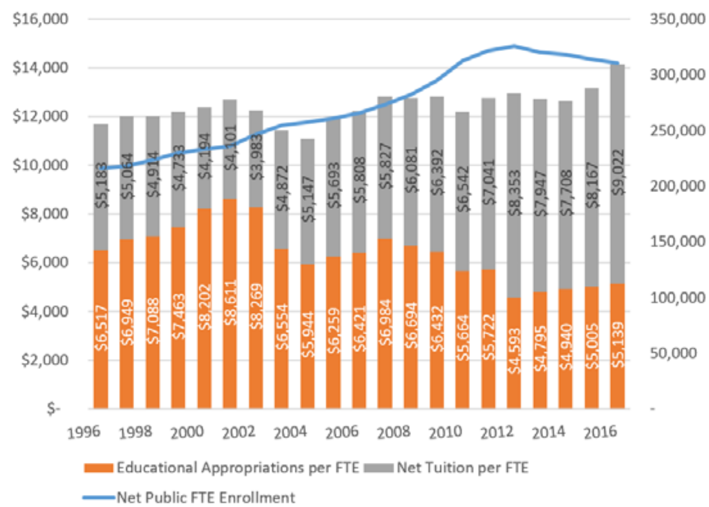
Affordability, Funding and Workforce Alignment

Affordability and Funding

If Virginia's postsecondary education goals are to be meaningful, they need to be backed up by funding models that are well aligned with those goals. Moreover, Virginia falls short on affordability goals established in The Virginia Plan for Higher Education related to tuition and net price. Meeting the attainment goal also requires higher completion rates, so how could a budget be based on completions as well as enrollments? Are there ways within system-wide or institutional budgets to reallocate resources more efficiently? What can be done to break the "boom and bust" cycle to make sure resources are adequate when they are most needed?

Why is this important?

Boom and bust - During periods of economic growth, supporting postsecondary education is easier. Students and families' incomes are higher, state revenues are stable or growing, and private investment returns tend to be strong. When a downturn hits, those trends can all reverse at once. Even worse, at the same time as public and private ability to pay is declining, demand is increasing as more citizens turn to postsecondary education as the best way to survive an economic slump.



High tuition and fees - Virginia ranks 13th in the nation in average tuition and fees per student. Over the past five years, Virginia's tuition and fees grew faster than the national average impacting both low- and middle-income students and families. Declining state investment in public higher education and rising costs in non-education-related fees at institutions each contribute to this some growth. Virginia continually ranks low compared to other states in state investment in higher education per student (37th at $5,799 per student), more than $1,800 below the national average of $7,642 in 2017.

Full cost of attendance (COA) – Tuition and fees only make up 56% of the average full cost of attendance at 4-year institutions. COA includes all related expenses including tuition and fees, room and board, books and supplies, transportation and personal costs. The Virginia Plan's target is that 50% of COA be met by expected family contribution (EFC) and state/federal grant aid by 2030. That goal has not been achieved and the percent met has declined over the past 15 years. State financial aid does not contribute to student costs outside tuition and fees.

Workforce Alignment

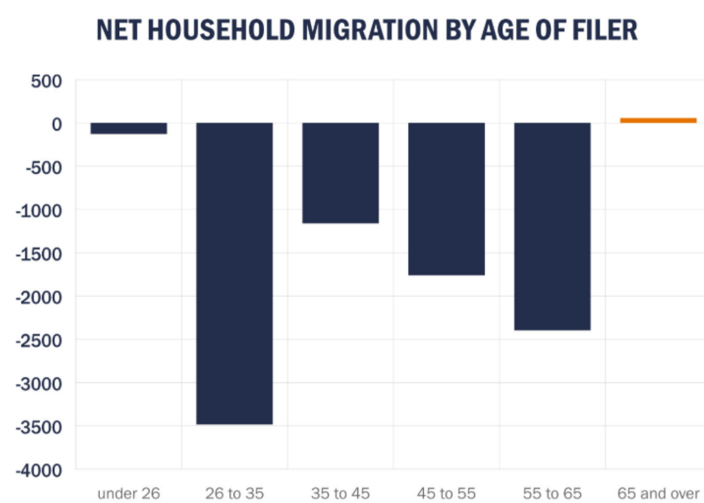
Students attend college for many reasons, but a primary motivating factor is the ability to secure a good job. Moreover, Virginia has a strategic interest in ensuring its investments in postsecondary education align with the needs of tomorrow's workforce to keep Virginia economically competitive.

Why is this important?

Demand for jobs - The Virginia Employment Commission projects that jobs with the highest growth are in the areas of computer science, teaching, healthcare, management and trades.

Bachelor's Degree	Projected Job Growth to 2024	Median Annual Wage*
Registered Nurses	8,949	$64,600
Management Analysts	8,911	$97,100
Software Developers, Applications	8,019	$105,000
Computer Systems Analysts	7,090	$96,800
Accountants and Auditors	6,319	$75,900
Software Developers, Systems Software	5,393	$112,600
General and Operations Managers	4,443	$120,300
Elementary School Teachers, Except Special Education	3,950	$60,000
Market Research Analysts and Marketing Specialists	3,683	$64,700

More Virginians are leaving the state than moving in - For the last five years, more individuals left Virginia than moved in according to the Weldon Cooper Center for Public Service at UVA. Of those leaving, the highest number were individuals ages 26 to 35. Even though Virginia has a positive net increase of young college graduates, nearly 35,000 young Bachelor's Degree holders (22-24) left the state between 2013 -2015.



Source: Internal Revenue Service 2015-2016 Migration Flows Data

Experiential learning - Internship and work opportunities also drive graduates' success in the workforce: According to a Gallup study, 40% of Associate Degree graduates who had a relevant internship had a good job waiting for them at graduation. Only 6% of graduates without an internship said they had a good job waiting for them. In addition to internships, working on a project that took a semester or more and being extremely active in extracurricular activities and organizations correlate with optimism and confidence in the workforce.

Ideas for how we can improve

Funding

- **Outcomes-based funding:** Some states are trying to improve progress and completion through outcomes-based funding. Tennessee's four-year institutions earn about 15% of their core revenue through student progress and completion, compared to 61% from enrollment (primarily in the form of tuition). Virginia's community colleges are moving to allocating 20% of state operating funds on the basis of performance. The recent tech talent funding also focuses on funding based on degrees versus enrollments. Outcomes should include a focus on areas that address gaps.

- **Reserve funds:** Institutions and SCHEV have recommended the establishment of a statewide or institution-based reserve fund. The 2018 General Assembly session added language to allow institutions to carry-over up to 3% of general fund. Reserve funds could be tied to muli-state settlements or proposed new revenue sources.

- **Study of financial aid (in progress):** The 2019 General Assembly directed SCHEV to research and report on the financial aid formula in Virginia.

- **Leveraging public benefits/addressing comprehensive student needs:** States are in a unique position to identify students' basic needs (food, shelter, transportation, etc.) and better align public benefit policies to foster a more comprehensive financial aid support system. New Jersey and Washington are pioneering states in this area.

- **Prior learning and pathways:** Developing defined pathways and credit for prior learning can lower the overall cost (in dollars and time) for students. West Virginia's policy acknowledges work gained through employment and non-traditional education partners. Colorado uses reverse transfer where students can earn associate degrees through credit earned at a combination of two-year and four-year institutions.

- **Free or debt-fee programs:** For Tennessee's Promise program most of the additional aid leveraged by "free community college" is federal aid due to the expansion of FAFSA filing. The program is primarily an investment in communication and rewards institutions for serving low-income students. Because the program is tailored to community colleges, it has had some unintended consequences on four-year institutions serving the same populations.

- **Income share agreements:** Some institutions have implemented agreements with students to finance a portion of their education with the agreement to share a portion of earnings after graduation. In addition, the Trump administration has discussed pursuing pilot projects in this area.

Workforce Alignment

- **Increase experiential and work-based learning opportunities, including internships:** SCHEV administers the Innovative Internship Fund and Program, to which the General Assembly recently provided an additional $500,000, for a $700,000 total. The program is designed to "expand paid or credit-bearing student internship and other work-based learning opportunities in collaboration with Virginia employers." It includes both institutional grants and a statewide initiative.

- **Align programs to demand and grow student interest in these areas:** The General Assembly designated SCHEV as a reviewer for the Tech Talent Investment Program, supporting institutions to increase specific, in-demand degrees by at least 25,000 by 2039. Also, SCHEV staff have identified a need to provide equitable access to the necessary information, resources and experiences that help ensure the pursuit and completion of credentials required to earn sustainable living wages, including those in high employer demand.

- **Employer partnerships:** Collect the needs and skills of employers and industries and map them back to the specific programs. The U.S. Chamber of Commerce Foundation's Talent Pipeline Management program helps businesses develop partnerships with educators and community groups to help train students in the specific skills they need.