The Higher Education Opportunity Act of 2011 included the requirement for institutions to submit six-year plans:
- Enrollment
- Academic
- Financial

A six person advisory committee (OPSIX) was established to review the plans and provide feedback to the institutions:
- Sec Finance & Education
- Director SCHEV & DPB
- HAC Staff Director
- SFC Staff Director

Plans would be approved by each Board of Visitors after feedback from the OPSIX:
- Plans assume no new general fund & reflect tuition & fee increase requirements

General Assembly & Governor would have this information available prior to Session to inform their funding decisions.
Six-Year Plans

- Three sections:
  - Enrollment
  - Academic
  - Financial

- Academic / Financial sections are merged together and encompass the programmatic and resource requirements for enrollment growth assumptions, new initiatives, and institution operating issues
  - In addition, the current six-year plan also addressed capital outlay & restructuring issues
ENROLLMENT
4-Year Institution Enrollment Plans

- Actual college enrollments at 4-year institutions grew by about 15% for the ten-year period from 2006 to 2015 or almost 26,000 students
  - An average annual growth of about 1.5%
- Going forward 4-Year institutions project growth of about 13,500 from 2015 to 2022 or slightly less than about 7 percent
  - A projected average annual growth of less than one percent
- About 86% of the projected growth is attributable to undergraduate students with over three-quarters coming from in-state students
  - Six institutions comprise about almost 90 percent of the projected growth in undergraduates – GMU, ODU, VCU, VT, JMU & VSU
- Improvements in student retention are primary growth driver
  - New first-time students (about 15%) & transfers (about 8%) make up less than one-quarter of the growth
Four-Year College Actual & Projected Enrollment (Annual FTE)

From 2006 to 2015, actual enrollment grew by about 15%

Projected growth from 2015 to 2022 is slightly less than 7%

Average annual growth of about 1.5%

Projected average annual growth of about 0.9%
2-Year Institution Enrollment Plans

- Actual college enrollments at 2-year institutions grew by about 25% for the ten-year period from 2006 to 2015 or almost 23,000 students
  - An average annual growth of about 2.5%
  - Enrollment has actually declined since the 2012 peak reflecting improving economic conditions
- Going forward 2-Year institutions project growth of about 3,800 from 2015 to 2022 or slightly more than 3 percent
  - A projected average annual growth of less than one-half percent
- The two-year projected growth is somewhat uncertain as it is driven by VCCS which is open enrollment and subject to economic cycles
Two-Year College Actual & Projected Enrollment (Annual FTE)

- Actual enrollment: Average annual growth of about 2.5%
- Projected enrollment: Projected average annual growth of about 0.5%

From 2006 to 2015, actual enrollment grew by about 25%.

Projected growth from 2015 to 2022 is about 3%. 
In recent years the General Assembly has focused funding as follows:

- New enrollment funding at institutions with higher graduation rates, i.e. 65% or greater
- Increased transfers at other institutions
- Improving retention & graduation
- Since the 2011 Session, over $60 million has been provided for new undergraduate in-state seats, new transfers, and improved retention & graduation alone

These projections generally reflect those efforts:

- About two-thirds of new first-time enrollment is occurring primarily at those institutions with higher graduation rates
- Similarly, almost two-thirds of projected new transfer growth is occurring at those institutions identified last session for increased transfer funding as well as transfer grant incentive funding
The Transfer Grant program provides grants of $1,000 to $2,000 (STEM) to eligible students who complete an associates degree and transfer to a four-year institution.

During the 2015 Session, $600,000 was provided to six institutions to increase the number of transfer grant eligible students (ODU, VCU, UVA-Wise, NSU, Radford, VSU) by providing an additional $1,000 incentive:
- Improves access & affordability – up to $3,000 in aid available

Each institution has indicated that they are moving forward with plans to achieve this goal:
- Partnering with local community colleges to get information about this incentive to prospective students
- College fairs & recruitment visits with high school students
- Financial aid days
- Academic advisors sharing information
FINANCIAL / ACADEMIC PLANS
Financial / Academic Plans

- Institutions did not treat 6YP funding guidance assumption consistently
  - Some assumed new GF others assumed no new GF in their calculations
  - We will focus on the total plan cost amounts as opposed to tuition only
- Institutions outlined spending proposals totaling about $883 million for the biennium with the following priorities:
  - Salary increases & compensation for faculty & other staff (39% or about $346 million)
  - Financial aid (6% or about $48 million)
  - Enrollment, O & M, Base Funding, additional faculty & staff (24% or about $207 million)
  - Specific Initiatives such as student success, retention, research, workforce, online programs & STEM (26% or about $230 million)
  - Library, Technology and Misc. comprise the remaining 5% or about $52 million in requests
Salary Increases & Compensation

- Each institution has identified faculty & staff salary increases as a high, if not the highest, priority for new spending.
- Proposed teaching faculty salary increases range from a non-percentage based pool at Longwood to 6% at the CWM.
  - The funding pool approach identifies salary needs to meet recruitment, retention, equity & compression issues.
  - Most institutions are in the 2% to 5% range with a slightly lower range for admin faculty.
- Only about half of the institutions propose classified employee increases with ranges similar to admin faculty.
- Most institutions fund some portion of the proposed increases under their tuition only revenue assumptions.
Salary Increase Policy Questions

- Colleges face competition to recruit & retain faculty especially given that faculty are mobile
  - National vs Regional
  - Discipline
- Institutions have staked a claim on the authority to provide faculty and/or staff salary increases absent a statewide initiative
  - No specific guidance, limits or calculations have been provided and the equity question still exists
  - Is it reasonable to have some segments of state government providing salary increases?
- How should the state treat the “Haves” vs. the “Have-nots”?
  - Providing increases is cost prohibitive at some colleges – an equity issue
  - Some institutions will not be able to provide increases to all employee groups
- Who is responsible for the impact of any increase on other items?
  - VRS & other fringe benefits
- Greater clarity should be provided with future increases related to merit-based vs. across-the-board
  - Consistent with institutional requests, legislative intent was clearly merit-based
  - There have been some questions raised about this in budget execution
Financial Aid

- Institutional proposals in the six-year plan generally center on the use of tuition for financial aid
- However, institutions expect the state financial program funding to increase general fund support
  - SCHEV makes this a high priority in its annual recommendations
  - Recent Council recommendations would require about $56 million GF over the biennium relative to the existing methodology
Financial Aid Drivers: Cost of Attendance (COA)

- Cost of Attendance is institution-specific
- Includes actual charges for:
  - Tuition and mandatory E & G fees
  - Mandatory non-E & G fees (“Comp Fee”)
  - Room & Board (allowances are provided for students living at home and VCCS)
- Institution-specific calculated allowances for:
  - Books & supplies
  - Transportation
  - Misc. personal & other expenses
- Cost of attendance (COA) is the building block of financial aid calculations
  - COA is used to determine student loan borrowing
  - COA less expected family contributions and other gift aid determines state financial aid requirements
Change in the Cost of Attendance at 4-Year

- COA increased by $7,160 of about 44% from ‘07 to ‘14
- Tuition charges increased by an average of $2,794 and drove 39% of the total change in COA
- Auxiliary Enterprises (Room & Board and Comp Fee charges) increased by $3,602 and drove 50.3% of the total change in COA
  - Room & Board impacted over two-thirds of that increase
- Calculated Allowances increased by $765 and drove 10.7% of the total change in COA
Change in the Cost of Attendance at VCCS

- COA increased by $4,001 or about 37% from ‘07 to ‘14
- Tuition charges increased an average of $1,631 and drove about 41% of the total change in COA
- Auxiliary Enterprises did not change and the charges are negligible ($14 annual fee)
- Calculated Allowances increased by $2,370 and drove about 59% of the total change in COA
  - While the VCCS has no dorms or food service, the federal allowance policy for such costs was responsible for over 55% of this change
State Undergrad Fin Aid Has Increased Since FY 07
4-Years = 56% & VCCS = 108%
Pell Grants Increases Since FY 07 Are Significant
4-Years = 180% & VCCS = 247%
Total Loans grew by almost 83% at 4-Years but over 350% at the VCCS
- Outpaces COA increases which as previously noted were 44% at 4-years and 37% at VCCS

Growth in students with family incomes below $50,000
- 32% at 4-years and 85% at VCCS

Federal policy changes in 2008 allowed for greater borrowing at lower interest rates
- Feds also instituted PAYE
Change From ‘07 to ‘14 in COA, Pell, State Aid & Loans

<table>
<thead>
<tr>
<th></th>
<th>COA</th>
<th>Pell</th>
<th>State Aid</th>
<th>Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-Years</td>
<td>43.7%</td>
<td>179.4%</td>
<td>56.3%</td>
<td>82.8%</td>
</tr>
<tr>
<td>VCCS</td>
<td>37.2%</td>
<td>246.8%</td>
<td>107.8%</td>
<td>353.1%</td>
</tr>
</tbody>
</table>

- COA growth from ‘07 to ‘14 driven mainly by non-academic costs which accounted for 50 percent or more of the change.
- Pell & State grants grew significantly and more than kept pace with changes in COA.
- Use of Loans increased significantly despite the increase in grants.
- Student financial demographic changes explain this in part.
- Federal policy changes also a factor.
Use of Tuition as Financial Aid

- All institutions propose using a portion of new tuition revenues for financial aid or setting aside a portion of tuition revenues for financial aid
  - Based on the financial aid survey in the revised six-year plans
- About 35% of the tuition used for fin aid is directed at in-state undergrads
- The amount of in-state undergraduate tuition funds used for financial aid ranges from 0% at GMU to almost 25% at VSU
  - For most institutions the proportion of tuition revenue used for in-state financial aid is below 6%
- Three institutions (CWM, UVA & VMI) are in the mid- to upper-teens, in terms of the proportion of in-state undergraduate revenue being generated for financial aid purposes
  - CWM is nearing twenty percent
  - No national norms available
Financial Aid Policy Questions

- Financial aid reform has been a topic for several sessions
- COA is driven by federal methodology & institution-specific calculations
  - Anomalies and inconsistency in the data between institutions
  - Should we require SCHEV to standardize?
    - Statewide / Regional Averages for allowances
    - Look for ways to reduce textbook costs
- Should state policy place limits on the reallocation of tuition revenue for financial aid purposes?
  - Amount Limits: Percentage / Dollar
  - Use Restrictions: I/S do not subsidize O/S
- Should colleges be required to account for the amounts generated by student group?
  - Transparency for parents / students
  - Fairness & sustainability questions remain
Higher Education Research & Development (NSF 2013)

- Primarily a focus for GMU, ODU, UVA, VCU & VT especially in cancer & biosciences
- Top ten academic research states are CA, NY, TX, PA, MD, MA, IL, NC, MI, OH
  - The same states comprised the top ten in 2001
- Johns Hopkins University has been ranked # 1 since 1989
  - It accounts for slightly more than 3 percent of all research expenditures (about $2.2 billion) driving Maryland’s ranking
- NC Research Triangle
  - UNC, Duke, & NC State are all highly ranked research institutions (consistent top 25 rankings for Duke & UNC and top 50 for NC State)
  - Combined they total about $2.4 billion or 3.6% of total R & D
- Virginia’s top three research institutions (VT, UVA, VCU) combined are about 1.5 percent (about $1.1 billion)
  - VT has generally been ranked in top 50 and recently moved into the top 40
  - UVA has generally been in top 75 and recently moved into the top 60
  - VCU ranking has generally been around top 100
Research Issues

- Funding aimed at trying to improve rankings may not be the most effective use of limited resources.

- There is remarkable consistency in the academic research rankings over the last four decades:
  - Composition of the top tiers is fairly consistent with less than a handful of institutions moving out of the top 40.

- Relative proportion of spending at each tier is also consistent. For example, according to an NSF survey of higher education R & D, since 1996:
  - Top 10 consistently comprise about 18% of total R & D.
  - Top 20 consistently comprise about 31% of total R & D.
  - Top 40 consistently comprise about 50% of total R & D.
Potential Strategies to Increase R & D in Virginia

- Target investments that support national research focus
  - Health-related research such as cancer & brain disorder
- Focus efforts at certain disciplines and institutions
- Expand the research capacity of key institutions to allow for key faculty recruitment
  - Add new or renovate existing space
  - Continue / expand HEETF research equipment
- Public-Private Partnerships
  - Look for more collaborative opportunities with industry and other institutions
- Intellectual Property Issues
CAPITAL OUTLAY
Capital Budget Submissions

- More than 330 capital budget requests involving general fund support totaling about $8.2 billion in the 2016-18 biennium
  - Higher education institutions including extension, VIMS, EVMS and higher centers have 225 or about two-thirds of the project requests and comprise $6.7 billion or over 80% of the GF dollars requested
- These requests do not yet reflect the review performed by DGS
- Of the total projects, 41 have been previously authorized by the General Assembly to proceed through the planning phase
Projects Previously Authorized for Planning

- As noted there are 41 projects that were approved to complete planning using either central planning funds or agency/institution funds.
  - Higher education institutions were generally required to fund all or at least half of all project planning.
- Based on a recent DGS review the value of these 41 projects is about $1.6 billion.
  - Higher education comprises 24 projects and about $946 million.
- Further project review will be conducted to determine appropriate fund splits (research, auxiliary enterprises), equipment requirements, and actual project readiness to proceed.
Other Capital Outlay Factors

- Prior commitments for certain projects
  - Vet Care Centers
  - Wastewater
  - Project Supplements

- Legislative Priorities & Considerations
  - Renovation & Re-purposing of Existing Space vs. New Construction
  - Research as an economic development catalyst
  - Debt capacity and potential use of one-time GF
    - Preliminary debt capacity has increased to about $540 million average annual for the ten-year period
    - What is a prudent amount of debt to authorize?
  - Factor in growth / decline and trends in enrollment

- Project price requests are significantly higher than recent experience
  - Do we consider funding based on standardized pricing per square foot for certain project types (classroom, lab, office, science, admin, research, etc.)?
  - Require greater value engineering, fund raising, or scope changes?
Questions