



# Higher Education Funding: Baselines and Trends in Education and General Support

November 2020



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## STATEMENT REGARDING THE EFFECTS OF COVID-19

In 2020, the COVID-19 pandemic affected people and organizations in all corners of the world. Higher education experienced a time of unprecedented challenges, including campus closures in spring and a switch to remote learning.

Just prior to the pandemic, the General Assembly agreed in March to increase funding for higher education for the upcoming 2020-2022 biennium with over \$390 million in investments targeted toward general support, tuition moderation, financial aid, a free community college initiative, salary increases and research. As a result of COVID-related revenue declines, the Governor and the General Assembly subsequently “unallotted” nearly all new funding.

To assist with increased costs as a result of the pandemic, the federal government issued funds through the Coronavirus Aid, Relief and Economic Security (CARES) Act. This funding to both students and institution. SCHEV highlighted some of the initial allocations in an [Insight post](#). In addition, the Governor also provided debt relief to institutions for state-issued debt related to auxiliary services, such as dorms, parking, and other facilities. In August, the Governor called a special session. At the conclusion of the session in October, the Governor and General Assembly reallocated over \$93 million in funds to public institutions and up to \$120 million in CARES funds to support the costs related to COVID.

While the following report focuses on allocations through FY 2020, SCHEV expects that future reports will need to identify and reconcile the impacts of the pandemic that occurred in FY 2021.

## SUMMARY

The purpose of this report is to provide a baseline assessment of higher education funding in Virginia with a focus on education and general support (E&G), which accounts for approximately 54% of all funding for higher education – about \$5.3 billion in funds annually. It includes a general overview of funding for Virginia public higher education with detailed analysis of E&G revenues and expenditures, and national comparisons. E&G revenues derive primarily through state funding and tuition and fees charged to students and families. SCHEV's [annual Tuition and Fee report](#) also provides more detailed information on the types of charges related to tuition and fees, while this report focuses more on the revenues and costs associated with delivering instruction.

Understanding the funding of and costs related to higher education is an important aspect of determining future costs and potential areas of operational efficiencies. This can help with predictably planning for future funding needs from the state and the potential impacts on tuition and fees for students.

Virginia's public higher education system consistently ranks high compared to other states when evaluating variables, including graduation rates, return on investment for graduates and student-to-faculty ratios. Virginia provides a relatively low level of state support (referred to as "general fund") per student compared to other states. The lower levels of state support often correlate with higher tuition and fees when compared to other states. In addition, variations in tuition and fees over time often correlate with the state's economic condition.

The major cost drivers in E&G are salaries and fringe benefits. About two-thirds of the costs lie in the area of instruction and academic support. Minimal changes in spending categories and programs at Virginia institutions have occurred in the past 10 years. The following report focuses on allocations through FY 2020 and highlights expenditures through FY 2019.

The following are some key facts included in this report:

- **Total funding for higher education is over \$9.8 billion annually.** This includes all areas of higher education, such as E&G support, financial aid, non-E&G support (auxiliaries), research and other higher education areas. E&G accounts for about 54% of total funding.

- **The state provided over \$2.28 billion in FY 2020 for higher education.** About 75% of these funds support E&G costs. The remaining funding is for financial aid, research and other higher education programs (SCHEV, higher education centers, etc.).
- **Ten percent of state general fund in FY 2020 was dedicated to higher education – a four percentage point decline from FY 1993.** Higher education in Virginia is considered discretionary when compared to programs that have federal or constitutional obligations to provide fiscal support, such as Medicaid and pre-K-12 education.
- **Total state E&G funding amounts in FY 2020 have increased over the last few years, but have not returned to FY 2009 levels, when the most recent recession occurred.** The state’s highest level of E&G support for higher education occurred in FY 2001 when adjusted for inflation.
- **Tuition and fee increases largely correlate with decreases in state funding.** When accounting for all funding from the state (general fund) and tuition and fees (nongeneral fund), total funding per full-time-equivalent student has increased an average of 1% annually when adjusted for inflation.
- **State funding to support Virginia undergraduate students is below its goal.** The goal, established in 2004, and incorporated into the state Appropriation Act, is for the state to fund 67% of the cost of education (E&G) with the remaining 33% funded by students. For FY 2020, the state funded approximately 48% of the costs – 19 percentage points below the goal. Recent contributions by the state have increased this share in recent years. In FY 2021, the state contribution is expected to be 49%.
- **State funding per student is below national averages.** Virginia ranks 39<sup>th</sup> when compared to other states. It ranks 15<sup>th</sup> in tuition and fees.
- **Total funding per student in Virginia is slightly above the national average.** When factoring lower state funding and higher tuition and fees, Virginia’s overall funding per student is \$15,333 compared to the national average of \$14,566. While this is higher, Virginia ranks in the middle (25<sup>th</sup>) when compared to other states.
- **Instruction and academic support account for the majority of expenditures in E&G.** About 64% of expenditures in FY 2019 were in instruction and academic support. The remaining expenditures were in student support, institutional support, operations and maintenance, and research and public services.

- **Salaries and fringe benefits are the primary drivers of expenditures.** In FY 2019, personnel services accounted for 78% of E&G costs.
- **Virginia's cost per degree is lower than the national average and has decreased over time.** For each additional expenditure, Virginia's public institutions, on average, provide a better return on investment than other states and over time. Based on the calculation by the [Lumina Foundation's Strategy Labs](#), the cost-per-degree year of all sectors was \$19,145 in Virginia compared to \$21,350 in the Southern Regional Education Board (SREB) states and \$23,350 nationally in a 10-year average of 2006-2015.

## VIRGINIA'S HIGHER EDUCATION SYSTEM AND OVERALL FUNDING

Virginia provides state funding primarily to public colleges and universities. It also provides funding to support higher education centers, students attending private non-profit institutions, Eastern Virginia Medical School, SCHEV and other centralized services, such as debt service payments on institutional buildings and equipment.

### Institutions in Virginia

Virginia has 15 public baccalaureate-degree granting institutions, one associate-degree-granting transfer college and 23 community colleges that offer both associate transfer and associate technical-related degrees and certificates. In addition, five higher education centers offer education and training from partner institutions, and Eastern Virginia Medical School provides medical education and training through a public-private partnership.

Chart 1: Institutions Operating in Virginia

**15** PUBLIC 4-YEAR INSTITUTIONS

**30** VIRGINIA PRIVATE NONPROFIT COLLEGES AND UNIVERSITIES

**24** PUBLIC 2-YEAR INSTITUTIONS  
(23 COMMUNITY COLLEGES + 1 TRANSFER COLLEGE)

**300+** FOR-PROFIT, OUT-OF-STATE OR VOCATIONAL INSTITUTIONS

**5** HIGHER EDUCATION CENTERS

### Major Funding Areas for Higher Education

Funding for public higher education is primarily a shared responsibility between the state and students. The state provides tax revenue, which is called **general fund**, to support public institutions. Institutions charge students tuition and fees to generate revenues. All revenues that are not from the state, including tuition and fees, are called **nongeneral funds**.

In total, appropriations to Virginia's higher education system through state support and other revenues totaled more than \$9.8 billion in FY 2020.

Funding for higher education often is grouped in the following categories: education and general support (E&G); financial aid (state and institutional aid); auxiliary enterprises; sponsored research; and other higher education. The following is a brief description of each program:

- **Education and General Support (E&G):** This funding supports activities at the institution primarily related to instruction and general operations, including instruction, public service, academic and student services, institutional support, and operation and maintenance of buildings. Virginia has a cost-share policy between the state and in-state students for funding E&G programs with a goal for the state to provide funding through general fund for 67% of costs for in-state students, while the remaining 33% is funded through tuition and fees for public institutions. Virginia also requires public institutions to charge out-of-state students at least 100% of the cost of education through tuition.
- **Financial Assistance (state and institutional):** This includes funding provided by the state for need-based aid and by institutions from their tuition revenues, scholarships and fellowships.
- **Auxiliary Enterprises:** These operations support student life on campus, such as athletics, dormitories, dining service, student health clinics, etc. The state does not provide support in this area, and institutions are required to self-support these operations. Revenues primarily are generated by charging students mandatory non-E&G fees and user fees.
- **Sponsored Research:** This funding supports research at an institution. Sources of funding can come from the state, business and industry, and federal grants. The majority of funding in this area is primarily through federal grants at Virginia's research institutions.
- **Other Higher Education Funding:** Other higher education funding areas include support for higher education centers, SCHEV agency support, other financial aid programs administered by SCHEV and Eastern Virginia Medical School (EVMS).

The following tables show the revenue sources for each program operated at Virginia's public institutions and the appropriations by program and fund.

### **FY 2020 Appropriations to Higher Education**

In FY 2020, higher education allocations in Virginia reached more than \$9.8 billion. The state contributed approximately \$2.3 billion through the general fund. Seventy-five



percent of state funding supported educational and general programs for in-state students. Table 1 provides funding amounts by program.

**Table 1: FY 2020 Appropriations to Virginia Higher Education by Program**

Program	General Fund		Non-General Fund		Total Appropriations	
	Amount	% Total	Amount	% of Total	Amount	% of Total
<b>Public Institutions</b>						
Educational and General <sup>1</sup>	\$1,703.2	75%	\$3,562.3	47%	\$5,265.5	54%
Financial Aid to Public Institutions <sup>1</sup>	\$249.2	11%	\$294.2	4%	\$543.4	6%
Auxiliary Enterprise <sup>1</sup>			\$1,789.9	24%	\$1,789.9	18%
Sponsored Research <sup>1</sup>	\$37.8	2%	\$1,649.9	22%	\$1,687.7	17%
<b>Sub-total Public Institutions</b>	<b>\$1,990.2</b>	<b>87%</b>	<b>\$7,296.3</b>	<b>97%</b>	<b>\$9,286.5</b>	<b>95%</b>
<b>Other Ares of Funding</b>						
Tuition Assistance Grant	\$71.1	3%		0%	\$71.1	1%
Other Higher Education Funding <sup>2</sup>	\$218.9	10%	\$229.4	3%	\$448.3	5%
<b>Grand Total</b>	<b>\$2,280.2</b>	<b>100%</b>	<b>\$7,525.7</b>	<b>100%</b>	<b>\$9,805.9</b>	<b>100%</b>

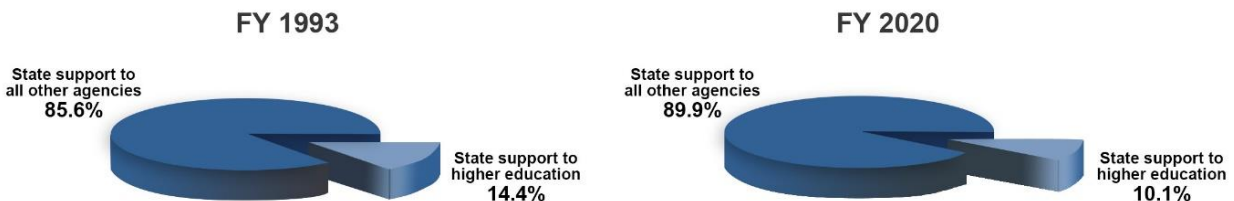
**Notes:**

(1) Includes funding for Virginia public institutions, Va Institute for Marine Science, VT and VSU extensions.

(2) Includes funding for higher education centers, other financial aid, SCHEV, private institutions, and special programs.

Funding for higher education as a percentage of the state budget has declined over time. The biggest cost drivers in the Virginia state budget are pre-K-12, Medicaid and general government – many of which include constitutional or federal funding requirements. State support for higher education is considered discretionary and, as additional non-discretionary program costs have increased, higher education has received less of the share. In FY 1993, higher education as a percentage of general fund was 14%. In FY 2020, it was 10% -- a four percentage point decline.

**Chart 2: Higher Education Funding as Percent of Total State Revenue in FY 1993 and FY 2020**



## TRENDS IN EDUCATION AND GENERAL SUPPORT FUNDING

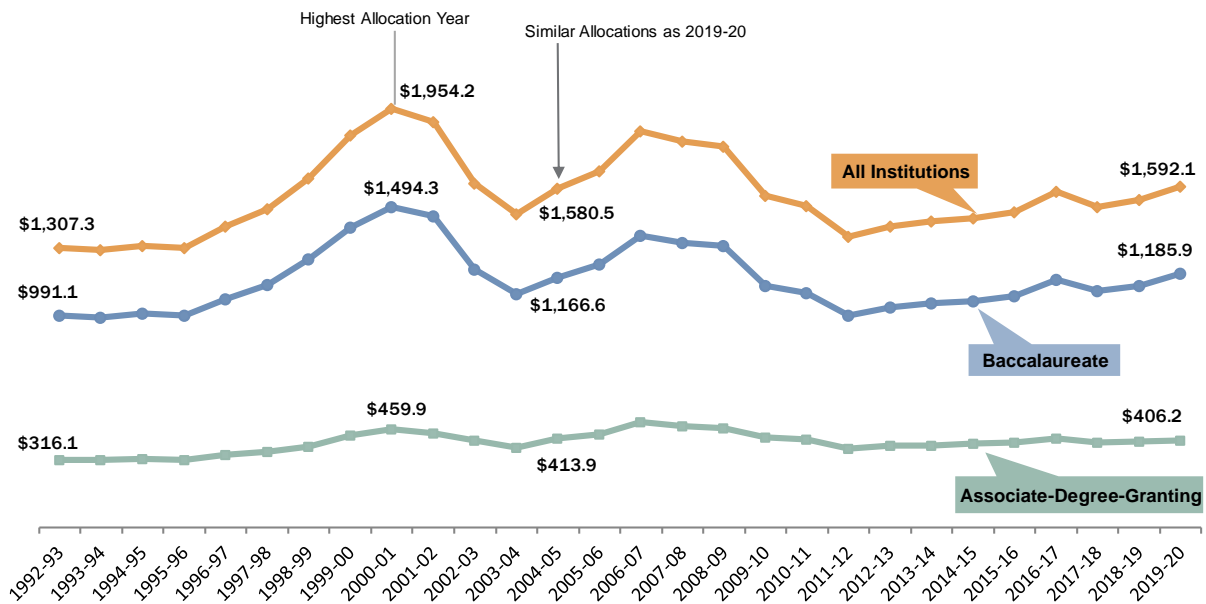
As mentioned, E&G is funded primarily through state support (general fund) and tuition and fee charges. Over time, state support for higher education fluctuates, which also impacts tuition and fees. This section provides data on these fluctuations over time.

### General Fund Appropriations by Institution Sector

Chart 3 shows the trend in state E&G funding from FY 1993 to FY 2020. FY 1993 was selected as the base year as it was the year when Virginia started the state funding policy to support in-state students only and required out-of-state students to pay at least 100% of the cost of education. State funding increases and decreases are demonstrated by peak and dip points. Between FY 1993 and FY 2020, when adjusting for inflation, general fund appropriations increased 20% from \$991 million to \$1.1 billion (1.18% growth annually) for baccalaureate institutions; 28% for associate-degree granting institutions; and 22% for all public institutions.

FY 2001 was the peak year in total allocations when adjusted for inflation. The state increased funding in FY 2020 but the funding level has not returned to the FY 2009 level when the most recent recession occurred.

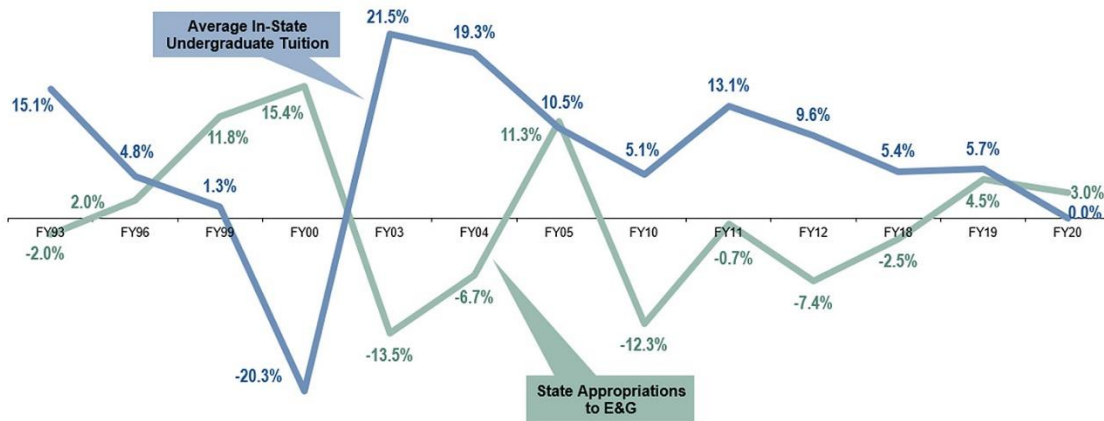
**Chart 3: General Fund Appropriations for E&G by Sector (in FY 2020 constant dollars)**



## Annual Changes of General Fund and In-state Undergraduate Tuition for E&G

Chart 4 shows the annual percentage changes of general fund and in-state undergraduate tuition, and demonstrates an inverse relationship between the general fund changes and tuition increases. Often tuition increases were large when the general fund budget was reduced and vice versa.

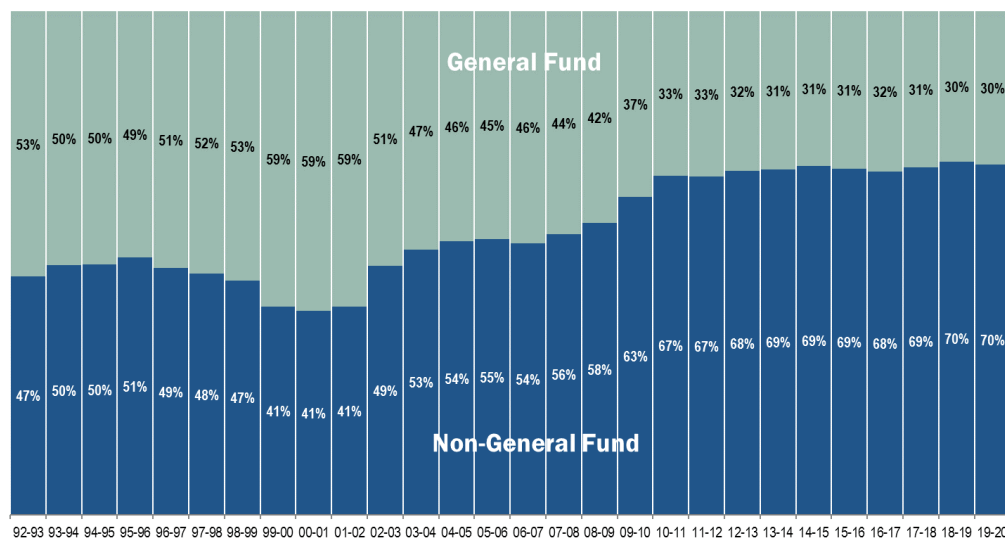
**Chart 4: Annual Changes of General Fund and In-state Undergraduate Tuition for E&G**



## Share of General Fund and Nongeneral Fund in E&G

Chart 5 depicts the share of general fund and nongeneral fund in E&G between FY 1993 and FY 2020. The share of E&G funding has shifted to students through increases of tuition and fees and enrollment of both in-state and out-of-state students.

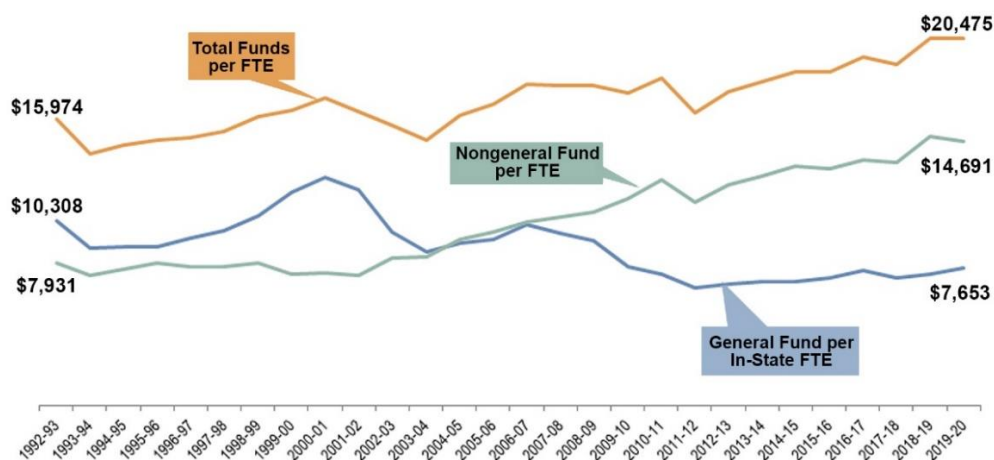
**Chart 5: Share of General Fund and Nongeneral Fund in E&G**



## Average Funding Per FTE Student at Four-Year Institutions for E&G Programs

The number of students enrolled at an institution affects the total funding (general fund appropriations and tuition revenues) at an institution. A common and comparable measure between funding and enrollment is the funding per FTE (full-time equivalent) student. The per-FTE student calculation is derived by the total number of credits taken by all students enrolled at a particular level (undergraduate, graduate, etc.) and divided by the number of credits considered to be a full-time load (e.g., undergraduate full-time load is 30 credits per year and graduate full-time load is 24 credits per year). The FTE calculation standardizes the various credit hours taken by part-time students. Chart 6 shows per-FTE funding by fund for E&G at baccalaureate institutions.

**Chart 6: Average Funding per FTE Student at Four-Year Institutions for E&G Programs (in FY 2020 constant dollars)**



Between FY 1993 and FY 2020, after inflation adjustments, general fund per in-state FTE decreased 26%, or 0.9% per year. Nongeneral fund (tuition and fee revenues) per total student FTE (in-state and out-of-state students) increased 85%, with an average annual increase of 3%. Total funding (general and nongeneral funds) per total student FTE increased 28%, or an average annual increase of 1%. The chart above shows the total funding per FTE was affected by state funding, tuition increases and enrollment changes.

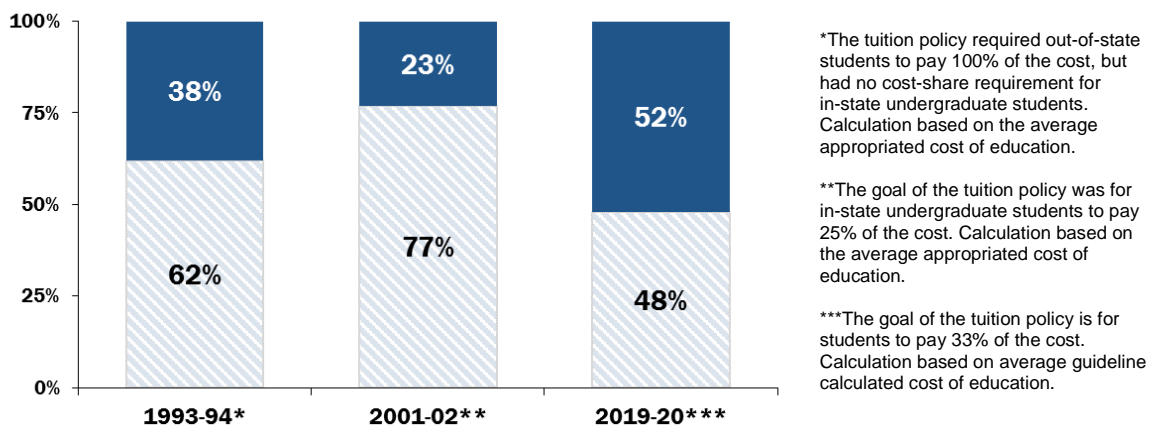
### Virginia’s Cost-share Policy for Public Higher Education

Virginia’s cost-share policy establishes the means by which the cost of education is divided between students and the state. It recognizes both the public and private benefits of higher education. In 2004, the Joint Subcommittee on Higher Education

Funding Policy developed a goal for the state to provide 67% of the cost of education (E&G), with the remaining 33% of the costs paid by students. Since then, the 67%/33% cost-share goal has been applied in various budget development and policy decisions. The language is included annually in the state budget. Because of the impact of a cyclical economy on the state budget, however, actual cost share fluctuates. The state has not met this goal since FY 2004, but policy makers appear to be committed to aligning state and tuition funding with the goal.

Chart 7 shows the cost share during three select periods. Significant policy and funding changes in FY 1994 and FY 2002 affected the cost share. In 1993, the state implemented a policy requiring out-of-state students to pay at least 100% of the cost of education (no subsidies). Supporting only in-state students increased the state share of E&G funding. To curtail tuition increases in the late 1990s, state policymakers rolled back 20% of in-state undergraduate tuition in FY 2000 and set the cost-share goal for in-state undergraduate students at 25% of the cost of education, thereby causing the state’s cost share to reach an historic high in FY 2002. Since then, the nation has experienced two economic recessions requiring state funding cuts for public institutions. As a result, Virginia state funding has not been able to meet its cost-share goal. Because of the state’s large investments in FY 2020, the state cost share increased three percentage points over the FY 2019 level. It should be noted that in FY 2021, the estimated state cost share increased another one percentage point, at 49%, and student cost share was lowered by one percentage point, at 51%. The improvement in cost share was aided by the fact that institutions did not increase in-state undergraduate tuition in FY 2021 with the concerns of access and affordability during the COVID-19 pandemic.

**Chart 7: Cost Share Between State and In-State Undergraduates**

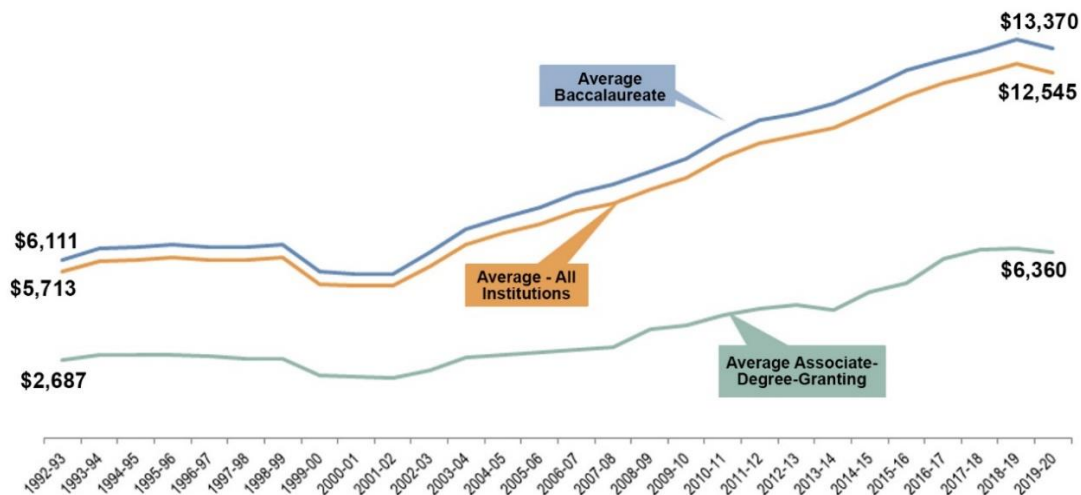


## Increases of In-State Undergraduate Tuition and Mandatory Fees

Chart 8 presents increases of in-state undergraduate tuition and all mandatory fees. Between FY 1993 and FY 2020, the average tuition and mandatory fees increased 119% at the baccalaureate institutions and 137% at the associate degree-granting institutions. The average increase of all institutions was 120%. While this chart shows large increases in tuition and fees, it does not reflect the loss of state funds in a similar timeframe.

Actual tuition and fees can be accessed through SCHEV's research website [research.schev.edu](https://research.schev.edu) under the tuition and fees tab or through this [link](#).

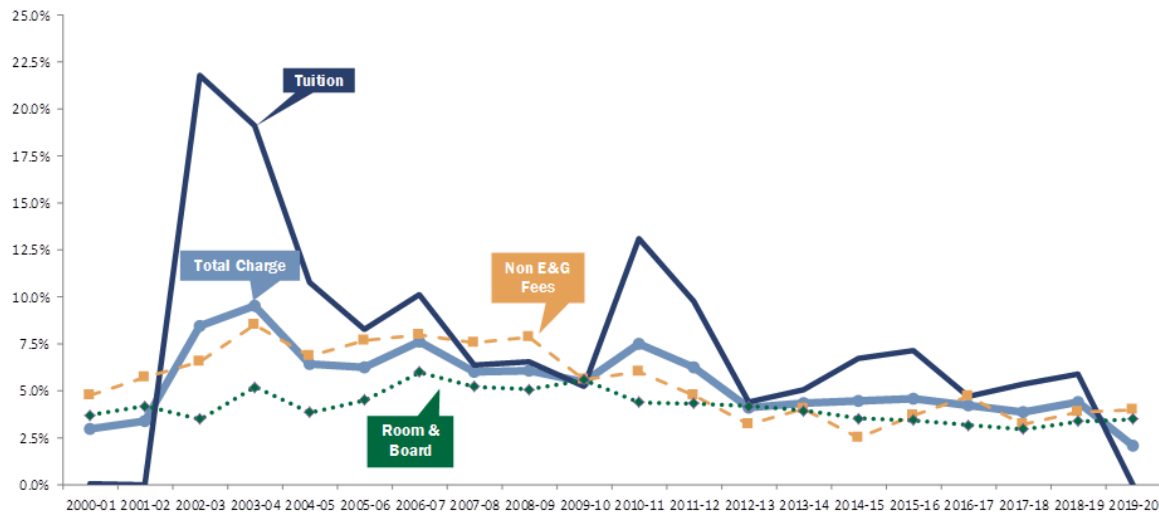
**Chart 8: Increases of In-State Undergraduate Tuition and Mandatory Fees (in FY 2020 constant dollars)**



## Rise in Costs of Non-Education-Related Fees and Room and Board

While the state provides funding to help offset educational-related costs, another area of concern is the rise in costs of non-education-related fees and room and board. Chart 9 provides historic trends of annual increases by cost type. Over the last 10 years, increases in non-E&G fees and room and board have trended lower and did not fluctuate as much as the tuition increases. In comparison, tuition increases were mostly a reaction to state funding changes.

**Chart 9: Annual Increases of In-state Undergraduate Cost by Type at Baccalaureate Institutions**



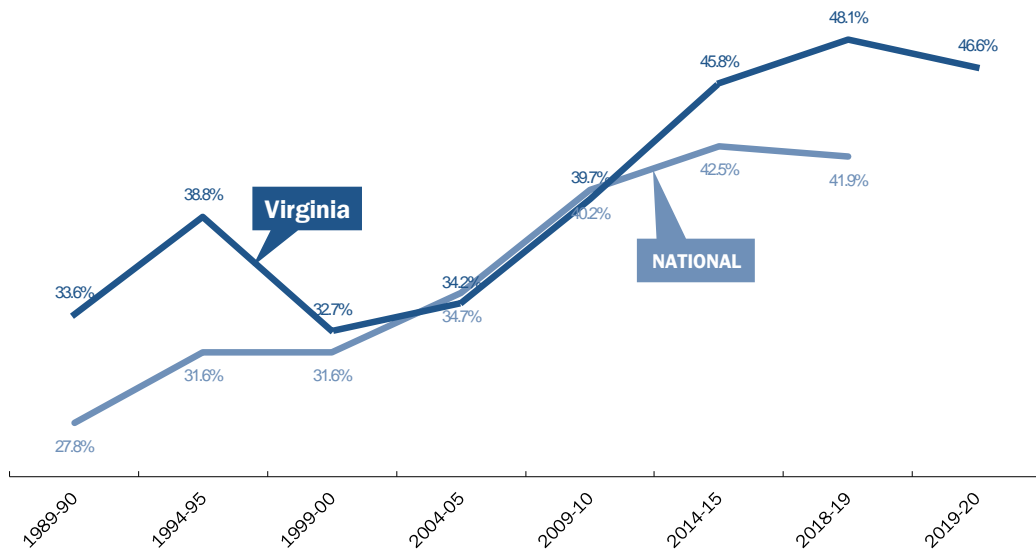
**Total Tuition and Fee Charges Compared to Per-Capita Disposable Income**

One commonly cited indicator of college affordability is the relationship between total charges (tuition, all mandatory fees and room and board) and per-capita disposable income. According to the Bureau of Economic Analysis at the U.S. Department of Commerce, “per-capita disposable income” is income available to persons for spending and saving. It is calculated as personal income less the sum of personal income tax payments and personal non-tax payments (donations, fees, fines and forfeitures) to the government.

Chart 10 shows Virginia’s average in-state undergraduate charges at public four-year institutions as a percentage of per-capita disposable income over the past 30 years. Virginia’s total charges as a percentage of per-capita disposable income exceeded the national average every year with the exception of the years between 2004 and 2010. The gap of college costs as a percentage of family income has widened between Virginia and the nation since FY 2010.

In 1994-95, Virginia’s cost share of per-capita disposable income (38.8%) was 7.2 percentage points higher than the national average (31.6%). Since reaching the low point (most affordable) of 32.7% in 1999-2000 – after several years of state-mandated tuition controls – this measure of affordability has crept steadily higher. In academic year 2018-19, the estimated total charges at baccalaureate public institutions as a percentage of per-capita disposable income reached a record high of 48.1%. In 2019-20, the rate was slightly lower at 46.6%.

**Chart 10: Average Public 4-Year Total Undergraduate Charges As a Percentage of Per Capita Disposable Income**



Note: Cost includes tuition and mandatory fees, and room and board.  
 Source: College Board, US Bureau of Economic Analysis, and SCHEV.

### Virginia’s National Ranking in Per-Student Funding

Tuition and fee rates are affected by institutional costs and by the amount of funding each state provides to support institutions and students. Many states with low tuition and fees have high rates of per-student state funding. Virginia is considered a state with high tuition and moderate to high student financial aid. The rationale for this approach is that it is more effective for the state to subsidize exclusively students who cannot afford to go to college without financial help. Chart 11 shows a comparison of Virginia per FTE funding with other states. In FY 2018, Virginia ranked low (39<sup>th</sup>) for state support and high for tuition (15<sup>th</sup>). States with lower tuition have higher state support. However, in **total funding per FTE** (the sum of state funding and tuition revenue), Virginia students received more funding than the national average.

**Chart 11: 2018 National Ranking in Per-Student Funding**

	State Fund per Student		Tuition per Student		Total Funds per Student	
	Amount	Ranking	Amount	Ranking	Amount	Ranking
VA	\$5,701	39th	\$9,632	15th	\$15,333	25th
NC	\$9,018	10th	\$4,769	44th	\$13,787	28th
MD	\$8,833	12th	\$8,620	19th	\$17,453	11th
National	\$7,853		\$6,713		\$14,566	

Source: State Higher Education Executive Officers



## EDUCATION AND GENERAL SUPPORT EXPENDITURES

As the core operation of higher education institutions, E&G programs account for more than 50% of the total higher education funding. Expenditures in E&G are categorized into functional program areas and by major object codes. Program areas are based on services and activities as described below. The Commonwealth accounting system uses object codes for categorizing expenses by major expense types for operations, including personnel services, contractual services, fixed assets and other operating expenses.

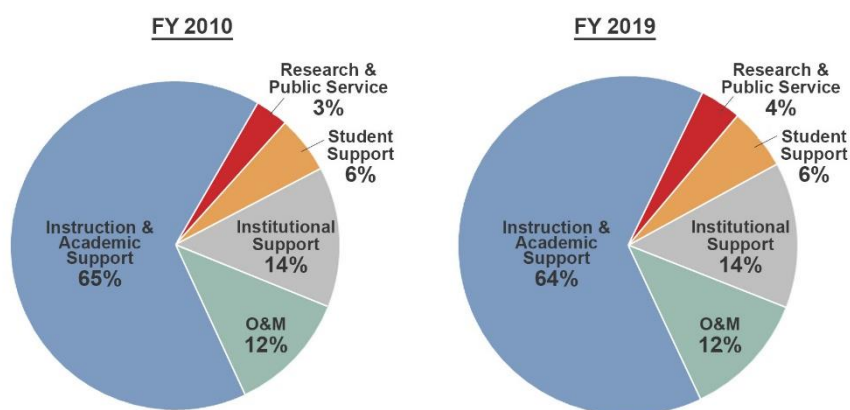
- 1. Instruction and Academic Support:** This includes activities related to instruction and academic services, such as direct instruction, libraries, academic support and personnel and curriculum development.
- 2. Student Support:** This includes services, such as student advising, counseling and career services, admissions, registration and student cultural development.
- 3. Institutional Support:** This includes fiscal operations and human resources management services.
- 4. O&M:** This includes operation and maintenance of public institutional facilities.
- 5. Research and Public Services:** This includes activities conducted by faculty.

The following section provides expenditures by program and object code, comparisons to other states and estimates on Virginia's cost per degree.

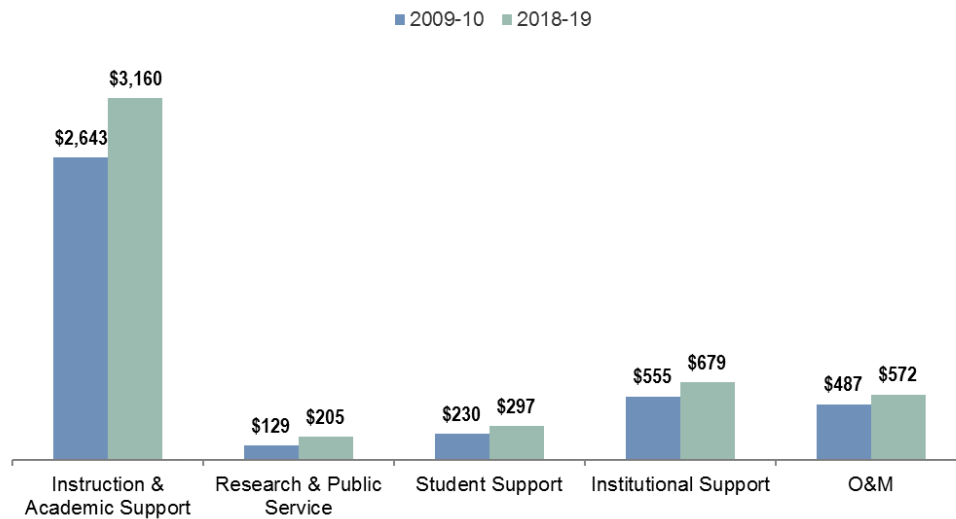
### Expenditures by Program Area at Public Institutions

The largest program expenditure is in the area of instruction and academic support. Over the past 10 years, the proportion of E&G expenditures by program has remained the same. (Chart 12). Instruction and academic support accounts for nearly two-thirds of expenses for E&G.

**Chart 12: E&G Expenditures by Program at Public Institutions**



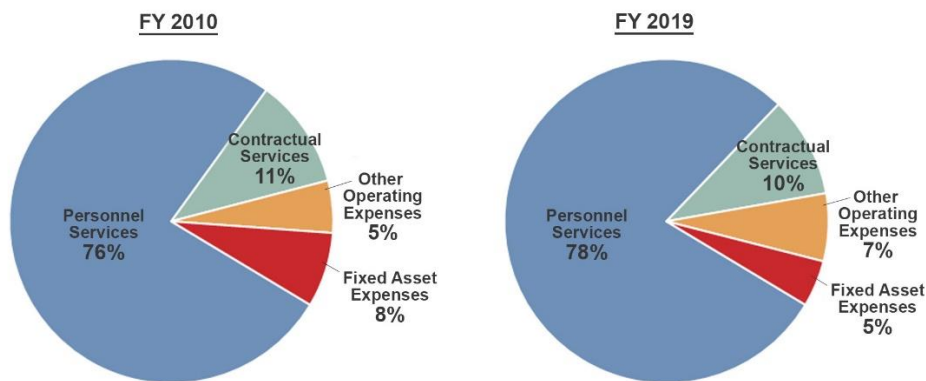
**Chart 13: E&G Expenditures by Program at Public Institutions (in FY 2019 constant dollars) (in millions)**



### Higher Education Expenditures by Major Object Code

Higher education is a human labor-oriented business. Chart 14 depicts the major spending areas in higher education by object code. Spending for personnel services accounts for more than three-fourths of the total E&G expenditures.

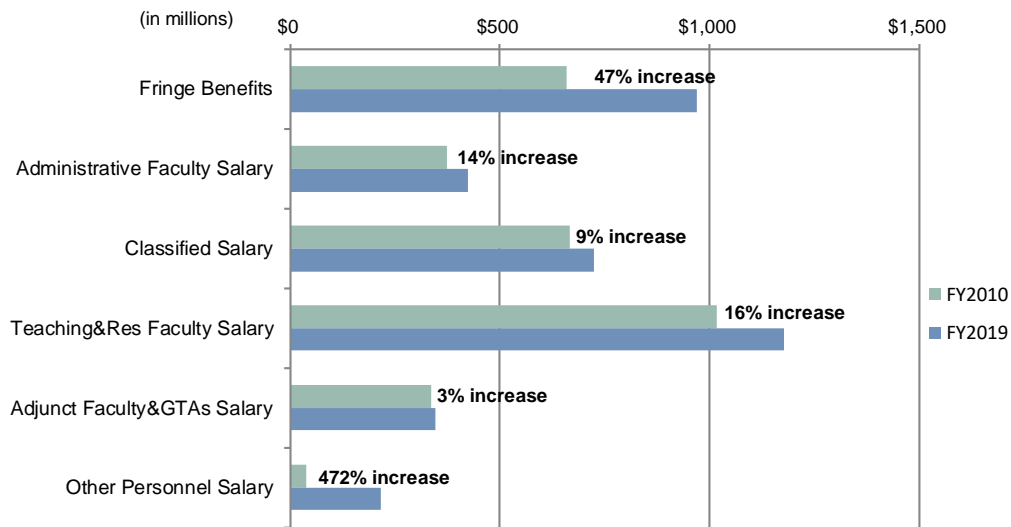
**Chart 14: Higher Education Expenditures by Major Object**



Notes:  
 Other operating expenses include continuous charges, supplies and materials, transfer payments, obligations and indirect costs.  
 Fixed asset expenses include equipment, property and improvements, and plant and improvements.

Salaries make up about three-fourths of the total personnel spending, and faculty salaries reflect the largest share of total salaries. Fringe benefits are personnel-related expenses (e.g., employer retirement contributions, health insurance, group life insurance). Chart 15 depicts the changes in personnel spending by object code over the past 10 years. The largest growth in personnel services from FY 2010 to FY 2019 was in fringe benefits.

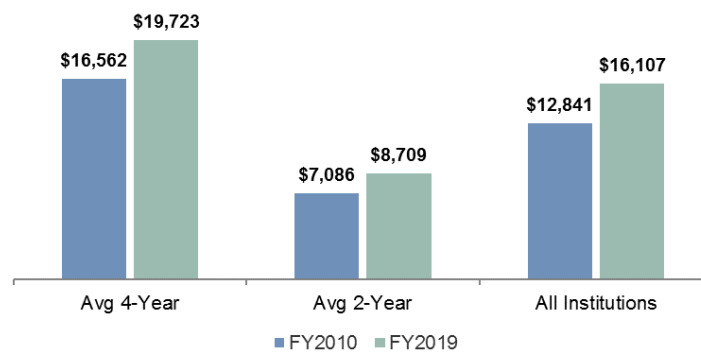
**Chart 15: Personnel Expenditures by Object (in FY 2019 constant dollars)**



### Expenditures Per FTE by Sector at Public Institutions

Expenditures also can be measured on a per-student FTE basis. In the past 10 years, after inflation adjustments, E&G expenditures per FTE saw an average annual increase of 1.4% at four-year institutions (Chart 16).

**Chart 16: Expenditures Per FTE by Sector at Public Institutions (in FY 2019 constant dollars)**



### Per FTE Expenditures by State

Compared with other states (2017-18), Virginia’s average expenditures per FTE was below the national average at two-year institutions by \$1,900 per FTE. The average expenditures per FTE at Virginia four-year institutions was about \$1,600 higher than the

national average but was \$2,700 below California which ranked the 10th highest spending state per FTE (Chart 17).

**Chart 17: Per FTE Expenditures and State Ranking in 2017-18**

Public Baccalaureate			Public Associate-Degree-Granting		
Rank	State	Per FTE Expenses	Rank	State	Per FTE Expenses
1	Hawaii	\$45,032	1	Wisconsin	\$21,437
2	Wyoming	\$42,319	2	Hawaii	\$17,752
3	New Mexico	\$41,235	3	Wyoming	\$17,117
4	Illinois	\$39,709	4	Maryland	\$16,234
5	Alaska	\$38,830	5	Oregon	\$15,247
6	Vermont	\$37,534	6	North Dakota	\$14,785
7	Oregon	\$35,333	7	Nebraska	\$14,690
8	Connecticut	\$34,292	8	Montana	\$14,600
9	Kentucky	\$33,508	9	New York	\$14,552
10	Minnesota	\$33,508	10	Massachusetts	\$14,252
19	Virginia	\$28,258	39	Virginia	\$9,337
	National	\$26,035		National	\$11,297

Note: Expenditures include spending for instruction, academic support, student services, institutional Support and O&M which was allocated to the other program areas.  
Source: IPEDS Finance 2017-18

## Cost Per Degree Year

Discussions of postsecondary education costs tend to focus on student affordability (tuition, fees and other costs) and state appropriations in E&G programs and financial aid. Both are important, but neither capture the complete cost to produce postsecondary credentials. Furthermore, student costs and state funding measure the inputs of higher education. Effective financial strategy should measure outcomes (the degrees produced) to better understand the value of the investment. SCHEV's [Strategic Finance Plan](#) introduced the concept of cost per degree year. This cost measure is determined by the total annual higher education expenditures (students and state funding), the time required to complete a degree and the total number of degrees produced each year. To avoid the volatility of the business cycle and enrollment spikes, aggregating 10 years' worth of data provides a more stable measurement.

The cost per completion provides a sense of the operating expenditures required for institutions to graduate students within the state's current postsecondary education system. The estimates are determined by:

- Summing the total education and related expenditures (state and family shares combined) over a 10-year period;

- Summing the state’s total completions (total number of degrees and certificates awarded) over a 10-year period;
- Multiplying the completions by the standard number of years needed for each type of degree (e.g., two for an associate degree) to get the completed degree years; and
- Dividing total expenditures by the standardized total completions.

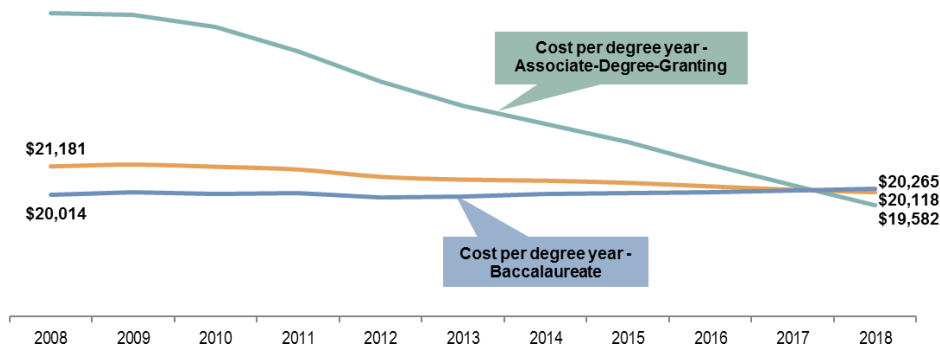
This relationship is expressed formulaically as:

The cost per degree year can be expressed formulaically as:

$$\text{Cost per degree year} = \frac{\text{Total postsecondary Education and General Program expenditures}}{\# \text{ of degrees conferred} * \text{Standardized time required to complete}}$$

SCHEV's Strategic Finance Plan found that Virginia’s cost per degree is lower than the national average and has decreased over time — for each additional expenditure, Virginia’s public institutions, on average, provide a better return on investment than other states and over time. This report updates that analysis with 2018-19 finance and award data. Overall the downward trend on cost per degree year continues, falling to \$20,459 per degree year. The state and students and families spent more on higher education, but more degrees also were produced. This efficiency is driven in large part by the two-year institutions, whose cost per degree year has declined over 30% in the last decade, whereas four-year institutions have increased slightly.

**Chart 18: Virginia's Total Higher Education Expenditures per Degree Year (in FY 2019 Constant Dollars)**



Virginia's cost per degree year was below the national average. Based on the calculation of the Lumina Foundation's Strategy Labs, the cost per degree year of all sectors was \$19,145 in Virginia compared to \$21,350 in the Southern Regional Education Board (SREB) states and \$23,350 nationally in a 10-year average of 2006-2015.

## **Conclusion**

Virginia higher education is a large and complex enterprise supported by over \$9.8 billion in appropriations. Within educational and general (E&G) programs – the core instructional and academic support functions – the state general fund provided over \$1.7 billion in FY 2020.

Compared to other states, Virginia appropriates less money per student and charges higher tuition. Combined, state appropriations and tuition revenues place Virginia 25<sup>th</sup> in the nation in total funding per student. Virginia's cost per degree is lower than the national average and has been decreasing over time.

In terms of expenditures, Virginia's public colleges and universities spend 64% of its total E&G expenditures in the program of instruction and 78% in personal services. These percentages have not changed significantly over the last 10 years.

The COVID-19 pandemic put a hold on a large increase in higher education appropriations (about \$380 million for the 2020-22 biennium) approved by the 2020 General Assembly. Institutions also held down tuition costs, resulting in little net increase in total appropriations in FY 2021 and 2022. The Governor and the General Assembly will revise revenue estimates in the coming months to determine whether and how much of the increased appropriations they can make available to support colleges and universities and the students attending them.