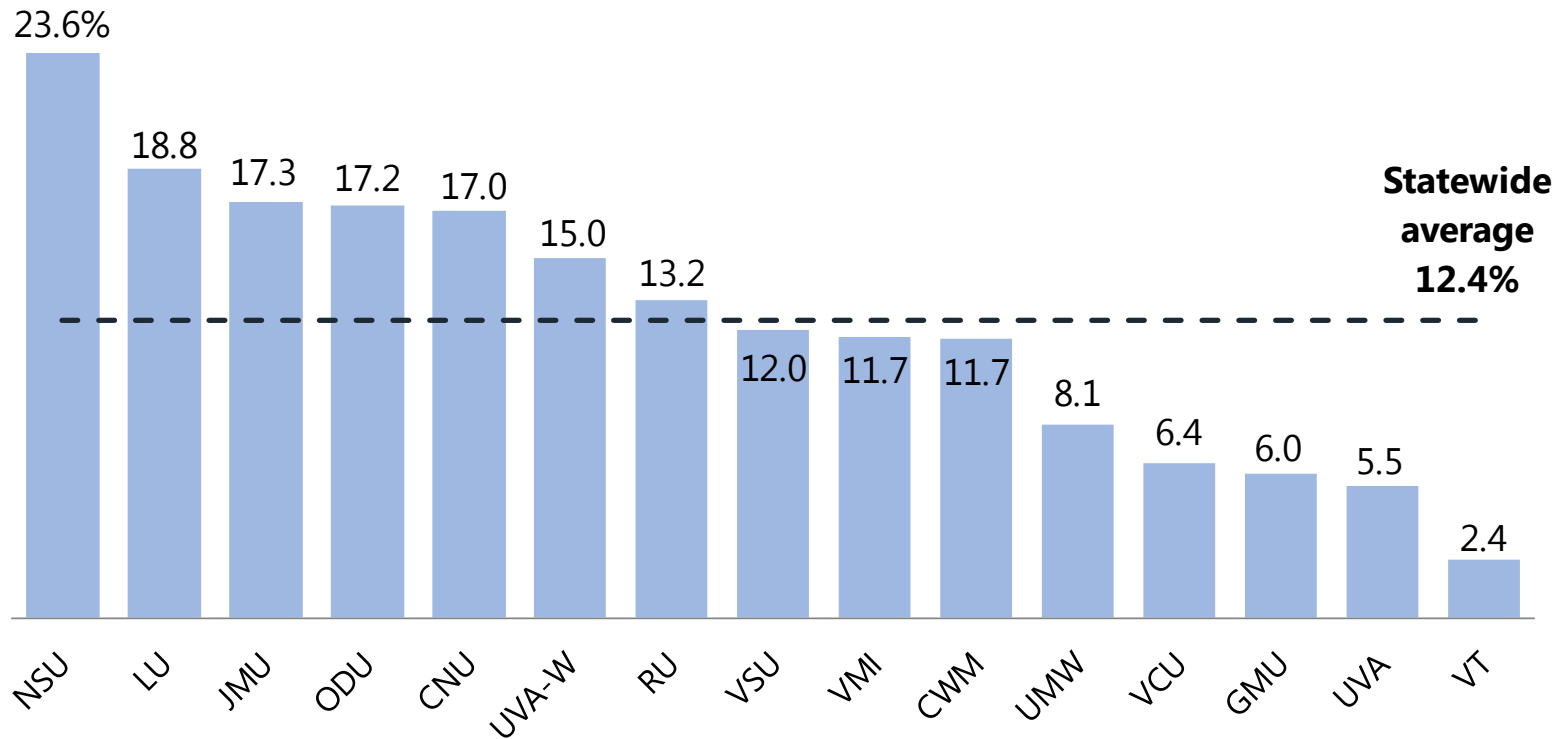
- ✓ Appropriation Act (2014-2016)
- ✓ Benchmark average faculty salaries at the discipline level and improve the transparency of the peer group model
- ✓ Conduct and participate in national faculty teaching load assessments to benchmark average faculty teaching loads

- ✗ Regularly re-base appropriated and actual average faculty salaries

- ✗ Track funding for research and develop a process to report on the progress of state-supported research projects

Intercollegiate athletics

- Intercollegiate athletics used about 12 percent of tuition and fees (FY12)



Intercollegiate athletics

- ✓ HB 1897 / §23-1.2
 - ✓ Impose a limit on mandatory athletic fees by limiting proportion of tuition and fees used to fund intercollegiate athletics
 - ✓ Require institutions above athletic fee limit to develop plans to reduce fees
- ✓ Appropriation Act (2014-2016)
 - ✓ Clearly list intercollegiate athletics fee amounts on institution website
 - ✓ Create a standard way to calculate and publish mandatory non-E&G fees, including for intercollegiate athletics

Administrating spending

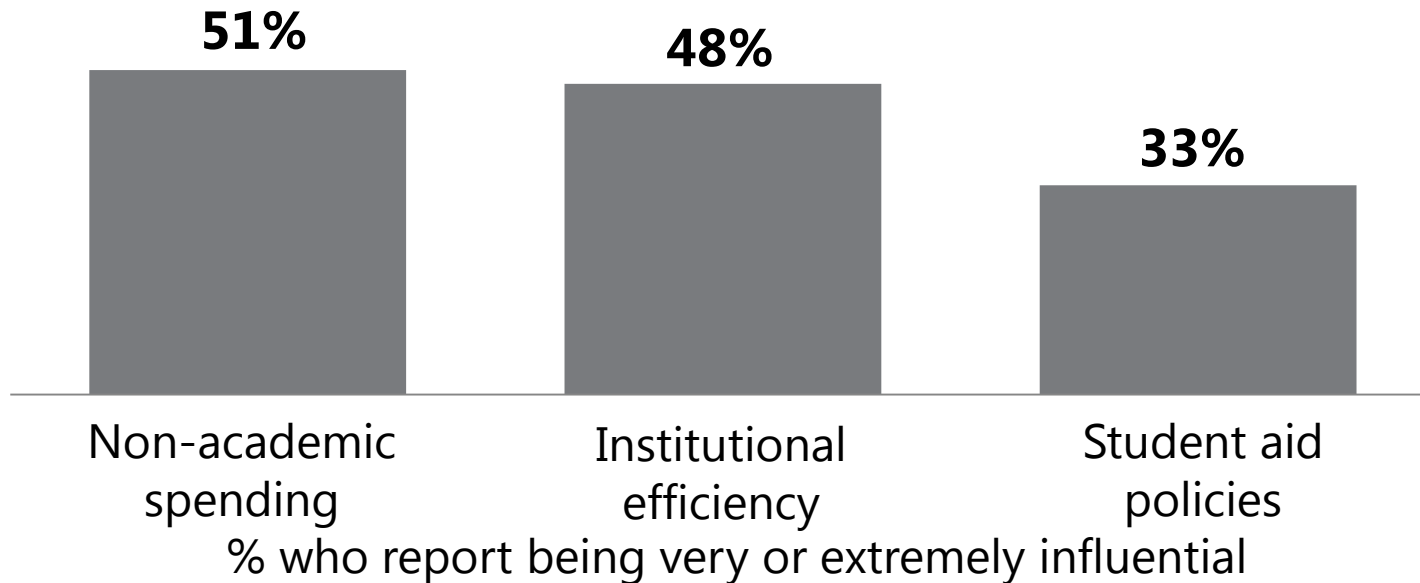
- Administrative spending—at most schools—was less than nationwide average
- Largest category of administrative spending was for academic support
- Virginia schools may have had too many supervisors or too many layers in their organizational structures
- Institutional procurement did not always capitalize on economy of scale and purchasing power

Administrative spending

- ✓ Appropriation Act (2014-2016)
- ✓ Review organizational structure and identify ways to streamline
- ✓ Require reports on spans of control and the number of supervisors with six or fewer direct reports
- ✓ Revise policies to eliminate unnecessary supervisory positions by developing standards for broader spans of control
- ✓ Set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts
- ✓ Report on all institutional purchases that are exceptions

Governance

- Boards of visitors reported having limited influence in key spending areas



Board of visitors members responding to a JLARC staff survey in 2014.

Governance

- ✓ Appropriation Act (2014-2016)
- ✓ The State Council of Higher Education for Virginia shall annually train boards of visitors members on the types of information members should request from institutions to inform decision making, such as performance measures, benchmarking data, the impact of financial decisions on student costs, and past and projected cost trends.

In this presentation

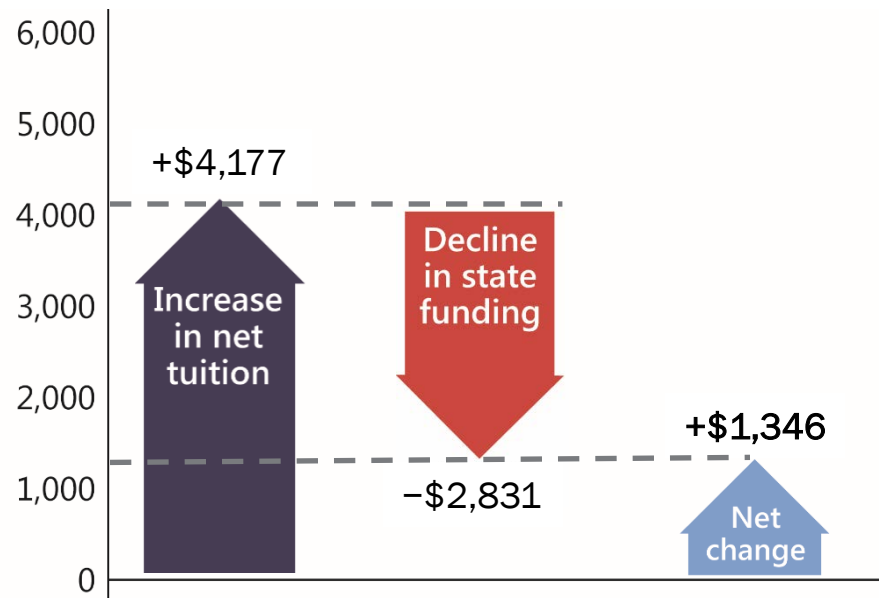
- Legislative action through 2017 Session
- Major findings and recommendations not fully addressed
 - Tuition & fees; Funding
 - Non-academic spending
 - Capital spending & debt service

Tuition & fees; Funding

- Tuition & fees increase far outpacing inflation, income
- State funding per student dropped from \$8,666 to \$5,835, adjusting for inflation (FY98–FY12)
- Institutions now rely far more on students, rather than the state, to fund E&G operations

Tuition & fees; Funding (continued)

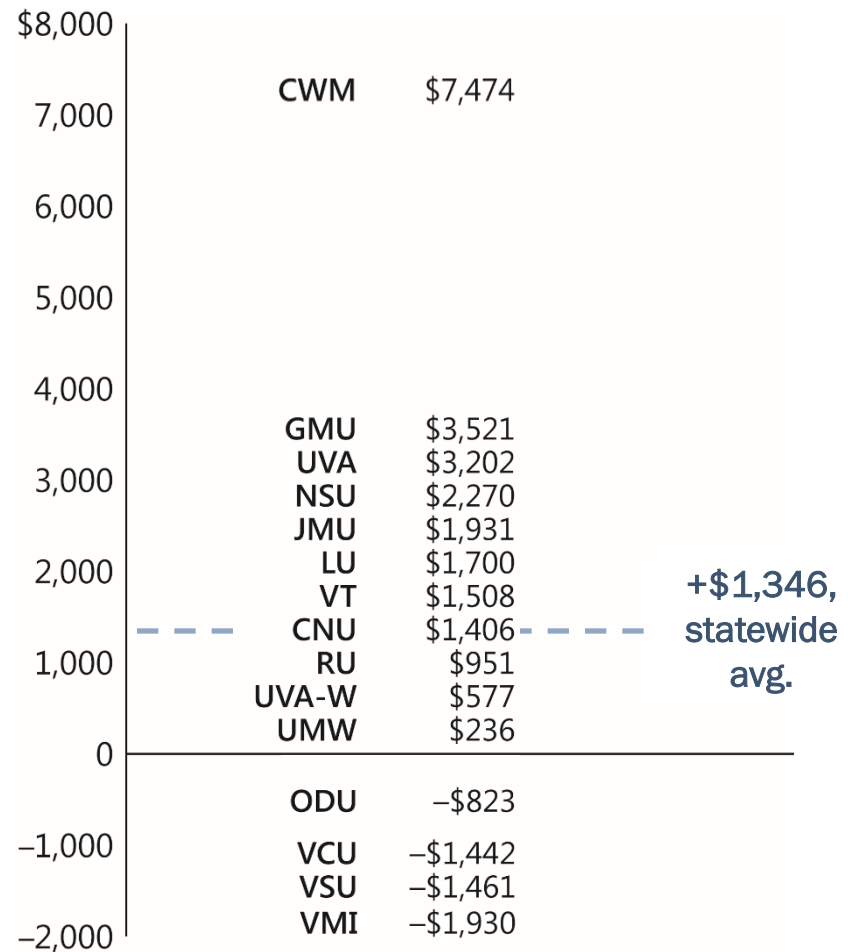
- Net tuition increased by substantially more than decline in state funding, on average (FY98-FY12)



Note: Per student, adjusted for inflation.

Tuition & fees; Funding (continued)

- Net change varied substantially by school



Note: Per student, adjusted for inflation.

Tuition & fees; Funding

- ✓ Appropriation Act (2016)
- ✓ Limit annual increases in tuition and mandatory E&G fees, while providing additional state operating funds to offset forgone tuition revenue
- ✗ Update the underlying data for the base adequacy model and make additional modifications to the formula as warranted
- ✗ Ensure full funding under the base adequacy model before appropriating general funds for institutional initiatives or the performance funding model

Several factors creating organizational and financial challenges for certain institutions

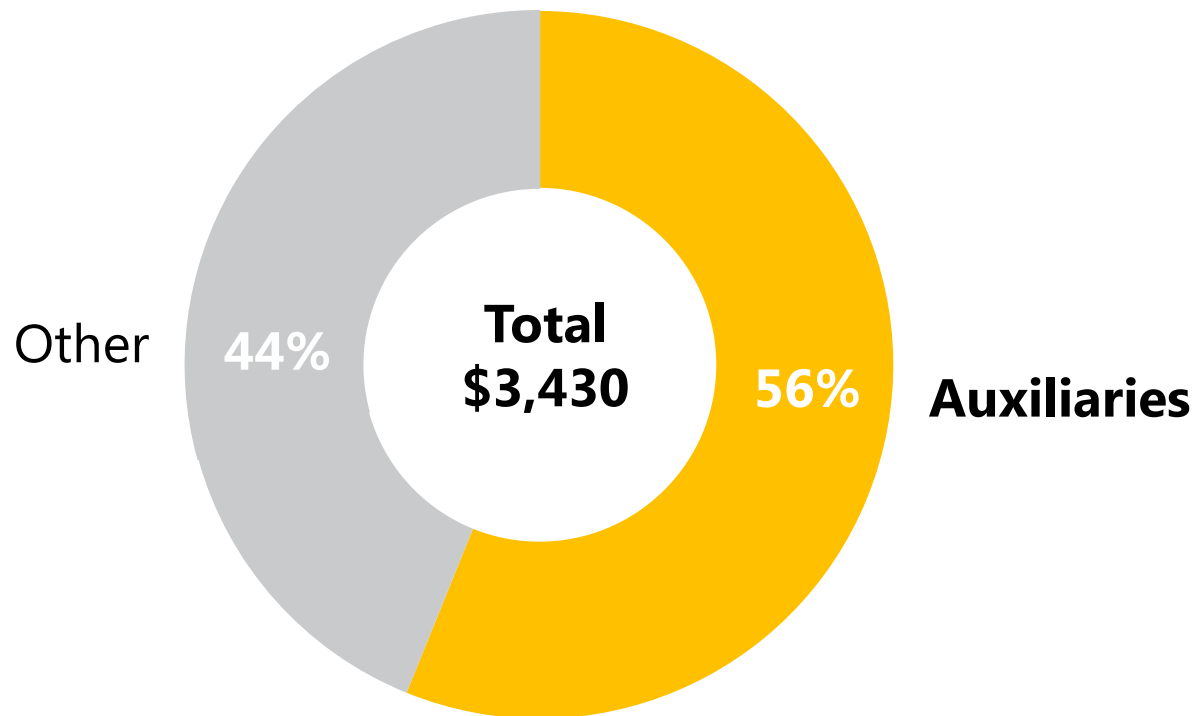
- Continued cost increases; declining affordability
- Stagnating / declining high school graduates
- Capital expansion = higher fixed costs
- Inability to recruit out-of-state students that pay much more in tuition & fees

Several factors creating organizational and financial challenges for certain institutions (continued)

- ✘ Revise cost-share goal to account for characteristics that limit the ability of institutions to generate additional net tuition revenue
- ✘ Allocate a higher proportion of operating funds to institutions that (i) are least able to fund academic operations and (ii) have relatively high proportion of students with lower ability to pay

Non-academic spending

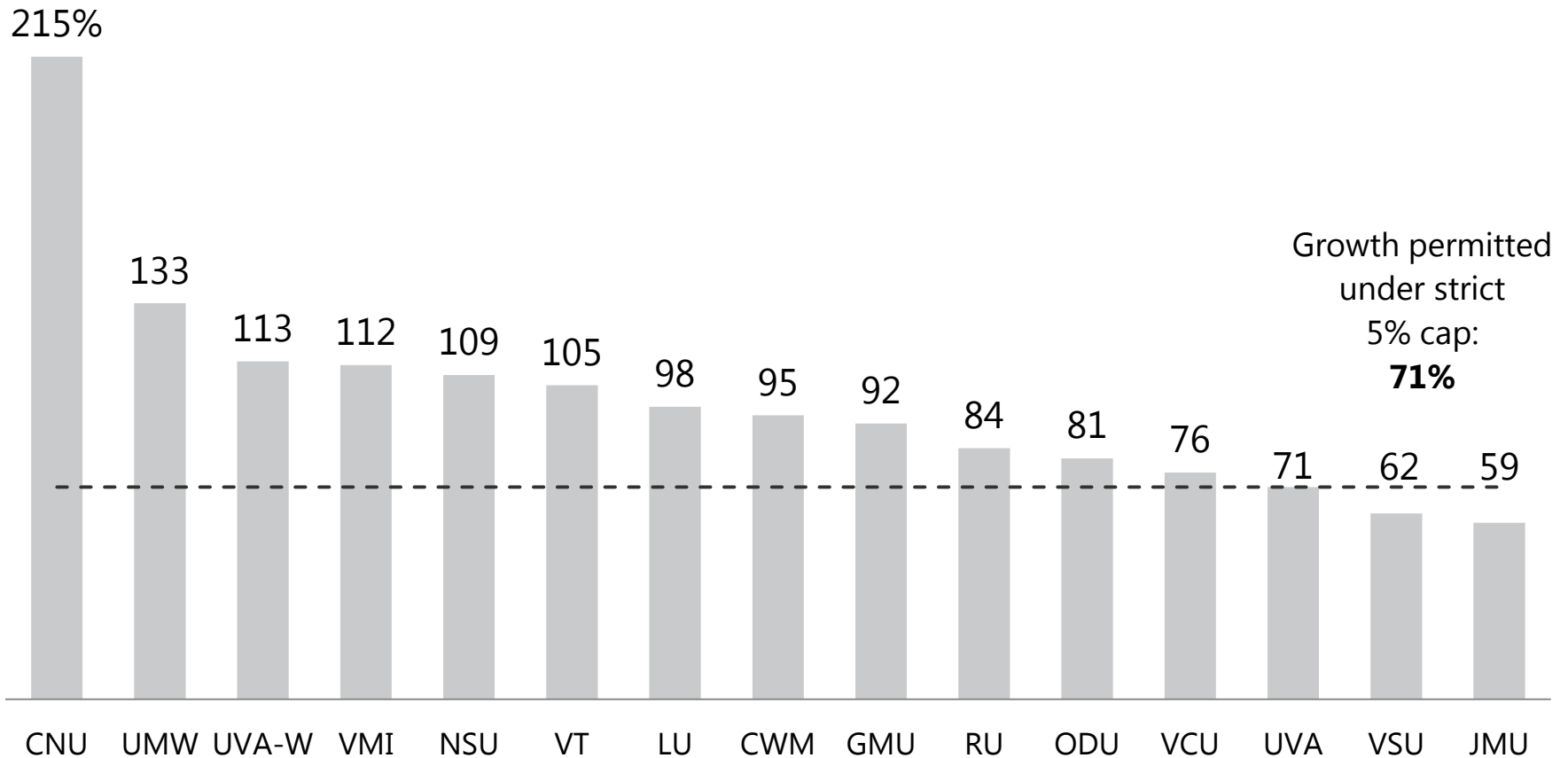
- Auxiliary spending was the primary driver of spending increase (FY02-12)



Total spending per student, adjusted for inflation.

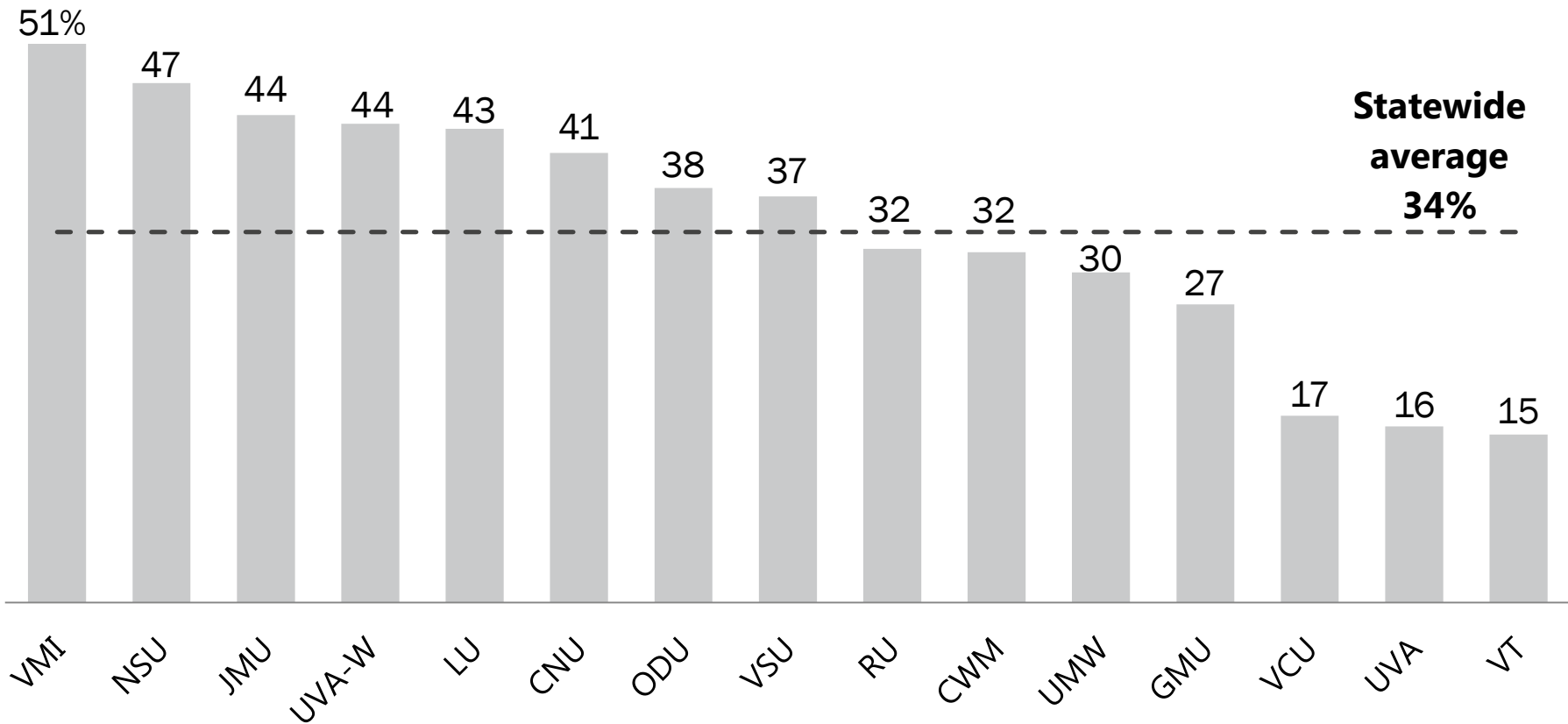
Non-academic spending (continued)

- Non-E&G fees grew more than existing 5% growth cap ('03-'14)



Non-academic spending (continued)

- Non-E&G fees averaged 1/3 of total tuition and mandatory fees



Non-academic spending (continued)

- Schools increased mandatory non-E&G fees while some faced difficulty funding E&G operations
- Five schools relied more on non-E&G fees, despite shortfalls in base academic funding

Mandatory non-E&G fees
as percentage of total mandatory charges

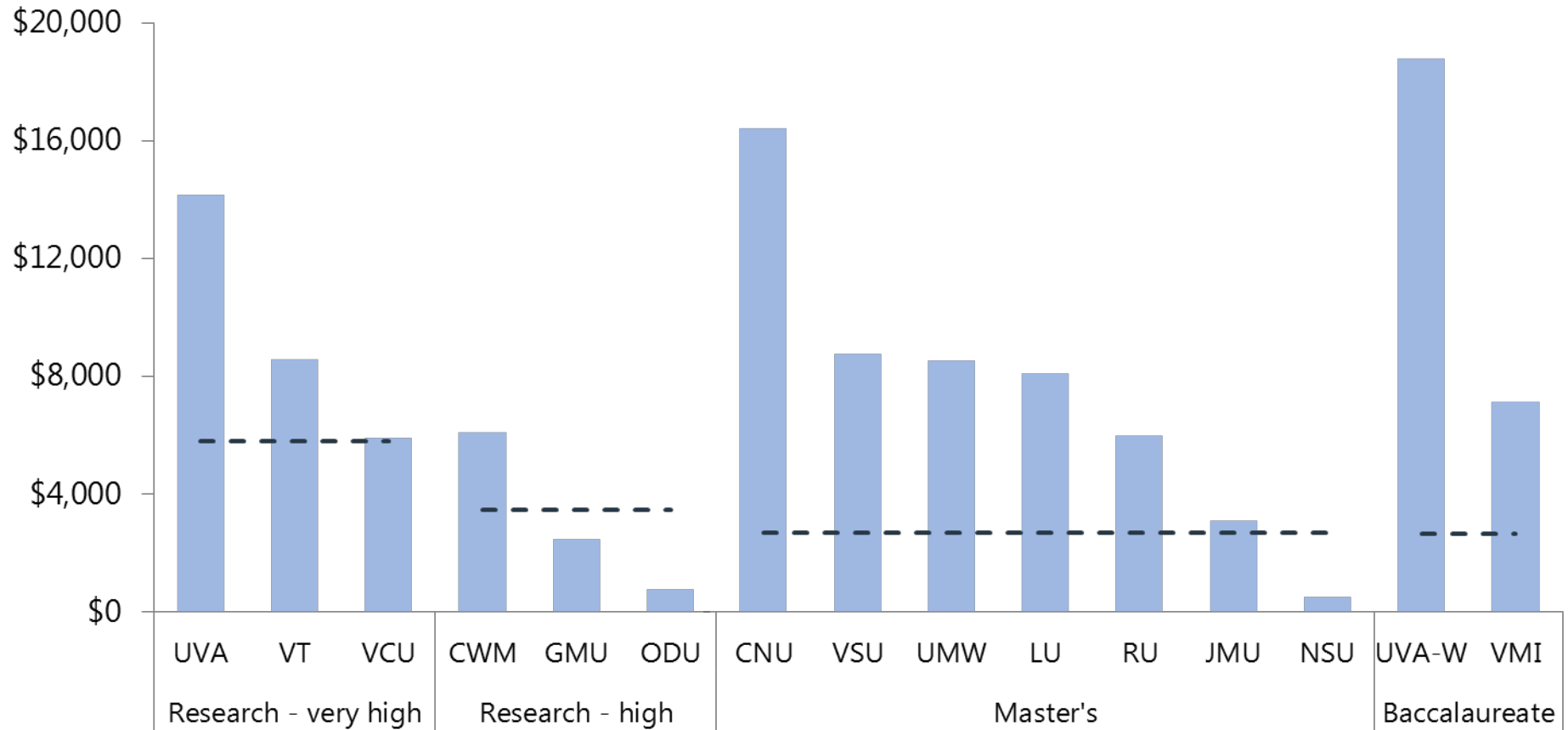
	FY 1999	FY 2014
UVA-Wise	31%	44%
CNU	31	41
NSU	42	47
LU	40	43
ODU	36	38

Non-academic spending (continued)

- ✘ Require an evaluation of non-athletic services and activities funded by mandatory non-E&G fees
- ✘ Remove all exemptions from annual 5% cap on mandatory non-E&G fee growth; reduce growth cap
- ✘ Require express authority to exceed non-E&G growth cap

Capital spending & Debt service (continued)

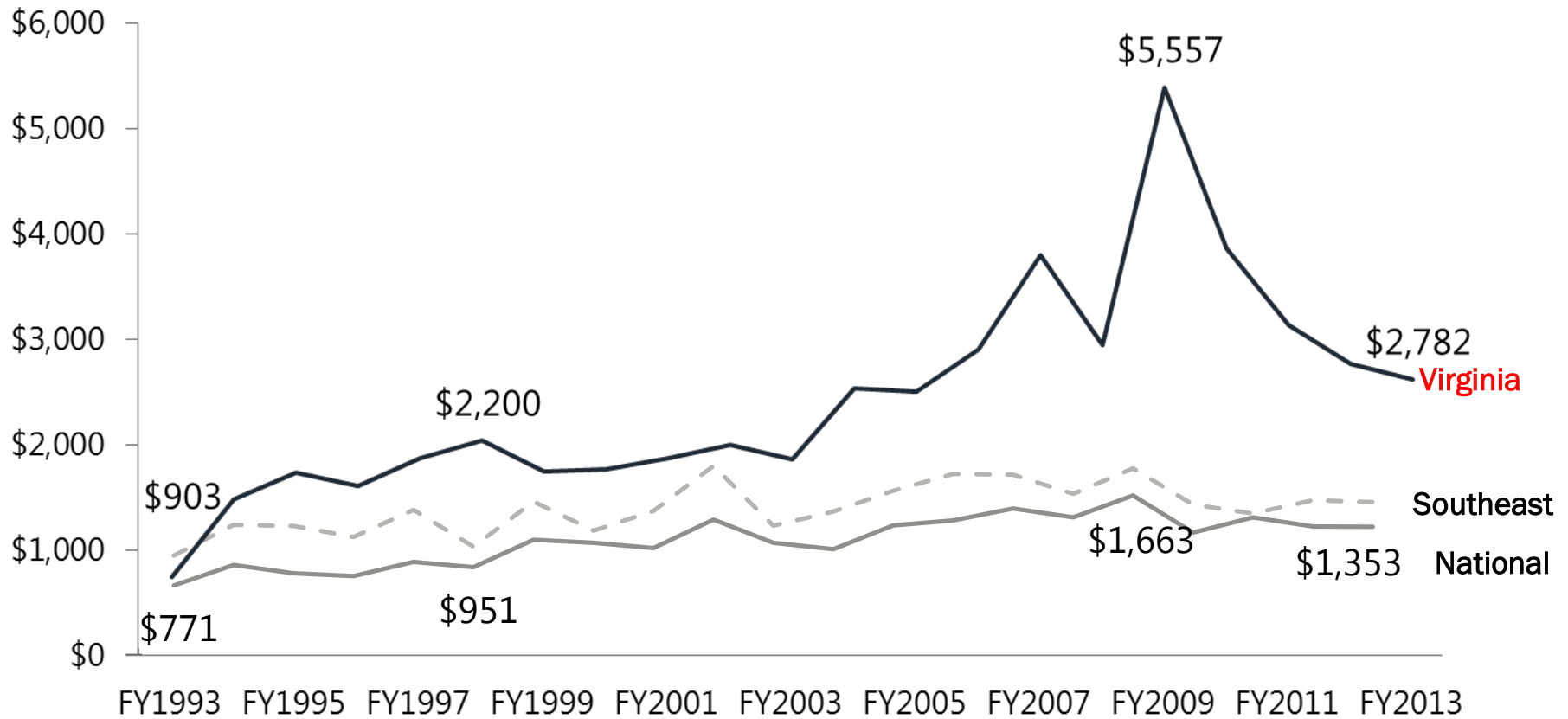
- Most schools spent more on construction than similar schools nationwide (FY12)



Capital spending & Debt service (continued)

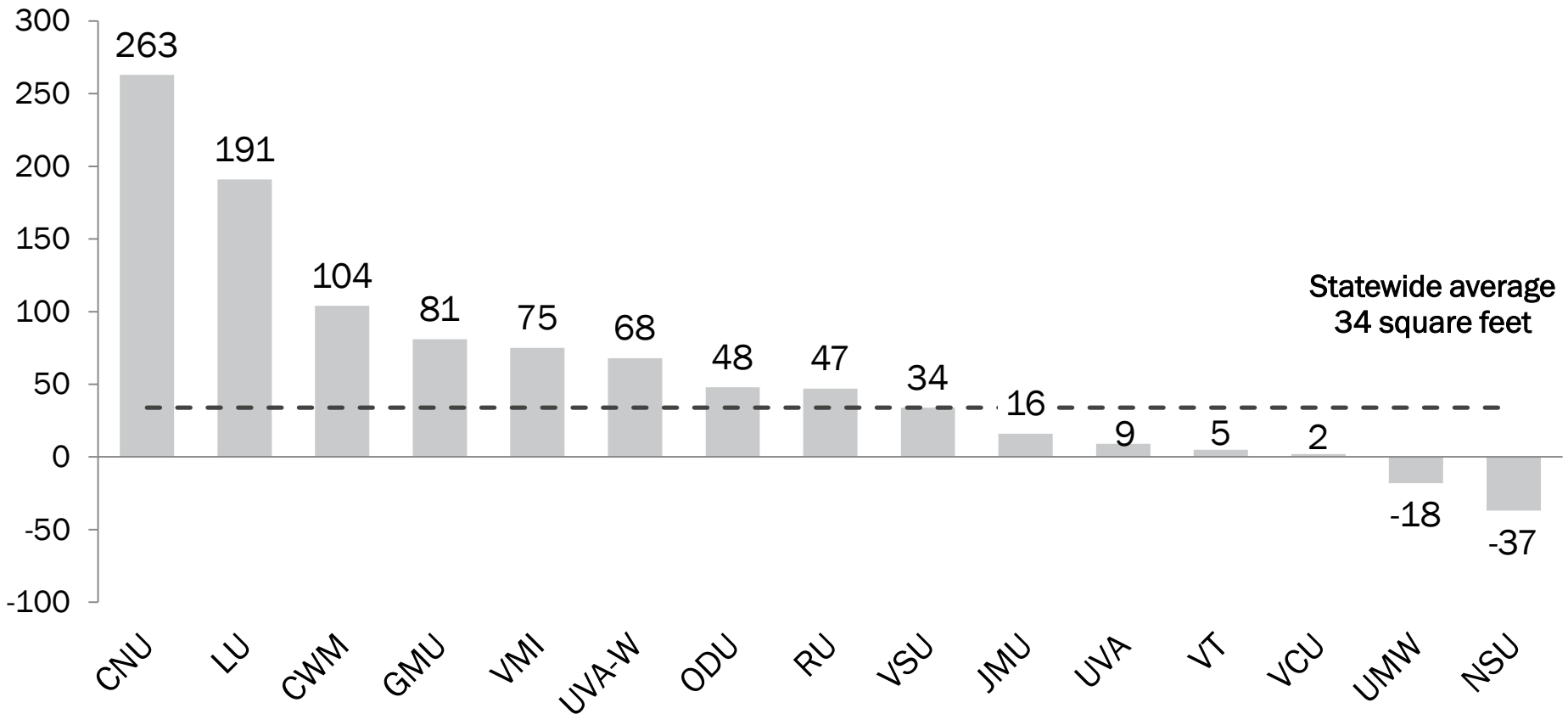
- Virginia had historically spent more on capital than other states

Capital spending / student



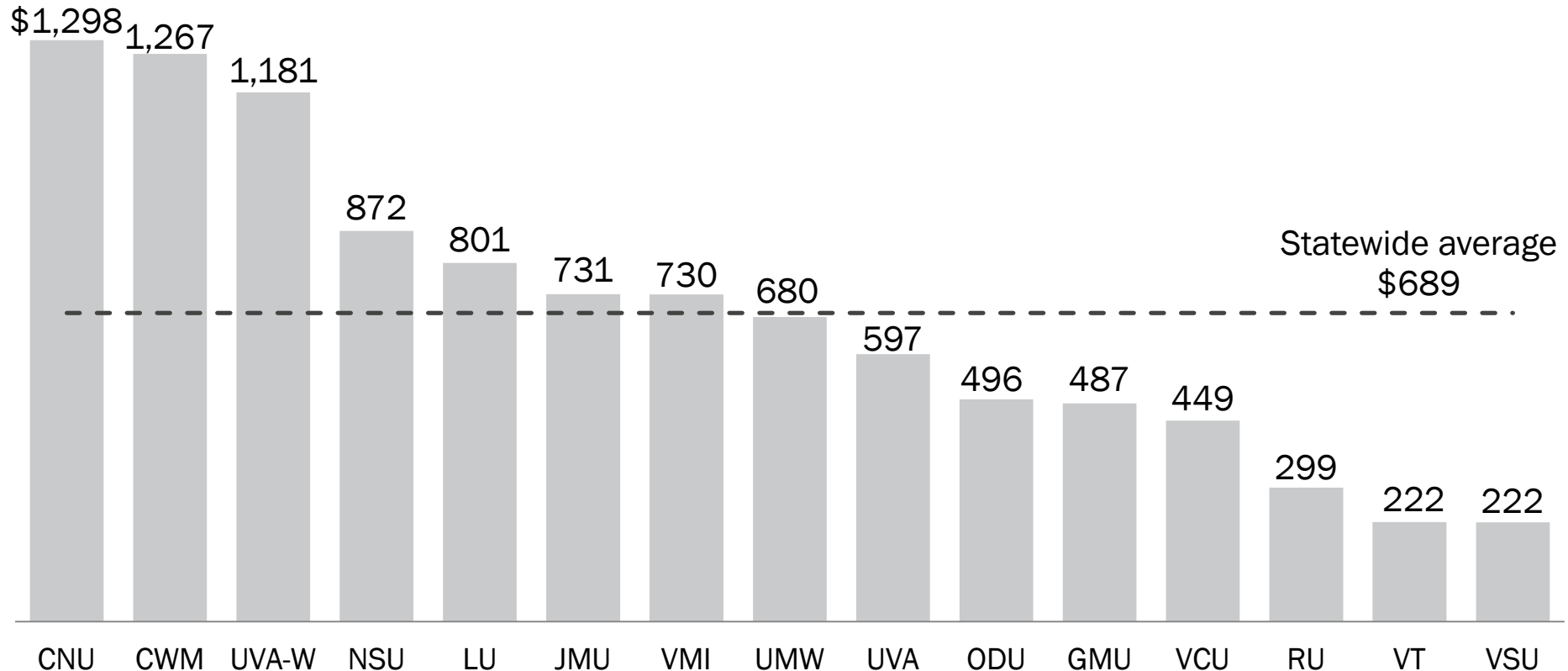
Capital spending & Debt service (continued)

- Square footage per student increased at most schools (FY05-12)



Capital spending & Debt service (continued)

- Students were charged to repay institutional debt service (FY13)



Capital spending & Debt service (continued)

- Instructional space guidelines were based on 40-year-old standards
- Research space guidelines likely over-estimated need

Capital spending & Debt service (continued)

- ✓ Appropriation Act (2014-2016)
- ✓ Use prioritization process results to determine which requests to fund
- ✓ Develop instructional and research space guidelines that adequately measure current use of space and plans for future use
- ✓ Revise maintenance reserve funding formula to reflect facility condition, facility age and use
- ✗ Modify capital prioritization process to provide objective, state analysis and prioritization of capital requests

Questions?

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