HJR 108: Overview and Status of JLARC Reports on Higher Education in Virginia

FISCAL OFFICERS OF COLLEGES AND UNIVERSITIES STATE SUPPORTED

November 14, 2013
Study Mandate
HJR 108 (2012)

Study the factors affecting the cost efficiency of higher education operations and identify opportunities to reduce cost of public higher education in Virginia

For full text see HJR 108 (2012)
## Five Reports in JLARC Higher Education Series

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<td>3. Review of Instruction and Research</td>
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Trends in Higher Education

Auxiliary Enterprises

Upcoming JLARC Higher Education Studies
State Appropriations Have Not Increased as Much as Total Revenue (1991 – 2011)
Virginia Institutions Derive Less of Total Revenue from the State

Nationwide  | Southeast  | Virginia

<table>
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<tr>
<th>Year</th>
<th>Nationwide</th>
<th>Southeast</th>
<th>Virginia</th>
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<tr>
<td>1991</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>2011</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
</tbody>
</table>

60% 80% 100%
State Funds Per Student, Adjusted for Inflation, Declined 22% (1991 – 2011)

Other revenue

State appropriations
In Virginia, Portion of Total Revenue Students Pay Through Tuition and Fees Increased 44% (1991 – 2011)

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<th>% of Total Revenue From Tuition and Fees</th>
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<td>1991</td>
</tr>
<tr>
<td>2011</td>
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</tbody>
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% Increase

| 1991 to 2011 | 44        |
Enrollment Increased 40% in Virginia (1991-92 to 2011-12)

• Total full-time undergraduate enrollment across Virginia’s 15 public higher education institutions
  – 103,830 in 1991-92
  – 145,425 in 2011-12

• Most Virginia institutions increased enrollment
  – RU remained about the same
  – NSU decreased by about one-fifth

• Virginia’s public four year enrollment increased more than national average
A Higher Percentage of Virginia Students Graduate—aand in Fewer Years

[Bar chart showing percentage of students graduating in 4, 5, and 6 years for Virginia, Southeast, and Nationwide.]
Some Schools Graduate More Students Than Expected Based on Student and Institutional Factors

Expected (based on statistical model)  Above expected %

- JMU: 11%
- UVA: 10%
- GMU: 9%
- VT: 9%
- VSU: 6%
- CWM: 6%

Average tuition & fees (nationwide)

- Public 4-year
- Private 4-year
- Inflation
- Hospital services
Average Tuition and Fees Have Increased Slightly Less in Virginia Than Nationally (1991 – 2011)

Average tuition & fees (public 4-year)

- Nationwide
- Southeast
- Virginia
Income Increased 86%, While Tuition and Fees More Than Tripled (1991 - 2011)

Average Virginia tuition and fees

Average income left over after paying tuition and fees

1991

10% 90%

2011

17% 83%

Average Consumer Income
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Trends in Higher Education

Auxiliary Enterprises

Upcoming JLARC Higher Education Studies
Auxiliary Enterprises Drove Spending Increase at Research Institutions (2001 - 2011)

Note: Net change, per student, inflation-adjusted. UVA hospital spending removed.
Auxiliary Enterprises Drove Spending Increase at Non-Research Institutions (2001 - 2011)

Note: Net change, per student, inflation-adjusted.
## Price of Auxiliary Enterprise Services Increased, But Not As Much As Tuition

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<tr>
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<th>2003-04 Average</th>
<th>2012-13 Average</th>
<th>Total</th>
<th>Average Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and E&amp;G Fees</td>
<td>$3,178</td>
<td>$6,501</td>
<td>105%</td>
<td>8%</td>
</tr>
<tr>
<td>Non-E&amp;G Fees</td>
<td>1,958</td>
<td>3,418</td>
<td>75</td>
<td>7</td>
</tr>
<tr>
<td>Housing Charges</td>
<td>3,217</td>
<td>5,090</td>
<td>58</td>
<td>5</td>
</tr>
<tr>
<td>Dining Charges</td>
<td>2,489</td>
<td>3,609</td>
<td>45</td>
<td>4</td>
</tr>
</tbody>
</table>
Price of Auxiliary Enterprise Services Can Be Substantial Portion of Total Price

Freshman $18,617
- 20% Dining
- 27% Housing
- 18% Non-E&G Fees
- 35% Tuition and E&G Fees

Senior $9,919
- 66% Tuition and E&G Fees
- 34% Non-E&G Fees
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Auxiliary Enterprises - Athletics

Upcoming JLARC Higher Education Studies
Most Athletic Programs Generate Less Than Half of Total Revenue (2011-12)

Average = 31%
Virginia Athletic Spending Increased More Than Inflation and E&G Spending In Last 6 Years

• Total athletic spending grew by $85.9 million in six years
  – No Virginia school decreased its athletic program spending

• Average athletic program grew by 43%
  – Inflation was 10%
  – Total institutional spending increased 23%
  – E&G spending increased 26%
Athletic Spending Growth Primarily Attributable to Four Factors

• Athletic scholarships (26% of growth)
• Coaching salaries (24%)
• Support staff salaries (15%)
• Facilities (12%)
Mandatory Athletic-Related Fees Comprise an Average of 12% of Total Tuition and Fees (2012-13)
Information on Athletics Fees Difficult to Find

- Athletic fee (or the athletic component of mandatory non-E&G fees) is difficult to find on many schools’ websites or is not publicized at all
- Students may not be fully aware of how much they pay in athletic-related mandatory student fees
Recommendation

Boards of visitors should require their institutions to clearly list the amount of the athletic fee on their website’s tuition and fees information page. The boards should consider requiring institutions to list the major components of all mandatory fees, including the portion attributable to athletics, on a separate page attached to student invoices.
Some Institutions Include Debt Service for Athletics, Others Do Not

- SCHEV’s annual tuition and fee report provides information about components of mandatory non-E&G fees charged to students.

- Comparisons across schools are problematic.
  - Some schools charge a separate debt service fee that includes all auxiliary debt service, other schools include athletics-related debt service in athletics fee.
Recommendation

SCHEV should convene a working group of institution financial officers to create a standard way of calculating and publishing mandatory non-E&G fees, including for intercollegiate athletics. The group should report its findings to the House Appropriations and Senate Finance Committees by the 2015 General Assembly.
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Auxiliary Enterprises – Student Housing

Upcoming JLARC Higher Education Studies
Many Undergraduate Students Are Required to Live on Campus in Student Housing

• 11 out of 15 institutions require at least freshmen students to live on campus
  – UMW, CNU, and VMI have multi-year requirements
  – GMU, VCU, ODU, and NSU have no requirement

• 28% of undergraduate students were required to live on campus, on average (2012-13)
Student Housing Charges Vary Depending on Institution and Housing Type

• Minimum charges ranged from $2,277 per year at VMI to $6,358 per year at CNU (2012-13)

• Charges at a given institution can differ by several thousand dollars per year depending on housing type
  – Example: ODU housing charges ranged from $5,210 per year to $10,120 (2012-13)

• No State funds for student housing auxiliaries*

*Exception is VMI, which received State funds for housing renovations
Virginia Student Housing Charges Increased About Same As Rent in Local Markets, But Faster Than Rent Nationwide

- **Virginia 4-year student housing (average)**: 58%
- **Local HUD Fair Market Rent (average)**: 55%
- **Nationwide CPI Rent**: 27%

*Growth calculated between FY 2004 and FY 2013.*
*HUD Fair Market Rent for one-bedroom units in localities where Virginia’s public four-year institutions are located. Annual rent calculated for 9 months.*
Growth in Housing Charges
Attributable to Several Factors

• Construction & renovation of housing facilities
• Student and parent demand for more features
• Utility and labor costs
• Student enrollment growth
Annual Housing Charges in Virginia Less Than Rent in Local Markets But Close to Other Institutions Nationwide, on Average

- Local Fair Market Rent (HUD): $7,349
- Nationwide Private 4-Year: $5,056
- Similar Public & Private 4-Year: $4,966
- Virginia Public 4-Year: $4,844
- Nationwide Public 4-Year: $4,838

* Average annual dining charge for 2011-12 academic year.
* HUD Fair Market Rent for one-bedroom units in localities where Virginia’s public four-year institutions are located. Annual rent calculated for 9 months.
One-Third of Students Choose Student Housing; Facilities Almost Fully Utilized

• 33% live on campus voluntarily
  – Above average: CWM, LU, NSU, VSU, UMW

• 98 % occupancy rate for student housing facilities
  – Above average: CWM, LU, CNU, JMU, ODU, VT, UVA

• Student groups: mixed opinions
Institutional Staff Cite Benefits of Students Living on Campus

• Retention
• Safety
• Convenience
• Residential college experience
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Auxiliary Enterprises – Student Dining

Upcoming JLARC Higher Education Studies
Undergraduate Students Living on Campus Are Required to Purchase Dining Plans

- Residential students at all 15 institutions are required to purchase dining plans
  - Exceptions for upperclassmen at some institutions
- 45 percent of undergraduate students required to purchase dining plan in 2012-13, on average
Dining Charges Vary Depending on Institution and Type of Dining Plan

• Maximum charges for annual dining plans ranged from $2,876 (NSU) to $5,456 (VMI) in 2012-13

• Dining plan charges can vary by several thousand dollars
  – Example: charges for residential dining plans at VCU ranged from $410 per year to $3,818 per year in 2012-13

• No State funds for student dining auxiliaries

• All but two institutions outsource dining operations to private vendors
Growth in Average Dining Charge Outpaced Cost of Meals Out and Other Institutions

- Virginia public 4-year student dining plan (average): 51%
- Virginia private 4-year student dining plan (average): 48%
- Nationwide public & private 4-year student dining plan (average): 44%
- Nationwide Consumer Price Index- Meals out: 30%

Note: 10-year growth calculated FY 2004 to FY 2013.
Growth in Dining Charges
Attributable to Several Factors

- Cost of inputs (food, labor, utilities)
- Construction & renovation of dining facilities
- Growing demand for foods that meet special dietary needs
- Student enrollment growth
Average Dining Charge Comparable to Other Institutions in Virginia and Nationwide

- Virginia Private 4-year: $4,440
- Nationwide Private 4-year: $4,301
- Virginia Public 4-year: $3,860
- Nationwide Public 4-year: $3,494

Note: Average annual dining charge for 2012-13.
Many Students Choose Student Dining Plans; 83% of Meals Purchased are Consumed

• Eight institutions exceed statewide average for students voluntarily purchasing dining plans
  – Statewide average: 39% students
  – Above average: VT, JMU, UMW, CWM, CNU, RU, UVA, LU

• Five institutions meet or exceed statewide average student consumption of meals
  – Statewide average: 83% of meals consumed
  – Above average: VT, RU, VCU, JMU, GMU
Several Institutions Had Lower Estimated Per-Meal Costs Than Statewide Average

- Eight institutions had lower per-meal cost for 14 or 15 meal-per-week plan
  - Statewide average: $7.14 per meal
  - Below average: CNU, GMU, LU, NSU, RU, UMW, VCU, VT

- Seven institutions had lower per-meal cost for most popular dining plan
  - Statewide average: $7.00 per meal
  - Below average: CWM, GMU, LU, NSU, UVA-W, VSU, VT
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Auxiliary Enterprises – Institutional Debt

Upcoming JLARC Higher Education Studies
Largest Share of Auxiliary Enterprise Debt: Student Housing

- 44% Housing
- 15% Other
- 11% Parking
- 9% Recreation
- 9% Athletics
- 7% Student Unions & Centers
- 5% Dining

Note: By dollar value, FY 2002 – FY 2012
Student Fees Cover 90% of Auxiliary Enterprise Debt Service

• Students are main users of new facilities and principal payers of project debt service
  – Students pay 100% of such debt service at 10 institutions

• Debt service portion of mandatory fees doubled at six institutions (FY 2005 – FY 2012)
Institutional Debt Service Increased 80% Per FTE Student

FY 2005

FY 2012

$673

$1,211

$0

$200

$400

$600

$800

$1,000

$1,200

$1,400
Institutional Debt Service Paid by Students Averages 7% of Total Charges Paid to Institution
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## Remaining Reports in JLARC Higher Education Series

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Questions? Comments?

For more information …

http://jlarc.virginia.gov

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