

# **State of Virginia Higher Education Funding : Data Elements and Budget Planning**

**Resource and Planning Committee  
July 13, 2020**



**STATE COUNCIL OF HIGHER  
EDUCATION FOR VIRGINIA**

# Report Purpose

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- To provide a baseline assessment of higher education funding in Virginia.
- To present findings and identify prominent issues that can become the basis for future funding decisions.
- Primary focus is on education and general funds (later analysis will look at financial aid and other areas).
- To seek council member feedback.

# Where the money comes from?

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**1. General fund=state support**

**2. Nongeneral fund=**

- Tuition and fee revenue
- Federal funds
- Private giving
- Other

# What does the money support?

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Program	General Fund	Nongeneral Fund
Education and General (E&G) Program: Instructional-related activities	X	X
Financial Aid	X	X
Auxiliary Enterprise: Athletics, recreational fees, parking, student organizations		X
Research	X	X
Other non-instruction funding areas: Tuition Assistance Grant, SCHEV funding, higher education centers etc.	X	X

# 2019-20 Appropriations to Higher Education

(in millions)

Program	General Fund		Non- General Fund	Total Appropriations	
	Amount	% to GF Total	NGF	Amount	% to Grand Total
<b>Educational and General<sup>1</sup></b>	<b>\$1,705</b>	<b>75%</b>	<b>\$3,628</b>	<b>\$5,333</b>	<b>54%</b>
Financial Aid <sup>1</sup>	\$249	11%	\$294	\$543	6%
Auxiliary Enterprise <sup>1</sup>			\$1,790	\$1,790	18%
Sponsored Research <sup>1</sup>	\$37	2%	\$1,650	\$1,686	17%
<b>All Institutions Total</b>	<b>\$1,991</b>	<b>87%</b>	<b>\$7,361</b>	<b>\$9,352</b>	<b>95%</b>
Tuition Assistance Grant	\$71	3%		\$71	1%
Other Higher Education Funding <sup>2</sup>	\$218	10%	\$164	\$382	4%
<b>Grand Total</b>	<b>\$2,280</b>	<b>100%</b>	<b>\$7,525</b>	<b>\$9,806</b>	<b>100%</b>

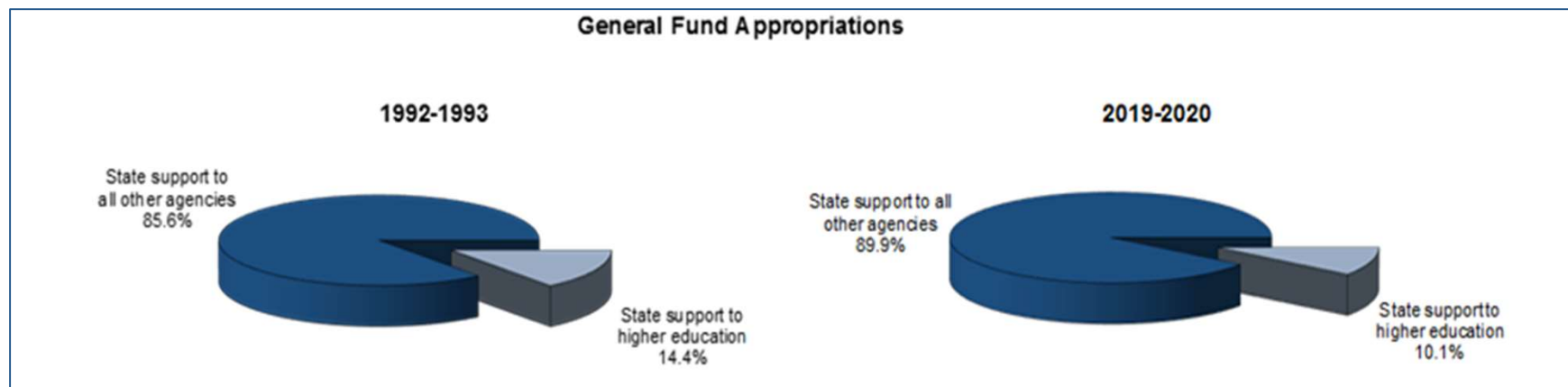
Notes:

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

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

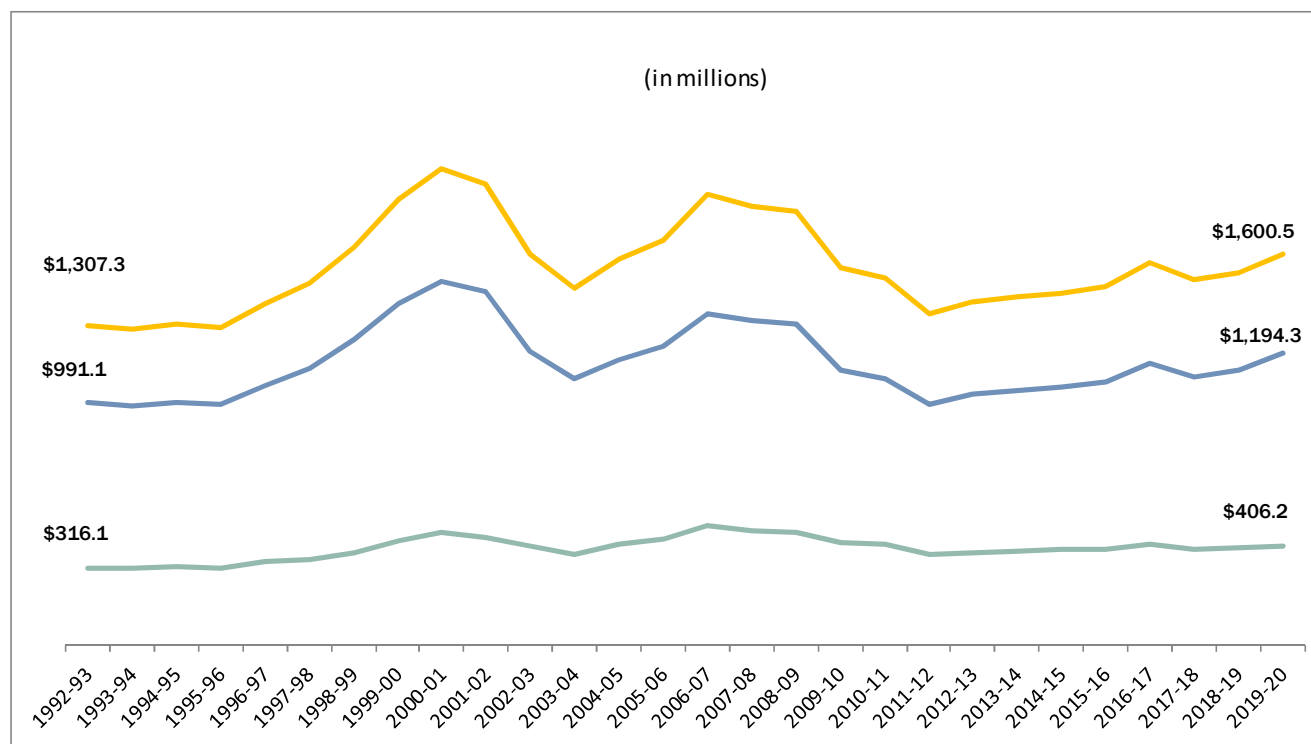
# Share of State Funds to Higher Education

- State support for higher education as a percentage of general fund has declined 4 percentage points, from 14% in FY1993 to 10% in FY2020
- Largest cost drivers of state budget: Pre-K-12, Medicaid, General Government



# State Appropriations for Educational and General Programs

(in 2019-20 constant dollars)



Increases often occur when state funds are available, but decline when they are not.

All Institutions: 22% change FY93-FY20

4-year Total: 20% change FY93-FY20

2-year Total: 28% change FY93-FY20

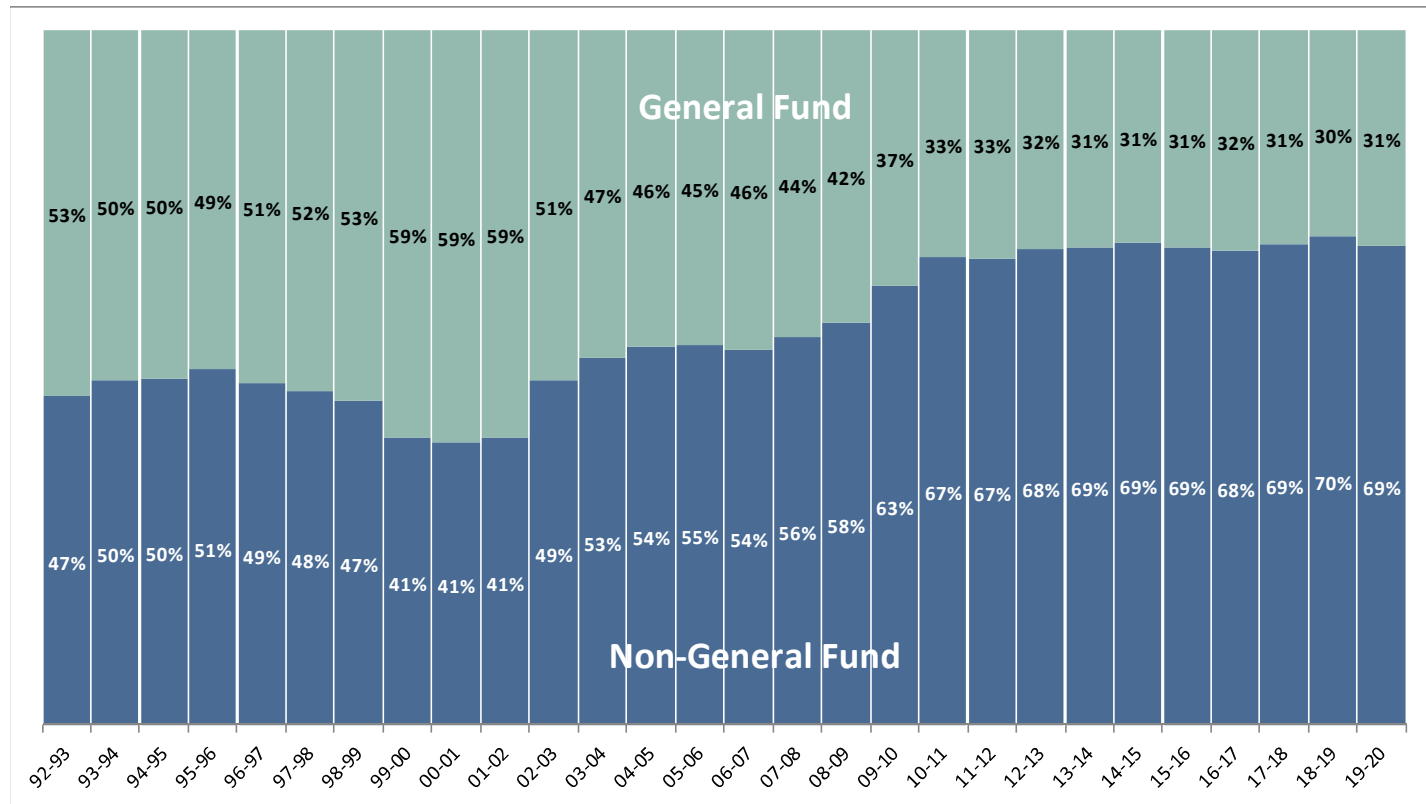
## Annual Increases of State Appropriations to E&G Programs and In-State Undergraduate Tuition





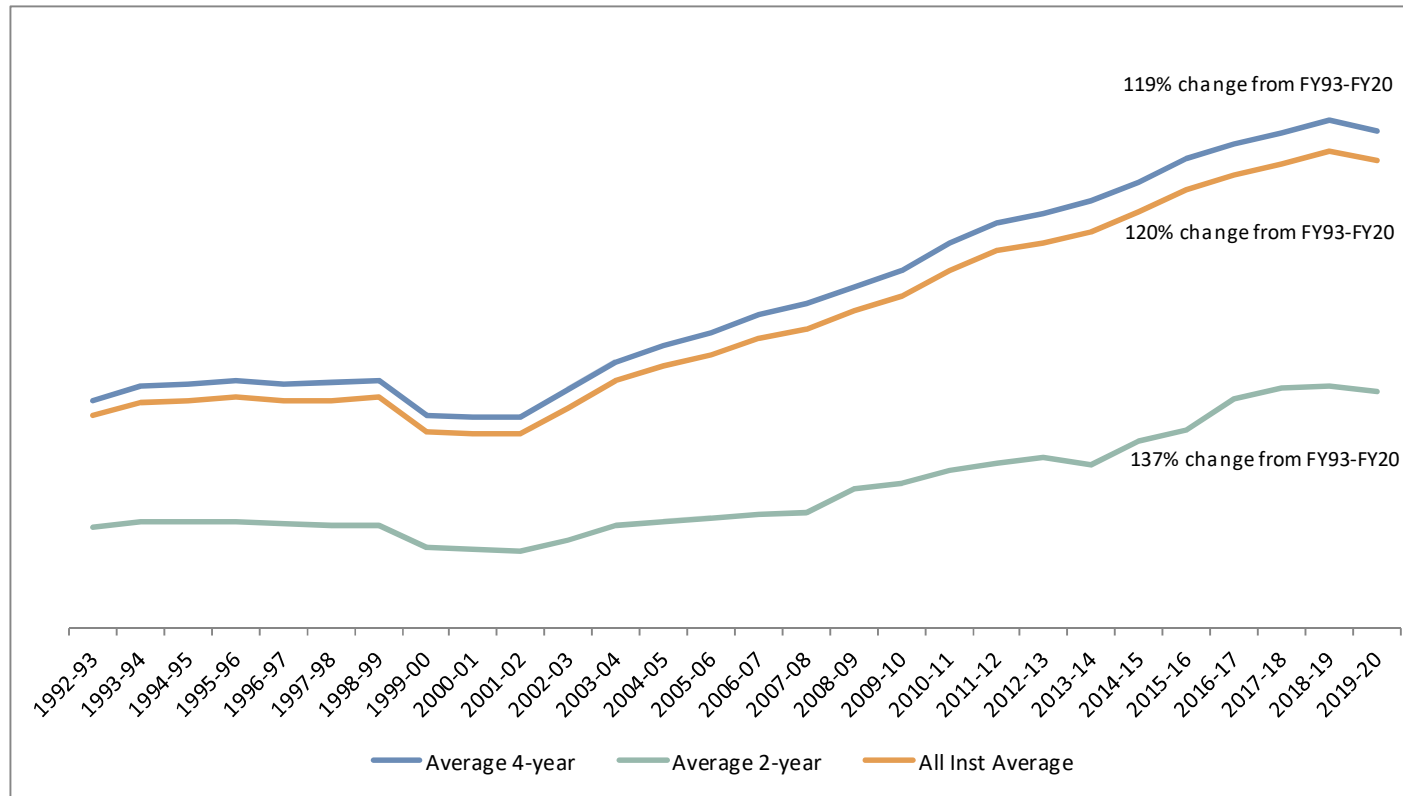
## Share of General Fund and Non-General Fund for Educational and General (E&G) Programs

The share of funding for education and general programs has shifted to students through increases of tuition and fees and enrollment of both in-state and out-of-state students



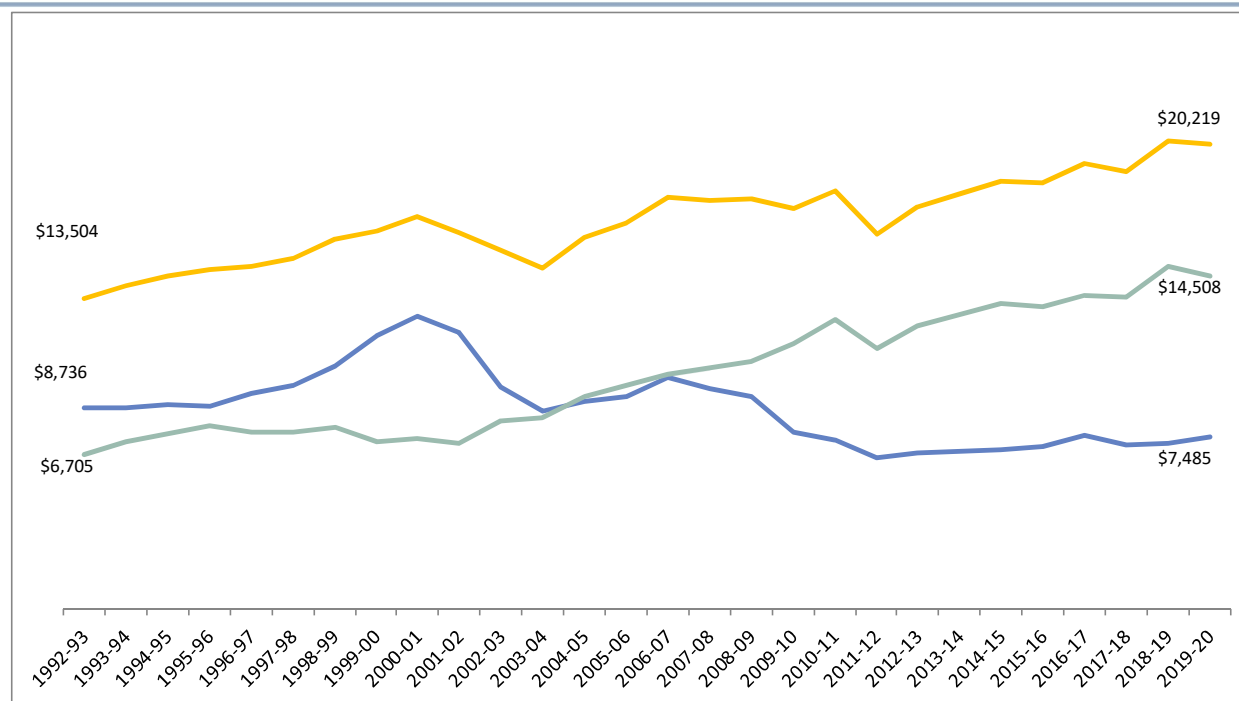
# In-State Undergraduate Tuition and Mandatory Fees

(in 2019-20 constant dollars)



While this chart shows the large increase in tuition and fees, it does not reflect the loss of state funds in a similar timeframe.

## Average Total Funding per FTE Student at Four-Year Institutions for E&G programs (in 2019-20 constant dollars)



Total per FTE: 50% increase FY93-FY20,  
average annual increase 1.8%

NGF/tuition and fees/FTE: 116% increase  
FY93-FY20, average annual increase 4.2%

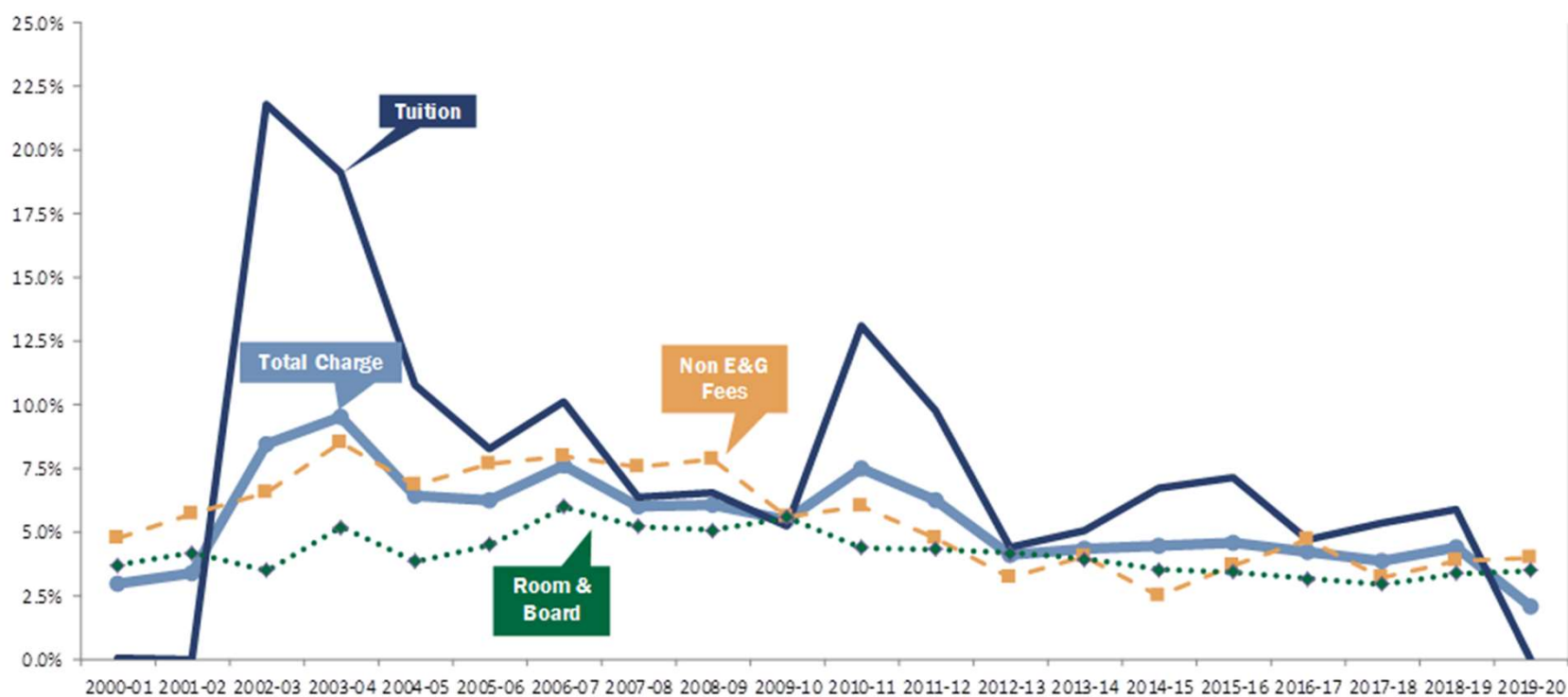
GF per In-State FTE: 14% decrease FY93-  
FY20, average annual decrease 0.5%

### Notes:

- (1) Total Funding per Total FTE is not the sum of General Fund per In-State FTE and Nongeneral Fund per Total FTE.
- (2) FY19 and FY20 enrollments were projected. All other years were based on actual enrollments.
- (3) Funding by fund comes from Chapter 854, 2019.
- (4) FY10 and FY11 Nongeneral Fund per Total FTE include funding from the American Recovery and Reinvestment Act of 2009.
- (5) General Fund per In-State FTE has decreased by 41.2% from the peak year of FY2001 to FY2020.

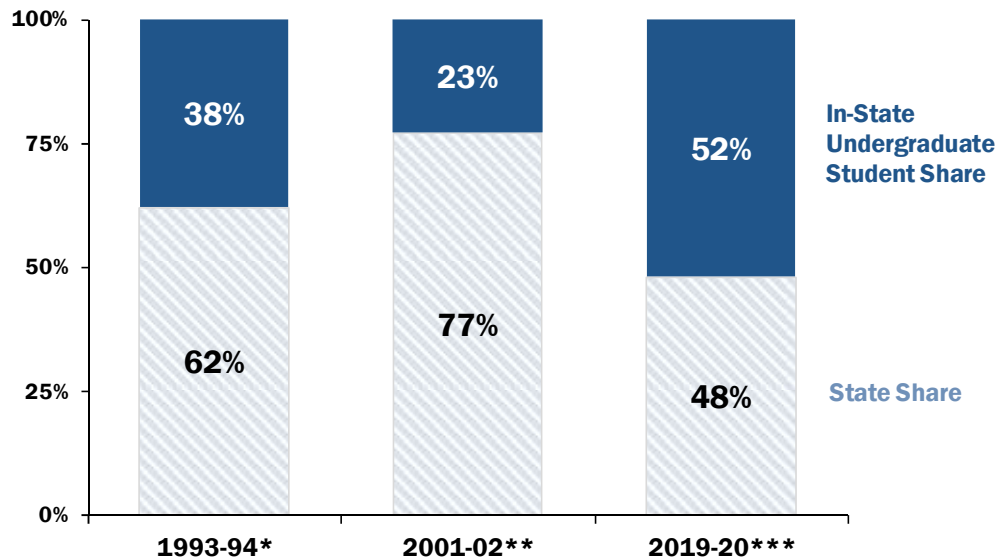


## Annual Increases of In-state Undergraduate Cost by Type at Baccalaureate Institutions



## Cost Share between State and In-State Undergraduates

The state has a cost share policy that applies to in-state students. The cost share goal is 67/33. The state share increased 3% percentage points from 2018-19 due to increased state funding



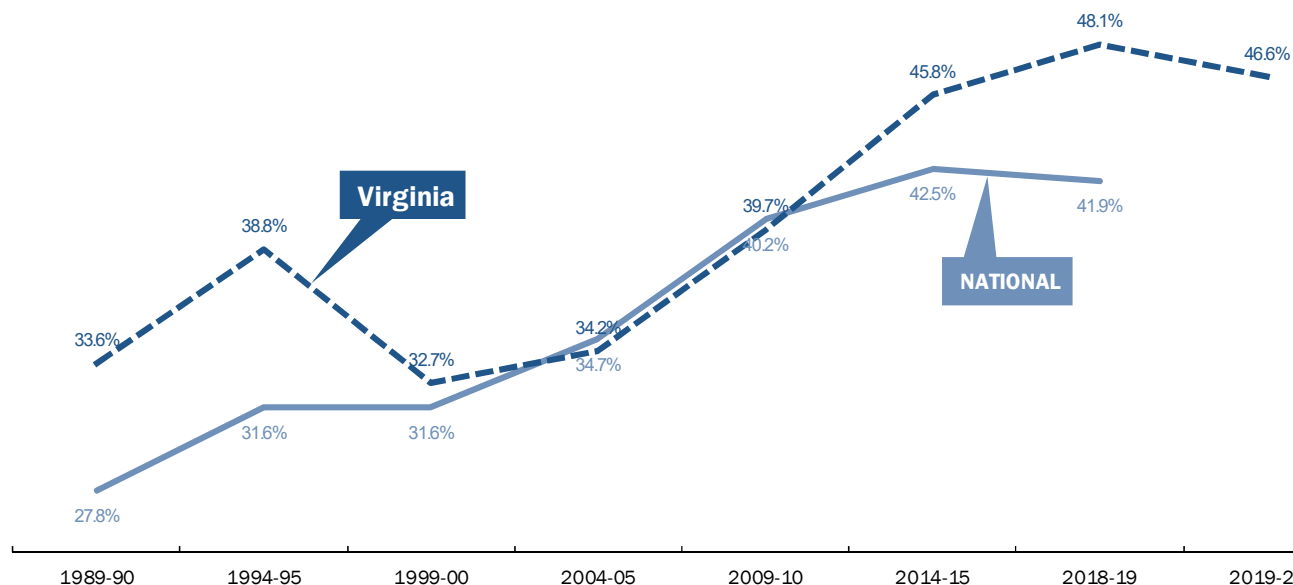
\*The tuition policy required out-of-state students to pay 100% of cost, but had no cost-share requirement for in-state undergraduate students. Calculation based on the average appropriated cost of education.

\*\*The goal of the tuition policy was for in-state undergraduate students to pay 25% of the cost. Calculation based on the average appropriated cost of education.

\*\*\*The goal of the tuition policy is for students to pay 33% of the cost. Calculation based on average guideline calculated cost of education.

## Average Public 4-Year Total Undergraduate Charges As a Percent of Per Capita Disposable Income

The gap of college cost as a % of family income has widened between Virginia and National since FY2010

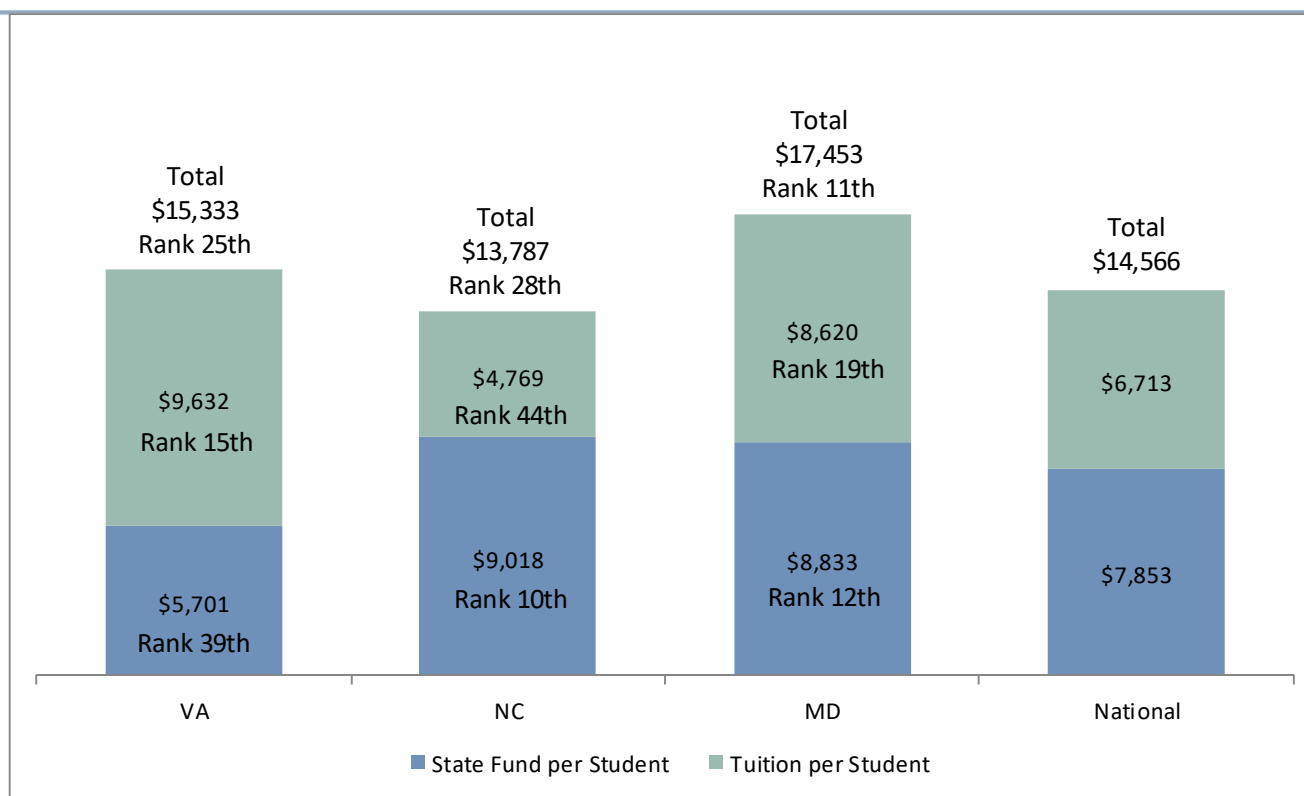


Note: Cost includes tuition and mandatory fees, and room and board.

Source: College Board, US Bureau of Economic Analysis, and SCHEV.

# 2018 National Ranking in Per-Student Funding

Virginia ranks low (39<sup>th</sup>) for state support and high on tuition. States with lower tuition have higher state support.

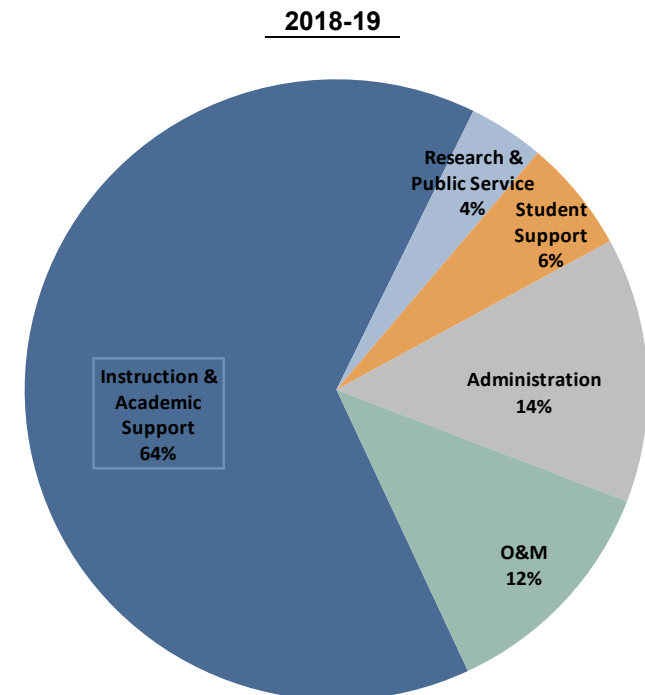
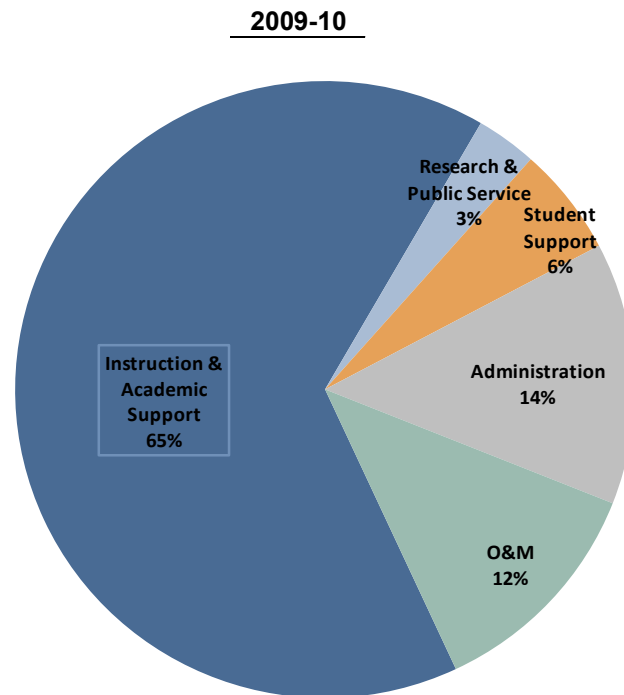


Source: State Higher Education Executive Officers.

# Where the money is spent

E&G Expenditures by Function at Public Institutions

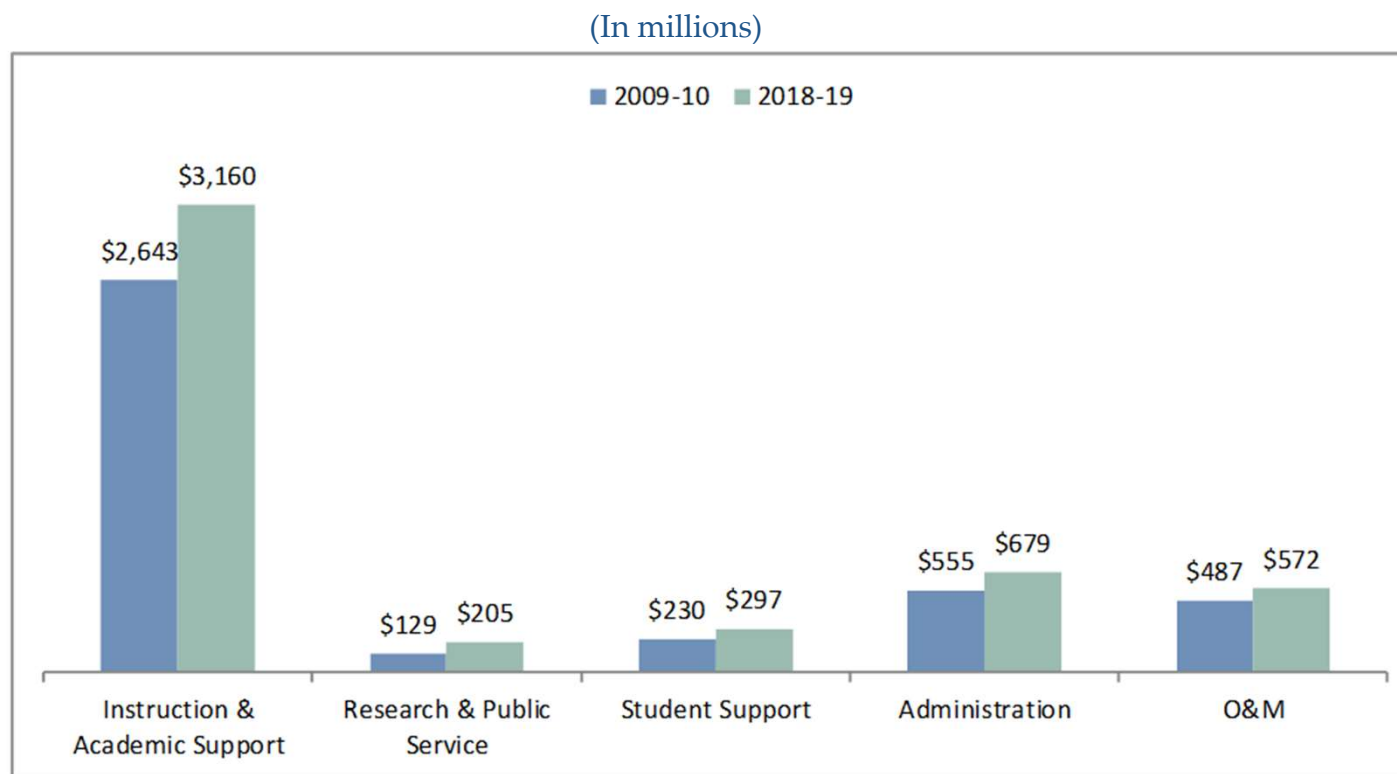
The proportion of expenditures by function has not changed in the last 10 years.





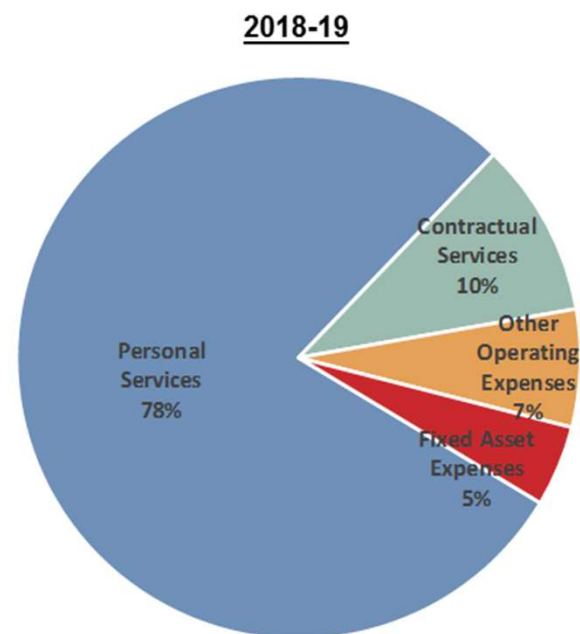
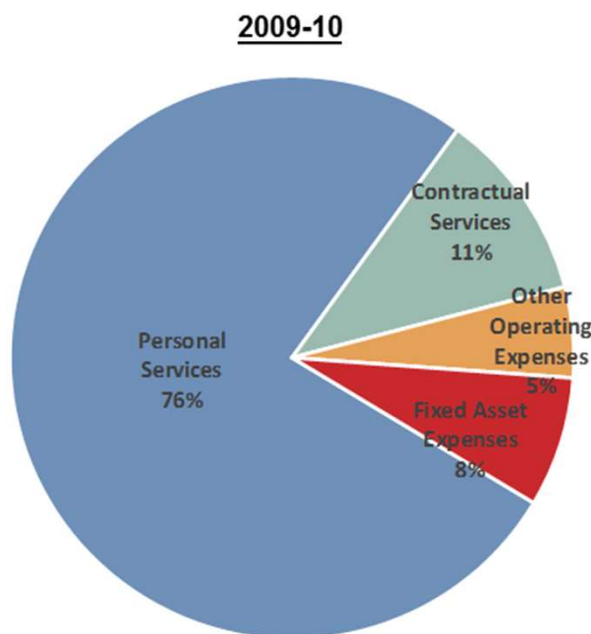
## Inflation Adjusted E&G Expenditures by Program at Public Institutions (in 2018-19 constant dollars)

The largest expenditures are in instruction and academic support



# Higher Education Expenditures by Major Object

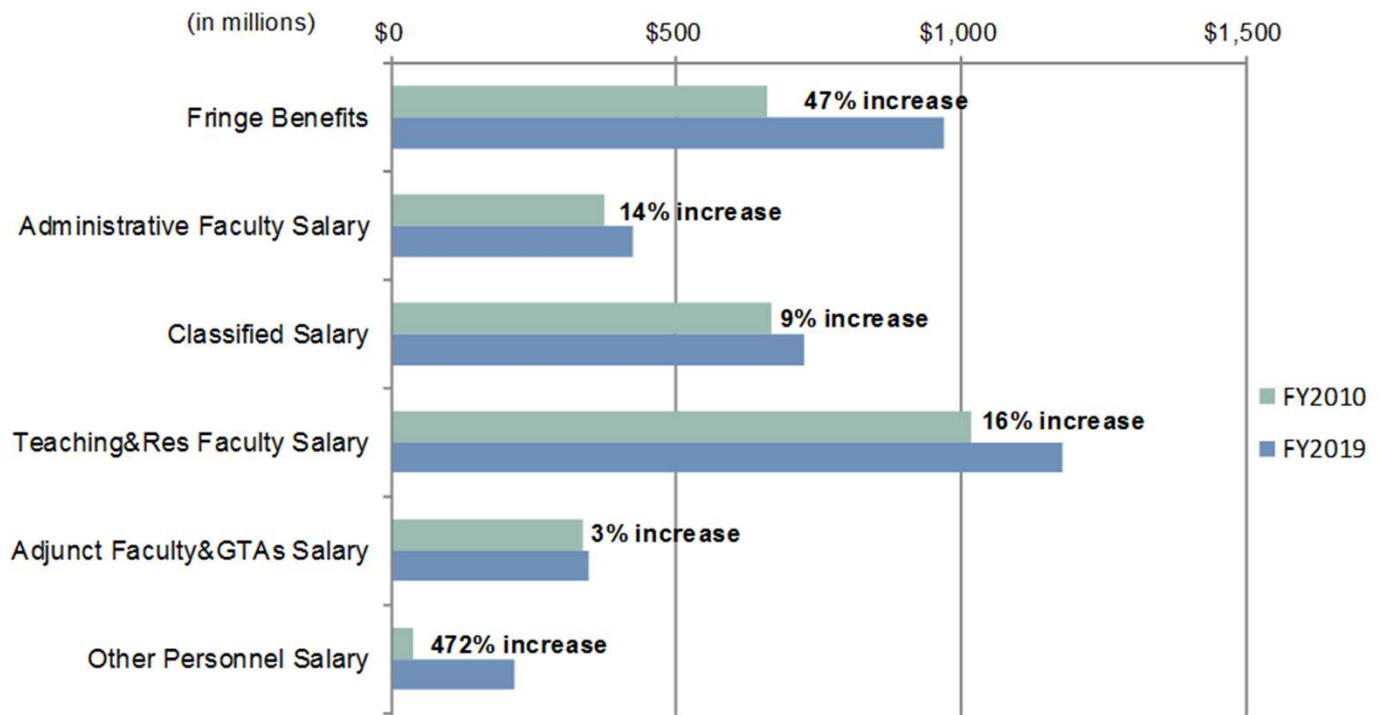
The biggest driver in higher education expenditures was personal service, accounting for  $\frac{3}{4}$  of the total spending in E&G



# Higher Education Personal Expenditures by Category

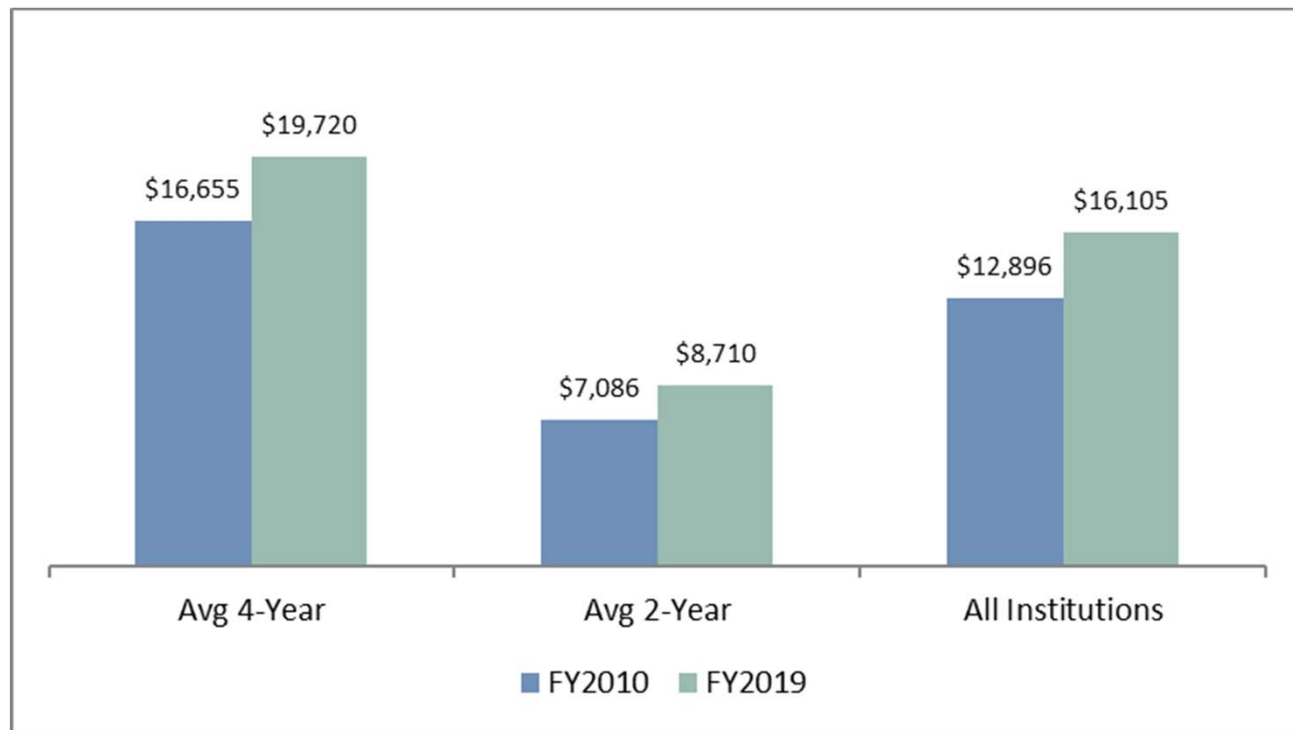
(in 2018-19 constant dollars)

While salary expenditures have increased since FY 2010, fringe benefits also drove cost increases



## Inflation Adjusted Expenditures per FTE by Sector at Public Institutions (in 2018-19 constant dollars)

Average annual increase is 1.4% for spending per FTE at 4-year institutions in the past 10 years.



## Per FTE Expenditures and State Ranking in 2017-18

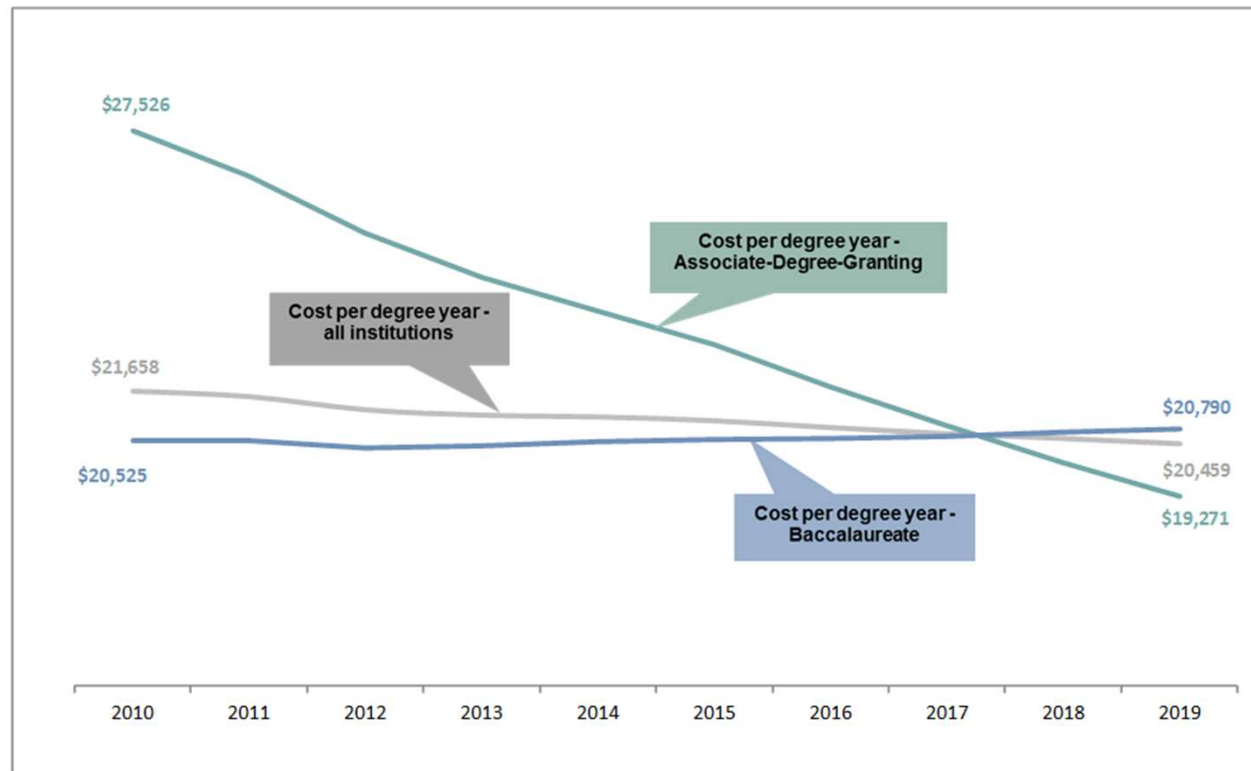
Nationally  
Virginia per  
FTE  
spending is  
in the second  
quartile for  
4-year  
institutions  
at the lowest  
quartile for  
2-year  
colleges

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

# Cost per degree year

Virginia's cost per degree is lower than the national average and has decreased over time.

The measures of per FTE spending and Cost per degree year showed Virginia operations more efficiently and effectively in national comparison



## Summary of data analysis

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- **Changes in tuition and fees are often correlated with the level of state funding support.**
- **Virginia provides less state funding when compared to other states. This leads to higher tuition and fees.**
- **To address affordability, Virginia is often referred to as a high tuition/high financial aid state.**

## Summary of data analysis (cont'd)

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- The state is not meeting its cost share goal for in-state undergraduates.
- Major cost drivers are salaries and fringe benefits.
- No major shifts in spending by area (remains high in instructional staff compared to other areas).



# COVID Budget Impacts

# Spring impacts

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- **Expenses**

- Technology for distance learning (faculty and students if needed)
- Facility cleaning/disinfecting

- **Lost Revenue**

- Dorm, meal and parking refunds
- Cancelled events

# Fall potential impacts

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- **Additional costs:**
  - Technology infrastructure
  - Personal protective equipment, building modifications, sanitizing and disinfecting
- **Potential revenue losses from:**
  - Enrollments
  - Auxiliary services (dorms, meal plans, parking, etc.)—many with fixed costs/debt
  - Research
  - Endowments and giving
  - State budget cuts

# Institution risks

	Enrollment impact overall	Risks
Selective	Less risk on enrollments as they can use their waitlist; may have more resources for financial aid to address cost	May lose more out-of-state and international students; larger endowments to help but those may be impacted; less reliance on state funding if cuts occur
Less selective regional institutions	More risk on enrollments as some prospective students could go to more selective institutions	May lose in-state students to more selective; endowments are smaller; greater reliance on state funds if cuts occur
Community college	TBD	TBD

# CARES support for higher ed

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- **Higher Education Relief Fund (HEERF): \$343 million for VA public and private institutions:**
  - Institutional support
  - Direct aid to students
  - Minority-serving institutions
  - U.S. Secretary of Education discretionary funds
- **Governor's Education Relief Fund (GEERF): \$66 million for pre-K-12 and higher education**
  - \$23.4 for higher education focused primarily on aid: \$14.5 million (4-years and RBC), \$4.9 million for VCCS, \$3.8 for Tuition Assistance Grant-eligible institutions and \$175,000 for higher education centers
- **Coronavirus Relief Fund (CRF): \$1.8 billion for COVID-related expenses for all state agencies, including higher education**

# CARES Act support for higher ed

Fund	Public	Private
HEERF	(millions)	(millions)
Institutional support	\$105.2	\$25.8
Direct aid to students	\$105.2	\$25.8
Minority-serving institutions	\$26.4	\$14.6
US. Ed Discretionary Fund	TBD	TBD
GEERF	\$19.7	\$3.8
CRF (higher education reimbursements for FY 2020)	TBD	NA

# COVID summary impacts

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- While CARES Act funds covered some costs, it did not make institutions whole.
- Many institutions had either no or minimal tuition and fee increases for the coming year.
- Institutions could face enrollment losses and other revenue losses in the coming year.
- Institutions with greatest risk to be impacted by funding losses are those that are less selective, rely more on state funds, have smaller endowments and serve more underrepresented populations (minority race, low-income, rural and adults).

# What is SCHEV doing

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- SCHEV is coordinating with Governor and money committee staff to assess FY 2020 losses and anticipated losses for FY 2021.
- Staff is looking at impacts of potential state budget cuts – particularly for institutions that are at the greatest risks (less selective, serve more minority and low-income students, rely more on state funds and have smaller endowments).
- SCHEV is reviewing “what if?” scenarios to assist with planning.
- Equity is a key focus.



# SCHEV budget and policy planning

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- While COVID will impact budget and policy decision in the coming year, the need to focus on goals of The Virginia Plan and priorities areas remains the same.
- Special session: Could be in late August
- 2021 Session: Council and staff will need to consider recommendation approaches in light of budget impacts to the state and institutions

# Priority areas for discussion

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- **Equity:** How do we ensure that students who are most at risk and who have the greatest gaps in attainment are served equitably?
- **Access:** What is the role of the state to help institutions given the populations they serve?
- **Affordability:** What types of aid should be considered to better support students?
- **Completion:** What types of completion strategies should be considered?
- **Innovation/Funding:** What types of operational efficiencies should be implemented/supported? How should the state support higher education shifts over the short- and long-term that may occur?
- **Quality:** How should institutions ensure quality of services if more learning will need to be offered remotely?
- **Workforce/economic development:** What types of efforts are needed to support changes in the workforce or economic needs of the community?