Implementing W&M’s Fourth Century Vision

The William & Mary Promise

A NEW OPERATING MODEL
for Enhancing and Sustaining
Quality, Affordability and Access
at Virginia’s distinctive Public Ivy
The William & Mary Promise

Executive Summary
Key drivers for change

- President Reveley’s four “P’s”
  - Performance
  - Productivity
  - Philanthropy
  - Public Support

- TJ21 Reforms
  - Middle-income Affordability
  - Predictability
  - Productivity
  - Innovation

- Retaining and attracting top talent, both faculty and staff
- Long-term prospects for state operating support
- Disruption in higher education (funding, technology, innovation)
Process and results

- **18-month intensive and iterative process**
- **Comprehensive approach**
  - Predictability
  - Affordability for middle-income Virginia students and families
  - Stronger financial aid for middle-income Virginia students and families
  - Innovation
  - Productivity
  - Efficiencies
  - Financial resources to retain and attract great talent

- **Significant enrollment effort for the College’s critical stakeholders** – students and families, faculty and staff, alumni, donors, political leaders, higher education thought leaders, media

- **16-1 vote of the BOV to approve the William & Mary Promise**
A new operating model that will:

- Secure a sustainable future for Virginia’s distinctive “public ivy,” as recognized by the Governor’s Commission on Higher Education
  - Continue to provide a “public ivy” education – small and interactive class rooms, highly motivated students, great teachers, high graduation rates
  - Fully meet the operating objectives in William & Mary’s approved Six-Year Plan, with a strong emphasis on retaining and attracting top faculty

- Relieve the “middle-class squeeze” by reducing net tuition for middle-income Virginians as defined by the Governor’s Commission on Higher Education
  - More than 7 in 10 Virginia households have household income of $100,000 or less and meet the middle income definition of the Governor’s Commission on Higher Education

- Give all incoming Virginia undergraduates and their families an innovative, ironclad four-year guarantee that tuition won’t rise
  - Provide a four-year tuition guarantee to all new in-state students, providing predictability for Virginia’s families to allow them to plan better for their child’s college education
A new operating model that will:

- **Reduce the student loan debt burden faced after graduation by middle-income Virginians**
  - Increase grants, reduce loans, and lower overall debt upon graduation for middle-income Virginians

- **Reset the College’s tuition model**
  - Hold tuition increases for existing in-state students to no more than the rate of inflation
  - Implement a step increase in tuition over the next three years for new in-state students and then guarantee their tuition price for four years
  - Establish differential pricing for certain undergraduate majors (i.e., Business)
  - Ensure that all in-state students continue to pay less than the actual cost of their education

- **Attract and retain top national and international faculty**
  - Move the average faculty salary from the projected 7th percentile in FY 2016 (compared to William and Mary’s SCHEV-approved peer group target of the 60th percentile) to the 51st percentile in FY 2016
A new operating model that will:

- **Provide greater access to William & Mary undergraduate degree opportunities for more Virginia students**
  - Increase in-state undergraduate enrollment by 8% over a five-year period

- **Lead the way in higher education reform, with a strong emphasis on innovation, efficiency, and productivity**
  - Build on William & Mary’s well-deserved reputation and ranking as a best value university – low cost per degree, highly efficient, low student debt levels
  - Drive instructional innovation through the College’s Creative Adaptation Fund
  - Increase the instructional contribution by full-time faculty
  - Utilize technology to effectively deliver instructional content
  - Continue several efficiency initiatives to meet reallocation objectives, including retaining an outside firm to review and make recommendations on how William & Mary could be better structured in its administrative operations to drive greater efficiencies and cost savings
The William & Mary Promise

A Distinctive Public Ivy
A distinctive **public ivy** - Why we stand out

**TESTED:** America’s second oldest college

**TREASURED:** a top university in Virginia’s stand-out higher education system

**VITAL:** well-spring of the republic; alma mater to presidents, governors, justices, lawmakers, and leaders in every field

**EXCEPTIONAL:** a top American liberal arts college with extraordinary faculty-student interaction

**COVETED:** over 14,000 applications for 1,470 slots

**SUCCESSFUL:** 91% graduation rate, second highest among all U.S. public universities
A distinctive public ivy - Why we stand out

EFFICIENT AND INNOVATIVE: administrative and professional staffing 35% below the US News top 50 average: Creative Adaptation Fund to drive innovation

A STEM LEADER: school of education is among national leaders in preparing K-12 STEM teachers … … among top 3 U.S. public universities in the percentage of graduates who earn science and technology Ph.D.’s … … 20% of undergraduates have STEM majors

RESPONSIBLE: lowest student loan default rate in Va. and 12th lowest of all leading national universities

A TOP INVESTMENT: top-10 highest R.O.I. (earnings/cost) in U.S. higher education, according to PayScale.com
The William & Mary Promise

Challenges to Remaining a Distinctive Public Ivy
College of William & Mary
State Support for Operations

*Reflects a State mandated 20% reduction in in-state undergraduate tuition offset dollar for dollar with State general funds.
In the critical area of faculty compensation, state funding cuts over the past decade have dramatically eroded the College’s standing among its peers, and the situation will worsen significantly under the current business model.

![The College of William & Mary Faculty Salary Average Percentile Rank Within SCHEV-Approved Peer Group](chart)

SCHEV estimated assuming 1% growth in FY 2011 and FY2012; 2% growth annually FY2013 through FY2016.
Can William & Mary remain a Public Ivy in the contemporary economic environment?

William & Mary has been serving Virginia and the Nation nobly for centuries. But now the College is at a crossroads…and must overcome some unique challenges:

- William & Mary has by far the smallest undergraduate student body and the lowest student-to-faculty ratio (12:1) of any top public university.
  - 92% of all classes have 50 students or fewer.
  - 80% of all credit hours are taught by full-time professors.

- That combination allows William & Mary to deliver a distinctive “public ivy” education, but it also limits financial flexibility. As the Governor’s Commission on Higher Education noted, William & Mary’s cost of education is an outlier because of those unique characteristics.

- Attracting and retaining top faculty is the key to academic excellence, and the competition for top faculty has never been more fierce.

That's why William & Mary's Board, Administration, and Faculty have heeded the Governor’s “Top Jobs 21” call to adapt, innovate, and improve. Our answer is:

**THE WILLIAM & MARY PROMISE.**
What do we promise?

We promise to preserve our distinctive character and prized reputation as a *public ivy* that educates young people exceptionally well.

- The new operating model will enable William & Mary to meet the intense competitive threat for top faculty, providing the resources necessary to attract and retain the excellent scholar/teachers for which William & Mary is widely celebrated.

- The new operating model will begin the process of closing William & Mary’s growing resource gap through a balanced approach that includes a new pricing structure for tuition, greater efficiencies, significant productivity gains, and enhanced philanthropic support.

- Without closing the resource gap, it will be impossible to preserve the College’s unique educational experience, extraordinary student-faculty interaction, and hard-earned reputation as a distinctive “public ivy”.

What do we promise?

We promise to enhance affordability for Virginia students, especially middle-income families who are caught in a financial squeeze.

“The Commission has focused on the particular affordability challenge faced by middle-income students and their families. Wealthy Virginians generally can afford to pay for college, and they even get a subsidy from taxpayers: those attending independent colleges qualify for TAG payments, and at public institutions in-state tuition is substantially lower than the actual cost to educate the student. At the low-income end of the spectrum, needy Virginians traditionally have qualified for ample federal grants and/or loans. In the middle, however, families are squeezed because tuition continues to rise yet financial aid through grants is limited or nonexistent.”

-- Preparing for the Top Jobs of the 21st Century
Interim Report of Governor Bob McDonnell’s Commission on Higher Education Reform, Innovation and Investment
What do we promise?

We promise to enhance affordability for Virginia students, especially middle-income families who are caught in a financial squeeze.

- The William & Mary Promise enhances affordability for middle-income students and their families by reducing the net cost of tuition after financial aid.
  - The definition of “middle-income” is that developed last year by the TJ21-created Higher Education Advisory Committee (400% of the federal poverty definition; roughly $100,000 in annual income for a family of four).
  - 71% of all Virginia households have annual household income of less than $100,000 a year.

- The new operating model continues to provide a taxpayer-paid subsidy for all Virginians attending William & Mary, but allocates more of the subsidy to the middle-income Virginians who are continually caught in a financial squeeze.

- The new operating model also increases tuition, albeit more modestly than over the past 10 years, for out-of-state students, who already subsidize in-state students by paying more than 100% of their educational cost.
What do we promise?

We promise to reduce the debt burden that Virginia undergraduate students carry when they leave William & Mary and increase the amount of grant financial aid packages for in-state students.

- The new operating model addresses the serious and growing student loan debt problem cited by the Governor’s Commission and TJ21 legislation. Specifically, the new model:
  - Lowers the average annual borrowing and four-year cumulative debt average for Virginia undergraduates.
  - Lowers the maximum amount of loans included with any in-state financial aid package by up to 36%
  - Maintains no-loan, all-grant financial aid packages for in-state freshmen coming from households where the annual income is $40,000 or less (roughly 200% of the federal poverty level or less).
What do we promise?

We promise to give Virginia students and their families predictability and peace of mind through an innovative, ironclad promise that tuition will remain constant all four years.

- William & Mary will provide the needed predictability by giving incoming freshmen and their families a guaranteed four-year tuition rate – an innovative solution that lets higher education consumers know the four-year tuition price before they commit to William & Mary.

- The new operating model will be phased in over several years through three step changes in tuition list prices and corresponding financial aid changes.

- Already enrolled students will not be affected by the changes and any tuition increases will be held to the rate of inflation.
What do we promise?

We promise to increase the number of Virginians admitted to the College, enhancing in-state student opportunities on campus and at other locations.

- In response to calls by the Governor and General Assembly, William & Mary in the Spring of 2011 committed to add 150 more slots for Virginia students.

- The new operating model will permit William & Mary to double that commitment by adding another 150 slots for in-state students.

- Together with the commitment made in 2011, the new operating model will enable the College to increase by 8% the opportunities provided to in-state undergraduate students.
What do we promise?

We promise to lead the way on innovation, efficiency, productivity, and reform. Key initiatives include:

- Retaining an outside firm to review and make recommendations on how William & Mary could be better structured in its administrative operations to drive greater efficiencies and cost savings.

- Increasing the number of courses taught by full-time faculty, including more non-tenure-track faculty focused on teaching.

- Expanding digital means to teach courses on campus and developing innovative ways for faculty and students to interact.

- Enhancing year-round use of facilities and resources by expanding summer school programs and exploring the addition of a short winter session.

- Adopting new ways of generating academic revenue using current resources, including increasing net revenue through executive programs, continuing education certificate programs, and eLearning opportunities.

- Developing a rigorous faculty and staff compensation plan that rewards merit.
The William & Mary Promise

New Operating Model
Tuition Program to Implement Six Year Plan – Returning Students
FY 2013 – FY 2016: Tuition Increase at Annual CPI Increase

* Assumes projected rate of inflation of 2.4% annually.
Tuition Program to Implement Six Year Plan – New Students
FY 2014 – FY 2016: Three Year Step Change for Freshmen with Four Year Guarantee
FY 2017 and Beyond: CPI Increase for Incoming Freshmen with Four Year Guarantee

$10,428
$12,428
$13,978
How the restructured pricing model will work:
Various scenarios for “middle-income” In-State Students

How the Restructured Pricing Model Reduces Net Price for In-State Students (4 examples)

*Full Price = estimated FY 2014 total cost (tuition, fees, room, board, books, travel)
Comparison of Current and Proposed **Average** In-State Financial Aid Packages:

<table>
<thead>
<tr>
<th>Income</th>
<th>Grant</th>
<th>Loan</th>
<th>Grant</th>
<th>Loan</th>
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<tbody>
<tr>
<td>$\leq$ 40K</td>
<td>$26,138</td>
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<td>$28,465</td>
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<tr>
<td>41-60K</td>
<td>$12,207</td>
<td>$5,500</td>
<td>$16,534</td>
<td>$3,500</td>
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<tr>
<td>&gt; 61K &lt; 100K</td>
<td>$2,842</td>
<td>$5,500</td>
<td>$6,169</td>
<td>$4,500</td>
</tr>
<tr>
<td>&gt; 100K &lt; 175K</td>
<td>$985</td>
<td>$5,500</td>
<td>$4,312</td>
<td>$4,500</td>
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How the restructured pricing model will work:

In-State Student financial aid – in dollars
**How the restructured pricing model will work:**

In-State Student financial aid – in percentages

Comparison by Percentage of Grant vs. Loan for **Average** In-State Financial Aid Packages:

<table>
<thead>
<tr>
<th>Income</th>
<th>Current (based on 2012-2013 costs)</th>
<th>Proposed (based on proposed FY 2014 costs)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Grant</td>
<td>Loan</td>
</tr>
<tr>
<td>≤ $40K</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>$41-60K</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>&gt;$61K &lt;100K</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>&gt;$100K &lt;175K</td>
<td>10%</td>
<td>90%</td>
</tr>
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### How the restructured pricing model will work:

**In-State Student cumulative four-year debt**

#### Comparison of Cumulative Four-Year Debt:

<table>
<thead>
<tr>
<th>Income</th>
<th>Current (based on 2012-2013 costs)</th>
<th>Proposed (based on proposed costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $40K</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$41-60K</td>
<td>$22,000</td>
<td>$14,000 (-36%)</td>
</tr>
<tr>
<td>&gt; $60K &lt;100K</td>
<td>$22,000</td>
<td>$18,000 (-18%)</td>
</tr>
<tr>
<td>&gt; $100K &lt;175K</td>
<td>$22,000</td>
<td>$18,000 (-18%)</td>
</tr>
</tbody>
</table>
Under the new operating model, the average faculty salary will increase from the 17th percentile in 2013 to the 51st percentile in 2016.

The College of William & Mary
Faculty Salary Average
Estimated Percentile Rank Within Peer Group
(State Goal: 60th Percentile)

SCHEV estimated assuming 1% growth in FY 2011 and FY 2012; 2% growth annually FY 2013 through FY 2016.

Impact of William & Mary Promise on faculty compensation.