

**REPORT OF THE
STATE COUNCIL OF HIGHER EDUCATION**

**Initial Study of the
Impact of Non-Resident
Graduate Tuition Waivers**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Introduction

The 2005 Virginia Appropriation Act (Item 4-2.01) directs the State Council of Higher Education for Virginia (SCHEV) to report on “nonresident tuition waivers, including how waivers contribute to the institutions ability to attract and retain research funding and an analysis of the return on investment for the institutions and the Commonwealth through the use of these waivers.” Specifically, the General Assembly proposed a policy to provide nonresident tuition waivers to out-of-state students to enhance recruitment and increase the number of nonresident students who remain in the Commonwealth after graduation. The General Assembly charged SCHEV with investigating the return on investment from current nonresident tuition waivers on student residency.

Many public universities including institutions in the Commonwealth of Virginia seek to enroll the most competitive students in their graduate programs. Nonresident tuition waivers provide a financial incentive to attract out-of-state students to Virginia’s graduate programs. Virginia’s universities have received national attention for their research endeavors. Further, to maintain institutional and state competitiveness in a technologically driven economy requires sustained investment in research based enterprises.

In its 2003 Strategic Plan, SCHEV identified as a priority the goal of strengthening Virginia’s academic research capacities to improve the state’s leadership position in a growing technologically-driven economy. To advance this goal the General Assembly instructed SCHEV to develop a set of state policies to promote collaboration between the state’s academic institutions and the business community. Enhancing research collaboration between the two sectors is tied to state investments in human capital.

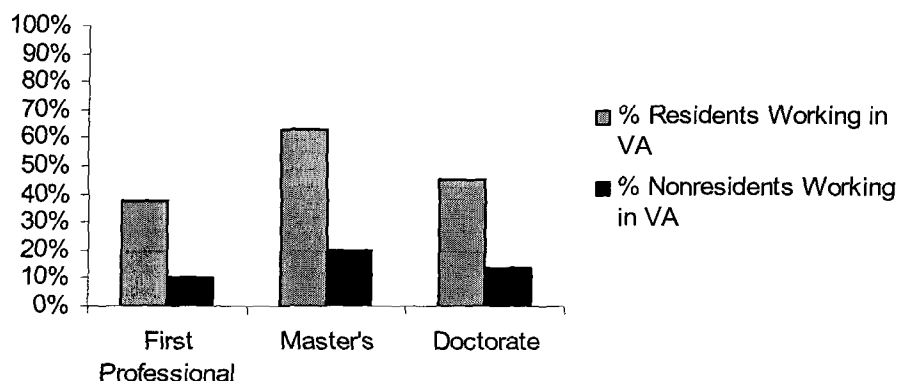
Human capital is essential to any developing research enterprise and the lack of consistent investment in human capital, particularly graduate education is seen as a barrier to improving the research capabilities of the state. The popularity of ranking systems to determine an institution’s standing vis-à-vis a competitor has enhanced the profile of public universities. In turn, public universities including Virginia institutions, compete in the same applicant pool for students. The ability to attract top graduate students ensures continued growth in the best academic research projects. Colleges and universities value attracting the best students to their programs. However, retaining these graduates in Virginia is of critical importance to the Commonwealth, particularly through tax revenue.

A student who graduates from an institution in the Commonwealth becomes a potential partner for Virginia's businesses, government agencies and non-profit enterprises. Should these graduates leave the Commonwealth for other states, Virginia loses the potential entrepreneurial and economic benefits of these students. In addressing the issue of retaining nonresident students, the Virginia General Assembly enacted as policy the use of nonresident tuition waivers to create more opportunities for institutions to grant in-state tuition rates to graduate students. Research-based entrepreneurship figures largely in the public policy arena because of its benefit to state economic statistics. Presumably, the more monetary funds a state can invest in research and development and human capital, the greater advantage economically a state and its institutions benefit

Analysis

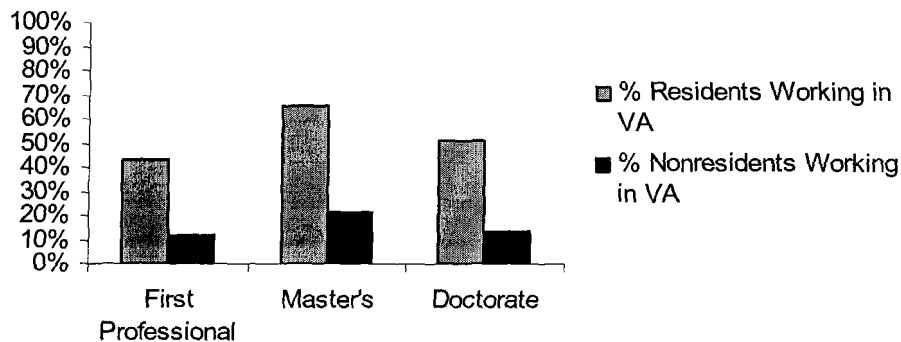
At the core of the policy is whether nonresident tuition waivers as an incentive improves the likelihood that out-of-state students remain in Virginia upon graduation. In order to assess the rate of return from nonresident tuition waivers, SCHEV partnered with the Virginia Employment Commission to determine student residency status through employment records. SCHEV examined these informal assertions by comparing the trends of out-of-state students who remained in the state to their in-state peers across degree level: first professional degree, master's degree or doctorate. SCHEV matched 2003-04 graduates to their first quarter 2005 wages record. In general, more than half of Virginia residents are employed within the state eighteen months after graduation. Approximately ten percent of nonresident students with a degree are employed in Virginia and ninety percent leave the state or are not employed (Figure 1). Among master's degree recipients, twenty percent of out-of-state students are employed in the state eighteen months following their graduation. For doctorate degree holders, twelve percent of nonresidents were employed eighteen after graduation.

Figure 1. Comparison of Resident and Nonresident Graduates Working in Virginia



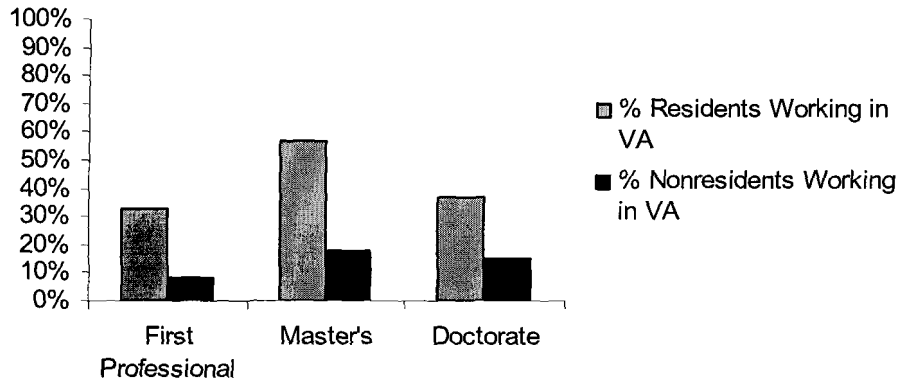
Among female out-of-state first professional degree holders, twelve percent are employed in the state (Figure 2). Twenty-two percent of female master's degree holders and approximately fourteen percent of female doctorate recipients are employed in the Commonwealth eighteen months following graduation. The percentage of resident female students employed eighteen months after graduation is much higher across all degree levels than for nonresident female students.

Figure 2. Comparison of Female Resident and Nonresident Graduates Working in Virginia



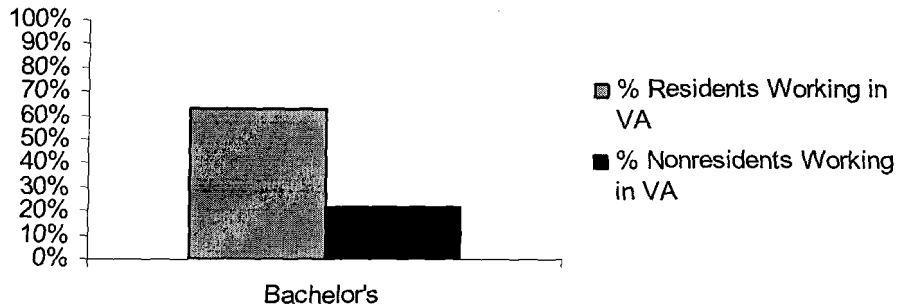
As depicted in Figure 3, seven percent of nonresident males with first professional degree are employed in the Commonwealth eighteen months after graduation. Approximately eighteen percent of nonresident males with a master's degree are employed in the Commonwealth eighteen months after graduation. Among male nonresident doctorate degree holders fifteen percent are employed within the Commonwealth eighteen months after their graduation date.

Figure 3. Comparison of Male Resident and Nonresident Graduates Working in Virginia



The last comparison focuses on the number of bachelor's degree recipients' retained in the Commonwealth of Virginia. Sixty percent of Virginia residents and twenty percent of nonresident bachelor's degree recipients' are employed in the state eighteen months after graduation.

Figure 4. Comparison of Residents and Nonresidents Earning a Bachelor's Degree in Virginia



Conclusion

The General Assembly proposed the use of nonresident tuition waivers for out-of-state students as a mechanism to strengthen student ties to the Commonwealth with the ultimate goal of increasing student residency in the state upon graduation. The question of interest is whether this policy is effective in increasing the likelihood that students will maintain residency in the state after graduation.

Because there are significant limitations to the data that hinder a full analysis of tuition waivers and student residency, SCHEV cannot provide a definitive answer to this question. Presently, SCHEV does not collect data on graduate student tuition waivers. SCHEV is working diligently, with the cooperation of the colleges and universities to collect separate data on graduate nonresident tuition waivers with the goal of providing further answers to the questions. Based on the data available, the effects of non-resident tuition waivers on retaining out-of-state students' in the Commonwealth appear minimal. There are slight trend differences across gender and degree level, but overall the Commonwealth is not retaining the large majority of its nonresident graduate students after graduation. Conversely, the number of retained out-of-state bachelor's degree recipients is higher and equal to the proportion of out-of-state master degree recipients.

At issue in a much broader context is whether the Commonwealth has the capacity to absorb these students from the marketplace and provide employment at wage scale. A higher percentage of nonresident bachelors's and master degree recipients are retained within the Commonwealth than doctorate students. The Commonwealth employment market may not be able to provide graduate degree recipients with the prerequisite employment opportunities they seek. For example, most doctorate degree recipients are prepared to achieve employment at another research/doctoral granting institution. Faculty positions are limited. Institutions tend not to hire their own graduates and relatively fewer nonacademic positions exist. Tuition waivers in effect help strengthen a specific graduate program, but retaining students within the state is a much broader issue. The total remitted funds for out-of-state students without any scholarship funding is \$22,050,369 and the total remitted funds for Virginia residents without scholarship is \$7,244,924 (Appendix A). Future studies must consider the economic demand for professional and graduate degree students within the state.

There is a practical limit on the number of graduates Virginia can retain. Employment opportunities have to exist in order for students to establish residency. Without further analysis, we may incorrectly infer that nonresident tuition waivers are ineffective when the true obstacle is relatively scarce employment opportunities. However, with the goal of providing the General Assembly specific answers to the question, the current effort to pursue data on graduate tuition waivers will allow SCHEV to investigate these issues further.



STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
ADVANCING VIRGINIA THROUGH HIGHER EDUCATION

James Monroe Building
101 North Fourteenth Street
Richmond, Virginia 23219

Tel: (804) 225-2600
Fax: (804) 225-2604
Web www.schev.edu

Daniel J. LaVista
Executive Director

