

Virginia
Postsecondary
Strategic Finance
Planning

Richmond, Virginia

October 23, 2018

STRATEGY LABS

State Policy to Increase Higher Education Attainment



SUPPORTED BY
Lumina[™]
FOUNDATION

Agenda

- Background/Scope of Work
- Goal Assessment
- Assessment of Cost
- How Finance/Who Pays
- Investments/Strategies that Produce Outcomes
- Next Steps



BACKGROUND & SCOPE OF WORK

Background/Scope of Work

- Presentation to the Joint Subcommittee on October 26, 2017
 - Confirmed support for state goals articulated in The Virginia Plan for Higher Education:
 - Be the best-educated state by 2030 (70 percent of adults with high quality credential or degree)
 - Access/affordability
 - Student success and completion
 - Traditionally underserved populations
 - Innovation and efficiency
 - Workforce needs/economic development/research
- Joint Subcommittee supported work on a Talent Finance Plan.

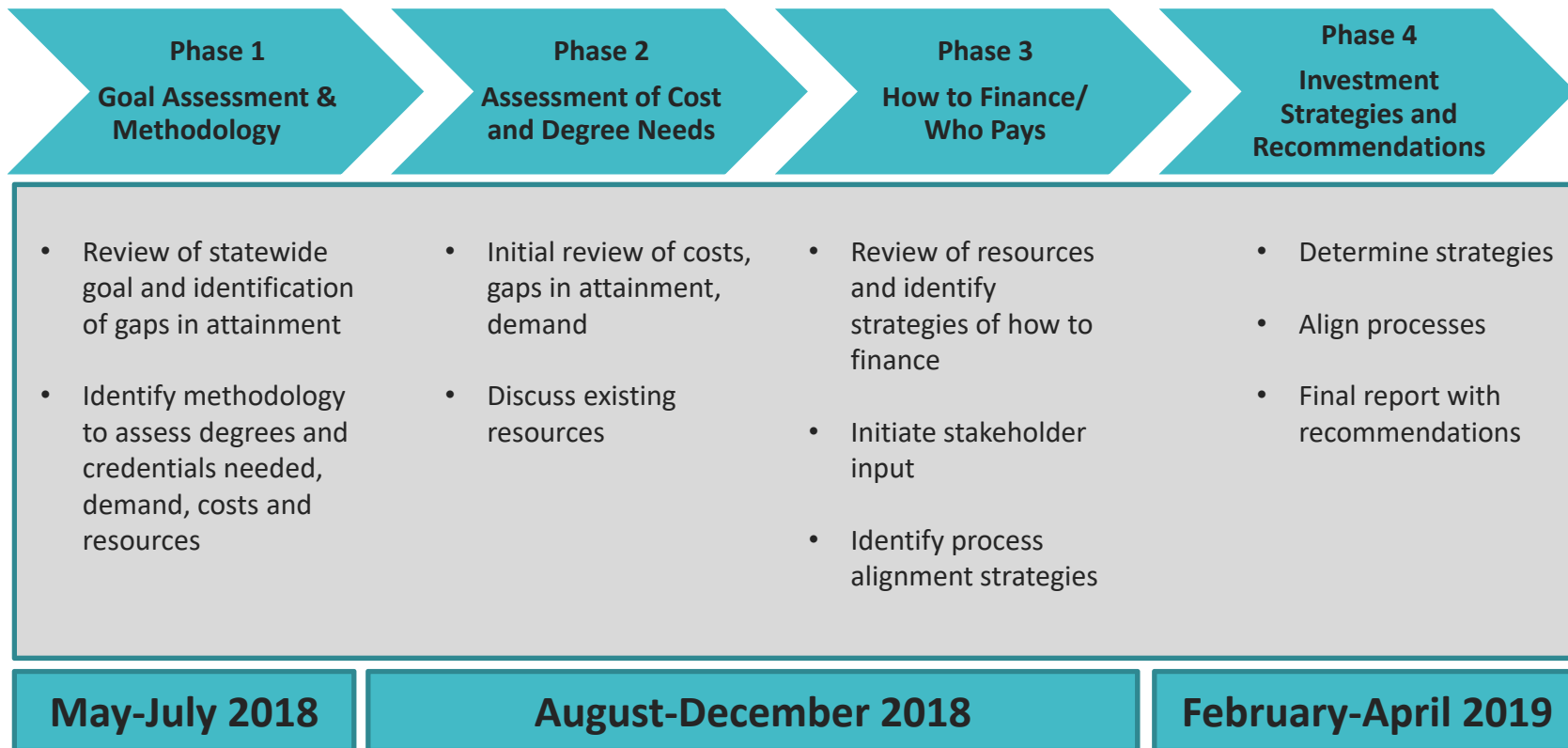
Background/Scope of Work

- SCHEV and Strategy Labs, working in consultation with the staffs of the House Appropriations and Senate Finance Committees, the governor's office (including the offices of the Secretary of Education, Secretary of Finance, and Chief Workforce Advisor), and the Department of Planning and Budget to develop a state finance framework that aligns resources to the objectives of the Commonwealth.
- The state finance plan will support goals of the Virginia Plan for Higher Education, the statewide strategic plan and will consider matters related to access, affordability, student success, cost, economic mobility, efficiency, cost savings, shared responsibility for funding, mission alignment, institutional autonomy and accountability, predictability of funding and transparency.

Background/Scope of Work

- Strategy Labs, through HCM, continued work with state partners throughout the spring and summer of 2018
 - Multiple meetings in person and via videoconference allowed deep dives into current trends, outcomes and gaps.
 - Clearer understanding of cost to produce a degree and comparison of costs inter- and intra-state, Virginia's trajectory toward attainment of degrees to meet 2030 goal of best educated state, review of demand data and projections including assessment of types of degrees/credentials needed.
 - Need to continue to research potential recommendations for shared funding responsibility options (including students/ families, federal, state, and institutions).

Timeline for Resource Map/Strategic Finance Plan



COMPONENTS OF A STATE TALENT FINANCE PLAN





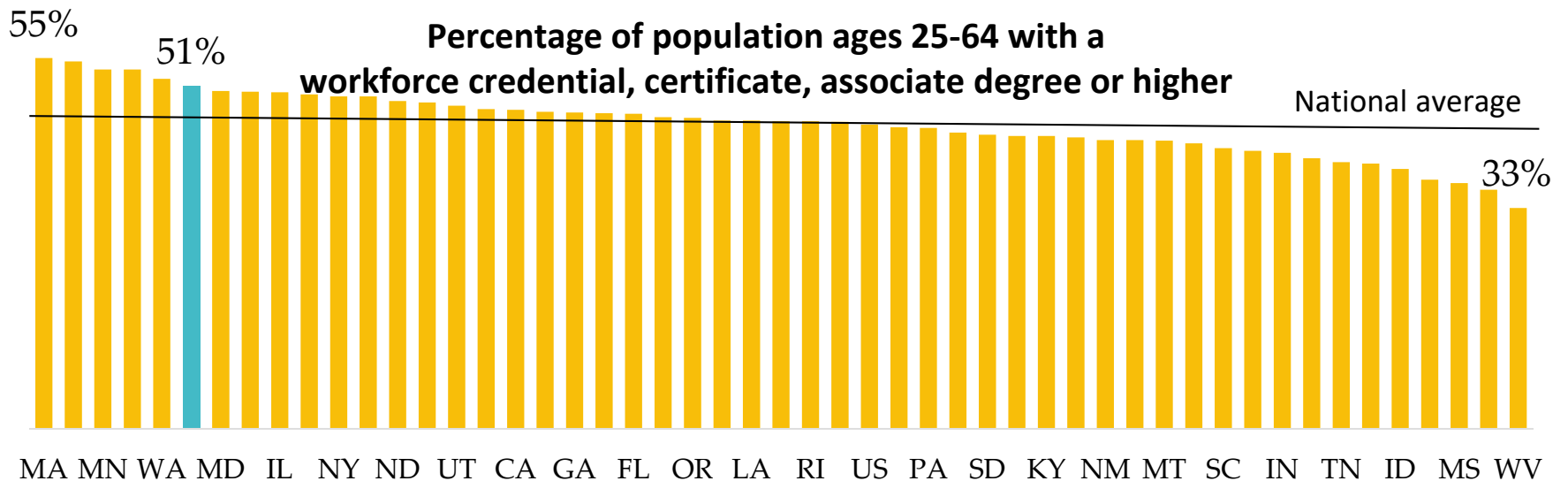
GOAL ASSESSMENT

Benefits of Postsecondary Attainment and Changing Demographic Trends

- Educational attainment data are a key component of many state rankings
- Attainment of a postsecondary credential of high quality provides financial (and other) benefits to the individual, society, and the state through reduced reliance on public expenditures and increased
- Overall population change in Virginia is increasing about the same as the national average, but there are differences across age racial/ethnic groups, and regions
 - Seniors and older workers represent the fastest growing population
 - Hispanic residents represent the fastest growing demographic population

Virginia Compared to the Nation and Other States

- Virginia’s educational attainment rate ranks 6th in the nation for working-aged adults



- However, Virginia’s educational attainment rate ranks 11th for its younger population (ages 25 – 34)

Note: Certificate and credential data based on estimates developed by Georgetown Center on Education and Workforce

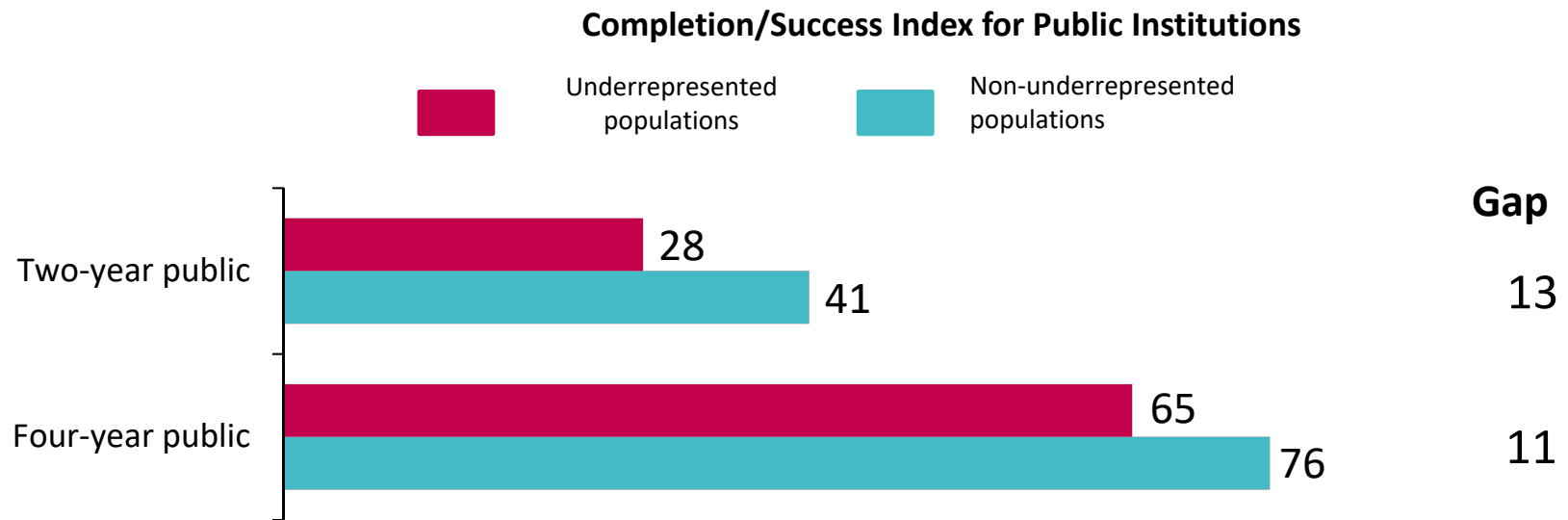
Source: Lumina Foundation <http://strongernation.luminafoundation.org/report/2017/#nation>

Benefits of Postsecondary Attainment and Changing Demographic Trends, continued

- While Virginia is among the top 10 states in levels of attainment there are stark differences in attainment among different populations
 - Virginia's Black, Hispanic, and Native American populations' attainment are on average ~20 points behind White majority population attainment
 - Attainment across the Commonwealth ranges from a high of 84.5% in Falls Church City to a low of 12.1% in Sussex County

Virginia Plan Measure: Success

Target: Annually improve completion rates that close the gap between underrepresented populations and traditional students by 2030



Note: Underrepresented populations include those who are minority race/ethnicity, students ages 25 and older, low-income or from areas of the state in the lowest quintile for postsecondary attainment. Completion is measured by the student success index which includes students who graduate or remain enrolled at any Virginia institution within the measurement timeframe.

Source: http://research.schev.edu/gradrates/success_index.asp 2011-12 for 4-year/2013-14 for 2-year within 100% time frame

Virginia's goal is to be the best educated state by 2030 – a 70% attainment rate

Need per year:

~70-85,000 associate and bachelor's degrees

~20,000 certifications

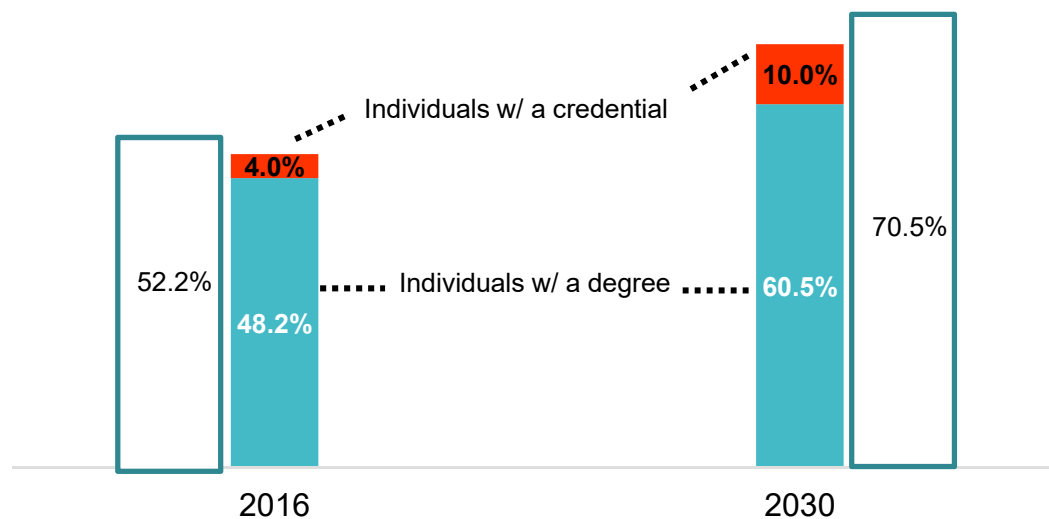
2016-17 actual (~92,500 total):

15,047 certificates

~3,000 certifications (WCG)

19,535 associates

54,947 bachelors



Factors to Consider

- High School Certifications
 - Are there certifications of value that high school students can earn that contribute to the 10% goal for workforce credentials?
- High School to Postsecondary Enrollment – approximately 64% of high school schools students enroll at a VA public or private, nonprofit college with in 12 months up to approximately enrolling within 16 months
 - How do we increased these figures?
- Adults – about 13% of adults ages 25-34 and 6% ages 34-44 are enrolled in college
 - How do we engage more adults and ensure they complete?
- Transfer
 - How do we increase the number who complete an associates degree and transfer?

COMPONENTS OF A STATE TALENT FINANCE PLAN





DEMAND: HOW MANY AND
WHAT KINDS OF DEGREES &
CREDENTIALS

Demand

- Current process to develop a consensus definition and criteria for “demand occupations” and “in demand jobs” is underway
- Goal is to create a replicable and reliable consensus model to determine workforce needs today and in the future
- Effort aimed, ultimately, at more closely defining workforce and education system resources and aligning those with industry needs

* Detailed information on demand project available in Appendix



ASSESSMENT OF COST

Overarching Questions

- How much does postsecondary education cost in Virginia and what will it cost (from all sources) to meet goal/demand?
 - By 2020, 67% of jobs in Virginia will require postsecondary education
 - Mix of credentials/degrees will affect the cost
 - A detailed analysis is being undertaken in Phase 1 of current demand planning efforts*
- What resources are available to fund the goal?

* Detailed information on Demand available in Appendix

How much does postsecondary education cost in Virginia?

2006-2015 Virginia average:

\$5.8 billion education & related expenditures

divided by

108,000 degrees

= \$54,000 Unadjusted cost per degree.

Cost calculated for all funds, public & private institutions

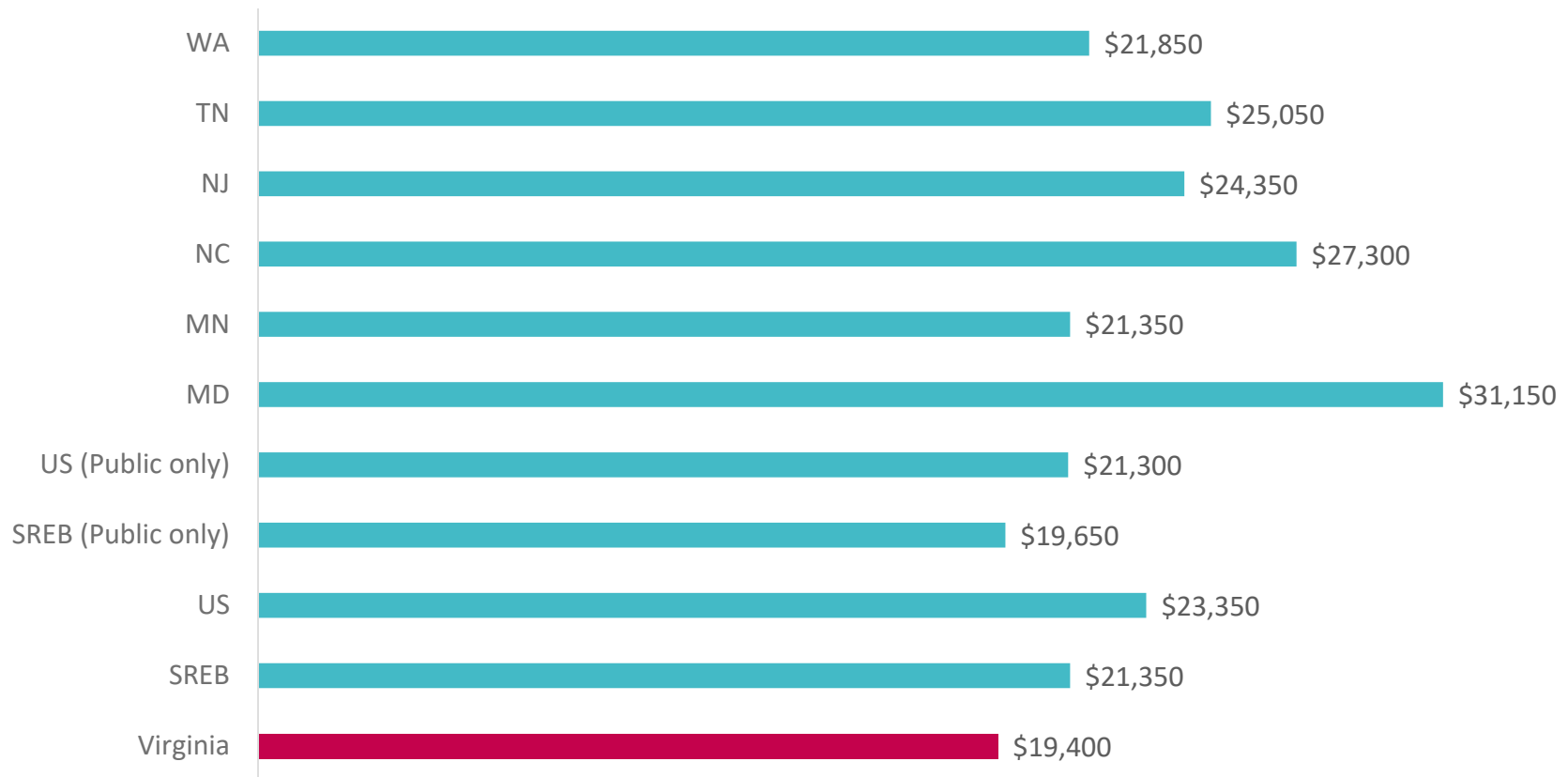
How much does postsecondary education cost in Virginia?

- Cost adjusted for standard time to degree
 - Cost per FTE (\$13,200) is 68% of cost per “degree year” (\$19,400)
 - There isn’t a 1:1 relationship between FTE and Degree (e.g., dropouts, longer time to degree)
 - Alternative methods of calculation yield similar costs

Cost calculated for all funds, public & private institutions

Virginia's Average Costs are Lower Than Those in Most Comparison States

2006-2015 E&R Per 1-Year Degree Equivalent

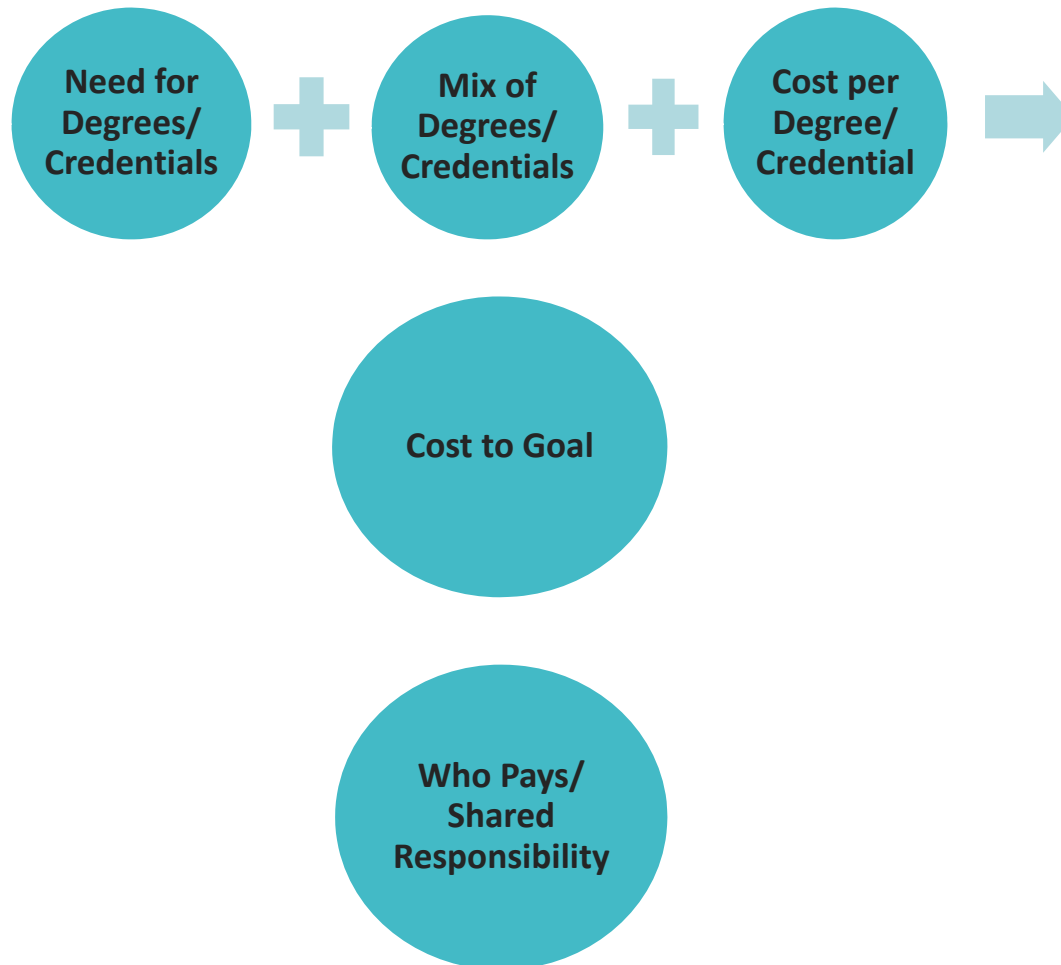


Potential Methodology

- “Core revenues”: Tuition/fees and appropriations (similar to SHEEO finance comparisons)
- Education & Related expenditures: Instruction & Student services direct costs plus a percentage of indirect academic & institutional support costs (similar to Delta Cost Project)
- Degrees weighted by expected number of years
- Suggested parameters for estimating institutional costs
 - Bachelor’s = \$77,600 (4 x degree year)
 - Associate = \$38,800 (2 x degree year)
 - 1-year Credential = \$19,400 (1 x degree year)

Cost calculated for all funds, public & private institutions

Assessing the cost to meet the goal



COMPONENTS OF A STATE TALENT FINANCE PLAN





HOW FINANCE/WHO PAYS?

Funding Virginia's Goal: Example of Estimate Using Cost per Degree Numbers

of Additional Degrees Needed to Reach Goal = XX,XXX

1-Year Credentials	xx,000	multiplied by	\$19,400
2-Year Degrees	xx,000	multiplied by	\$38,800
4-Year Degrees	xx,000	multiplied by	\$77,600

1-Year Total Cost	\$
2-Year Total Cost	\$
4-Year Total Cost	\$ _____
Total Cost to Reach Goal	\$

Needs Elaboration Based on Virginia's Priorities



(Cost calculated is for all funds)

What resources can be leveraged to meet assessed costs?

State/Taxpayer Sources

- Institutional appropriations
- Financial aid
- Specific programmatic initiatives
- Workforce investments
- K-12 investments (dual enrollment)

Institutional Sources

- Efficiencies/Innovation
- Strategic investments
- Programmatic redesign
- Pathways (transfer, prior learning)

Student/Family Resources

- Current income
- Past income
- Future income (loans)
- Other public benefits (SNAP, TANF)

External Sources of Support

- Federal government
- Grants
- Social support programs
- Veterans/Military
- Tax Subsidies

Private

- Philanthropy
- Employers

Federal and Private Resources Available to Virginia's 18-44 year-old, no degree, not currently enrolled population*

Pell Grants		Tax Credits	
Est. Percent Eligible:	60%	Est. Percent Eligible:	80%
Est. Average Amount:	\$3,000	Est. Average Amount	\$1,500
Veteran/Military Education Benefits		SNAP (Food Stamp Programs)	
Est. Percent Eligible:	9%	Est. Percent Eligible:	20%
Est. Average Amount:	\$14,000	Est. Average Amount:	\$1,500
Undergraduate Loans**		External Private and Employer Aid	
Est. Percent Eligible:	80%+	Est. Percent Eligible:	13%***
Est. Average Amount:	**	Est. Average Amount:	\$4,200

* Estimated % eligible based on income profile
 Estimated amount available based on most recent average data
 Annual amounts: could be enough to complete a degree (some college) or for shorter-term credential (no prior college)

** Dependent on policy and budget choices

*** Current percent receiving, no data available for target population

Policy Questions for Virginia

- Student affordability questions
 - What should students be expected to contribute?
 - Should students be expected to contribute from savings? How much?
 - Should students be expected to work while enrolled? How much?
 - Should students be expected to borrow? How much?
 - What state programs/resources currently contribute to the cost of meeting the goal?

Policy Questions for Virginia

- Taxpayer/state policy and budgeting questions
 - How much should taxpayers contribute toward the cost?
 - What is appropriate mix of institutional support (subsidized tuition for all at a given institution) and student support (portable funding for targeted populations)?
 - How should budget recommendations align with the strategic finance plan?
 - What are the communication challenges/opportunities?
 - What is the role for other agencies in financing the plan?

Policy Questions for Virginia

- Institutional questions
 - How well are institutions serving today's students?
 - Are institutions undertaking real reforms to increase efficiencies and keep costs as low as possible?
 - Are institutions actively reviewing offerings to ensure the current mix of programs is better aligned to the current environment and future needs?
 - Are alternative, lower cost paths and methods of delivery being actively considered to “bend the cost curve” for students?
 - Are institutions considering how they can partner with other institutions and other agencies to ensure maximum support for students?

COMPONENTS OF A STATE TALENT FINANCE PLAN





**INVESTMENTS/STRATEGIES
THAT PRODUCE OUTCOMES**

Strategies From Other States

Funding for credentials and student success

- Formula funding with premiums for types of credentials and students
- Initiative funding - purchasing of specific types of credentials

Advancing Equity

- Resources directed in ways that support access and success for underserved populations
- Evaluation of pathways (dual credit; transfer) for equitable outcomes

Strategies From Other States

Student Affordability

- Simple message statewide campaigns
- Pathways that reduce time-to-degree
- Braiding funding sources to help reduce non-tuition costs

(Re)engaging older students

- Financial supports targeted to older students
- Flexible/innovative pathways that recognize prior learning



NEXT STEPS/FUNDING PLAN OUTLINE

Next Steps/Funding Plan Outline

What is the attainment goal?

Current attainment levels and race/ethnicity gaps

Projected year and population

Detailed attainment level / # of degrees

How many additional graduates does this represent?

required to maintain status quo %

Net migration

Additional degrees to meet goals and close gaps

What kinds of credentials will these be?

Public/private current ratio

Model public/private ratio

Degree level current ratio

% of degrees by level that are first credential

What will it cost to graduate this many residents

Current cost per FTE

Institutions

Students

Current unduplicated rates or degrees per FTE

Cost of investment in strategies that work

Benchmark costs and completion rates

Model costs

Model completion rates / degrees per FTE

Alignment with Virginia's Processes

- What non-budgetary “levers” do Virginia policy makers have to guide behavior?
 - Autonomy and “Asks”: Higher Education Act (2011) and Restructuring 2005
 - Budgeting: Six-year plans, governor’s budget, GA
 - Measures: Institutional performance measures
 - Planning: Enrollment and degree projection process
 - Vision: Virginia Plan for Higher Education
 - Influence: Governor, legislators, SCHEV, media, op-six, students and parents

STRATEGY LABS

State Policy to Increase Higher Education Attainment

StrategyLabs.LuminaFoundation.org





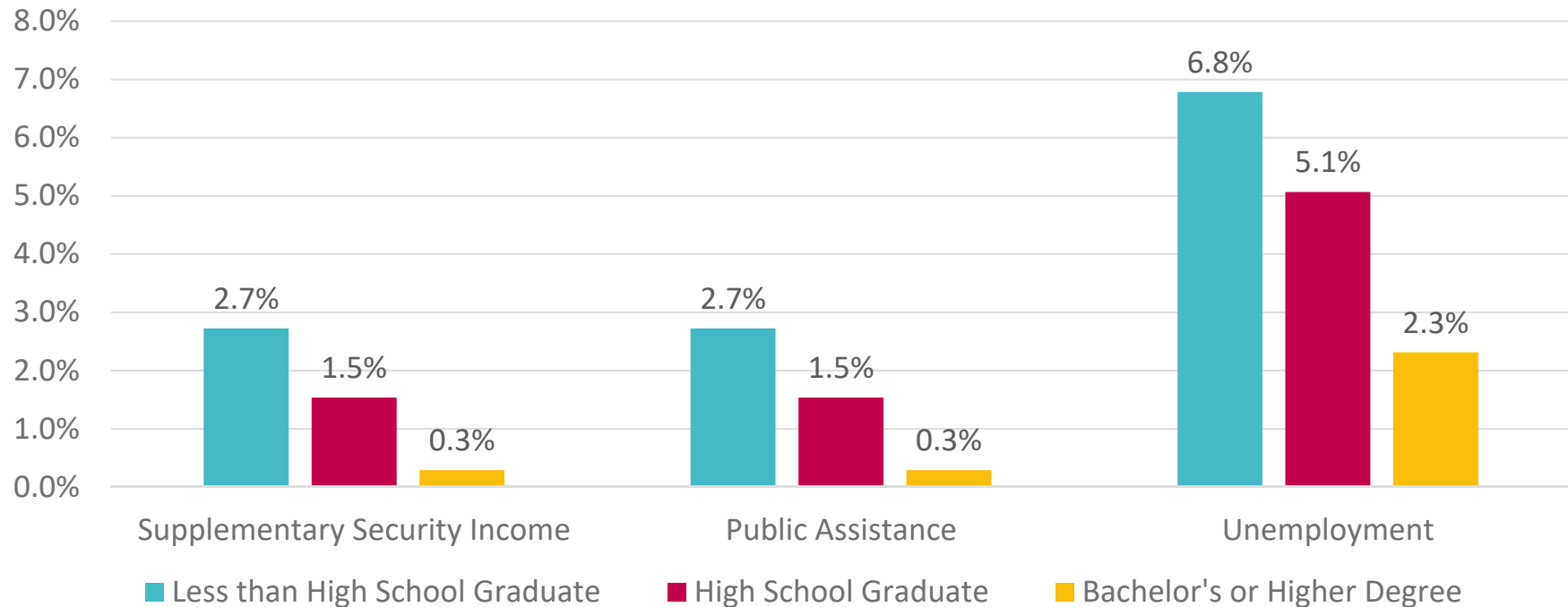
BENEFITS OF POSTSECONDARY ATTAINMENT

Economic Impact

- Educational attainment data are a key component to many state rankings (Best State for Business, Best State to Live and Raise a Family)
- A one point increase in the percentage of postsecondary educated people lifts their wages 1.5%, and the earning of other citizens by 1.1%.
- A one point increase in the percentage of people with postsecondary degrees and credentials increases overall economic growth over ten years by one-half percentage point.

Societal Benefits

Supplementary Security, Public Assistance, and Unemployment by Educational Attainment Groups Ages 25-64 in Virginia



Notes: Public Assistance = any public assistance in past 22 months
Supplementary Security Income = Social Security for those with disabilities preventing them from working, and their dependents in past 22 months

Source: American Community Survey Data, 2016

Benefits to the Commonwealth

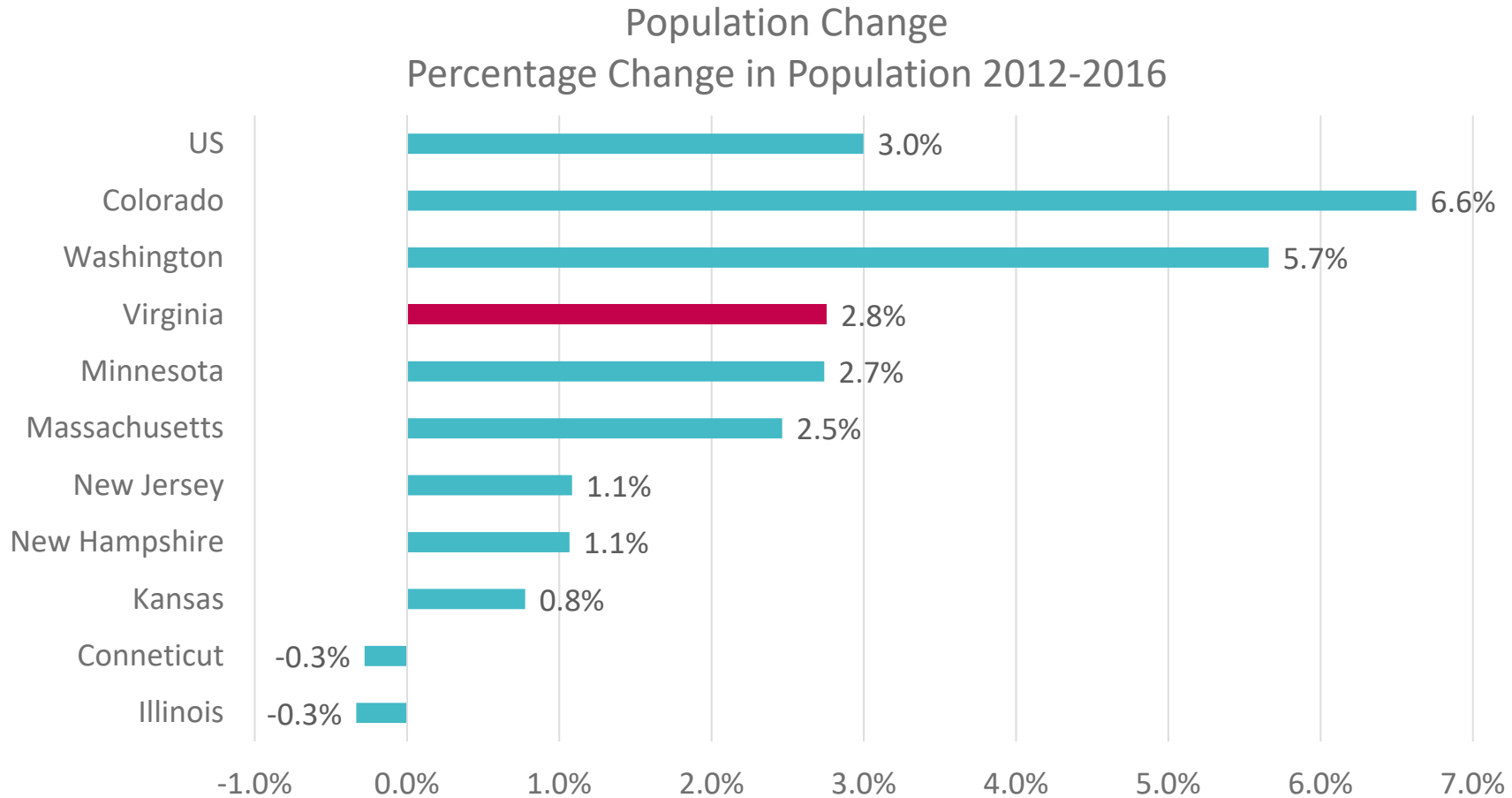
High School Diploma		Associate Degree		Bachelor Degree	
Tax Revenues	\$237,369	Tax Revenues	\$333,373	Tax Revenues	\$510,814
– Government Expenditures	\$211,431	– Government Expenditures	\$161,245	– Government Expenditures	\$129,762
NET BENEFIT	\$25,938	NET BENEFIT	\$172,128	NET BENEFIT	\$381,051

Source: *It's Not Just the Money*, Lumina Foundation
<https://www.luminafoundation.org/resources/its-not-just-the-money>



STATE POSTSECONDARY GOALS & DEMOGRAPHIC TRENDS

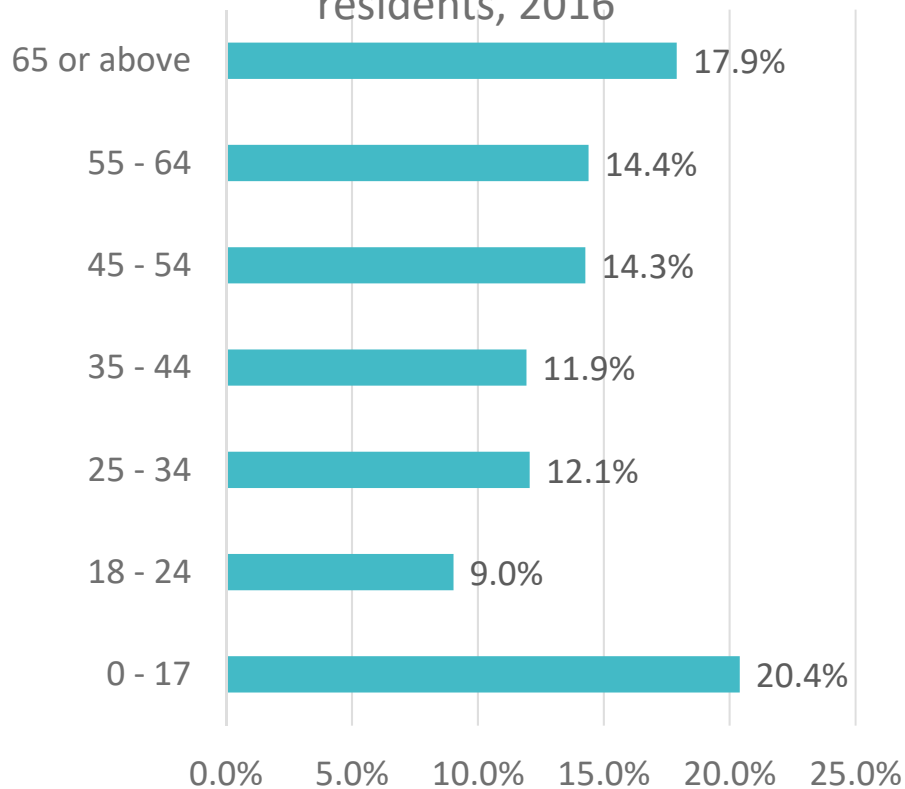
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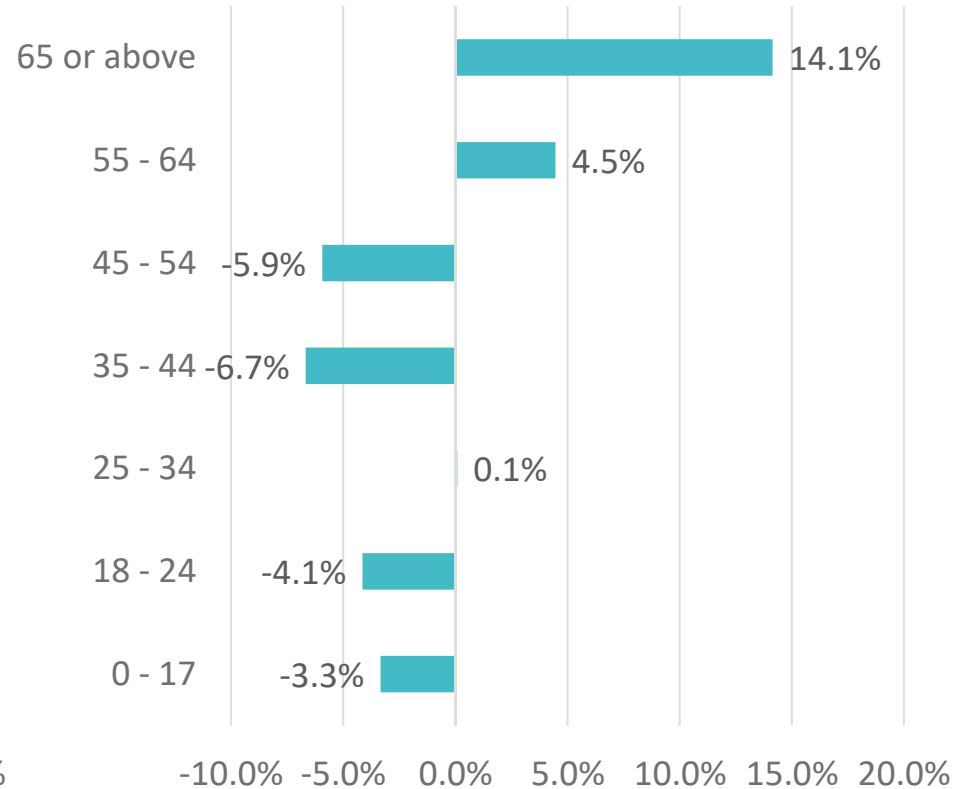
Source: American Community Survey Data, 2016

While younger aged Virginians make up largest proportion of total residents, seniors and older workers represent fastest growing population.

Demographics - Age
Age group proportions, Virginia residents, 2016



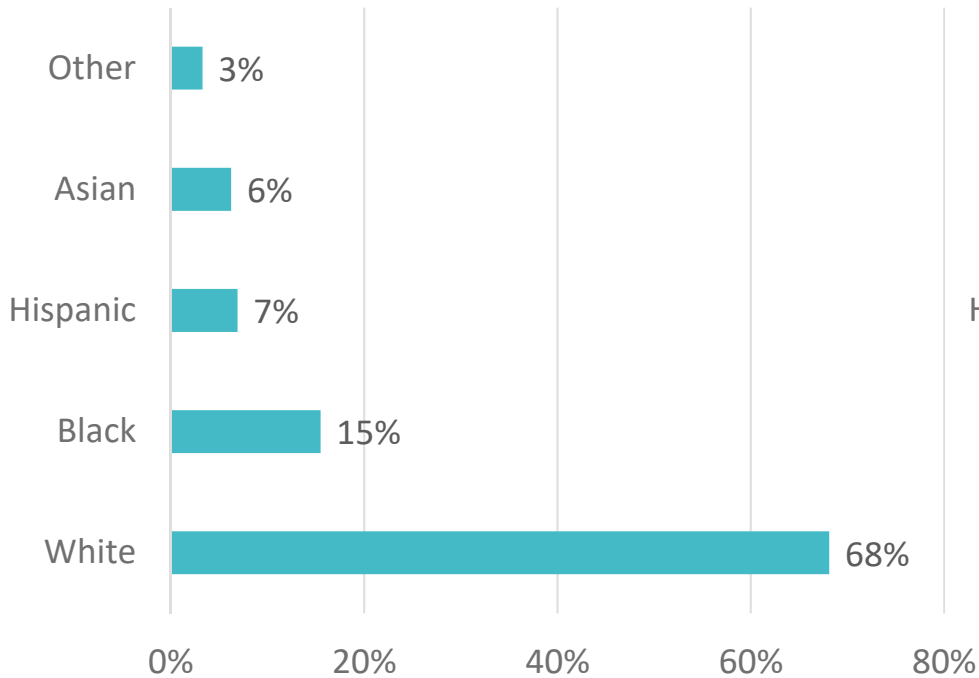
Age Group Proportion Percentage
Change from 2012-2016



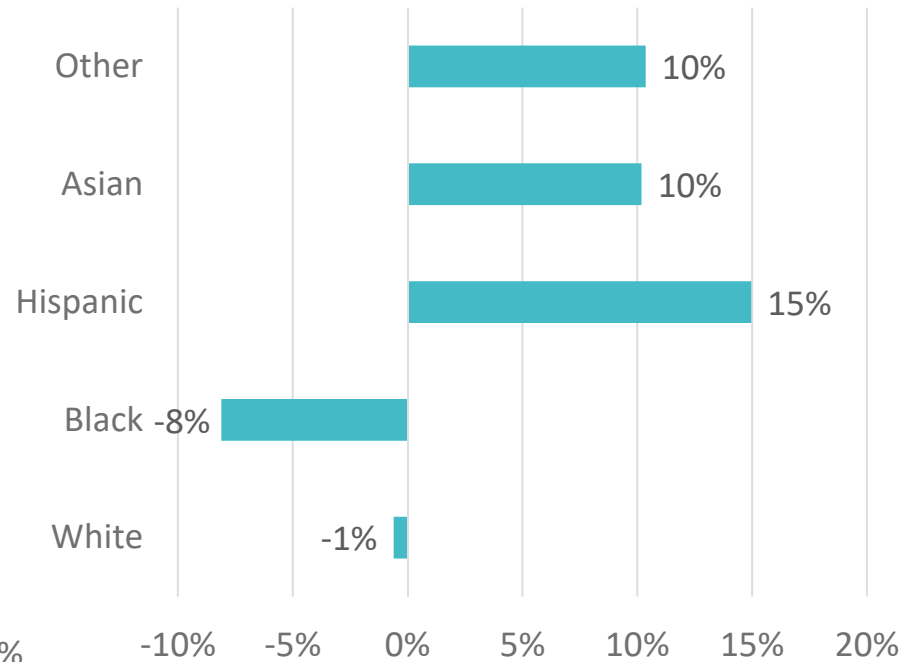
Source: American Community Survey Data, 2016

And Hispanic residents represent the fastest growing demographic population

Demographics - Race
Race/Ethnicity Proportions, Virginia residents, 2016



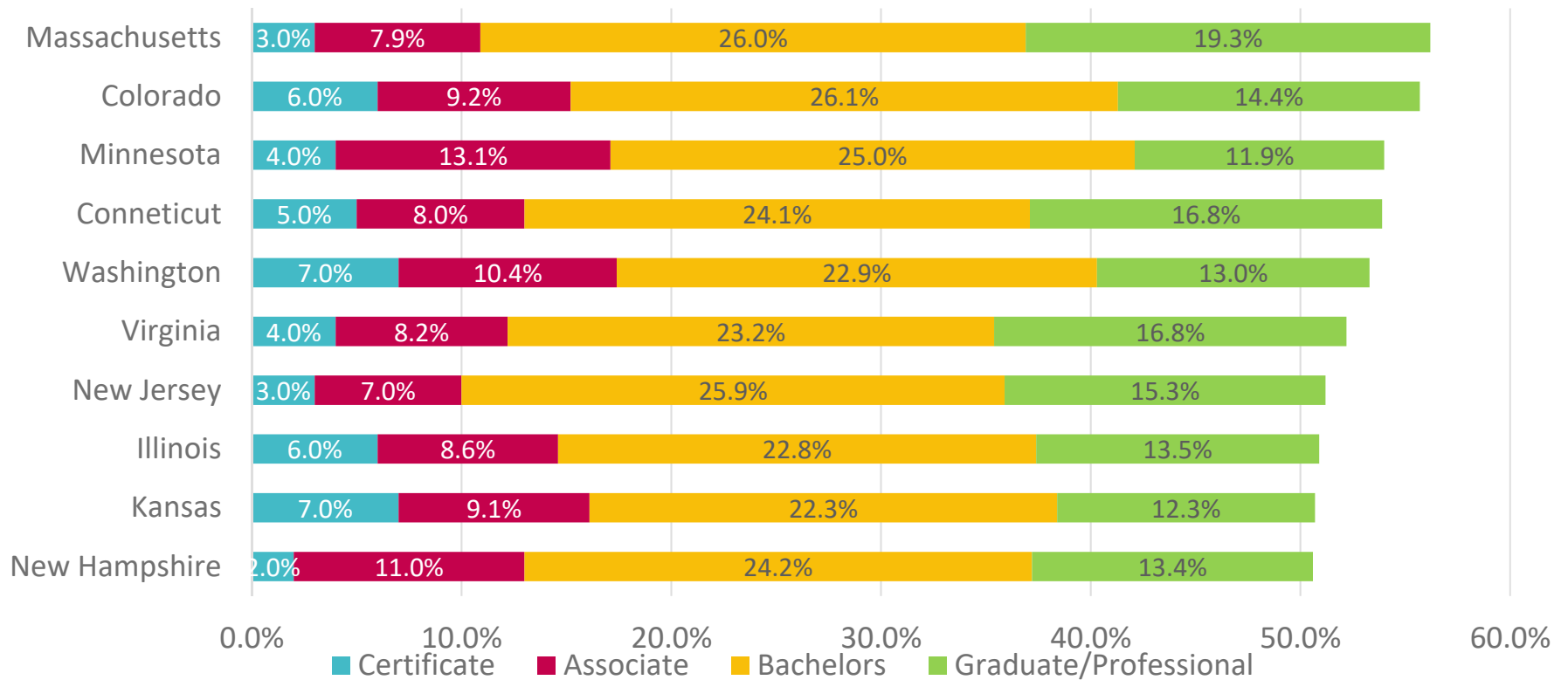
Demographics - Race
Percentage Change in Race/Ethnicity Proportions
2012-2016, Virginia residents



Source: American Community Survey Data, 2016

While Virginia is among the top 10 States in levels of attainment...

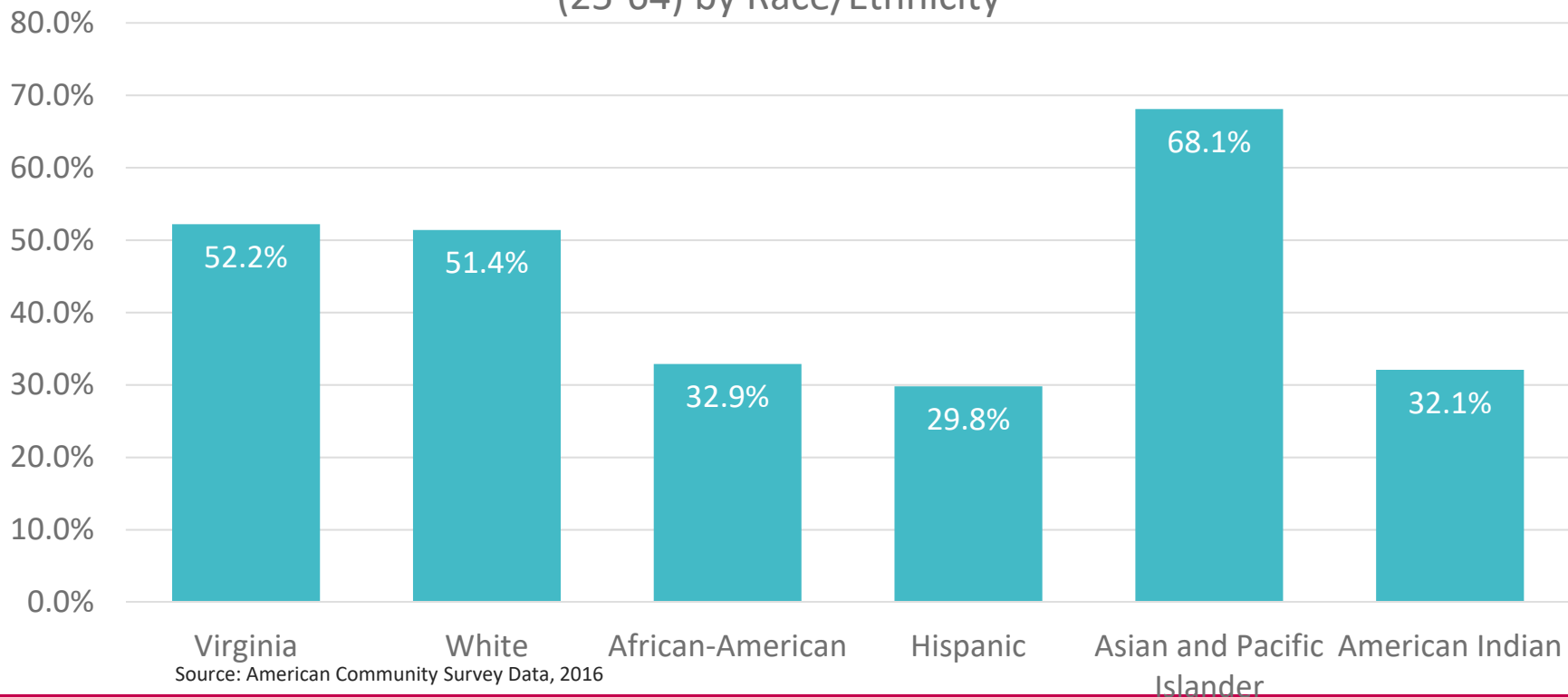
2016 Educational Attainment of Working Age Population
Top 10 States



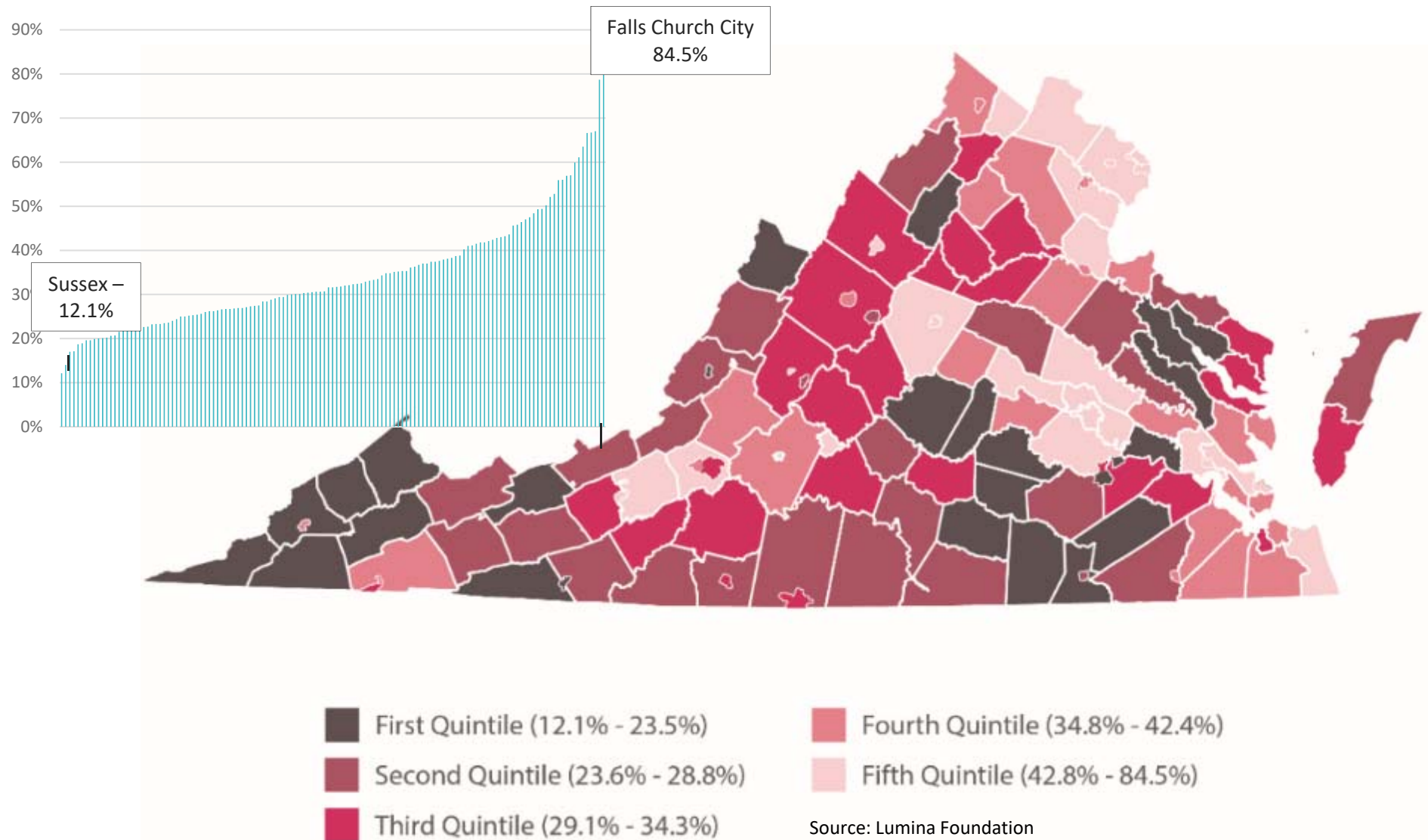
Source: Lumina Foundation <http://strongernation.luminafoundation.org/report/2017/#nation>

...Within these total figures, there are stark differences in educational attainment among different populations. Virginia's Black, Hispanic and Native American populations are on average ~20 points behind the White majority population.

2016 Educational Attainment Among Virginia Residents
(25-64) by Race/Ethnicity



There are also significant regional disparities across the state

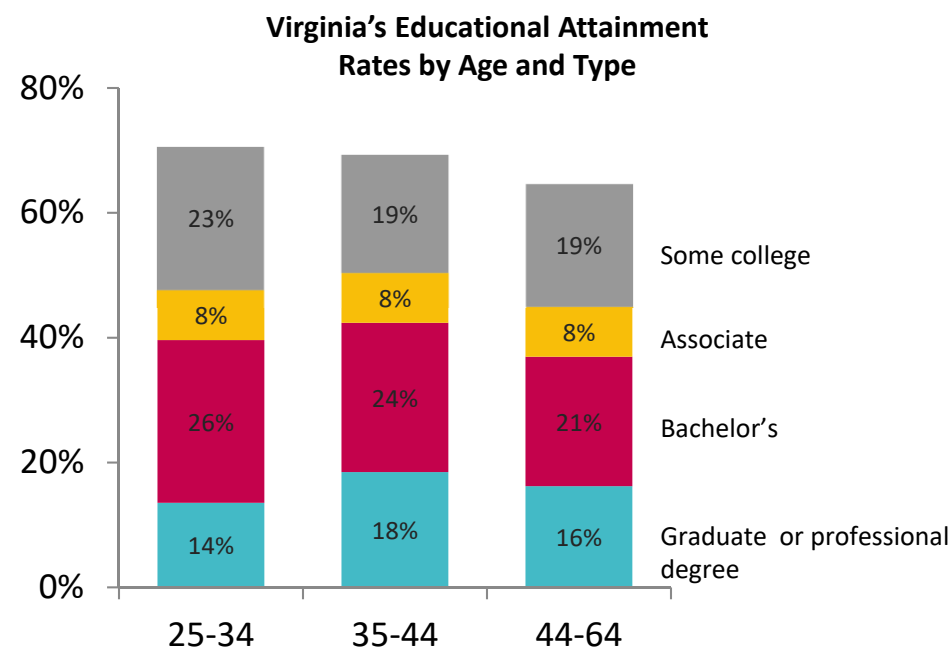


Virginia's Educational Attainment by Age Group

Educational attainment rates vary by age.

35-44 year olds have the highest percentage of postsecondary degrees.

This could shift in the coming years as more individuals ages 25-34 earn a degree.



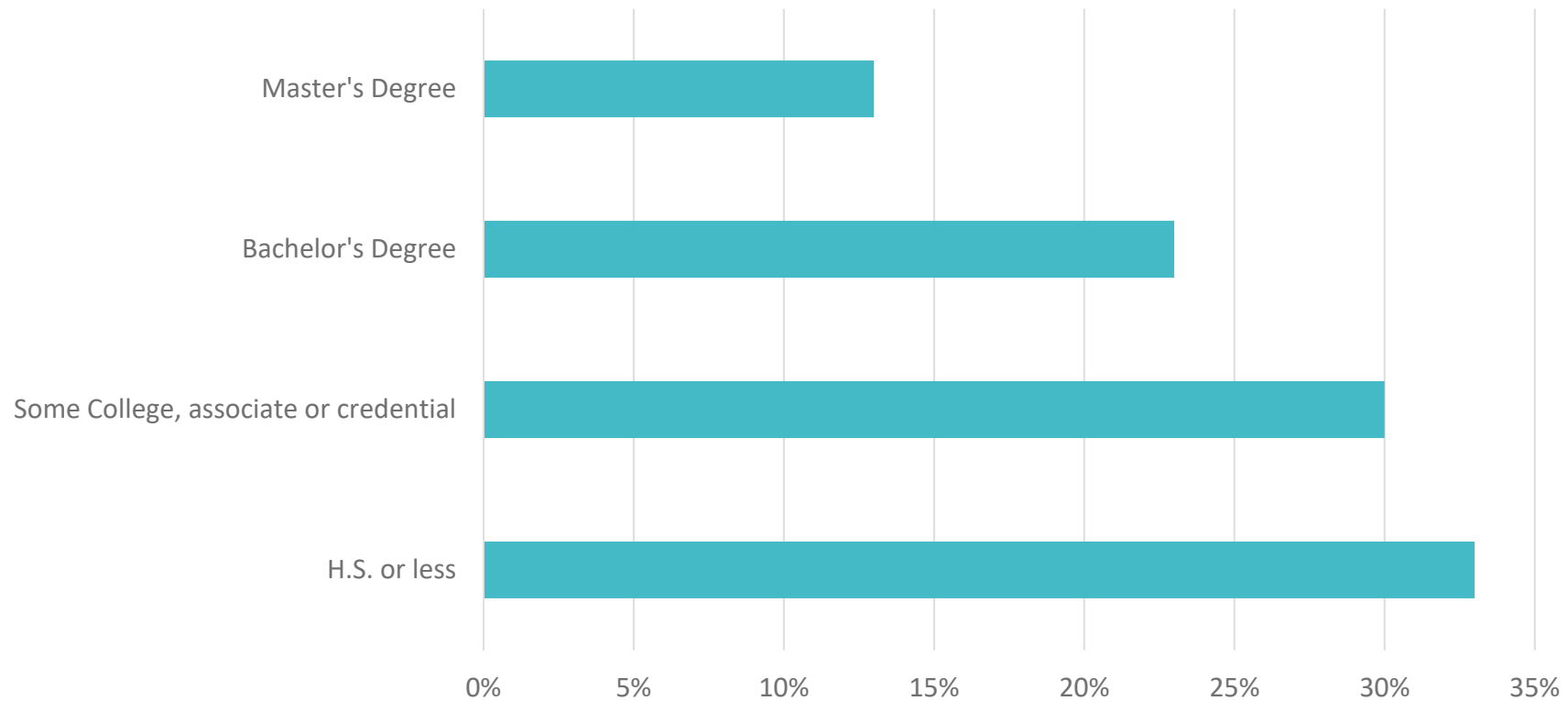
Source: American Community Survey, 2015 1-year Estimates, B15001.



DEFINING DEMAND

By 2020, 67% of jobs in Virginia will require postsecondary education

Job Growth & Education Requirements in Virginia by 2020



Source: Georgetown Center on Education and the Workforce, Projections of Jobs through 2020, <https://cew.georgetown.edu/cew-reports/recovery-job-growth-and-education-requirements-through-2020/>

Exploring High Priority Demand Occupations

- Why is this important?
 - Numerous references in code and in budget to “demand occupations,” “in demand jobs,” and no common definition or criteria
 - Multiple agencies are administering workforce development programs, this decentralized structure results in an inefficient allocation and/or misalignment of resources
 - To more closely align workforce and education system resources with industry needs, we need a replicable and reliable consensus model to determine workforce needs today and in the future
 - Virginia will need a portfolio of talent, and short and long term strategies to develop it.

What is the Current State?

- Each agency/program with requirements to address demand occupations develops its own methodology and criteria
- The Workforce Credential Grant Program is the most recent to adopt a methodology
- The VEC provides information about “Bright Outlook” occupations with criteria determined by the Bureau of Labor Statistics
- The local workforce areas have been directed to develop “demand plans”
- Local GO Virginia Councils have “demand plans” in the regional strategy documents
- Community colleges review regional labor market information for program planning

Research

- Conducted a 10-state review of best practices, including:
 - Pennsylvania – targets education and training dollars to High Priority Occupations – “job categories that are in demand by employers, have higher skill needs and are most likely to provide family sustaining wages.”
 - Florida – Workforce Estimating Conference created by law “to identify high skill, high wage and high demand occupations and provide market-based job training to meet the needs of business economic development.”
 - Texas – Texas Workforce Commission is required by law to deliver a list of “high growth, high skills” occupations to the legislature.
 - Louisiana – is “aimed at encouraging training providers to focus their efforts on preparing workers for occupations with strong demand and better wages.”

Variables Considered

- Job Quality
 - Wages
- Employer Demand
 - Short and long term projections
 - Real time labor market information
- Unmet Demand/Excess Supply
 - OCC unemployment and or earnings trends
- Other
 - Base economic activity
 - Economic development strategy linkage
 - Training requirements
 - Petitioning process

Variables in Analysis

Variable	Reference Period	PA	NJ	IN	IN (2)	OH	NM	FL	CO	TN	LA	VA (WCG)
JOB QUALITY												
Wages (\$)	current	X		X	X	X	X	X	X	X	X	
EMPLOYER DEMAND												
Annual Long Term Openings (#)	forecast	X	X	X	X	X	X	X	X	x	X	X
Annual Short Term Openings (#)	forecast		X	X	X							
Annual Growth Openings (#)	forecast			X	X	X						
Occ Growth Rate (%)	forecast			X	X		X	X	X		X	
Online Job Postings (#)	historic		X	X						X		
Hires	historic									X		
UNMET DEMAND/EXCESS SUPPLY												
Occ Unemployment Rates (%)	current	X										
Occ Employment Loss (%)	historic	X										
Traning Completers/Openings (ratio)	historic	X										
Wage Decline (#)	historic	X										
OTHER												
Base Employment Level (#)	current		X									
Economic Development Strategy Alignment	current					X						X
Training Requirements	current					X		X				X
Petitioning Process	stakeholder	X	X			X				X		X

Practices of Successful States

- Defined criteria and scheduled review
- Includes
 - Quantitative data analysis
 - Petition process to add occupations, emerging and career pathways
- Drives policy
- Drives practice
- Drives consumer information

Demand Planning in Virginia Phase 1

- Consensus Approach
 - Wage Quality
 - (MIT Living Wage for VA – Tier one \$13.86 & Tier two \$24.81)
 - Annual Openings Short Term (>150 statewide)
 - Annual Openings Long Term (>150 statewide)
 - Occupational Growth Rate (>statewide average)
 - Opportunity to Petition/Amend with Process
- Portfolio Perspective
 - Evaluate ALL occupations at all education levels

Demand Planning in Virginia Phase 2

- Testing the relationship between supply and demand
- Only for jobs that meet the criteria in Phase 1
- Workgroup to agree on methodology
- Outside experts to review and contribute
- Instructional Program to Occupation Crosswalk