

**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

Public Funding of Higher Education in Virginia

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



SENATE DOCUMENT NO. 11

**COMMONWEALTH OF VIRGINIA
RICHMOND
2006**

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Overview

The 2004 General Assembly created the Joint Subcommittee Studying Public Funding of Higher Education in Virginia on the heels of an economic recession that resulted in significant general fund budget reductions and sizeable tuition increases. The uncertainty of higher education funding was exacerbated by growing concerns in the Commonwealth that projected increases in student enrollment might outstrip institutional capacity by the end of the decade. So, even as the economy improved, both legislators and higher education leaders voiced concerns that simply returning to “business as usual” would not be sufficient in meeting Virginia’s needs for higher education in the coming years.

The Joint Subcommittee’s Charge

In establishing the Joint Subcommittee, the 2004 General Assembly saw an opportunity to reflect broadly on the status of higher education in the Commonwealth, to challenge old assumptions about how higher education services are provided, and to look for new opportunities to serve Virginia students better. Specifically, through Senate Joint Resolution 74 (2004), the Joint Subcommittee was charged with considering:

- alternatives to the current formulas and methods used by the Commonwealth to fund institutions of higher education;
- alternatives for paying for a college education including, but not limited to, interest-free loans guaranteed by the Commonwealth;
- the efficacy and appropriateness of delivering degree programs through distance learning; and
- access to Virginia institutions of higher education by residents of the Commonwealth, including the feasibility of guaranteeing placement at a four-year institution of higher education in the Commonwealth for certain graduates of Virginia’s community colleges satisfying an agreed upon curriculum and grade point average.

As prescribed by the resolution, the Joint Subcommittee was tasked with completing its work prior to the first day of the 2006 legislative session.

Bringing Focus to the Subcommittee's Work

At its initial meeting, the Joint Subcommittee asked Ms. Jane Wellman, a national consultant and senior associate with the Institute for Higher Education Policy, for guidance on how it might best structure its work. Based on her experience working with similar study commissions in numerous other states, Ms. Wellman recommended that the Subcommittee focus on four key objectives:

Objective 1: **Create a common information base:** A common set of data and foundation of information is essential to developing coherent policy solutions, according to Wellman. Without sufficient background, states have struggled to make meaningful progress in developing sustainable higher education policies and funding strategies.

Objective 2: **Recognize how policies interact with one another.** Study commissions too often look at issues of cost, quality, and access in higher education separately. Wellman warned the Subcommittee to "avoid stovepiping issues." Specifically, she recommended that the Subcommittee consider how funding issues (state operating appropriations, tuition, and student financial aid) are inter-connected and how they contribute collectively to issues of access and quality. States that have attempted to look at these issues in isolation often end up with policies that are disjointed, ineffective, or even counterproductive.

Objective 3: **Think in terms of subsidies:** Given a finite level of resources and the availability of other revenue streams in higher education, policymakers should view state general fund appropriations as a subsidy. Higher education institutions will always have other sources of funding that may compliment or compete with state funding. However, other states have found that even limited increases in state funding can be leveraged effectively to produce desired results.

Objective 4: **Develop specific scenarios:** Wellman also recommended that given the complexity and inter-related nature of the issues, the Subcommittee should identify specific scenarios that allow it to test assumptions, work through the issues, and help frame the solutions.

The Joint Subcommittee relied on these principles in setting its meeting agendas and in exploring potential policy options.

Objective 1: Create a Common Information Base

In an effort to develop common background and data on issues related to its work, the Joint Subcommittee engaged experts on a variety of topics.

Highlights included:

- **Projected Enrollment Growth:** Every two years, the State Council of Higher Education for Virginia (SCHEV) adopts enrollment projections for the upcoming six-year period. In July 2005, the Council estimated that by FY 2012, the number of Virginians enrolled at a public college or university in the Commonwealth will increase from 295,000 to 357,000 – an increase of 21 percent.

Although growth will occur within both the four-year and two-year sectors, three-fourths of the growth – or 40,000 students – are expected to enroll at Virginia’s community colleges. If those projections are realized, in-state enrollments within the Virginia Community College System (VCCS) will increase by over 25 percent by FY 2012.

Understanding the magnitude of the projected increase and the existing space limitations at community colleges served as an important foundation in structuring the Subcommittee’s discussions and in identifying potential policy solutions. (See testimony of Dr. Daniel J. LaVista, SCHEV Executive Director; Ms. Karen Petersen, VCCS Executive Vice Chancellor, and Dr. Robert Templin, president of Northern Virginia Community College NVCC from the July 25, 2005 Subcommittee meeting).

- **The Demographics of Virginia’s Student Population:** Although higher education plays an increasingly important role in the economic development and competitiveness of the Commonwealth, growing segments of Virginia’s population are unprepared to take advantage of college opportunities, according to Dr. Joseph L. Marks, Director of Education Data Services, with the Southern Regional Education Board. In reviewing census data and educational trends in Virginia, Marks told the Subcommittee that changing demographics would make it increasingly difficult to sustain current higher education going rates into the future. Further, he suggested that barriers to access – particularly college costs – would exacerbate already existing gaps in attainment among under-represented populations (July 25, 2005 Subcommittee Meeting).¹
- **Connections Between K-12 and Higher Education:** Given Virginia’s recent efforts to reform elementary and secondary education, the Subcommittee asked Dr. William C. Boshier, former state superintendent and former Dean, School of Education, Virginia Commonwealth University, to identify what lessons could be applied to a broad discussion about repositioning higher education for the coming decades (December 1, 2004 Subcommittee meeting).

Reforms in K-12 preparation have prompted changes in the college admissions process and as well as students’ expectations for postsecondary education. To bring the Subcommittee up to date on the current college admissions process, Dr. Jack Blackburn, Dean of Admissions at the University of Virginia, Ms. Evelyn White, Director of Guidance at Thomas Dale High School, and Mr. Michael C. Maxey, Dean of Admissions and Financial Aid at Roanoke College discussed how the admissions process has changed over time and the challenges students and parents confront as they negotiate the process (May 4, 2005 *Access and Affordability Workgroup Meeting*).

¹ Table 1 of the Appendix provides the 2005-06 in-state, undergraduate tuition, fees, room and board charges at Virginia’s public and private colleges and universities. Table 2 provides an estimate of general fund support per in-state undergraduate student at each institution.

- **Sources of Student Financial Aid:** Many students and families rely on financial aid programs to assist in covering the out-of-pocket costs of attending college. Ms. Melissa C. Wyatt with the Virginia Association of Student Financial Aid Administrators provided an overview of how state financial aid policies and funding decisions affect and are impacted by federal and institutional aid programs. (May 4, 2005 *Access and Affordability Workgroup Meeting*).

The testimony and materials provided to the Subcommittee in each of these areas played a critical role in structuring its understanding of the challenges facing the Commonwealth's higher education system, the changing needs of the student population, and opportunities to improve outcomes within the state's educational system at both the K-12 and postsecondary levels.

Objective 2: Don't Isolate Issues

In an effort to address the breadth of issues set forth in the study resolution, the Joint Subcommittee initially organized itself around three workgroups -- 1) Funding Strategies for Higher Education; 2) Access and Affordability, and 3) Improving Instructional Delivery. The membership and focus of each work was reported in the Subcommittee's interim report to the 2005 General Assembly.

As the Subcommittee began its work, however, and as Wellman anticipated, it became increasingly difficult to look at these issues in isolation. Common questions, challenges, and potential solutions impacted all three study areas. As a result, the Access and Affordability Workgroup was the only workgroup of the three to meet separately in May 2005. Subsequent meetings involved the Subcommittee as a whole.

Objective 3: Think in Terms of Subsidies

Again, coming back to Wellman's guiding recommendations, the Subcommittee spent significant time considering how state support could be used most effectively to ensure that higher education remains affordable and accessible for Virginians. For instance, at the May 4, 2005 access and

affordability workgroup meeting, Mr. Joseph C. Farrell, a citizen member of the Subcommittee, challenged the group to assess how state resources could be used to influence student behavior, while minimizing upfront, out-of-pocket expenses.

At its July 25, 2005 meeting, Dr. David Brat, professor and chair of the economics and business department at Randolph Macon College, broadened the conversation by asking the Subcommittee to consider how market concepts work in higher education. Unlike traditional economic markets, Brat suggested that in higher education both supply and demand are determined largely by the state's policy and funding decisions. As a result, he suggested that policymakers must constantly evaluate the tradeoffs between cost, quality, access, institutional stability, state control, and student choice and assess how current policy and funding balances those priorities.

Objective 4: Develop Specific Scenarios

Building upon these notions, Subcommittee chair, Senator Walter A. Stosch, asked members to explore strategies for leveraging state funding most effectively. In particular, he asked members to consider how best to use public resources, in combination with private resources, to balance the public's interest in access, affordability, and educational quality and to meet anticipated demand for higher education in the Commonwealth.

Several Subcommittee members identified policy options or strategies that may be considered by the 2006 General Assembly. In some instances, these strategies would involve targeting resources through existing programs or funding mechanisms, while other options lend themselves potentially to new initiatives or smaller scale pilot programs. In all cases, questions remain about the fiscal impact of these potential strategies, and the Subcommittee felt that additional opportunities for public discourse on these ideas should be pursued by the General Assembly prior to taking any action.

Although the Subcommittee did not adopt formal recommendations, the policy options it reviewed were grouped into three broad categories – Access and Opportunity; Affordability and Cost, and Improving Outcomes.

Policy Options Impacting Access and Opportunity

In reviewing SCHEV's latest enrollment projections, the Subcommittee recognized at least two major issues confronting the Commonwealth. First, while public four-year institutions have indicated a willingness and ability to accommodate the projected enrollment growth, the available space may not be aligned with student preference. Second, the space / resource limitations in the community colleges may limit the extent to which the VCCS is able to accommodate the demand. This issue is particularly significant in the Northern Virginia and Tidewater areas where a substantial portion of the projected enrollment demand is expected to occur.

However, SCHEV also reported that Virginia's private institutions have indicated an ability and desire to increase enrollments by as much as 11,000 students over the next six years. This estimate should be tempered by the same concern raised above regarding public four-year institutions, that is, the available space may not be aligned with student preference.

With that in mind, the Subcommittee looked at five different potential policy changes that could increase access and expand postsecondary opportunities for students:

1. ***Tuition Assistance Grants.*** In 1972, the Commonwealth established the Tuition Assistance Grant (TAG) Program to assist Virginia residents who attend accredited private, non-profit colleges and universities in Virginia for other than religious training or theological education. The TAG award is authorized in Chapter 4.1 Section 23-38.11 through 18 of the *Code of Virginia* as the Tuition Assistance Grant Act and is available to Virginia students who demonstrate that they have been accepted by and enrolled at an eligible, private institution in the state . The TAG Program provides over \$45 million of assistance to over 19,000 students in FY2006. The current language allows for a \$3,000 maximum annual award. However, increased enrollments result in a lower actual annual award of about \$2,500. TAG funding projections are based on the number of eligible applicants and historical information to determine the average award amounts and attrition rates. If the annual award were increased to \$4,000 per student, SCHEV estimates the cost would be about \$50 to \$60 million phased-in over the biennium.

There are some questions about whether TAG is an incentive to attend private colleges. An independent study might be warranted to examine this question empirically and determine what award level would be most effective in changing individual decision-making with regards to college choice.

2. ***Enrollment Growth Grants at Private Colleges:*** Another option would be to target funding to those institutions that are willing to accommodate significantly greater number of Virginia students and to do so in such a way that would encourage students to look more closely at private college options in the state. Specifically, the Subcommittee considered a proposal that would allow the state to enter into a contract with individual private institutions that agree to increase in-state enrollments to a mutually agreeable target. In exchange for increasing in-state enrollments, the private institution would receive a state grant, based on a per capita amount. Institutions would be required to use those funds to reduce the out-of-pocket costs for in-state students, making private institutions potentially more attractive to Virginia students and their families.
3. ***P-16 Solutions:*** The education community has long recognized that the most successful postsecondary education systems build on the success of their elementary and secondary systems. Throughout its deliberations, the Subcommittee recognized the value of dual enrollment programs in encouraging students to complete college programs more quickly, and as a result, in generating potential cost savings for students, families, and the taxpayer.

In addition to exploring educational linkages, the Subcommittee looked at opportunities to link other resources across K-12 schools, higher education institutions, and local communities. For instance, the Subcommittee looked at ways to encourage Virginia's colleges and universities with existing or projected space limitations to take greater advantage of under-utilized facilities in the community, particularly at local schools and public libraries. In many communities, newly constructed state-of-the-art schools and resource centers stand empty during significant portions of the day. By partnering with those communities, the state may be able to serve more students without the addition of significant capital costs and may be able to assist localities in defraying a portion of their planning, design, or facility operating costs.

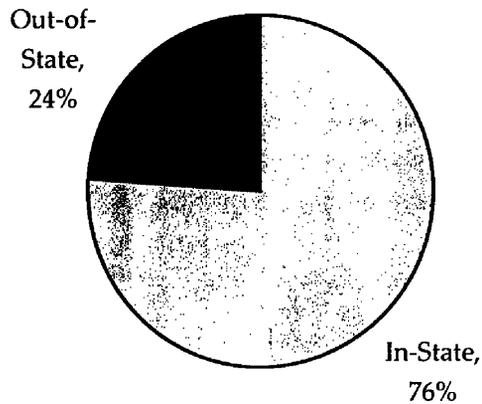
4. ***Private College Course Sharing:*** Similarly, the Subcommittee also considered how public institutions facing space limitations might partner with private colleges and universities to provide classes to their students. Rather than enrolling at a private college or university, students attending public colleges or universities could benefit from taking courses that are unavailable or filled to capacity at their “home” institution.

As discussed by the Subcommittee, public institutions would partner with private institutions such that public college students would continue to pay in-state public tuition rates, while receiving transferable credit from selected private institution courses. For public institutions, this type of arrangement would provide a “release valve” in meeting student demand for required classes. For private institutions, not at capacity, the additional revenue could offset the marginal cost of adding students to already staffed courses.

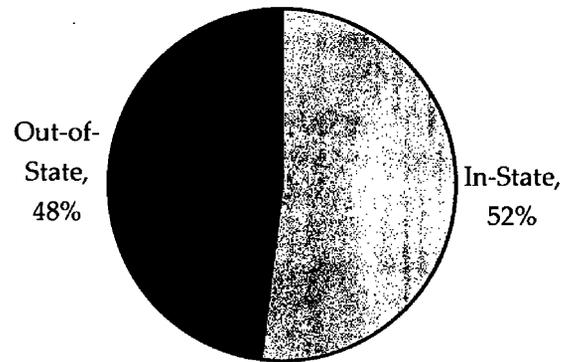
5. ***Out-of-State Student Capital Fee.*** The policy of the Commonwealth is that out-of-state students pay at least 100 percent of the operating cost of education (§ 4-2.01 b.2.b). Prior to the recession of the early 1990s the Commonwealth provided a general fund subsidy for all students regardless of domicile. However, in 1993, as a result of budget reductions at the time, the policy on out-of-state student tuition and fee charges changed to require that they pay 100 percent of the cost of their education. Since that time, state general fund has been provided to subsidize only Virginia students.

Institutions have used this policy to generate revenue in excess of the cost of education charging rates closer to what the market will bear. The chart below illustrates that while out-of-state student comprise about a quarter of the student population, they generate about half of the tuition and fee revenues.

FY 05 Enrollment



FY 05 Tuition & Fee Revenues



The policy, however, has been applied only to operating costs. As a result, the state general fund or the use of tax-supported debt, such as the general obligation bond projects approved in 2002, continues to support most of the capital outlay costs associated with educational and general (E&G) program facilities. In addition, capital maintenance through the maintenance reserve program which is allocated to repair E&G program facilities is funded almost entirely through the general fund.

In recent years, the General Assembly has begun to rethink its approach to funding capital outlay for higher education. For instance, the 2003 General Assembly approved a separate fee on out-of-state students for capital construction for specific bond issuances. The revenues from these fees were used to offset the general fund required for the debt service on tax-supported bonds issued for higher education facilities.

The General Assembly may want to implement a broader policy requiring that nonresident Virginia students pay at least 100 percent of the capital cost related to their education. However, before implementing this policy, the cost of capital will need to be determined. While construction costs do not vary significantly for like-sized buildings at different institutions, the number of out-of-state students will vary significantly by each institution. Therefore, the way in which the capital cost is determined could have a profound impact on an institution, particularly those institutions which predominately enroll in-state students or have a relatively small number of students over which to spread the cost. The table below shows the total number of in-state and out-of-state students for each institution for 2005.

Institution	In-State	Out-of-State	Total
CNU	4,088	101	4,189
CWM	4,689	2,944	7,633
GMU	18,627	3,390	22,017
JMU	11,308	4,681	15,989
LU	3,824	191	4,015
NSU	3,715	1,329	5,044
ODU	13,540	2,186	15,726
RU	8,100	833	8,933
UMW	3,103	1,096	4,199
UVA	13,852	8,922	22,774
UVA-W	1,542	67	1,609
VCU	20,282	2,881	23,163
VMI	819	731	1,550
VSU	3,101	1,485	4,586
VT	18,679	9,124	27,803
RBC	935	23	958
VCCS	88,894	3805	92,699
Total	219,098	43,789	262,887

Policy Options Impacting Affordability and Cost

The Joint Subcommittee reviewed two possible policy options that attempt to address the potential concern raised by Dr. Marks about college cost as a barrier to access and Ms. Wellman’s suggestion about using state funding as a subsidy to leverage desired results.

6. *Community College Transfer Grants.* The first option would be to provide a transfer grant for students graduating from the community college system with an associate’s degree. Given that enrollment demands for higher education will increase significantly and that state resources to meet those demands are constrained, directing funding to a lower-cost alternative, like the community colleges, could provide an opportunity for the state to leverage its limited resources while potentially reducing student costs. The Subcommittee considered the merits of providing a transfer grant to any community college graduate who earns an associate’s degree, maintains an overall grade point average of B or

better, and transfers to a public four-year college or university in the first year after graduation.

Although intrigued by the notion, the Subcommittee raised several questions about how this type of program could be structured. For instance, as with the TAG program, additional information is needed in order to determine what grant level would influence students to choose to attend their first two years at a community college rather than at a four-year institution. If grants are funded at a level that shifts a significant number of students from the four-year to the two-year sector, how will the additional enrollment demand impact community colleges that are already facing historic growth projections? In addition, Subcommittee members questioned whether this type of program lends itself to broad application or whether it should be focused initially on those programs that are considered high-need areas such as teaching, nursing, science, and engineering.

Even with these questions, the Subcommittee's exploration of the potentially important role of transfer and articulation policy in meeting the Commonwealth's future higher education needs was reinforced by the 2005 General Assembly's adoption of the Restructured Higher Education Financial and Administrative Operations Act. Specifically, the Act sets new expectations that all of Virginia's public four-year colleges and universities will establish and maintain effective transfer opportunities with the community college system. The challenge will be in determining how best to implement those opportunities and how to direct state resources to support the broad policy goal.

7. ***Dual Admission between Community Colleges and Four-Year Institutions.*** The Subcommittee looked at other opportunities to encourage students to attend the community colleges for their first two years of postsecondary education. In particular, the Subcommittee explored the use of dual enrollment programs, which would provide a student with a contingent admission to a four-year institution at the time they enter a community college. As with the transfer grant, this option provides a cost-effective opportunity for the student as well as the Commonwealth. It also provides students and parents with the additional comfort of knowing they will be admitted to the four-year institution of their choosing if they meet the admissions expectations. Pricing could be

adjusted to allow dual-admission students to utilize the auxiliary facilities and extra-curricular activities of the four-year institution.

Policy Options Impacting Improved Outcomes

Increased time to graduation creates additional monetary and opportunity costs for parents, students, and the Commonwealth. Policy options that provide incentives or opportunities that lead to the timely completion of degree programs save the student and state money. In addition, timely student graduation creates access opportunities for new students at institutions of choice.

8. ***Limit In-State Tuition Subsidy.*** Through annual general fund appropriations to Virginia's public colleges and universities, the state provides considerable benefit to every in-state student attending a public institution in the Commonwealth. With the general fund operating support they receive annually, public colleges and universities "buy down" the cost of education for students and parents – allowing public institutions to charge considerably less than their private counterparts.

Prior to 2004, in-state students received the same benefit regardless of whether they were progressing satisfactorily towards completing a degree or program. The 2004 General Assembly adopted language in the Appropriation Act to limit the number of credit hours for which the Commonwealth will provide general fund support for Virginia students. The Subcommittee recognized the potential benefit to the new policy, suggesting that the existing language could be strengthened to clarify the extent to which the Commonwealth is willing to provide state support for in-state students and the circumstances under which Virginia students would be required to cover 100 percent of the cost of their education.

9. ***Early Completer Incentive Program.*** Develop a graduate scholarship program for students who complete a bachelor's degree in no more than three years. The Commonwealth would provide students with a grant toward a graduate degree at a Virginia public institution in certain high need programs such as nursing, teaching, engineering, mathematics and science. This policy option creates greater access opportunities for prospective students by freeing up space at the undergraduate level. In addition to providing an incentive to increase the number of students

entering high-need degree fields, the proposed policy would also increase the pool of graduate students which are an important component to the research and development enterprise at four-year institutions.

Average tuition and fee charges for a graduate student are about \$7,100. Costs savings may be derived from students graduating sooner thus requiring less state general fund subsidy over the course of their education. These savings could be applied to offset part of the cost for the new graduate scholarship. The savings could be used to re-invest into the institution to ensure greater course availability or to accommodate increased in-state enrollment. The savings could also accrue to the student as a rebate.

10. ***Student Grant Program in High-Need Fields / Regions.*** The changing demographics of the Commonwealth have created an increased demand for teachers and nurses. The Subcommittee considered a proposal that would provide grants for students who pursue degrees in high-need programs. The grants could be upfront tuition reimbursements for students as they progress through the program or as a performance grant once the program is completed. The Subcommittee also considered using this concept for other degree programs such as engineering, mathematics and science.

In addition to providing grants for students in high-need programs, the Subcommittee also explored the use of incentives for students who agree to relocate to underserved regions of the state. The program could be structured as a loan forgiveness program or as performance grants in return for this service. This program could be initially focused on teaching and health professions.

Conclusion

A growing awareness of the importance of higher education to the future well-being of the Commonwealth has dominated much of the conversation in business and policy circles over the last several years. Even with a general consensus that a strong higher education system is needed to drive Virginia's economic engine, the challenges confronting higher education will require Virginia's public and private colleges to look for new opportunities that serve the state's students, businesses, and communities more effectively. For policymakers, the pressure to spread limited public resources across a growing number of obligations will make it essential that the state look for new ways to leverage its resources.

The Subcommittee's work has uncovered some potential new approaches that may help the state, students, and institutions meet the different challenges they face in the years ahead. It has resurfaced some previously discussed, but not enacted, strategies with the understanding that they may resonate more strongly in the current environment. Above all, it has raised issues and asked questions that will help frame the General Assembly's conversations in the 2006 session and beyond and as the state continues to strike a balance between access, cost, and quality in higher education.

Appendix

Table 1
In-State Undergraduate Tuition, Fees, Room and Board at
Virginia's Colleges and Universities

Colleges and Universities	2005-06 Undergraduate Tuition and Fees, Room and Board	Colleges and Universities	2005-06 Undergraduate Tuition and Fees, Room and Board
Four-Year Public		Four-Year Private	
Christopher Newport	\$13,326	Averett	\$24,920
George Mason	12,360	Bluefield	17,135
James Madison	12,258	Bridgewater	27,790
Longwood	12,627	Christendom	21,594
Norfolk State	11,144	Eastern Mennonite	25,450
Old Dominion	11,491	Emory & Henry	26,570
Radford	11,250	Ferrum	24,090
Mary Washington	11,636	Hampden-Sydney	32,270
University of Virginia	13,569	Hampton	20,928
UVA - Wise	11,046	Hollins	30,630
Virginia Commonwealth	12,427	Liberty	19,950
Virginia Military	14,332	Lynchburg	29,700
Virginia State	11,318	Mary Baldwin	26,465
Virginia Tech	10,900	Marymount	26,214
William & Mary	14,195	Randolph Macon	31,205
		Randolph Macon Women	31,640
		Roanoke	31,123
Two-Year Public		Sweet Briar	31,460
Richard Bland	2,350	University of Richmond	40,510
Va. Community Colleges	2,135	Virginia Intermont	22,200
		Virginia Union	18,432
		Virginia Wesleyan	28,433
		Washington and Lee	35,861

Source: Tuition and fee data as reported for private institutions in the *Richmond Times Dispatch, School and College Guide*, October 16, 2005. Data for public institutions from SCHEV's *2005 Tuition and Fee Report*.

Appendix

Table 2
Estimated FY 2006 General Fund Support
per Virginia Undergraduate Student

Virginia Colleges and Universities	State Support
Four-Year Institutions	
Christopher Newport	\$6,541
George Mason	6,293
James Madison	6,126
Longwood	6,381
Norfolk State	12,226
Old Dominion	6,813
Radford	5,595
Mary Washington	5,401
University of Virginia	9,757
UVA - Wise	7,138
Virginia Commonwealth	8,503
Virginia Military	12,499
Virginia State	9,836
Virginia Tech	9,041
William & Mary	9,443
Two-Year Institutions	
Richard Bland	4,314
Va. Community Colleges	3,667
Private Colleges and Universities	
Undergraduate Tuition Assistance Grant	2,500

Note: Average general fund support at the public colleges and universities reflects the sum of a) total general fund support for Educational and General Programs per all in-state students, including undergraduate, graduate and first professional students; and b) the level of general fund support per in-state undergraduate student for undergraduate, need-based aid programs.

Source: State Council of Higher Education for Virginia.



Commonwealth of Virginia

GENERAL ASSEMBLY
RICHMOND

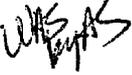
December 28, 2005

To: The Honorable Paul S. Tribble, President
Council of Presidents

Dr. Jennifer L. Braaten, Chair
Council of Independent Colleges in Virginia

Mr. Bradley D. Barnett, President
Virginia Association of Financial Aid Administrators

Mr. Jesse F. Ferguson, Director
Virginia 21

From: Walter A. Stosch, Chairman 
SJR 74 Study Commission

Re: Invitation to Submit Public Comment on SJR 74 Final Report

As you may be aware, in adopting Senate Joint Resolution 74 (SJR74), the 2004 General Assembly established a two-year joint subcommittee to study *Public Funding of Higher Education in Virginia*. The subcommittee has concluded its work and submitted a final report to the 2006 General Assembly for its review and consideration. Although the joint subcommittee did not reach any conclusions, it has raised some important issues, which will likely be debated during the upcoming legislative session. In order to provide a clear picture of the challenges and choices we have before us, I invite you to submit written public comment on the observations and ideas set forth in the report. Your perspective is an important one as the General Assembly grapples with the tough policy questions surrounding access and affordability in higher education.

Any comments received by the General Assembly's Division of Legislative Automated Systems on or before January 11, 2006 will be filed with the final report for legislative and public review. To have your comments filed, please submit them in hard copy or electronic format to:

Mr. Hobie Lehman
Senate Clerk's Office/Senate Operations
Virginia General Assembly
910 Capitol Street, 2nd Floor
Richmond, Virginia 23219

e-mail address: hlehman@sov.state.va.us

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If you have any questions about the filing requirements, you can telephone Mr. Lehman at (804) 698-7450 or e-mail him at the above address. I appreciate your interest in the work of the joint subcommittee and look forward to your comments and feedback.

cc: Members of SJR 74 Joint Subcommittee
Mr. Robert B. Lambeth, Jr., President, CICV
Ms. Betsey Daley, Senate Finance Committee Staff Director
Mr. Robert Vaughn, House Appropriations Committee Staff Director
Mr. Bill Wilson, Director, Division of Legislative Automated Services
Mr. Tony Maggio, House Appropriations Committee staff
Ms. Amy Sebring, Senate Finance Committee staff
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Attachment (report w/o cover)



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January 9, 2006

Senator Walter A Stosch
Chairman, SJR 74 Study Commission
Virginia General Assembly
910 Capitol Street, 2nd Floor
Richmond, Virginia 23219

Dear Senator Stosch,

Thank you for the opportunity to comment on SJR 74 Final Report. The Virginia Association of Student Financial Aid Administrators (VASFAA) represents over 400 financial aid professionals in the Commonwealth for public, private and for-profit post-high school educational institutions as well as service providers. Our mission is to maintain an organization that promotes the professional growth and collaboration of our members in order to serve fairly the needs of students, families, and institutions in matters related to financial and informational resources that support students' postsecondary education goals. As such, we appreciate your concern with our thoughts and concerns.

This response to the SJR 74 Final Report addresses the ten policy options listed in the report's concluding pages regarding access and opportunity as well as affordability and cost. A major issue not addressed in the options, and related to all of them, is the implied requirement for the administrative infrastructure needed to support such initiatives. While creativity and "thinking outside the box" is required for program conceptualization, creativity and effort of thought will also be required for implementation so very well-meaning programs do not produce unintended consequences. We will point out implications for such thought where warranted in this response. Another issue not addressed in the report is public "awareness" of programs and opportunities already in place across the Commonwealth as well as awareness of any new initiatives. Awareness will also be addressed where considered appropriate in this response.

1. *Tuition Assistance Grants.* The Tuition Assistance Grant (TAG) program is a stalwart of access for students attending independent colleges and universities in Virginia. The report ponders the efficacy of TAG as an incentive to attend such institutions. By nature, these institutions are more expensive but what the general public is not necessarily aware of is that the more expensive the institution the more financial aid is available. However, an across the board increase to the maximum TAG would tend to get watered down unless that grant is targeted to those where access is an issue, primarily financially needy students.

An excellent model to study is the North Carolina Contractual Scholarship Fund (NCCSF) which effectively acts as a need-based component to the North Carolina Legislative Tuition Grant (NCLTG), a program for students attending independent colleges in North Carolina. The NCLTG works very similar to the Virginia TAG while the NCCSF allocates a set amount of dollars per FTE enrolled at North Carolina independent institutions. Each institution in turn awards varying NCCSF grant amounts to student according to their financial need as determined in the already existing financial aid process. Those same financial aid processes exist here in Virginia's independent institutions. The challenge in Virginia is to make the public more aware of TAG as well as need-based financial aid that enhance access by leveling the cost of education.

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2. *Enrollment Growth Grants at Private Colleges:* Such growth grants could be incorporated into the above need-based approach or could be in addition need-based grants. By all means the Commonwealth should take advantage of capacity within the private sector where appropriate. The SJR 74 Final Report later addresses expectations contained in the Restructured Higher Education Financial and Administrative Operations Act in relation to transfer activities, and this act also seeks demonstration of increased access to various populations within the Commonwealth. Similar expectations would seem appropriate for independent institutions seeking growth grants. If these grants were need-based, then access would definitely be enhanced while at the same time addressing enrollment growth.
3. *P-16 Solutions:* Dual enrollment should be encouraged whenever possible. In many instances, enrollment is limited to students with a 3.0 GPA minimum. There are post high school educational institutions with missions that speak to populations with GPAs of 2.5 and up as well as some with 2.0 GPAs. There should be consideration for these populations gaining access to dual enrollment.

While opportunities for the use of idle community or public school facilities may exist, often the issue is one of personnel to deliver as well as coordinate and supervise the instruction. This is one of these issues where we need to be cautious of infrastructure.

4. *Private College Course Sharing:* As noted in the SJR 74 Final Report, course sharing would involve defined relationships between public and private institutions. This would create many implementation issues whose costs may exceed the savings. The overhead for tracking academic credit, enrollment and finances should be closely studied before attempting implementation. A cyber approach would help to minimize these challenges. A better approach may be a consortium approach with reciprocity between publics and privates for selected courses. Unless considering a cyber approach, there would be geographic restrictions as well as additional transportation costs on the part of students.
5. *Out-of-State Capital Fee.* While it's the responsibility of the Commonwealth to provide appropriate educational access to her own citizens, care should be taken when considering actions that may impact the enrollment mix from a resident/non-resident standpoint. A policy requiring out-of-state students to bear 100% of their share of capital costs, coupled with a significantly higher tuition and mandatory fee rate for non-residents, could easily drive out-of-state students from our institutions. We would then suffer from two fronts: first, decreased diversity of our student body and second, financial loss. Many public institutions charge more than 100% of the cost of educating non-residents and use that excess to fund the shortfall in base budget adequacy. However, the current practice of a modest capital fee is appropriate...we just need to be careful not to price ourselves out of the non-resident market across all socio-economic strata.
6. *Community College Transfer Grants.* The Virginia Community College System (VCCS) is often perceived as separate from the traditional college-going track. However, the quality of instruction within the system far exceeds the prevailing public perception so here lays a vast, relatively untapped resource for the traditional four-year college track. Old Dominion University has recognized the potential here through its TeleTechNet Program as well as Virginia Tech with its transfer articulation programs in engineering and agriculture and life sciences. Some type of transfer grant is most appropriate. While the Subcommittee pondered the dollar amount of such a grant, an amount at least equal to average community college tuition and fees would be attractive to students continuing on to public or independent four-year institutions. At the independent institutions, this could dovetail into the existing TAG as well as the proposed need-based TAG. Further, at public institutions, existing Virginia Student Financial Aid Programs could be tweaked through legislation as well as regulation to facilitate availability of the Virginia Guaranteed Assistance Program to transfers. With this underlying state support, institutions could be encouraged to share in the support and creation of transfer grant programs of their own much like Virginia Tech's Lifeline Scholarship for VCCS transfers.
7. *Dual Admissions between Community Colleges and Four-Year Institutions.* This option presents serious challenges in that needed infrastructure does not exist to facilitate such an initiative. Electronic Data Interchange (EDI), a national standard for the exchange of academic information has not been successfully adopted in Virginia. However, such a policy would be most beneficial to move along EDI adoption in Virginia. Differential pricing could be accomplished though the existing grant subsidies already addressed in these comments.
8. *Limit In-State Subsidy:* While the Appropriations Act limits the in-state rates by length of time of attendance, this approach should be implemented with extreme care in that such restrictions will act to limit access for some students who may not have been academically prepared or faced unplanned changes in major. Care also needs to be taken for the transfer population in that senior curricular requirements may also lengthen the time a student remains enrolled.

9. *Early Completer Incentive Program.* Several issues revolve around this option that will need to be addressed for it to succeed. First, we need to be assured that the course offerings are robust enough as well as sequenced to year-round attendance. The same will be true for financial aid which is traditionally for the academic year. This option is most likely to be successful if the qualifying majors are restricted to certain fields rather than across the entire curriculum. The graduate scholarship component should cover graduate tuition and fees. The concept of a rebate is novel, but should be approached as more of an early completion bonus of a set amount for each month the student cuts off the normal time frame for their course of study. Tracking and monitoring infrastructure will need to be developed as in previous options.
10. *Student Grant Program in High-Need Fields / Regions.* This option proposes reimbursement grants for high need curricular areas as well as high need geographic regions. While the reimbursement approach will work for high socioeconomic status students, those from financially disadvantaged backgrounds will not have the wherewithal or risk-taking attitudes necessary for such a program to be successful. A better approach would be an outright grant or a loan accompanied by a forgiveness provision similar to the Southside Tobacco Loan Forgiveness Program. Another repeat here, elements of this option, whether as initially stated or revised by these comments, will require significant infrastructure.

A common theme runs through these comments addressing *infrastructure*. This is not to be a nay-sayer, but is merely to emphasize that the assumed intent of any and all policy options is to provide for enhanced services/opportunities for citizens of the Commonwealth at a reasonable cost with the least amount of disruption to Her citizens. Success will depend on orderly implementation which needs to be considered hand-in-hand with the conceptualization of the policy option.

Another aspect that deserves more attention in these options as well as an option in itself, is *public awareness*. Whatever options are adopted and implemented, there should be a major, on-going campaign to enhance public awareness of the access and affordability opportunities available in Virginia. This is even truer of the various programs already part of the educational landscape in Virginia. The Virginia Prepaid Education Program has an excellent public awareness campaign. Why can't the Commonwealth embark on a similar effort on existing financial assistance programs? To bring North Carolina into the picture again, their State Education Assistance Authority has underwritten an expansive awareness campaign. While many states have margins available from state agencies established to guarantee student loans, this resource is not available to Virginia so other resources must be garnered. The efficacy of existing access programs is hindered by lack of public awareness as will that of any future program. This is a major policy option that should also be included for serious consideration.

Thank you for the opportunity to comment on this most important report. Please let us know if there are questions or clarification needed.

Sincerely,



Dr. Barry W. Simmons Sr.
 VASFAA State Relations Committee Chair
 Director, Office of Scholarships and Financial Aid
 Enrollment Services
 Virginia Polytechnic Institute and State University

cc: Mr. Brad Barnett
 VASFAA President



January 10, 2006

The Honorable Walter A. Stosch
Chairman, SJR 74 Study Commission
Virginia General Assembly
Richmond, Virginia 23219

Dear Senator:

I write on behalf of the Council of Presidents to express our appreciation for your leadership and the work of each of the members of the SJR 74 Study Commission. Thank you for inviting us to comment on the Commission's report.

We commend the Commission's thoughtful consideration of the concerns we share about the uncertainty of higher education funding and the continued increase in Virginians' demand for access and excellence from our institutions. We agree, as the Commission's overview states, "that simply returning to 'business as usual' would not be sufficient in meeting Virginia's needs for higher education in the coming years." Our support for the Restructuring legislation enacted by the 2005 General Assembly was predicated on just that principle. We remain hopeful that both deregulation and meaningful accountability will result from the legislation but believe much work remains to be done if that is to occur.

The Commission's focus on the reality that funding issues, such as state operating appropriations, tuition and student aid, are interconnected and contribute collectively to access and quality is commended. This focus is evident in the report's presentation of each of its three broad categories of Access and Opportunity, Affordability and Cost and Improving Outcomes.

With respect to each of these three categories, we fully appreciate that higher education needs to be accessible throughout the Commonwealth if our state is to successfully meet the challenge of significantly increased demand for higher education. As the Commission's report notes, the latest approved enrollment projections show that Virginia's public colleges have committed to meeting increased student demand. We emphasize, however, that adequate state support for public colleges and universities, including community colleges, is critical to each institution meeting its enrollment projections and remains the major determinant of affordable college opportunity and access. We urge the General Assembly to complete its commitment to fully funding its formula for Base Budget Adequacy.

Office of the President

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While no formal recommendations are provided, the Commission lays out a number of policy options for consideration. We urge you to allow adequate time for evaluation and discussion of these options before any specific action is taken. This will help ensure that both intended outcomes and unintended outcomes are given appropriate attention. We fully support the Commission's conclusion that a strong higher education system is needed to drive Virginia's economic engine. We know, as the report states, that the challenges confronting higher education will require Virginia's public and private colleges to look for new opportunities that serve the state's students, businesses and communities more effectively.

We look forward to working with you and your colleagues to meet those challenges.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Tribble".

Paul Tribble
Chairman
Council of Presidents

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VIRGINIA COMMUNITY COLLEGE SYSTEM

James Monroe Building • 101 North Fourteenth Street • Richmond, Virginia 23219

January 11, 2006

The Honorable Walter A. Stosch, Chairman
SJR 74 Study Commission
General Assembly Building, Room 621
Capitol Square
Richmond, VA 23219

Re: Final report of SJR 74 Joint Subcommittee

Dear Senator Stosch:

Thank you for the opportunity to comment on the final report of the joint subcommittee's work for review and consideration by the 2006 General Assembly. The joint subcommittee had the challenging task of examining the current landscape of the delivery of higher education services and recommending new options to better serve Virginia students. You and the members are to be commended for your thorough and comprehensive analysis in studying this complex set of issues and coming forward with recommendations that will benefit the Commonwealth and its citizens.

As you are keenly aware, the State Council of Higher Education for Virginia (SCHEV) adopted enrollment projections which indicate that the number of Virginians enrolled at a public college or university in the Commonwealth will increase from 295,000 to 357,000 — an increase of 21 percent. If these projections are realized, by 2012 in-state enrollments at the Virginia Community College System will increase by over 25%. It is also important to note that the demographics of Virginia's student population indicate that it will be increasingly difficult to sustain current higher education success if existing barriers to access continue, such as college costs. For these reasons, it is important for the General Assembly to adopt policies to increase access and opportunity for these projected students.

Therefore, the Virginia Community College System is very enthusiastic about two of the proposals of the SJR 74 joint subcommittee that impact affordability and access. The "Community College Transfer Grants" policy option (#6) would provide a transfer scholarship grant for students graduating from a community college with an associate degree and enable them to transfer to a four-year institution at the community college rate of tuition. This option would serve as an incentive to the additional students who will need seats in our classrooms to not only finish their associate degree but will also put a baccalaureate degree within their reach. A state-supported community college transfer scholarship will ultimately encourage higher numbers of college graduates, will move more students through the education process, and will generate highly-skilled college graduates to build the workforce in Virginia business and industry. The advantages to students, families, and the Commonwealth are tremendous:

- It is more cost effective for the Commonwealth to have students attend and complete their first two years at a community college. The average state subsidy to community colleges is less than half that of the average state subsidy provided to four-year colleges.

The Honorable Walter A. Stosch

January 10, 2006

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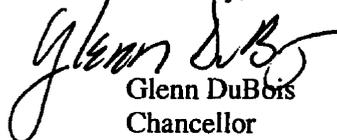
- The four-year institutions will gain students with clear academic goals and improved academic skills.
- The diversity of the applicant pool for four-year colleges and universities will be expanded, as with few exceptions, community colleges serve the most diverse population of students across the Commonwealth; and
- The overall cost for Virginians to obtain an undergraduate degree will be lowered. At the present time, tuition and total mandatory fees at Virginia's community colleges are approximately one-third of the average at Virginia's public four-year institutions.

The "Dual Admission between Community Colleges and Four-Year Institutions" policy option (#7) is a logical extension of the Virginia Community College System's transfer and articulation agreement process which was strengthened by the 2005 Higher Education Restructuring Act. It makes good common sense, particularly for those students who come to us knowing where they want to end up. It represents another cost-effective opportunity for students, families, and the Commonwealth, and would provide a comfort level to the student of known admission to a four-year institution if the admissions criteria of the four-year institution are met.

On a final note, more work still needs to be done to address improving the on-ramp to higher education in terms of adequate facilities. The Virginia Community College System is already facing a critical deficit of instructional space and qualified applicants remain on waiting lists or can't attend a community college because of inadequate facilities. Particularly in high-growth regions of the state, it is time to reconcile the demand for classroom and laboratory space with the existing inventory. This critical area deserves immediate attention, and must be the next priority for study.

Thank you again for the opportunity to comment on the Final Report of the Public Funding of Higher Education in Virginia, and please do not hesitate to contact me if you have questions or need further information.

Sincerely,



Glenn DuBois
Chancellor

GD/ERD/sbh

cc: The Honorable John H. Chichester
The Honorable R. Edward Houck
The Honorable Richard L. Saslaw
The Honorable Vincent F. Callahan, Jr.
The Honorable Albert C. Eisenburg
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