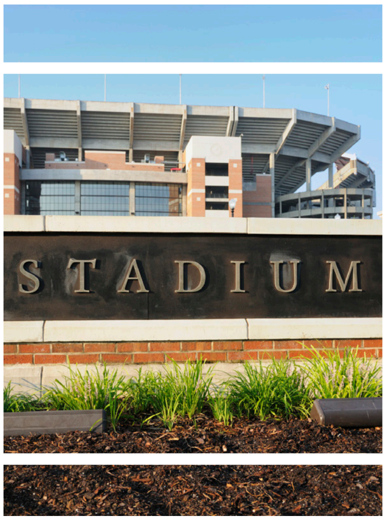
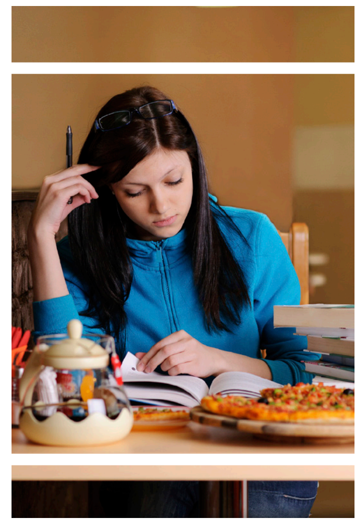
JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

REPORT TO THE
GOVERNOR AND THE GENERAL ASSEMBLY OF VIRGINIA







Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions

HOUSE DOCUMENT NO. 10
COMMONWEALTH OF VIRGINIA
RICHMOND

September 2013

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Walt Smiley, Project Leader
Lauren Axselle
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Report No. 443
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COMMONWEALTH of VIRGINIA

Joint Legislative Audit and Review Commission
201 North 9th Street, General Assembly Building, Suite 1100
Richmond, Virginia 23219

Hal E. Greer
Director

(804) 786-1258

October 25, 2013

The Honorable John M. O'Bannon III
Chair
Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia 23219

Dear Delegate O'Bannon:

House Joint Resolution 108 (2012) directed the Joint Legislative Audit and Review Commission (JLARC) to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia. This is the second report in a series of reports under HJR 108 that will be released during 2013 and 2014.

The final report was briefed to the Commission and authorized for printing on September 9, 2013. On behalf of the Commission staff, I would like to thank the Secretary of Education and the State Council of Higher Education for Virginia for their assistance during this review. I would also like to acknowledge the staff at Virginia's 15 public higher education institutions, who have been very accommodating to our research teams.

Sincerely,

Hal E. Greer
Director

HEG/ehs

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Appendixes

Acronyms

Atlantic Coast Conference	ACC
Capital Athletic Conference	CAC
Central Intercollegiate Athletic Association	CIAA
Christopher Newport University	CNU
College of William and Mary	CWM
Colonial Athletic Association	CAA
Consumer Price Index	CPI
Education & General	E&G
Equity in Athletics Data Analysis	EADA
Fair Market Rent	FMR
Football Bowl Subdivision	FBS
Football Championship Subdivision	FCS
George Mason University	GMU
James Madison University	JMU
Leadership in Energy and Environmental Design	LEED
Longwood University	LU
Mid-Eastern Atlantic Conference	MEAC

National Association of Intercollegiate Athletics	NAIA
National Center for Education Statistics	NCES
National Collegiate Athletic Association	NCAA
National Intermural-Recreational Sports Association	NIRSA
Norfolk State University	NSU
Old Dominion University	ODU
Radford University	RU
State Council of Higher Education for Virginia	SCHEV
U.S. Department of Education	U.S. DOE
U.S. Department of Housing and Urban Development	U.S. HUD
University of Mary Washington	UMW
University of Virginia	UVA
University of Virginia – Wise	UVA-Wise
Virginia College Building Authority	VCBA
Virginia Commonwealth University	VCU
Virginia Military Institute	VMI
Virginia State University	VSU
Virginia Tech	VT

JLARC Report Summary:

Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions

Key Findings

- Intercollegiate athletic programs use, on average, 12 percent of tuition and fees. Athletic programs do not generate enough revenue to cover all their expenses, so most depend heavily on mandatory student athletic fees to subsidize their athletic programs. (Chapter 2)
- Campus recreation facilities and operations use, on average, about three percent of tuition and fees. The cost to students of having access to these facilities in Virginia is generally less than private sector alternatives. (Chapter 3)
- Student housing and dining vary considerably by campus, but together typically average 47 percent of the price of higher education for residential students. Virginia institutions charge, on average, about the same as or less than other higher education institutions nationwide. (Chapters 4 and 5)
- Most higher education institutional debt is for auxiliary enterprise facilities. Virginia's public higher education institutions have built more than 200 auxiliary projects during the last decade using $3.5 billion in bonds. Students pay most of the debt service. (Chapter 6)

House Joint Resolution 108 (2012) directs the Joint Legislative Audit and Review Commission (JLARC) to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia. The resolution identifies 14 items related to the cost and operations of public four-year higher education institutions in Virginia. The overarching intent of the resolution is to, amid substantial increases in tuition and fees, assess the major drivers of cost at Virginia's 15 public higher education institutions (Appendix A).

Given the scope of this review, a series of reports will be completed under HJR 108 during 2013 and 2014. This second report in the series addresses some of the major drivers of non-academic spending increases at Virginia's 15 public four-year higher education institutions. Much of this non-academic spending is broadly categorized as auxiliary enterprise spending.

This report includes three recommendations for action by the institutions or SCHEV. Broader options and recommendations for improving efficiency and managing costs will be included in the final report of the series. These will address major academic, administrative, and auxiliary enterprise concerns identified in the series. Specific recommendations in the final report may be for actions by individual institutions or for system-wide changes by the General Assembly.

Auxiliary Enterprises Receive No State Funds, Are Primarily Funded Through Student Fees and Charges, And Have Been the Largest Contributor to Spending Increases

Higher education institutions typically use auxiliary enterprises to manage the non-academic services they provide. Institutions use these auxiliary enterprises for a wide range of services, but most commonly for intercollegiate athletics, campus recreation, student housing, and student dining. In contrast with academic services, these non-academic services provided through auxiliary enterprises receive no general funds from the State and are expected to be self-supporting. Consequently, the primary funding source for most auxiliary enterprises is students.

Between 2001 and 2011, auxiliary enterprise spending (per student, adjusted for inflation) was the largest single contributor to spending increases at Virginia's institutions. The amount that students are charged to support these non-academic services has also increased, but not as much as tuition and fees for academic services. As of 2011-12, 65 percent of the total price of higher education paid by a typical freshman student in Virginia was for non-academic services.

Athletic Programs Do Not Generate Sufficient Revenue to Cover Expenses, Requiring Substantial Subsidies from Student Fees

Intercollegiate athletics are the non-professional competitive sports organized by colleges and universities. Athletic programs are often the largest component of mandatory fees at Virginia schools. Virginia's 15 public four-year higher education institutions collectively have 280 sports teams. More than 6,100 student athletes are on these teams, about three percent of all students.

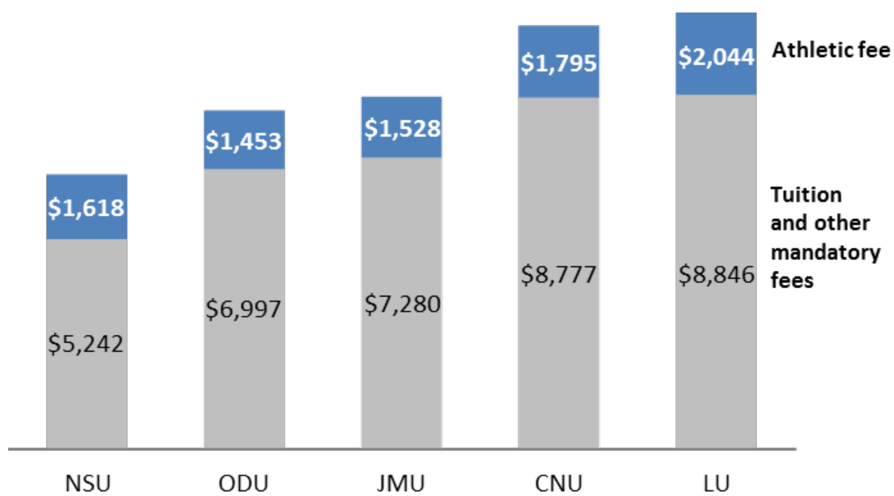
Virginia's athletic programs generated only 31 percent of the revenue needed to cover their expenses, on average.

No athletic program in Virginia generates enough revenue to cover all its expenses. In 2012, Virginia's athletic programs generated only 31 percent of the revenue needed to cover their expenses, on average. Virginia schools generated from three to 89 percent of total athletic revenues through activities such as ticket sales, contributions and endowments, NCAA and conference distributions, broadcast rights, and royalties. Because the programs do not generate sufficient revenue, most institutions heavily depend on mandatory student athletic fees to subsidize their athletic programs.

Intercollegiate Athletics are Subsidized by 12 Percent of Tuition and Fees, on Average, and Substantially More at Several Institutions

Mandatory athletic-related fees range from $267 per student at VT to $2,044 per student at LU, and average $1,185 per student across Virginia's 15 institutions. The athletic fees at several schools, including LU and CNU, are comparatively high when considered in the context of tuition and fees (see figure). Several factors affect the amount of the athletic fee, including the number of students over which to allocate the program's shortfall, a program's ability to generate revenue through private donors or ticket sales, whether or not the school has a football program, the total number of sports offered, and the level of spending and investment in a program.

Athletic Fee at Certain Schools Represents a Substantial Portion of Total Tuition and Fees, 2012-13



Source: JLARC staff analysis of interviews with university administrators and data from SCHEV's 2012-13 Tuition and Fee Report.

Almost one quarter of a student's tuition and fees at NSU goes toward the athletic program.

About 12 percent on average of what Virginia students paid in tuition and fees in 2012-13 was for intercollegiate athletics. This varies widely, though, across the 15 institutions. Students at VT pay only two percent of their total tuition and fees toward athletics. In contrast, almost one quarter of a student's tuition and fees at NSU goes toward the athletic program. LU's athletic fee is over $400 higher than NSU's, but LU charges more for total tuition and fees, so the percentage represented by the athletic fee is lower.

Institutions do not consistently calculate athletic spending and charges per student, nor do they consistently publicize these amounts. It is recommended, therefore, that the boards of visitors at each four-year public institution promote greater transparency of mandatory fees by requiring the amount of the athletic fee (or athletic-related portion of mandatory fees) to be listed on the tuition and fees information page of each institution's website.

Campus Recreation and Fitness Enterprises Use About Three Percent of Tuition and Fees

In Virginia, students at public four-year institutions are required to pay a fee to support recreation and fitness enterprises. Recreation expenditures averaged $260 per student in FY 2012. Across schools, mandatory fees for recreation ranged from $36 to $488, and averaged $281, or 2.8 percent of total tuition and fees in academic year 2012-13. All schools rely primarily on mandatory student fees to pay for their recreation enterprises.

Most Virginia institutions have increased spending on recreation in recent years. The growth of these annual expenditures is particularly pronounced at schools that have recently issued debt for a recreation or fitness center. Although many have built new facilities, most Virginia institutions are below the national median for indoor recreation space among schools of comparable sizes. Most institutions also charge about the same, or less, than average monthly membership fees at private-sector gyms nationwide.

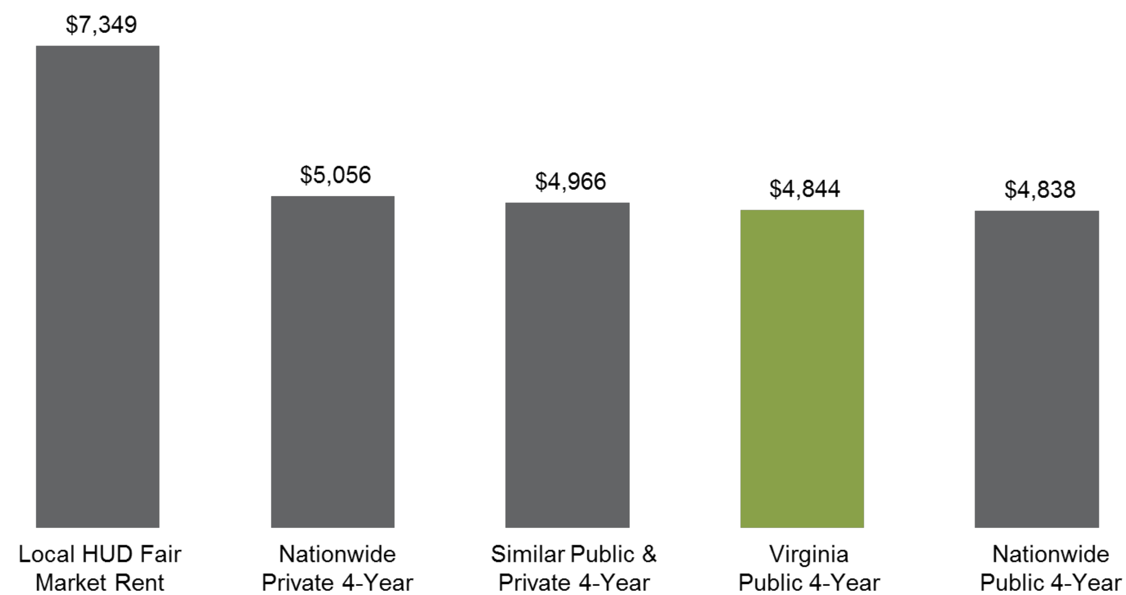
Housing Charges Are Within a Range of Other Public and Private Alternatives

Twenty-eight percent of all undergraduate students statewide are required to live on campus in student housing, on average. Charges for student housing vary considerably by institution and the revenue generated from these student charges typically accounts for more than 90 percent of all revenue for student housing auxiliary operations. Student housing space and amenities vary by campus, but older facilities typically have fewer amenities than more recently-constructed facilities. About three-fourths of all student housing capacity across Virginia's institutions was built prior to 2000.

During the last 10 years, the average student housing charge in Virginia has increased more than the average rent cost nationally and in local rental markets. Various factors, including the cost of building new or renovating older facilities and student demand for better housing, have contributed to this higher rate of increase.

Despite these higher increases, Virginia institutions charge about the same, or in certain cases less, than national and local rental alternatives in both higher education and broader rental markets

Average Housing Charge at Virginia Institutions Was Less Than, or Comparable to, Several Benchmarks



Source: JLARC staff analysis of HUD FMR data (FY 2012), NCES data (2011-12), and SCHEV data (2011-12).

(see figure). A considerable number of students at most Virginia institutions choose to live in student housing even when it is not required. This suggests that the quality, cost, and/or convenience of student housing is often appealing compared to private alternatives.

Dining Charges Are Within a Range of Other Public and Private Higher Education Institutions

About 45 percent of undergraduate students at Virginia's 15 higher education institutions are required to use student dining services, on average. All but two of the 15 institutions have privatized their student dining services to one of four vendors. Charges for student dining plans and the number of meals per plan vary considerably by institution and dining plan. In 2012-13, residential dining plans ranged from a minimum of $410 per year for approximately one meal a week at VCU to a maximum of $5,456 per year for unlimited meals at VMI. The revenue generated from student dining charges accounts for the vast majority of revenue for student dining auxiliary operations.

During the last 10 years, the average student dining charge in Virginia has increased more than the average cost of a meal consumed away from home nationally. The average dining charge in Virginia has also increased more than student dining plans at public and private four-year higher education institutions nationwide.

Various factors, including the rising cost of food and labor, building new dining facilities to accommodate enrollment growth, and accommodating expanding student dietary needs have contributed to this rate of increase.

As with student housing, student dining charges at Virginia's public four-year institutions were similar to charges at other four-year institutions in Virginia and nationwide. The average dining charge at Virginia public four-year institutions was less than the average dining charge for private four-year institutions in Virginia and nationwide. The average dining charge at Virginia public four-year institutions was, however, slightly above all public four-year institutions nationwide.

On average, more than one-third of students who are not required to purchase dining plans still choose to do so. Students paid, on average, around $7 per meal, depending on the meal plan. Students consumed an average of 83 percent of the meals they purchased through all dining plans. Certain institutions in Virginia are particularly effective at providing dining services that are attractive to students, have a relatively low per-meal cost, and are structured so that most students are able to utilize most of their dining plan during a semester.

Institutions Used $3.5 Billion in Debt to Fund 207 Auxiliary Enterprise Construction and Renovation Projects

Virginia's public four-year institutions of higher education have undertaken extensive construction and renovation of auxiliary enterprise buildings and facilities in recent years, most of which has been funded through the issuance of bonds. Over the 11-year period ending in FY 2012, a total of $3.5 billion was authorized for 207 auxiliary enterprise projects at the 15 institutions. Four institutions (VT, VCU, GMU, and JMU) had 56 percent of the dollar value of these projects.

Users of auxiliary facilities—primarily students—pay on average 90 percent of the debt service on these projects, usually through mandatory fees and user charges embedded in various auxiliary operations. Total institutional debt averages $1,330 per student and ranges from $38 at RU to $3,152 at CNU, although the amount students actually pay differs from these figures.

SCHEV provides to the General Assembly information about how each proposed auxiliary enterprise project will impact student fees and financial aid. Institutions have policies limiting the amount of debt the institution may incur, but neither SCHEV nor the institutions provide information about or have policies on the amount of institutional debt charged to students.

Chapter 1 Auxiliary Enterprises Include Intercollegiate Athletics, Recreation, and Student Housing

In Summary

Higher education institutions typically use "auxiliary enterprises" to manage the non-academic services they provide. Institutions use these auxiliary enterprises for a wide range of services, but most commonly for intercollegiate athletics, campus recreation, student housing, and student dining. In contrast with academic services, these non-academic services provided through auxiliary enterprises receive no general funding from the State. Consequently, the primary source of funding for most auxiliary enterprises is students. Between 2001 and 2011, auxiliary enterprise spending (per student, adjusted for inflation) was the largest single contributor to spending increases at Virginia's institutions. Across Virginia's 15 public four-year higher education institutions, auxiliary enterprise revenue totaled $1.16 billion in FY 2012. The amount that students are charged to support these non-academic services has also increased, but not as much as tuition and fees for academic services.

House Joint Resolution 108 (2012) directs the Joint Legislative Audit and Review Commission (JLARC) to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia. The resolution identifies 14 items related to the cost and operations of public four-year higher education institutions in Virginia. The overarching intent of the resolution is to assess the major drivers of costs at Virginia's 15 public higher education institutions amid substantial increases in tuition and fees. (Appendix A).

Given the scope of this review, a series of reports will be completed under HJR 108 during 2013 and 2014. This second report in the series addresses the major drivers of non-academic spending increases at Virginia's 15 public four-year higher education institutions. Much of this non-academic spending is broadly categorized as auxiliary enterprise spending.

AUXILIARY ENTERPRISES RECEIVE NO STATE GENERAL FUNDS AND ARE LARGEST DRIVER OF SPENDING INCREASES

Virginia's higher education institutions use a construct called an "auxiliary enterprise" to manage many of the non-academic services they provide. These services are typically available to students, faculty and staff, and in certain cases, the general public. Institutions use auxiliary enterprises for a wide range of services, most commonly intercollegiate athletics, student housing, student dining, and campus recreation.

Auxiliary Enterprises Are Expected to Be Self-Supporting From Student Fees and Other Revenue

According to the State Council of Higher Education for Virginia (SCHEV) chart of accounts

> Institutions are encouraged to operate each category of auxiliaries on a self-supporting basis and classify all expenditures according to their intended use in order to provide an accurate presentation of the actual use of auxiliary funds. There is no expectation or requirement that individual components of auxiliary systems, such as a particular dormitory, be self-supporting. . . . Each institution's auxiliary system . . . must meet the test of self-supporting, including direct and indirect costs.

Self-Supporting

As defined in SCHEV's chart of accounts, an auxiliary enterprise is "self-supporting" if all costs, including charges for physical plant operations, capital outlay, and other direct and indirect costs are covered by the auxiliary enterprise.

This guidance was last updated in 1990 and appears to be the only State direction about auxiliary enterprise funding. No similar requirement exists in statute.

The revenue sources for these auxiliary enterprises vary by type of operation, as well as by institution. In most cases, though, the primary revenue sources for most auxiliary enterprise operations are fees and charges to students. In contrast with academic operations, auxiliary operations receive no general funds from the State.

This review examines three financial perspectives on auxiliary enterprises at each school: auxiliary spending, auxiliary revenue, and student fees or charges. In this review, auxiliary spending accounts for all institutional expenditures for a particular enterprise, including debt service, maintenance, and staffing. Auxiliary revenue accounts for all revenue collected by an auxiliary enterprise, such as ticket sales, facility rentals, and food sales. Finally, within auxiliary revenue, most auxiliaries generate most of their revenue through student fees or charges.

The term "charge" is used to describe when students are not required to participate in or pay for a specific aspect of campus life, such as living on campus or purchasing a dining plan. The term "mandatory fees" is used when students must pay a fee to attend the school, regardless of whether he or she directly uses the services provided through that auxiliary.

Auxiliary Enterprises Are Largest Contributor to Spending Increases Per Student

As noted in the JLARC report *Trends in Higher Education Funding, Enrollment, and Student Costs*, auxiliary enterprise spending was the largest single driver of recent spending increases by Virginia's 15 public four-year higher education institutions. Between

Enrollment Growth

As noted in the JLARC report *Trends in Higher Education Funding, Enrollment, and Student Costs* enrollment at Virginia's 15 higher education institutions increased by about 40 percent during the last 20 years. Because of this growth, the spending and revenue analysis presented in this report is frequently provided on a "per student" basis.

the 2001-02 and 2010-11 academic years, total spending at Virginia's six research institutions (UVA, VCU, VT, CWM, GMU, and ODU) per student, adjusted for inflation, increased two percent from $28,072 to $28,698, or $626 (Figure 1). During the same time period, total spending per student, adjusted for inflation, at Virginia's other nine institutions increased 11 percent from $18,579 to $20,642, or $2,064 (Figure 2).

The largest set of activities that drove increased spending at Virginia's public four-year higher education institutions, per student, adjusted for inflation, was auxiliary enterprises. At Virginia's six research institutions, auxiliary enterprise spending increased, on average for these research institutions, $821 per student, adjusted for inflation (Figure 1). Similarly, auxiliary enterprise spending increased, on average, $906 at Virginia's other nine institutions (Figure 2).

Report Focuses on Intercollegiate Athletics, Student Housing, Student Dining, and Recreation

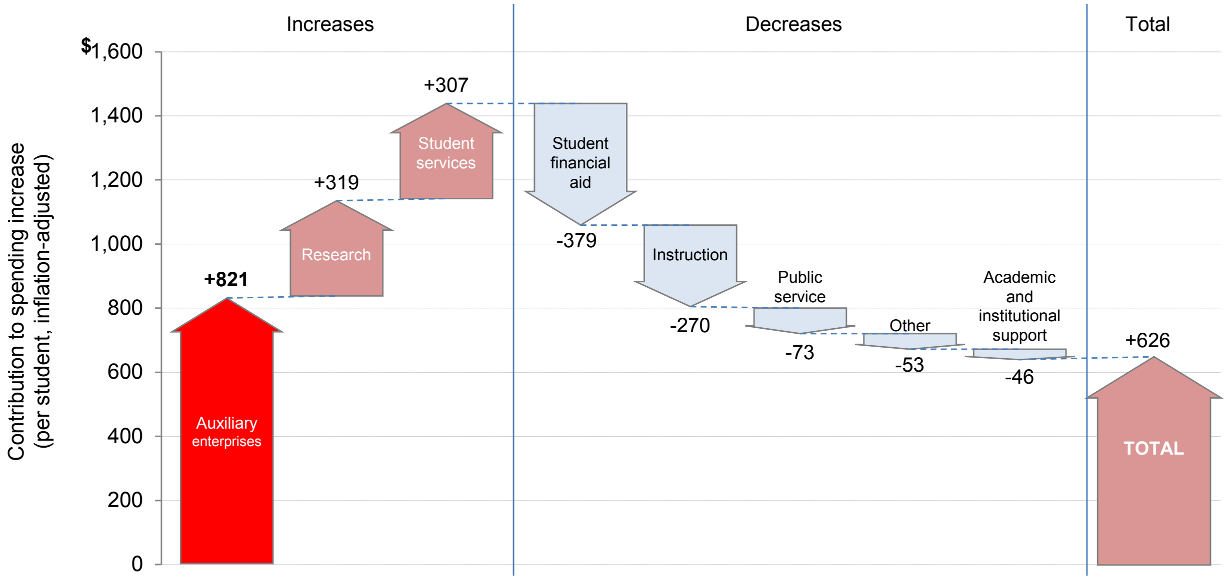
The types of services provided through auxiliary enterprises varies by institution, but the majority of auxiliary enterprise spending occurs in a few major services provided by all institutions. Four such enterprises—intercollegiate athletics, student housing, student dining, and recreation—account for the majority of the nearly $1 billion spent by the institutions on auxiliaries in FY 2012. Fees and charges to support these four enterprises also represent a substantial portion of total tuition and fees paid by students, particularly for freshmen and those required to live on campus and purchase meal plans. This report focuses on these four enterprises.

AUXILIARY ENTERPRISE REVENUE HAS INCREASED SUBSTANTIALLY AND OFTEN EXCEEDS SPENDING

Auxiliary enterprises have grown into a billion-dollar industry across Virginia's 15 public four-year institutions of higher education (Table 1). Auxiliary enterprise revenues consist primarily of student fees, although funds from the general public for parking, concessions, and merchandise sales, among other things, are also included. Auxiliary enterprise revenue increased 91 percent, on average, between FY 2003 and FY 2012.

In FY 2012, auxiliary enterprise revenues at 11 institutions exceeded expenditures, on average by 17 percent. Individual auxiliary enterprises, such as housing or dining, often are not just self-supporting but generate excess revenue, as permitted by the Appropriation Act and SCHEV's guidelines on auxiliary reserves. In part this may reflect the difficulty of making estimates of future

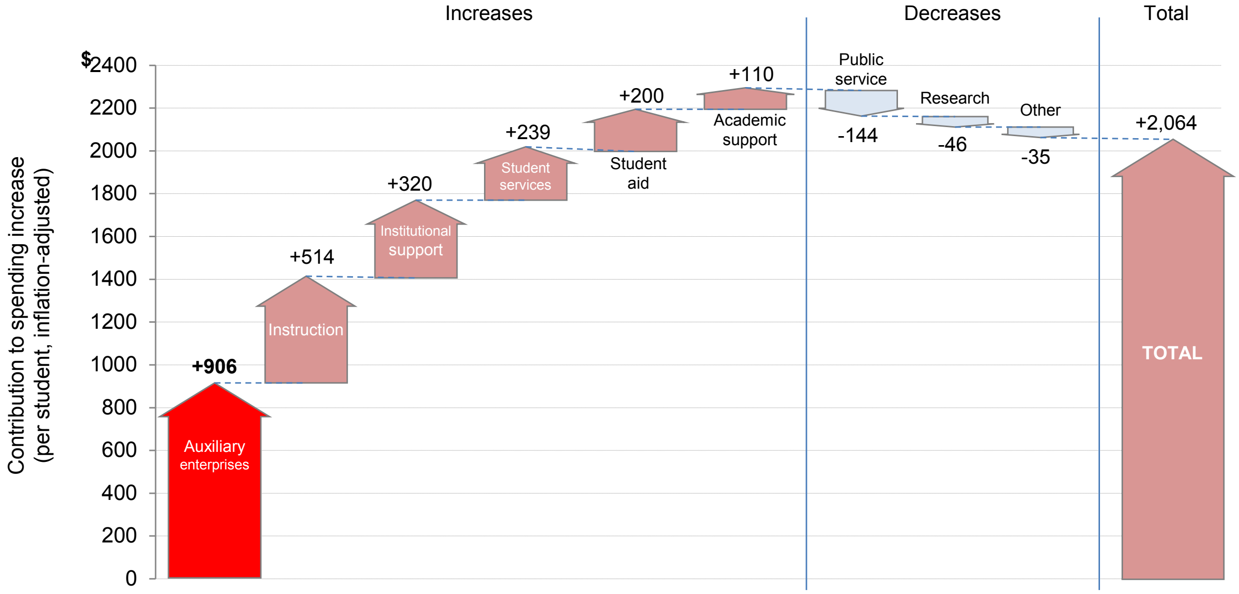
Figure 1: Largest Contributor to Spending Increases at Virginia's Six Research Institutions Was Auxiliary Enterprises (2001-02 to 2010-11)



Note: Figures shown are for UVA, VCU, VT, CWM, GMU, and ODU combined. Hospital spending at UVA not included.

Source: JLARC staff analysis of information provided by institutions to the NCES, U.S. DOE.

Figure 2: Largest Contributor to Spending Increases at Virginia's Nine Other Institutions Was Auxiliary Enterprises (2001-02 to 2010-11)



Note: Figures shown use audited data for JMU, RU, UMW, LU, CNU, VSU, UVA-Wise, and VMI. For NSU, audited financial data for FY 2012 is not available. Data used for NSU, therefore, is unaudited.

Source: JLARC staff analysis of information provided by institutions to the NCES, U.S. DOE.

Table 1: Growth in Auxiliary Enterprise Revenues, Virginia Public 4-Year Institutions of Higher Education ($ in Millions)

	FY 2003	FY 2012	% Change
ODU	$37.4	$95.7	156 %
CNU	22.6	50.6	124
GMU	64.2	141.1	120
VCU	49.0	108.1	120
VMI	7.9	16.1	104
VT	99.2	201.8	103
UVA-W	6.2	12.2	97
LU	22.6	42.8	90
JMU	85.2	149.2	75
CWM	45.5	79.4	74
RU	33.2	52	57
UVA	99.9	150.4	51
VSU	17.8	26.6	50
UMW	22.5	31.4	40
Total	**$613.2**	**$1,169.7**	**91** %

Note: Revenues are net of scholarship allowances. Not adjusted for inflation. NSU is excluded because audited financial data for FY 2012 is not available.

Source: Higher education institution financial statements.

costs and utilization when setting student fees. It also reflects the practice of using balances from one enterprise to cover costs in another enterprise, and of phasing in higher fees for anticipated bond issues, for example.

SCHEV's guidelines describe how any excess revenues are to be used, allowing institutions to use excess auxiliary enterprise revenues for operating reserves

> to provide for longer-term maintenance and renewal and expansion needs of the institutions without a requirement for major fluctuations in fees and charges to students and parents.... including debt service requirements of long-term debt for specific projects approved by the General Assembly.

AUXILIARY ENTERPRISES HAVE INCREASED THE PRICE OF HIGHER EDUCATION TO STUDENTS

Because auxiliary enterprises are intended to be self-supporting and are funded primarily by students, increased spending on these activities has also meant increases in the price that students pay for higher education. Auxiliary enterprises are primarily funded through mandatory student fees, as well as charges to students who reside in on-campus housing and eat at on-campus dining facilities.

Price of Higher Education Includes Tuition and Fees, and for Certain Students, Charges for Housing and Dining

Students at Virginia's 15 public higher education institutions incur several different types of major costs. Institutions charge tuition along with mandatory education and general (E&G) fees. Tuition and mandatory E&G fees typically represent the most substantial portion of the total price (excluding housing and dining) of attending an institution of higher education in Virginia. Revenues collected through tuition and mandatory E&G fees generally are used to fund the academic aspects of a student's education, including professors' and administrators' salaries and operating costs for campus classroom and office buildings.

In addition to tuition and E&G fees, which cover academic services, students usually pay several major types of non-academic charges and fees (Table 2), which are used to support the operation of auxiliary enterprises on each campus.

The first major type of non-academic cost students incur is the payment of mandatory non-education and general, or non-E&G, fees. These fees cover intercollegiate athletics, student recreation and fitness centers, and various other activities, depending on the school. Parking, health services, security, bus service, campus clubs and activities, cultural events, and telecommunications are examples of services that some, but not all, schools fund with mandatory non-E&G fees. Typically, all full-time students are required to pay for these activities regardless of whether they personally participate in or use them.

A second major type of non-academic cost students—in particular most first-year students—incur is for housing provided by the institution. Only VCU, GMU, ODU, and NSU do not require at

Table 2: Housing, Dining, and Mandatory, Non-E&G Fees Are the Major Non-Academic Student Charges and Fees

Non-Academic Student Charge or Fee	Summary of Services
Mandatory, Non-E&G	Intercollegiate athletics, recreation, institutional debt-service, and others (such as transportation or health care)
Housing	Furnished room, bathroom, common area, utilities, access to internet, cable & laundry
Dining	Food and beverages available at various venues

Source: JLARC staff analysis of higher education institution information.

least freshmen to live in campus-supplied housing. Three institutions (UMW, CNU, and VMI) also require upper-classmen to reside on campus. Student housing refers to the residence halls, suites, apartments, and other undergraduate student housing facilities that are located on campus and owned by the higher education institutions or related entities, such as an institution's real estate foundation.

A third major type of non-academic cost students incur is for dining plans provided by the institution. Students may buy different meal plans, but at least freshmen at 11 schools are required to purchase a dining plan. Dining services covered include any facility on campus that provides students with food. At most institutions food services are provided by a private vendor operating in institution-owned buildings. Most campuses also have franchise and other dining options on or near campus where students can use their meal plans.

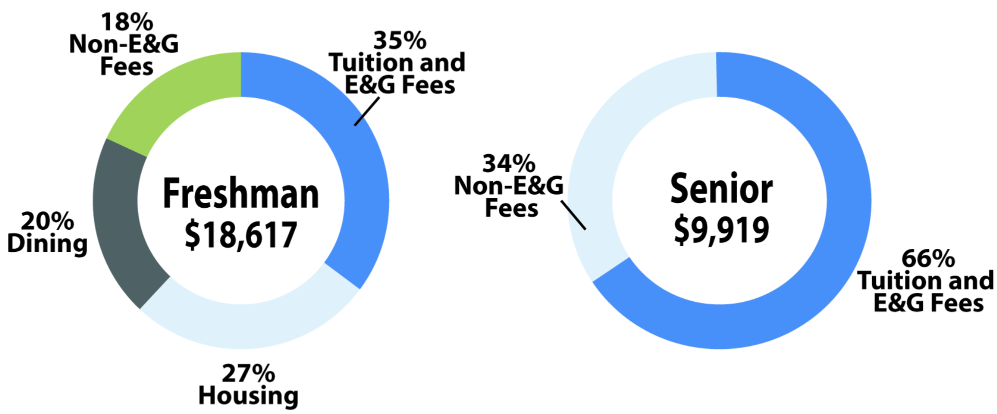
Price of Auxiliary Enterprise Services Can Be Substantial, Depending on Use of Housing and Dining

The price of higher education in a given year depends on several factors. One of the major determinants of how much a student pays an institution is whether the student uses on-campus housing and dining facilities. As noted above, this varies across institutions because 11 require at least freshmen to use student housing and dining, while four institutions do not.

Because most institutions require at least freshmen to live on campus and purchase on-campus dining plans, the price of higher education for many freshmen includes four major components (1) tuition and E&G fees to support academic services, (2) mandatory non-E&G fees to support non-academic services, (3) charges for student housing, and (4) charges for student dining. As students progress through their higher education, some continue to live on campus and pay the institution for housing and dining, while others move off campus and purchase these services from the private sector. In contrast, a student must continue to pay tuition, E&G fees, and non-E&G fees.

Figure 3 illustrates the range of what portion non-academic services comprise of the price of higher education for students. A freshman would likely make payments to an institution for tuition and E&G fees, non-E&G fees, housing, and dining. The non-academic components, funded through non-E&G fees and housing and dining charges, would account for a majority (65 percent) of the total price of higher education. In contrast, a senior may only pay tuition and E&G fees and non-E&G fees to the institution. In

Figure 3: Tuition and Mandatory E&G Fees for Academic Services Account for a Varying Percentage of the Total Price of Higher Education (2011-12)



Notes: Housing charge, calculated by SCHEV, is weighted average across institutions for a double-occupancy room. Dining charge, calculated by SCHEV, assumes 21-meal or the maximum weekly meal plan which is not necessarily the plan used by most students. Assumes the freshman lives on campus regardless of whether it is required. Also assumes that senior does not live on campus and does not choose to purchase a meal plan. Graphic for senior student excludes VMI, as VMI students are required to live on campus all four years and purchase a meal plan all four years.

Source: JLARC staff analysis of data from SCHEV.

this case, the non-academic component funded through non-E&G fees would account for a considerably smaller portion of the total price (34 percent).

Auxiliary Services Provide Students With Important Benefits

Students receive a variety of benefits in return for the mandatory fees and charges they pay for auxiliary services. For example, students have access to recreational and fitness facilities that allow them to improve their physical health and reduce stress. Students who live and eat on campus obviously receive housing and food, but also in certain cases benefit academically from being more engaged in their higher education experience.

Price of Auxiliary Enterprise Services Has Increased Substantially, But Less Than Tuition and E&G Fees

Tuition and E&G fees increased substantially more than the other major components in the price of higher education. Since 2003-04, tuition and E&G fees increased 105 percent. As noted in the JLARC report *Trends in Higher Education Funding, Enrollment, and Student Costs*, this increase was driven partly by increased institutional spending on instruction, research, institutional and academic support, and student services. Reduced State funding per student during the time period also played a role.

The decline in state funding did not directly affect charges for student housing, dining, or other auxiliary enterprises.

As noted previously, in contrast with academic services, non-academic services that are provided through auxiliary enterprises receive no State general funds. Consequently, the decline in State general funding per student did not directly affect non-E&G fees or charges for student housing and dining. This key difference in funding between academic and non-academic services has contributed to the lower rates of growth in the non-academic components of the price of higher education in Virginia over the last decade (Table 3).

Since 2003-04, mandatory non-E&G fees charged by Virginia's 15 public four-year higher education institutions increased, on average, by 75 percent (Table 3). Charges for housing increased, on average, 58 percent, while charges for dining increased 45 percent. The drivers of these increases and how they compare to other relevant factors are addressed in the subsequent chapters of this report.

Table 3: Tuition Has Increased More Substantially Than Fees and Charges for Non-Academic Services

			% Change	
	2003-04	**2012-13**	*Total*	*Average Annual*
Tuition and E&G fees	$3,178	$6,501	105 %	8 %
Non-E&G fees	1,958	3,418	75	7
Housing	3,217	5,090	58	5
Dining	2,489	3,609	45	4

Source: JLARC staff analysis of data from SCHEV.

The Appropriation Act limits the growth of non-E&G fees to five percent annually (Level III institutions—VT, UVA, VCU, AND CWM—are exempted from this five percent cap). There are exceptions, however, that allow these fees to be raised more than five percent each year, including

- increases in salaries and benefits for classified State employees;
- capital construction projects authorized by the General Assembly; and
- increases to support student health services, or other fees specifically authorized by the General Assembly.

Virginia's higher education institutions have used these exceptions and increased non-E&G fees by more than five percent each year between FY 2004 and FY 2013. Mandatory fees at the 15 institutions increased an average of seven percent per year. This rate of increase is 54 percent higher than if the increases had been limited to five percent each year.

AUXILIARY ENTERPRISE SPENDING REPORT IS SECOND IN JLARC SERIES ON HIGHER EDUCATION

HJR 108 (2012) calls for evaluating a broad range of issues related to cost and efficiency at Virginia's public institutions of higher education. Five reports are planned to address all of the issues cited in the resolution. A report on long-term trends in higher education was released in June 2013. This report on auxiliary enterprises is the second in the series, and the remaining reports in the series will address

- instruction, research, and academic facilities (December 2013);
- administrative staffing, information technology, and procurement (2014); and
- strategies to improve efficiency and reduce student costs (2014).

This second report on auxiliary enterprises includes three recommendations for action by the institutions or SCHEV. More options and recommendations to improve efficiency and manage costs will be included in the final report of the series. These will address the major academic, administrative, and auxiliary enterprise concerns identified in the reports in this series. Specific recommendations in the final report may be for actions by individual institutions or for system-wide changes by the General Assembly.

Chapter 2

Institutions Rely Heavily on Student Subsidies to Operate Athletic Programs

In Summary

Virginia's 15 higher education institutions collectively have 280 sports teams. More than 6,100 student athletes are on these teams, about three percent of all students. Virginia's intercollegiate athletic programs are subsidized—none generate enough revenue to cover all their expenses. Most institutions therefore depend heavily on mandatory student athletic fees to subsidize their athletic programs. On average, 12 percent of what Virginia students paid in tuition and fees in 2012-13 was directed toward intercollegiate athletics. This percentage was considerably higher at NSU, LU, ODU, and CNU. Virginia institutions charged an average of $1,185 in mandatory athletic-related fees per year, and LU charged the most at $2,044. Athletic spending at most Virginia schools has increased more than the NCAA divisional median rates of growth. These spending increases have been driven by multiple factors, including scholarships, staffing, and decisions to move to Division I or to start a football team. Athletic programs may provide benefits to an institution, including increased school spirit and possible national recognition. However, students interviewed by JLARC staff stated they would be willing to scale back athletics if that meant reducing the price to attend college. Although not common practice, some schools in Virginia and nationwide have decided to reduce or maintain the scope of their athletic program to keep costs down.

Intercollegiate athletics are the non-professional competitive sports organized by colleges and universities. The term does not include student recreation, intramural sports, or club sports. Athletic programs are often the largest component of mandatory fees at Virginia schools.

VIRGINIA ATHLETIC PROGRAMS VARY IN SIZE AND OFFER AN ARRAY OF SPORTS

Athletic Programs and Sports

In this report, the term "program" will be used to refer to a school's entire set of intercollegiate athletic activities, and the term "sport" will refer to an individual team within that program. For example, UVA's athletic program consists of 25 sports, such as women's softball, men's and women's basketball, and football.

The National Collegiate Athletic Association (NCAA) organizes the athletic programs of its 1,066 member colleges and universities. Competition is offered in three membership classifications known as Divisions I, II, and III. Division I is further divided into the Football Bowl Subdivision (FBS, formerly I-A), the Football Championship Subdivision (FCS, formerly I-AA), and Division I without football (formerly I-AAA).

All Virginia schools except UVA-W belong to the NCAA, and UVA-W is in the process of applying for NCAA membership. Eleven are Division I schools (two in FBS), one is Division II, and two are Division III (Table 4). Ten schools have football and all have baseball and men's basketball teams. Sports unique to one or two schools

Table 4: Athletic Programs Participate in a Variety of Divisions and Conferences, 2011-12

Institution	Number of sports teams	Number of student athletes	Percentage of students who are athletes	NCAA Division	Football?	Conference
UVA	25	696	3 %	I (FBS)	Yes	ACC
CWM	23	488	6	I (FCS)	Yes	CAA
UMW	23	469	9	III	No	CAC
GMU	22	496	1	I	No	CAA[a]
CNU	21	509	10	III	Yes	USA South[b]
VT	21	584	2	I (FBS)	Yes	ACC
RU	19	324	3	I	No	Big South
JMU	18	445	2	I (FCS)	Yes	CAA
ODU	18	450	2	I (FCS)	Yes	CAA[c]
VMI	18	428	27	I (FCS)	Yes	Big South
VCU	16	266	1	I	No	CAA[d]
VSU	16	262	4	II	Yes	CIAA
NSU	15	285	4	I (FCS)	Yes	MEAC
LU	14	213	4	I	No	Big South
UVA-W	11	251	12	NAIA Div II[e]	Yes	Mid-South
Total	**280**[f]	**6,166**	**3 %**	**—**	**—**	**—**

[a] GMU will join the Atlantic 10 Conference in 2013-14.
[b] CNU will move to the Capital Athletic Conference in 2013-14
[c] ODU will move to Conference USA, an FBS conference, in 2013-14.
[d] VCU moved to the Atlantic 10 Conference in 2012-13.
[e] UVA-W is applying for NCAA membership in Division II.
[f] For a list of sports at each school, see Appendix C.
NAIA (National Association of Intercollegiate Athletics), ACC (Atlantic Coast Conference), CAA (Colonial Athletic Association), CAC (Capital Athletic Conference), CIAA (Central Intercollegiate Athletic Association), MEAC (Mid-Eastern Atlantic Conference).

Source: JLARC staff analysis of 2011-12 NCAA revenue and expense reports and institution websites. Data for UVA-W obtained from the Equity in Athletics Data Analysis (EADA) online database.

include women's bowling (NSU and VSU), women's equestrian (UMW), gymnastics (CWM), rifle (VMI), sailing (CNU and ODU), men's volleyball (GMU), and women's water polo (VMI). (See Appendix C for a list of sports at each school.)

Virginia institutions have between 11 and 25 sports teams and have 213 to 696 student athletes (Table 4). UVA and VT have the most student athletes. The smaller schools (VMI, UVA-W, CNU, and UMW) tend to have a higher proportion of students who are athletes. At VMI, more than one-quarter of the students participate in intercollegiate athletics.

ATHLETIC PROGRAMS DO NOT GENERATE SUFFICIENT REVENUE TO COVER EXPENSES, REQUIRING SUBSIDIES FROM STUDENT FEES

Athletic programs are funded through a variety of sources, including ticket sales, alumni contributions, and NCAA distributions. However, without fee revenue from students, athletic programs at Virginia's public four-year institutions would have insufficient revenue to cover their costs. No institution's athletic program could support itself without student fees. The reliance on student fees varies substantially across institutions.

Most Programs Generate Less Than Half of Needed Revenue, But a Few Sports Generate Substantial Revenue

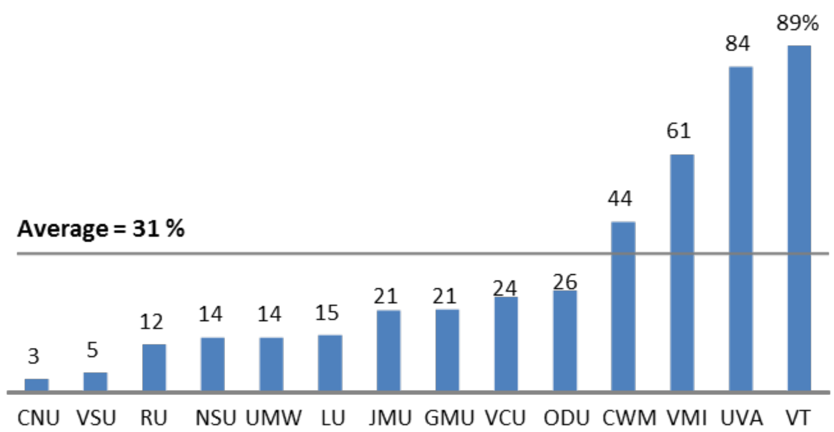
Generated Revenue

According to the NCAA definition, generated revenue is produced by the athletics department and includes ticket sales, radio and television receipts, alumni contributions, guarantees, royalties, NCAA distributions, and other revenue sources not dependent upon institutional entities outside the athletics department.

In 2006, a nationwide survey found that 78 percent of Americans believe college athletic programs are profitable. In reality, few athletic programs generate enough revenue to cover their expenses. Most programs across the country rely on subsidies in the form of student fees, institutional funds, and/or state appropriations to pay for the difference. Among the 227 public Division I institutions nationwide, only seven athletic programs (none in Virginia) generated sufficient revenue to cover their expenses in 2010-11. JMU and ODU received the fifth and sixth highest subsidy amounts among all public Division I schools in 2010-11.

No Virginia school generates enough athletic revenue to cover all its expenses without subsidies from student athletic fees, but the amount of generated revenue varies substantially by school. In 2011-12, Virginia schools generated from three to 89 percent of total athletic revenue through activities such as ticket sales, contributions, endowment income, NCAA and conference distributions, broadcast rights, and royalties (Figure 4). On average, Virginia programs only generated 31 percent of the revenue needed to cover expenses. The total amount of generated revenue ranged from $287,000 at VSU to $67.7 million at UVA.

Figure 4: Most Athletic Programs Generate Less Than Half of the Revenue Required to Operate the Program, 2011-12



Note: Figure presents generated revenue as a percentage of total athletic revenue. Excludes UVA-W because the institution is not a member of the NCAA and does not have data comparable to the other 14 schools.

Source: JLARC staff analysis of 2011-12 NCAA Revenue and Expense Reports.

Few institutions generate substantial revenue from ticket sales. For example, UMW (a Division III school) does not charge for admission to any athletic events. LU (a Division I school) only generated $16,000 from ticket sales in 2011-12. In contrast, schools with higher-profile football and basketball teams are able to generate substantially more through ticket sales, such as VT ($16.8 million), UVA ($12.7 million), and ODU ($3.2 million).

Athletic Overhead Costs

Includes expenses not attributable to a specific sport, such as the athletic director's salary, academic support functions, and most other support staff positions.

Of the 269 sports at Virginia's public NCAA member institutions (not including UVA-W), only four generate revenue that exceeds their direct operating expenditures: UVA and VT men's basketball and football (Tables 5 and 6). Even though these sports generate a substantial amount of revenue, it is still not enough to cover the operating expenses of other sports in the program and the associated overhead costs.

Several other sports in the State also generate substantial revenue, but not enough to cover their direct operating expenditures. For example, JMU football generated almost $3 million in 2011-12, but the sport spent almost $7 million, resulting in a shortfall of about $4 million, not including its share of overhead costs.

Allocation of Revenue

Each institution has discretion in how it chooses to allocate certain revenue. For example, a school may choose to allocate NCAA and Conference distributions across all sports, or it may choose to categorize that revenue as not related to a specific team. Similarly, non-restricted private giving or corporate sponsorships may not be allocated between the sports, but recorded as non-program specific revenue. These differences should be noted when reading Tables 5 and 6.

Table 5: All Men's Basketball Teams Except VT and UVA Had Shortfalls, 2011-12 ($ in Thousands)

Institution	Surplus (Shortfall)	Revenue	Expenditures	Revenue as a Percent of Expenditures
VCU	($3,064)	$1,003	$4,067	25%
GMU	(2,337)	683	3,020	23
JMU	(1,890)	384	2,274	17
RU	(931)	330	1,261	26
ODU	(792)	2,018	2,809	72
LU	(626)	387	1,012	38
NSU	(486)	427	912	47
VSU	(463)	16	479	3
Average	**(397)**	**1,802**	**2,199**	**55**
VMI	(350)	912	1,262	72
CWM	(276)	1,331	1,607	83
CNU	(172)	114	286	40
UMW	(75)	15	90	17
UVA	621	6,491	5,870	111
VT	5,279	11,122	5,843	190

Note: Excludes UVA-W. Expenditures are sport-specific and do not include athletic program overhead costs.

Source: JLARC staff analysis of 2011-12 NCAA Revenue and Expense Reports.

Table 6: All Football Teams Except VT and UVA Had Shortfalls, 2011-12 ($ in Thousands)

Institution	Surplus (Shortfall)	Revenue	Expenditures	Revenue as Percentage of Expenditures
JMU	$(3,806)	$2,803	$6,608	42 %
NSU	(1,456)	877	2,333	38
ODU	(965)	4,971	5,936	84
CWM	(809)	4,118	4,927	84
VMI	(697)	2,580	3,277	79
VSU	(646)	137	783	17
CNU	(397)	198	595	33
UVA	5,055	22,374	17,319	129
VT	13,664	38,382	24,718	155

Note: Excludes GMU, LU, RU, UMW, and VCU which do not offer football as a sport. Excludes UVA-W because the institution is not a member of the NCAA. Expenditures are sport-specific and do not include athletic program overhead costs.

Source: JLARC staff analysis of 2011-12 NCAA Revenue and Expense Reports.

Auxiliary enterprises are financially and operationally separated from the E&G components of the institutions. Although no statute explicitly prohibits the use of State funds for auxiliary enterprises, no State E&G money is used to support Virginia athletic programs. Conversely, no revenue from athletics supports non-auxiliary operations according to university administrators.

Programs Depend Heavily on Mandatory Student Athletic Fees

All Virginia schools rely on student fees to subsidize their athletic programs. Each of the 15 schools charges a mandatory athletic fee to students, as either a stand-alone fee or a component of mandatory non-E&G fees. Schools vary in how they charge athletic fees. For example, ODU students paid $40.35 per credit hour in 2012-13 as the athletics component of the student activity fee. Thus, even part-time students at ODU pay some amount to support the athletic program. Other schools only charge full-time students the full amount of mandatory fees, including the athletic component. For example, part-time students at CWM are not charged the general or facility fee, which includes the athletic fee.

In 2011-12, Virginia students paid a total of $160 million in athletic fees (Table 7), 49 percent more than in 2006-07. Larger schools tend to collect more in total revenue from student fees because they have more students. For example, the athletic fees at CWM and VMI are similar in dollar amount assessed, but CWM collected almost $11 million from about 8,200 students, while VMI collected just under $3 million from about 1,600 students.

Athletic programs also vary widely in their reliance on student fee revenue (Table 7). Virginia schools receive between 10 and 88 percent of their total athletic revenue from student fees. Eleven programs receive the majority of their total athletic revenue from student fees.

Institutions vary in their ability to generate revenue from other sources. VT, for example, receives one-fourth of its revenue from ticket sales, and another one-fourth from distributions received from the ACC and the NCAA (Figure 5). The school is also able to raise significant money through fundraising efforts, resulting in a relatively low reliance on student fee subsidies. RU, on the other hand, generates little revenue through private contributions and ticket sales, and receives only four percent of its revenue from NCAA distributions. Even though RU's total athletic budget is only about one-fifth of VT's budget, RU relies far more heavily on student fees.

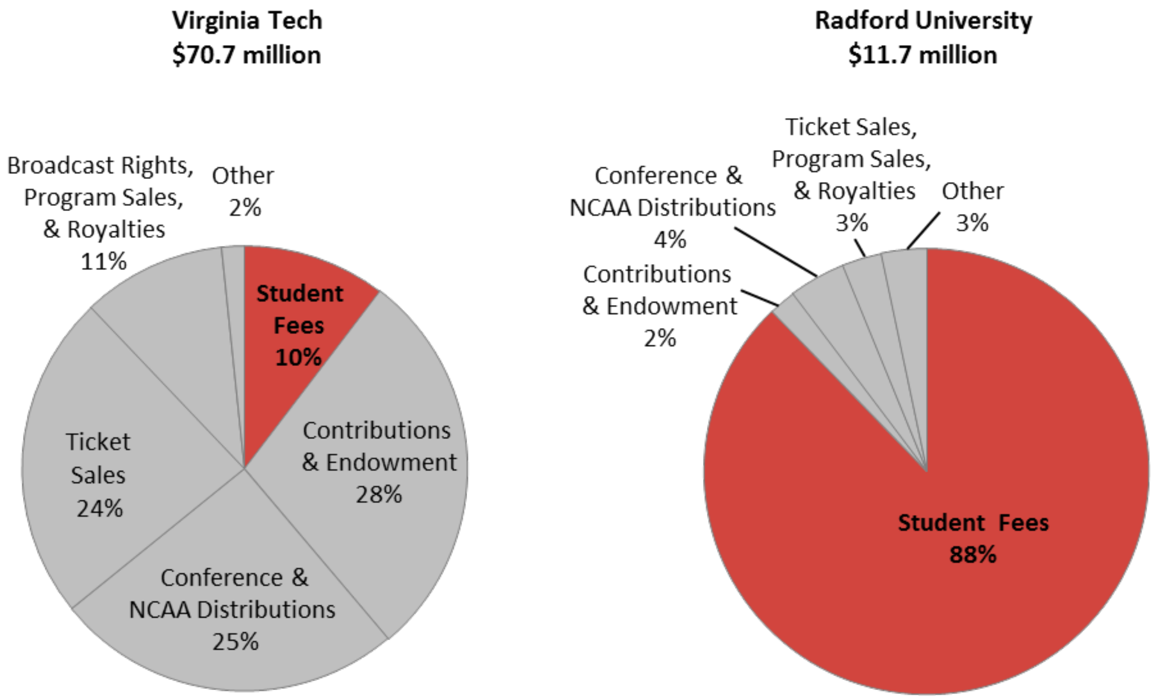
Table 7: Schools Vary in Reliance on Student Fee Revenue and Total Amount Collected, 2011-12

Institution	Student Fee Revenue as Percentage of Total Athletic Revenue	Total Revenue Collected from Student Athletic Fees (Millions)
RU	88 %	$10.3
CNU	87	9.4
LU	85	6.9
JMU	79	27.3
NSU	76	10.0
ODU	74	26.0
VCU	73	16.7
VSU	72	4.1
UMW	67	1.7
GMU	67	13.4
Average	**62**	**11.4**
CWM	53	10.9
VMI	27	3.0
UVA	16	13.1
VT	10	7.3
Total	—	**$160.0**

Note: Excludes UVA-W.

Source: JLARC staff analysis of 2011-12 NCAA Revenue and Expense Reports.

Figure 5: Athletic Programs Differ Widely in Ability to Generate Revenue, 2011-12



Note: VT and RU are shown above because they represent the Virginia institutions with the least and most (respectively) reliance on student fee revenue.

Source: JLARC staff analysis of 2011-12 NCAA Revenue and Expense Reports.

INTERCOLLEGIATE ATHLETICS ARE SUBSIDIZED BY 12 PERCENT OF TUITION AND FEES, ON AVERAGE, AND SUBSTANTIALLY MORE AT SEVERAL INSTITUTIONS

The athletic fee is often the largest component of mandatory fees at Virginia schools. Because Virginia does not allow general fund money to subsidize athletics and requires athletic programs to pay for their share of indirect costs, the athletic fees in Virginia may be higher than in other states. Some states such as Alabama and Nebraska do not require intercollegiate athletics to be self-supporting and may use taxpayer revenue to subsidize athletic programs.

Virginia Institutions Charge an Average of $1,185 in Mandatory Athletic-Related Fees per Year

Mandatory athletic-related fees range from $267 per student at VT to $2,044 per student at LU, and average $1,185 per student across Virginia's 15 institutions (Table 8). Several factors affect the amount of the athletic fee, including the number of students over which to allocate the program's shortfall, a program's ability to generate revenue through private donors or ticket sales, whether or not the school operates a football program, the total number of sports offered, and the level of spending and investment in a program.

Athletic-related mandatory fees may differ from the athletic fee reported by SCHEV. In an attempt to accurately compare athletic-related fee charges across institutions, JLARC staff asked university administrators to total all costs related to athletics, including operations, maintenance, and debt service fees. (See Appendix B for more information on this methodology.) In most cases, this raises the dollar amount when compared to the fee schedules that SCHEV publishes (Table 8). For example, SCHEV's 2012-13 tuition and fee report lists VSU's athletic fee at $724, but when the athletic operation and maintenance fee ($100) and debt service for Rogers Stadium ($68) are included, the total athletic-related fee rises to $892 per student per year.

2006-07 to 2011-12

JLARC staff examined the change in athletic programs across this six year period; the longest period staff could obtain reliable and consistent data.

The cost to the student has increased in the last six years at Virginia institutions. On average, student fee revenue per FTE student increased by 32 percent, or $259 per student per year. The growth in student fee revenue per FTE student ranges from $3 at UMW to $536 at ODU.

Table 8: Virginia Institutions Charge an Average of $1,185 in Mandatory Athletic-Related Fees per Year, 2012-13

Institution	Derived Mandatory Athletic-Related Fee	Athletic Fee as Published by SCHEV
LU	$2,044	$1,767
CNU	1,795	1,266
VMI	1,622	1,502
NSU	1,618	1,510
CWM	1,584	1,485
JMU	1,528	1,176
ODU	1,453	1,211
UVA-W	1,219	1,175
Average	**1,185**	**1,027**
RU	1,138	1,138
VSU	892	724
UMW	747	373
UVA	657	657
VCU	635	635
GMU	577	515
VT	267	267

Note: Amounts shown above in the derived fee column remove subsidies from other auxiliaries. At UVA-W, UMW, and VMI, auxiliaries such as housing and dining cover a portion of the athletic programs' indirect costs. If the amount per student related to indirect costs was included, the athletic fees would be as follows: UVA-W = $1,718; UMW = $1,060; and VMI = $1,948 per year.

Source: JLARC staff interviews with university administrators and SCHEV's 2012-13 Tuition and Fees report

Auxiliary Indirect Cost Recovery

Each auxiliary enterprise must pay a percentage of expenditures back to the university as reimbursement for administrative and/or maintenance services. This indirect cost recovery rate is approved by SCHEV.

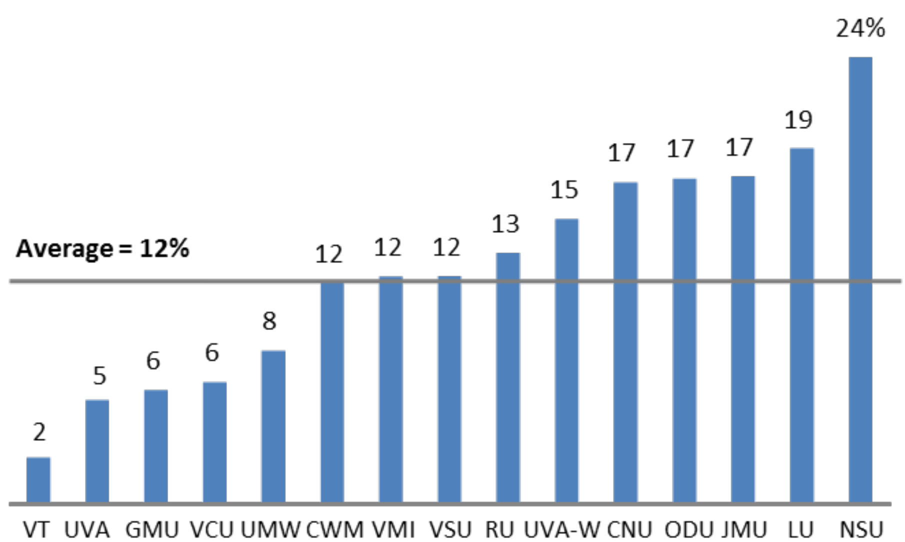
Four institutions use other auxiliary surpluses to subsidize athletic programs. As noted in Chapter 1, SCHEV's chart of accounts states that "each institution's auxiliary system, as well as its intercollegiate athletic program, must meet the test of 'self-supporting,' including direct and indirect costs." Interviews with athletic and budget administrators indicated that at UVA-W, VMI, VSU, and UMW, operating surpluses from other auxiliaries, most often student housing and dining, help pay for the program's indirect costs or help make up shortfalls in the athletic budget at the end of the fiscal year. This practice may lead to higher housing and dining charges at those institutions.

Twelve Percent of Tuition and Fees Goes Toward Subsidizing Athletics

On average, 12 percent of what Virginia students paid in tuition and fees in 2012-13 was directed toward intercollegiate athletics.

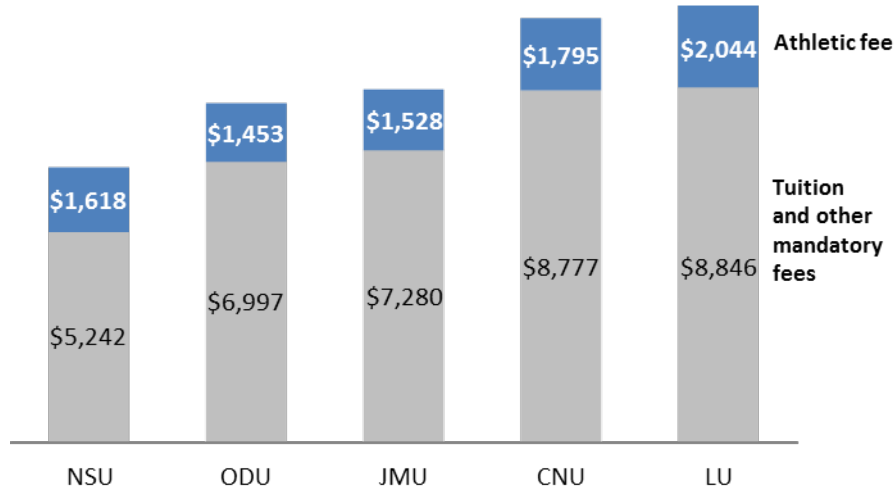
On average, 12 percent of what Virginia students paid in tuition and fees in 2012-13 was directed toward intercollegiate athletics (Figure 6). Students at VT paid two percent of their total tuition and fees toward athletics. In contrast, almost one quarter of a student's tuition and fee payment at NSU went toward the athletic program. LU's athletic fee is more than $400 higher than NSU's, but because LU charges more in total tuition and fees, the percentage represented by the athletic fee is lower (Figure 7).

Figure 6: Mandatory Athletic-Related Fees Comprise an Average of 12 Percent of Total In-State Tuition and Fees, 2012-13



Source: JLARC staff analysis of interviews with university administrators; SCHEV's 2012-13 Tuition and Fee Report.

Figure 7: Athletic-Related Fee at Certain Schools Represents a Substantial Portion of Total Tuition and Fees, 2012-13



Source: JLARC staff analysis of interviews with university administrators; SCHEV's 2012-13 Tuition and Fee Report.

Greater Transparency of Mandatory Athletic Fees Should Be Required

At many schools, the athletic fee (or the athletic component of mandatory non-E&G fees) is difficult to find on the website or is not publicized at all. Consequently, students may not be fully aware of how much they actually pay in athletic-related mandatory student fees.

An exception to this lack of transparency is VT; the Bursar's office provides a detailed listing of mandatory fees on its website (Exhibit 1). The university also itemizes each fee on student invoices, as opposed to charging one line for a "comprehensive fee." This level of transparency could be emulated at other Virginia institutions.

The boards of visitors at the other 14 four-year public institutions should promote greater transparency of mandatory fees by requiring the amount of the athletic fee (or athletic-related portion of mandatory fees) to be listed on the tuition and fees information page of the institution's website. Greater transparency could also be attained by listing the components of the mandatory fees as additional information on a separate page of each student invoice.

Recommendation (1). 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.

Exhibit 1: Virginia Tech Lists the Major Components of Mandatory Fees on Its Website

University Bursar Home › Description of Fees

Tuition and Fees for Fall and Spring Semesters, 2013 - 2014

Payment Deadlines
Fall 2013 - August 12, 2013
Spring 2014 - January 10, 2014

Notice to students enrolled on or after August 1, 2006

In compliance with Virginia state law, students classified as in-state undergraduate students who enroll at a state educational institution August 1, 2006 or later will be assessed a tuition surcharge for each semester **after 125% of the degree requirements for their program has been completed**. The amount of the **surcharge**, established by the State Council for Higher Education in Virginia, is equal to 100% of the Average Cost of Education for the institution less tuition and mandatory Educational and General fees for in state undergraduates. Please refer to **the Office of the University Registrar** for additional information and exemptions to the surcharge.

Undergraduate

	Per Hour	1-3	4	5	6	7	8	9	10	11	12 or more
Tuition - Virginia Resident	400.75	1,202.25	1,603.00	2,003.75	2,404.50	2,805.25	3,206.00	3,606.75	4,007.50	4,408.25	4,808.50
Tuition - Non-Virginia Resident	1,032.00	3,096.00	4,128.00	5,160.00	6,192.00	7,224.00	8,256.00	9,288.00	10,320.00	11,352.00	12,384.50
Technology Fee		16.50	16.50	16.50	16.50	33.00	33.00	33.00	33.00	33.00	33.00
Library Fee		5.00	5.00	5.00	5.00	10.00	10.00	10.00	10.00	10.00	10.00
Capital & Equipment Fee (Non-resident only)		151.00	151.00	151.00	151.00	302.00	302.00	302.00	302.00	302.00	302.00
Comprehensive Fees											
Student Activity Fee		116.00	116.00	116.00	116.00	232.00	232.00	232.00	232.00	232.00	232.00
Health Fee		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	186.00
Athletic Fee		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	136.50
Bus Fee		30.75	30.75	30.75	30.75	61.50	61.50	61.50	61.50	61.50	61.50
Recreational Sports Fee		68.25	68.25	68.25	68.25	136.50	136.50	136.50	136.50	136.50	136.50
Student Services Fee		61.75	61.75	61.75	61.75	123.50	123.50	123.50	123.50	123.50	123.50
Total Tuition & Fees - VA Resident		**1,500.50**	**1,901.25**	**2,302.00**	**2,702.75**	**3,401.75**	**3,802.50**	**4,203.25**	**4,604.00**	**5,004.75**	**5,727.50**
Total Tuition & Fees - Non-VA Resident		**3,545.25**	**4,577.25**	**5,609.25**	**6,641.25**	**8,122.50**	**9,154.50**	**10,186.50**	**11,218.50**	**12,250.50**	**13,605.50**

Source: Virginia Tech's website. Available at http://www.bursar.vt.edu/tuition/.

In SCHEV's annual tuition and fee reports, Virginia institutions do provide detail on the components of the mandatory non-E&G fees charged to students. However, comparisons across schools are problematic. For example, some schools charge a separate debt service fee that includes all auxiliary debt service, while other schools embed the debt service in each specific auxiliary fee, such as for athletics. Administrators at several schools expressed interest in SCHEV convening a workgroup of financial administrators from the 15 schools to define mandatory non-E&G fees more comparably across the State. This workgroup could also address institutions itemizing the major components of mandatory fees on student invoices.

Recommendation (2). 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.

ATHLETIC SPENDING HAS INCREASED MORE THAN NCAA MEDIANS, DRIVEN BY SCHOLARSHIPS AND STAFFING

Athletic spending at Virginia institutions comprises an average of seven percent of total institutional spending, ranging from three percent at several schools to 15 percent at VMI. Virginia athletic programs tend to spend more than other schools in comparable NCAA divisions and have increased their spending faster than other programs across the country. Most of the athletic spending in Virginia can be attributed to growth in scholarships, coaching and support salaries, and facilities.

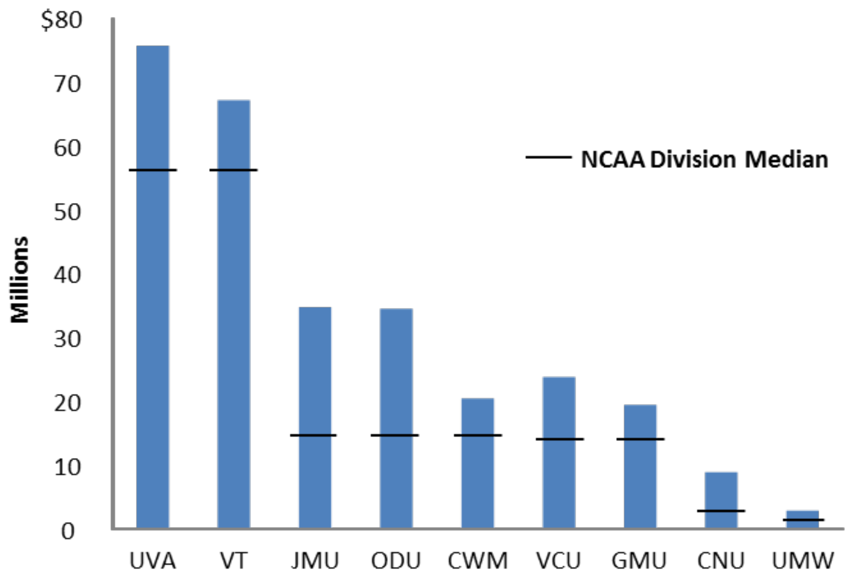
Nine Virginia Schools Spend More Than NCAA Medians on Intercollegiate Athletics

According to their NCAA reports, Virginia athletic programs spent a total of $333 million in 2011-12. The majority of Virginia athletic programs are spending more than other comparable athletic programs nationwide; nine of the 14 programs spent more than the medians in their respective NCAA divisions (Figure 8). CNU spent almost three times the Division III (with football) median total spending, JMU and ODU both spent more than twice the Division I FCS median, and UMW spent double the Division III (no football) median.

Athletic Spending Increased More Than Inflation, Educational Spending, and Other Athletic Programs Nationwide

Athletic spending across the 14 NCAA institutions grew by $85.9 million from 2006-07 to 2011-12, ranging from $683,000 growth at

Figure 8: Nine Virginia Athletic Programs Spent More than NCAA Medians, 2011-12



Source: JLARC staff analysis of 2011-12 NCAA revenue and expense reports.

UMW to $16.6 million growth at ODU. The average athletic program grew by $6.1 million, or 43 percent. By way of comparison, total Virginia athletic spending increased more than inflation, education and general spending, and total institutional spending. No Virginia school decreased its athletic program spending.

Only three Virginia Division I programs grew slower than the national Division I median rates of growth: UVA, VMI, and VT.

Only three Virginia Division I programs grew slower than the national Division I median rates of growth: UVA, VMI, and VT. For example, UVA increased athletic spending by 16 percent, but the median Football Bowl Subdivision (FBS) athletic program increased spending by 44 percent in the same period. The other Division I programs (CWM, GMU, JMU, LU, NSU, ODU, RU, and VCU) all grew faster than the NCAA median rates of growth. RU and VCU increased their athletic spending by at least 30 percentage points above their respective NCAA median rates of growth (although RU still spends less than the Division I without football median). Athletic spending almost doubled at ODU in just six years, and was $16.5 million per year more in 2011-12 than in 2006-07, mainly due to the addition of football in 2009. (This increase includes debt service on athletic facilities).

Athletic Spending Growth Primarily Attributable to Three Factors

More than three-fourths of increased athletic spending across Virginia's 14 NCAA institutions can be attributed to growth in three main areas. Athletic student aid accounted for 26 percent of the total spending increase; salaries accounted for 39 percent (coaching salaries for 24 percent and support staff salaries for 15); and facilities represented 12 percent of the growth.

Scholarship Equivalencies and Maximum Levels

For most sports, the NCAA establishes a maximum number of scholarship equivalencies a school can offer to student athletes. Institutions have discretion in how they divide the equivalencies between student athletes.

For example, Division I women's golf allows a maximum of six equivalencies. A school can award full grant-in-aid to six student athletes or split the six equivalencies among more than six student athletes on the team. An equivalency includes the cost of tuition and fees and housing and dining.

Athletic student aid was the biggest driver of increased athletic spending. Virginia institutions spent $22 million more on athletic student aid in 2011-12 than six years earlier, accounting for 26 percent of the increase in athletic spending. Part of this increase is due to the increasing cost of tuition, but schools have also added more scholarship equivalencies (see sidebar). When an institution raises tuition and fees, the athletic program must increase its total investment in scholarships even if it does not add equivalencies.

Because SCHEV's chart of accounts encourages athletics to be fully self-supporting, institutions do not grant athletic tuition waivers. Athletic programs must instead pay the full cost of grants-in-aid, which include tuition, fees, and housing and dining charges. For those athletes who are not residents of Virginia, programs must pay the higher cost of out-of-state grant-in-aid for student athletes.

The majority of schools have added athletic scholarships since 2006-07. ODU has added the most—92 equivalencies (Table 9). The majority of ODU's new scholarships are from adding football and women's rowing. In contrast, both LU and VSU have reduced their scholarship equivalencies by three. Athletic scholarships at some schools are fully or partially funded from private gifts.

Table 9: Most Institutions Have Added Scholarship Equivalencies, 2006-07 to 2011-12

Institution	Number of New Equivalencies	Percent Change in Equivalencies
ODU	92	76 %
JMU	34	18
VT	28	12
NSU	23	17
Average	**19**	**13**
RU	16	15
GMU	15	13
VCU	8	8
CWM	6	3
VMI	4	3
UVA	3	1
LU	-3	-3
VSU	-3	-4

Note: Excludes CNU, UMW, and UVA-W. CNU and UMW do not offer athletic scholarships as Division III institutions.

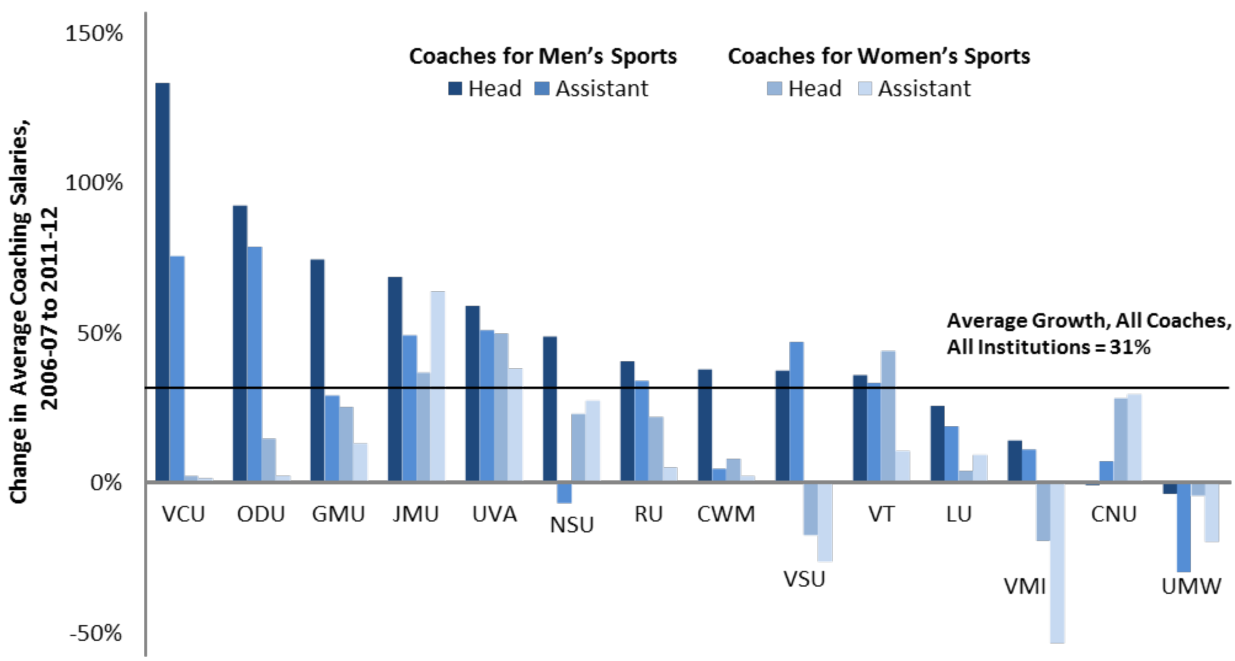
Source: JLARC staff analysis of NCAA Revenue and Expense Reports, 2006-07 to 2011-12.

This added cost can be significant for some universities with a high percentage of out-of-state student athletes. For example, 60 percent of athletic student aid at JMU is awarded to out-of-state students.

Coaching and support staff positions and salaries and benefits have increased. Coaching and support staff salary and benefits growth, which accounted for 24 and 15 percent of the total increase in athletic spending, respectively, can be attributed to adding more personnel as well as increased salaries. All Virginia athletic programs have increased total spending on coaching salaries from 2006-07 to 2011-12, from 16 percent at LU to 94 percent at VCU. This increase is partly attributable to new coaching positions. CNU and ODU added the most FTE coaching positions, 13 and 11, respectively. Only JMU reduced its number of FTE coaches, eliminating 11 FTE positions in the past six years.

The majority of institutions have increased the average salary and benefits for head and assistant coaches for both men's and women's sports (Figure 9). VCU had the highest growth, more than doubling its average salary for men's head coaches. UMW is the only school that lowered the salaries of its coaches, on average.

Figure 9: Average Coaching Salaries and Benefits per FTE Coach Have Increased at Most Schools (All Sports, 2006-07 to 2011-12)



Note: Excludes UVA-W. Total FTE coaches ranges from 69.5 at UVA to 11.4 at UMW. Includes coaching compensation paid by a third party.

Source: JLARC staff analysis of NCAA Revenue & Expense Reports, 2006-07 to 2011-12.

Support Staff

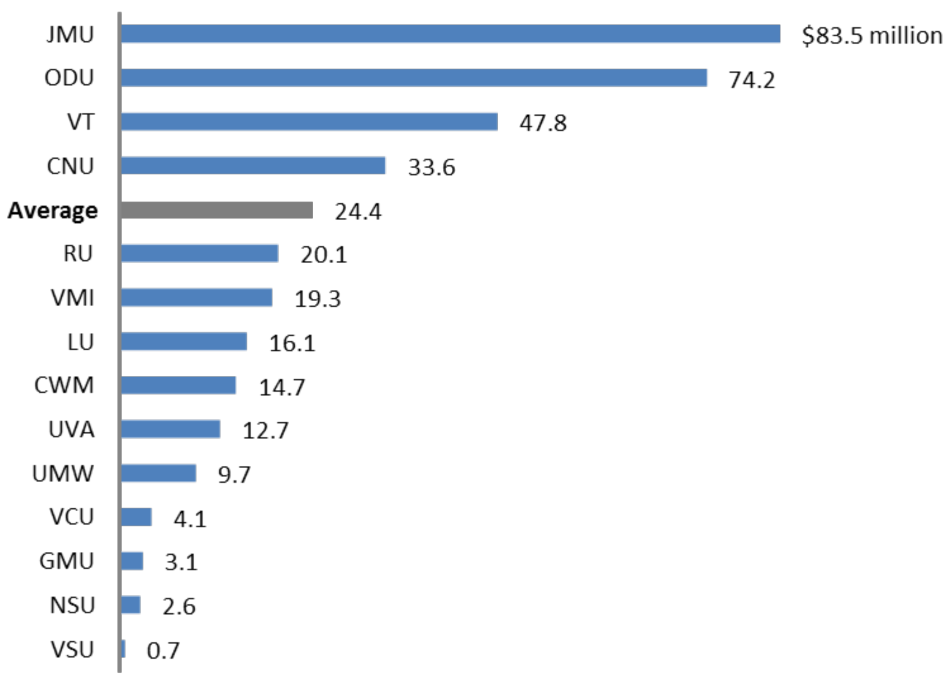
Support staff includes any position in the athletics department that is not a coaching position. Support staff may not be directly connected to a particular sport. Staff areas may include media relations, sports medicine and training, marketing, game operations, business operations, academic support, and sports psychology.

Spending on support staff salaries and benefits has increased at all but two schools (UMW and VMI). Three schools (NSU, ODU, and RU) more than doubled their spending on support staff. This growth mostly stems from adding support positions.

Virginia institutions spent $342 million on capital projects for athletics in the last six years. Increased spending on facilities has accounted for 12 percent of the total growth in athletic spending from 2006-07 to 2011-12. These costs include building and grounds maintenance, debt service, utilities, rental fees, and equipment maintenance.

In addition to the operating expenditures for facilities, spending on athletic capital projects has increased significantly. Virginia's 14 NCAA schools reported a total of $342 million in capital projects in the last six years. Capital spending ranged from $83.5 million at JMU to $737,000 at VSU (Figure 10). The majority of capital expenditures at JMU were for expanding and renovating its football stadium. Capital projects at ODU included the Powhatan Sports Center (which includes renovation of the football stadium), an indoor tennis center, and expanding its athletic facilities.

Figure 10: Virginia Athletic Programs Spent $342 Million on Capital Projects from 2006-07 to 2011-12



Note: GMU's total capital additions do not include shared space with campus recreation. Excludes UVA-W.

Source: JLARC staff analysis of NCAA Revenue & Expense Reports, 2006-07 to 2011-12.

NCAA REGULATIONS AND TITLE IX AFFECT ATHLETIC PROGRAM SPENDING

The NCAA and the federal government have established extensive guidelines governing intercollegiate athletics. To maintain eligibility, institutions must comply with numerous rules and regulations. For example, the NCAA Division I manual is 439 pages. Athletic departments often devote several staff positions to ensuring compliance. In addition to these compliance staff, there are costs associated with NCAA regulations and Title IX of the Education Amendments of 1972.

NCAA Membership and Gender Equity Requirements Drive Up Cost of Athletic Programs

The NCAA requires Division I institutions to have a minimum number of sports teams and fund at least 50 percent of the maximum number of scholarship equivalencies for each of those teams. For example, Division I programs (in FCS and without football) are required to have at least seven men's and seven women's sports, or six men's and eight women's sports. A program may have more sports, but each institution must fund at least half of the maximum number of scholarships allowed for at least those 14 sports.

All Virginia schools except LU offer more sports than the NCAA minimum.

All Virginia schools except LU offer more sports than the NCAA minimum. NSU offers one additional sport, while UMW offers 11 additional sports. (Institutions may need to offer additional women's sports to stay in compliance with Title IX.)

Intended as a broad anti-gender-discrimination law, Title IX states,

> No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance.

Title IX provides for gender equity in athletic scholarships, participation, and other program areas, including equipment and supplies, travel expenses, coaching and academic tutoring, locker rooms, practice and competitive facilities, and support services. Because Title IX has been in effect for four decades, recent increasing costs cannot be attributed solely to compliance with the statute. However, the law does have implications for current decisions. An example of this is included later in this chapter.

Decision to Move to NCAA Division I Results in Substantial Increase in Athletic Spending and Student Fees

Since the mid-1980s, more than 50 schools in the U.S. moved from Division II to Division I. Historically, Division I schools have been the larger, well-known universities. Two Virginia schools have moved from Division II to Division I in the last 20 years: NSU in 1997 and LU in 2007.

Switching divisions comes with certain guaranteed costs, such as an increase in the number of scholarships a school must offer and sports the institution is required to sponsor. Administrators indicate key reasons for the move to Division I include the prospect of greater generated revenue, increased visibility and recognition, and a greater sense of campus pride and community support.

Longwood University's Transition to Division I

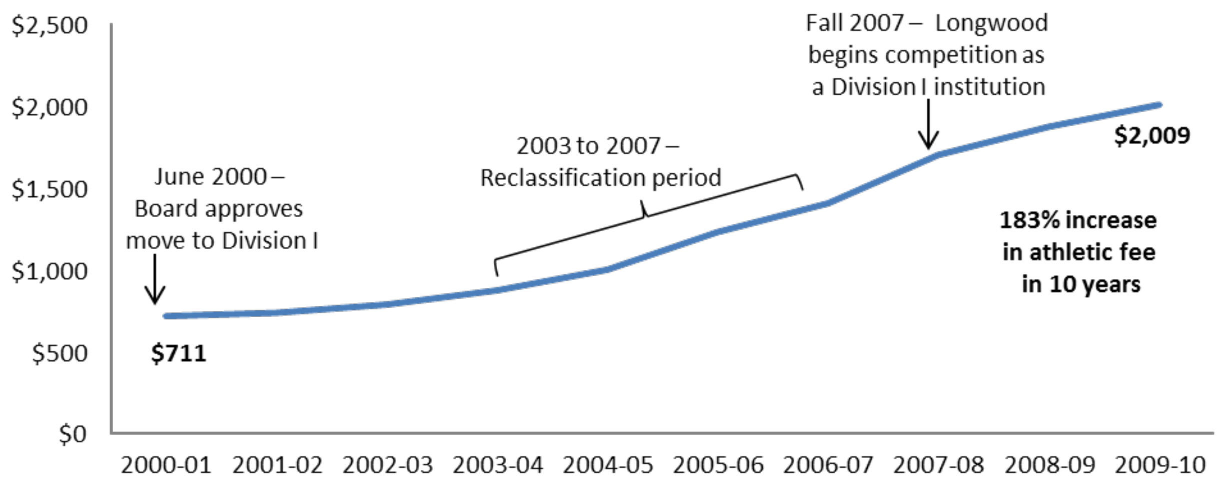
Longwood University transitioned to Division I in 2007-08. The reclassification process took five years after the president informed the NCAA of Longwood's intention to reclassify in 2002. The president of LU at that time hoped to "increase visibility and enhance the institutional image."

The move to Division I was approved by the Board of Visitors in an eight to one vote in June 2000. A 1999 strategic plan listed the costs associated with a move to Division I, including adding seven additional administrative positions, hiring nine additional full- or part-time coaches, upgrading certain athletic facilities, doubling the scholarship budget, and adding an additional women's sport.

From 2000-01 to 2009-10 (a 10-year period encompassing the move to Division I), athletic expenditures at LU more than tripled, from $2.1 million to $6.8 million. An increase in student fee revenue accounted for the majority (80 percent) of increased revenue. Longwood only generated 10 percent of its total athletic revenue in 2009-10, mainly through guarantees and private contributions. Over this 10-year period, the athletic student fee (as reported by SCHEV) almost tripled, from $711 to $2,009 per student (Figure 11).

Longwood's tuition and fees increased by $4,922, more than doubling in those 10 years. The increase in the athletic fee added $1,298 per year to each student's bill and accounted for 26 percent of that increase in tuition and fees.

Figure 11: Athletic Fees Almost Tripled at LU as it Moved to Division I, 2001-02 to 2009-10



Source: JLARC staff analysis of SCHEV tuition and fee reports.

Introduction of Football Results in Substantial Increase in Athletic Spending and Student Fees

Two Virginia institutions have added football as a sport in the last 10 years: CNU in 2001 and ODU in 2009. Although football can generate significant revenue, the sport also adds high operating and capital costs to an athletic program. It also usually requires adding women's sports to comply with Title IX.

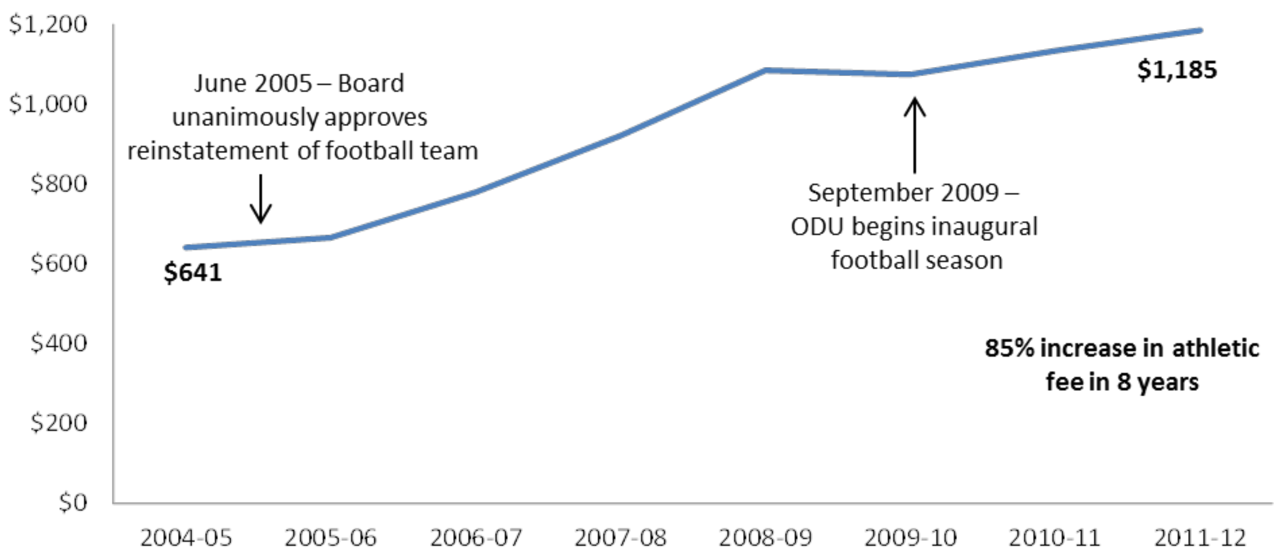
ODU's Reinstatement of Football

In 2005, ODU's Board of Visitors unanimously approved the establishment of a football team to begin competing in 2009. The program hired a coach in 2007 and began renovations of Foreman Field, the stadium built in 1936 for ODU's previous football team, disbanded in 1940.

The reinstatement of football had substantial cost implications extending beyond the football team. The FCS allows 63 men's football scholarships. To maintain compliance with Title IX after adding football scholarships, the university had to either cut other men's programs and scholarships or add a proportionate number of women athletes and scholarships. ODU decided to add women's rowing and will likely need to add one or two more women's sports in the near future.

From 2004-05 to 2011-12 (an eight-year period that includes the 2009 addition of football), ODU more than tripled its athletic expenditures from $11.1 million to $34.4 million. Increased student fees provided 71 percent of the additional

Figure 12: Mandatory Athletic Fee Almost Doubled at ODU as It Added Football, 2004-05 to 2011-12



Source: JLARC staff analysis of SCHEV tuition and fee reports.

revenue needed to fund the increased expenditures. The student athletic fee almost doubled, from $641 to $1,185, as reported by SCHEV (Figure 12). The increase in the athletic fee added $544 to each full-time student's bill and accounted for 19 percent of the increase in tuition and fees.

In 2011-12, ODU football generated revenue to cover 84 percent of its expenditures, not including athletic overhead or capital costs. Women's rowing, however, only generated revenue to cover 0.3 percent of its expenditures, for a $1 million loss, not including overhead and capital costs.

INTERCOLLEGIATE ATHLETICS CAN BENEFIT SCHOOLS, STUDENTS, AND COMMUNITY

Intercollegiate athletic programs are a non-academic function and generally are not central to the academic mission. However, despite the cost of athletics to students, many school administrators indicate that institutions gain substantial benefits from supporting an intercollegiate athletics program. These benefits need to be considered along with the costs to students discussed above.

Schools Build Intercollegiate Athletic Programs in Pursuit of Publicity and School Spirit

Many university and athletic administrators view athletics as the "front porch" of the university—a way to market the institution and encourage community engagement. The former president of the University of New Mexico said in 2010, “One of the most effective ways to market your university nationally is to have a really quality athletic program. It helps recruit faculty, students, and donors. It helps with the image of the whole university.” Similarly, CNU administrators said many of the local news articles written about the university are related to athletics.

As a form of advertising and entertainment, intercollegiate athletics can attract potential students and increase applications to the university. Research literature suggests that athletic success does increase applications, but has little, if any, effect on the average SAT scores of the entering freshmen class. Therefore, an institution may experience an increase in applications received after a notable winning season, which may allow for an increase in enrollment if the school so desires, but the average SAT scores do not seem to improve.

A successful athletic program may encourage stronger connections with alumni. Some research has shown a positive relationship between athletic success and alumni giving, but only for some schools and some high-profile sports. Studies indicate that athletic success might translate into higher giving for the athletic program itself, but not for the institution as a whole.

Intercollegiate athletic programs promote school spirit and pride, bring together community members, alumni, and campus residents, and can be a source of entertainment and service to the community. The biggest advantage of football and basketball teams to colleges and universities may be the sense of community that they promote. One study found that college students were more likely to use the pronoun “we” and to wear clothing that identified with their school after a winning athletic weekend than during times when teams had lost.

Student Attendance at Athletic Events Is Generally Low, But Some Schools Have Sizeable Attendance for Football and Basketball

Students at all Virginia institutions receive free admission to home athletic events during the regular season. At most schools where attendance is tracked, student attendance is low. If students were charged only for the events they attended instead of through non-E&G mandatory fees, most athletic programs would not be financially viable.

Football and basketball have the most spectators for home games. Football has the highest numbers of student attendance. Over half of VT students attend home games, and UVA and JMU report average student attendance of about a quarter of their student bodies. All VMI cadets are required to attend home football games. Average attendance at men's home basketball games varies from two percent of the student body at GMU (575 students) to 20 percent at NSU (1,450 students). Most schools, however, do not routinely track student attendance at other sporting events.

SOME STUDENTS AND SCHOOLS EXPRESS INTEREST IN LOWERING COST OF ATHLETIC PROGRAMS

The 2008 NCAA President's Report observed that "athletics spending has increased in recent years at a pace that ultimately is unsustainable." In 2010, the Knight Commission, a national group that advocates for reform of college athletics, recommended establishing a rule that the growth rate in the athletics budget (per athlete over a five-year period) should not exceed the growth rate in educational spending per student.

The Knight Commission also recommended that institutions make their NCAA revenue and expense reports public and suggested that schools publish additional information about their long-term debt and capital spending. The commission recommended that institutions should reinforce board responsibilities and pay more attention to appropriate levels of athletic spending and increasing transparency and accountability.

Some Students Favor a Reduction in Spending, Citing Relative Unimportance of Athletics

As noted earlier, intercollegiate athletics programs do provide benefits to the institution, surrounding community, students, and alumni. To gain insight into the relative importance of athletics in higher education, JLARC staff conducted group interviews with in-state undergraduate students at all 15 institutions to discuss their opinions on the value and cost of auxiliary enterprises. Across the 15 campuses, 205 students attended these focus groups. (See Appendix B for more information on this methodology.)

The majority of students who attended the group interviews thought the athletic fee at their school was too high. Very few students said a successful athletic program was "very important" to their decision to attend their university and the majority said it was "not important." Most students also stated that athletics was "not important" to their current college experience. Many student comments were similar to the following:

> "We spend far too much money on athletics."

***

> "I think we should take some money from athletics and put it into things that everyone uses and needs."

***

> "If we can afford athletics, why can't we afford professors?"

Over two-thirds of the students who attended these interviews said that they would be willing to scale back athletics if that meant a reduction in the price to attend college.

A Few Schools Have Downsized or Limited Expansion of Athletic Programs

Some schools in Virginia have decided to reduce or maintain the scope of the programs in an effort to keep costs down, including VSU *not* transitioning to Division I and GMU and VCU *not* adding football as a sport. CWM's Board of Visitors set a goal that no more than 50 percent of total athletic revenue should come from mandatory student fees. The CWM Board also stated that any new construction for athletics should be completely funded by private donations.

Though not common practice, some programs in the U.S. have reduced athletic spending by eliminating sports that are not required for NCAA or Title IX compliance. For example, in 2009, the University of Washington cut its men's and women's swimming teams for an estimated savings of $1.2 million. Similarly, in 2010, UC Berkeley cut four sports (baseball, men's and women's gymnastics, and women's lacrosse) and reclassified rugby as a club sport to save $4 million per year. Ultimately, though, supporters raised enough money to keep rugby and women's gymnastics and lacrosse, so those teams were reinstated.

Certain institutions have considered dropping to Division II or III to reduce costs. Although rare, the boards at a few institutions, including Birmingham-Southern College and Centenary College of Louisiana recently voted to drop their athletic programs from Division I to Division III. Other universities have pondered a similar move in recent years but have not proceeded. Spelman College in Georgia recently chose to end its Division III program and spend the $1 million budget on a campus-wide health and fitness program.

As noted in Chapter 1, the fifth and final report in this JLARC series may include institution-specific or system-wide changes related to athletic programs. Whether such changes are recommended will depend, in part, on the findings of the subsequent JLARC reviews of academic and administrative operations.

Chapter 3

Student Fees for Recreation Are Modest, But Other Revenue Sources Should Be Considered

In Summary

In Virginia, students at public four-year institutions are required to pay a fee to support school recreation and fitness enterprises. Mandatory fees for recreation at Virginia institutions ranged from $36 to $488, and averaged $281, or 2.8 percent of total tuition and fees for in-state students in 2012-13. All institutions rely primarily on mandatory student fees to pay for their recreation enterprise. Most Virginia institutions have increased spending on recreation in recent years. The growth of annual expenditures is particularly pronounced at schools that have issued debt for a fitness center. Although many have built new facilities, most Virginia institutions still remain below the national median for indoor recreation space among schools of comparable sizes. Most institutions also charge about the same as, or less than, average monthly membership fees at private-sector gyms nationwide. Although recreation fees are not a significant driver of the cost of higher education, there are potential opportunities to reduce them at certain institutions.

To attend a public four-year institution in Virginia, students are required to pay a fee to support their school's campus recreation and fitness enterprise ("recreation"). The most prominent feature of the recreation enterprise at most schools is the recreation center, which also may be known as its "fitness center" or "wellness center" (Figure 13). The sizes and contents of recreation centers vary across Virginia's public four-year institutions. These facilities typically include cardiovascular exercise equipment, such as treadmills and ellipticals, as well as weight-training equipment. Depending on the institution, facilities may also house features such as basketball and racquetball courts, swimming pools, saunas, and climbing walls. Other examples of recreation features include soccer fields, intramural and club sports programs, and group exercise classes.

Campus Recreation

The facilities, programs, and services that are designed to facilitate physical activity on campus. Examples of campus recreation are fitness centers, intramural and club sports, and group exercise classes.

For the purpose of this review, recreation excludes intercollegiate athletic events and features that are only available to intercollegiate athletes.

CAMPUS RECREATION IS FUNDED PRIMARILY THROUGH STUDENT FEES

Across Virginia's public four-year institutions, recreation expenditures per student and mandatory student fee revenue vary considerably. All institutions, though, rely primarily on revenues generated through mandatory student fees to support their campus recreation enterprises, and some have pursued other revenue sources to reduce the price of recreation to students. Only UVA received State funding for its recreation enterprise in FY 2012, and

Figure 13: Recreation Centers are Prominent Features of Many Virginia Schools, But Facilities Vary Substantially by Institution

Note: Clockwise, starting at top left: LU, JMU, NSU, GMU.
Source: JLARC staff photos (LU and NSU) and school websites (JMU and GMU).

this support constituted 1.4 percent of all operating revenues for recreation enterprises in Virginia. According to UVA, the State support was related to academic functions held in a recreation facility, such as classes and graduation ceremonies.

Per-Student Calculations

Total institutional enrollment figures (undergraduate and graduate students) were used to develop per-student calculations. Per-student calculations were based on headcounts because this method better accounts for all potential student users of recreation facilities and programs than full-time equivalent calculations, which can underestimate the number of potential users.

Staff members at each public four-year institution in Virginia were asked to identify recreation revenues and expenditures. These include the costs of intramural sports, costs of staffing (including benefits), and debt service payments for recreation facilities. Reported costs exclude academic and social club costs and non-recreation facility costs. (See Appendix B for more information about this methodology.)

Recreation Spending Varies by Institution and Debt Service and Staffing Account for Majority of Spending

Institutional spending on recreation varies substantially on both a total and per-student (headcount) basis. For example, total FY 2012 spending on recreation (including costs such as debt service payments and expenditures for intramural programs and staffing) varied from approximately $139,000 at VSU to $15.5 million at GMU. Across all 15 institutions, total expenditures for recreation in FY 2012 were $62.5 million, averaging $4.2 million per school.

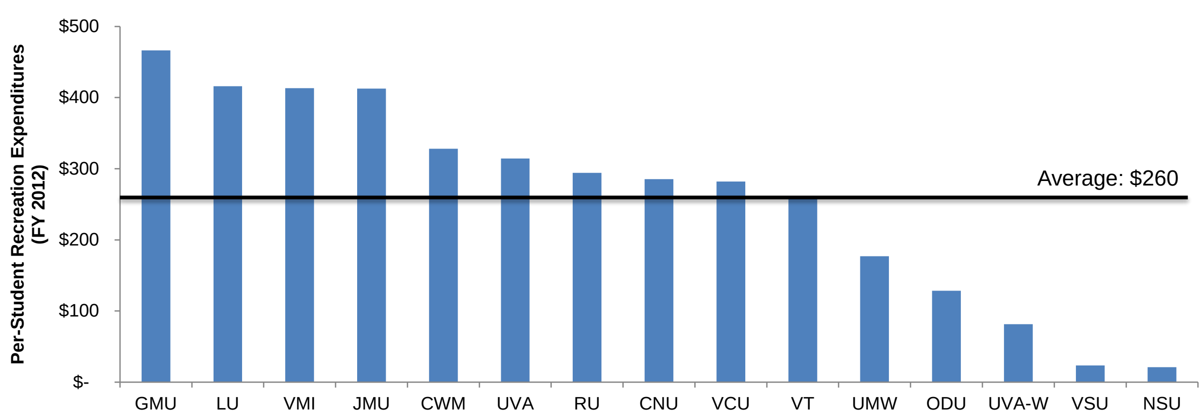
On a per-student basis, including graduate and undergraduate students, total FY 2012 recreation expenditures ranged from $21 (NSU) to $466 (GMU), averaging $260 (Figure 14).

Debt service and staffing costs represented the majority of the expenditures for recreation in FY 2012 at most schools. At the 11 institutions that paid debt service in FY 2012 for recreation facilities, such payments represented an average of 37 percent of all recreation expenditures during that year. Longwood had the highest per-student debt service payments of all institutions, at approximately $250 per student. The average per-student debt service expense across these 11 institutions was $113.

Staffing represented about 34 percent of recreation expenditures at each school in FY 2012. VMI had the highest per-student staffing costs, at $193 per student, while VSU had the lowest per-student staffing costs, at $11 per student. The average per-student staffing expense across all institutions was $80.

Six schools also retained some funding reserves for future recreation maintenance and/or recreation projects. For example, anticipating the completion of a new fitness center, RU retained an average of $143 per student in FY 2012 as reserves—48 percent of its total recreation expenditures.

Figure 14: Per-Student Recreation Expenditures Vary Across Institutions (FY 2012)



Note: Per-student figures include headcounts of all students enrolled in the institution (undergraduate, graduate, and first professional degree students) during the Fall semester of 2011.

Source: JLARC staff analysis of FY 2012 revenue and expense data provided by institutions; SCHEV Fall 2011 institution headcounts.

Virginia Institutions Rely on Mandatory Student Fees to Provide Recreation Facilities and Programs

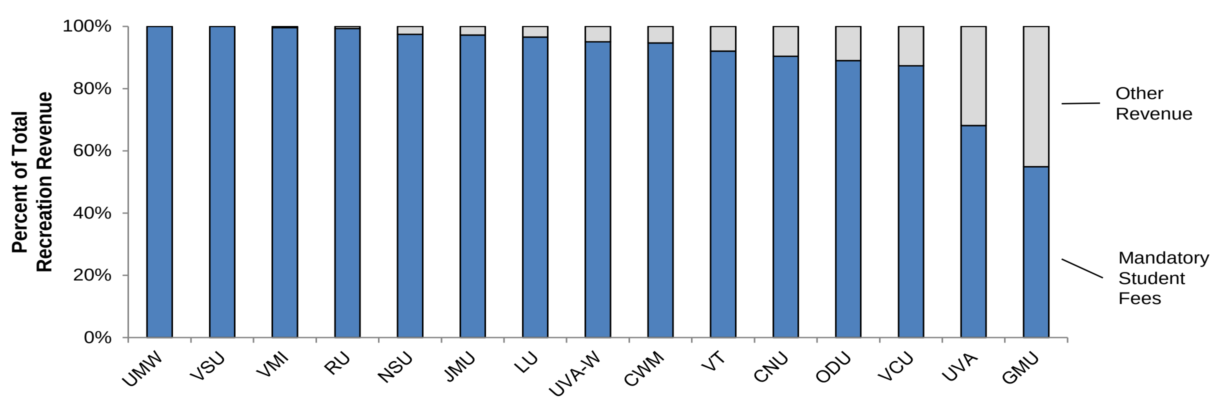
Recreation enterprises at Virginia institutions are primarily reliant on mandatory student fees, which are paid by all students regardless of whether they use recreation facilities or participate in recreation programs. In FY 2012, required student fees constituted 87 to 100 percent of the total revenues used to fund recreation enterprises at 13 of 15 Virginia institutions (Figure 15). Depending on the institution, other revenue sources include non-student membership dues, fees for club or intramural sports, and facility rental revenues.

RECREATION FEE AVERAGES 2.8 PERCENT OF TOTAL TUITION AND FEES

Based on estimates from staff at Virginia institutions, fees allocated for recreation activities in 2012-13 averaged 2.8 percent of a full-time, in-state, undergraduate student's total tuition and fees across the 15 institutions (Table 10). JMU had the highest percent of tuition and fees allocated for recreation, at 5.5 percent, partly due to its debt service payments and allocations for future maintenance and recreation projects. Recreation fees at three institutions (UVA-W, NSU, and VSU) amounted to less than one percent of tuition and fees.

Most institutions do not have a separate recreation fee, but administrative staff were able to provide amounts allocated for recreation, including the associated debt service and reserves. Where there is a fee, it may differ from the estimated charge in Table 10 for this reason.

Figure 15: Virginia Institutions Rely Primarily on Mandatory Student Fees to Finance Recreation Facilities, Programs, and Services (FY 2012)



Source: JLARC staff analysis of FY 2012 revenue and expense data provided by institutions.

Table 10: Fees for Recreation Represent an Average of 2.8 Percent of Total Tuition and Fees

	Annual Estimated Charge for Recreation (2012-13)	Recreation Charges as % of Total Tuition and Fees for In-State, Undergraduate Students (2012-13)
JMU	$481	5.5 %
LU	488	4.5
RU	380	4.4
GMU	345	3.6
VMI	470	3.4
VCU	316	3.2
Average	**281**	**2.8**
UMW	235	2.5
CWM	343	2.5
VT	265	2.4
CNU	256	2.4
UVA	281	2.3
ODU	177	2.1
UVA-W	77	0.9
NSU	60	0.9
VSU	36	0.5

Note: These fees reflect mandatory fees charged to full-time, in-state, undergraduate students at each institution. Most institutions do not charge a stand-alone "recreation" fee. In these cases, institutions provided estimates. Fees may differ from posted recreation fees due to the inclusion of debt service and reserves charges, which are assessed separately at some schools. The average recreation charge as percent of total tuition and fees represent the average recreation charge across institutions divided by the average total tuition and fees for in-state, undergraduate students across institutions.

Source: JLARC staff analysis of expenditure data provided by institutions; SCHEV institutional enrollment (headcount) data.

PER-STUDENT CAMPUS RECREATION SPENDING AND MANDATORY FEE REVENUES HAVE INCREASED

In recent years, recreation expenditures and mandatory fee revenues have increased across all institutions. Expenditure increases, however, varied substantially by institution. At most schools, the rate of recreation spending increase has exceeded increases in the Consumer Price Index (CPI).

Between FY 2007 and FY 2012 (dates for which expenditure data were available for 11 of the 15 institutions), total recreation expenditures increased from $37.4 million to $57.5 million, or 54 percent. In contrast, the CPI increased 10.5 percent between 2007 and 2012. On a per-student basis, average expenditures per student across the 11 institutions increased 37 percent, from $203 to $278, but the rates of increase varied considerably. For example, while UVA's total per-student expenditures for recreation increased seven percent ($293 to $314), ODU experienced a 278 percent increase ($34 to $129). During this period, per-student recreation expenditures increased faster than the CPI at nine of the 11 institutions for which data were available.

Between FY 2007 and FY 2012, average per-student mandatory fee revenues increased 43 percent at the 11 institutions for which data were available. Mandatory per-student fee revenues increased faster than inflation at all 11 institutions.

DEBT SERVICE INCREASED RECREATION SPENDING, BUT MOST VIRGINIA INSTITUTIONS ARE BELOW NATIONAL MEDIAN FOR RECREATION SPACE

Following a national trend, Virginia institutions have added recreation facilities in recent years and others have plans to expand their recreation centers. The decision to construct or renovate recreation facilities can have a substantial impact on the price students pay for recreation.

Virginia Institutions Have Built New Recreation Facilities Following National Trend

Since 2000, at least 33 recreation facilities were constructed or renovated at Virginia institutions.

Most schools in Virginia have followed a national trend of constructing new recreation centers and related facilities, and the cost has varied considerably. Since 2000, at least 33 recreation facilities were constructed or renovated at Virginia institutions, ranging from large recreation centers to a bowling alley, with individual project costs reaching $46 million (VCU's Cary Street Gym). According to recreation staff, over the next decade, nine Virginia institutions plan to construct or renovate additional recreation facilities.

While recreation projects in Virginia have been costly, they do not appear to be among the most expensive recreation projects nationwide. For example, this review identified planned or completed recreation projects with construction costs totaling as much as $85 million (Louisiana State University), $98 million (Purdue University), and $118 million (Ohio State University). It is unclear whether the costs of facilities such as these are directly comparable to projects in Virginia, because information about the projects' features and each school's existing recreation facilities was unavailable.

Debt Service for New or Renovated Facilities Is a Major Reason Schools Raise Recreation Fees

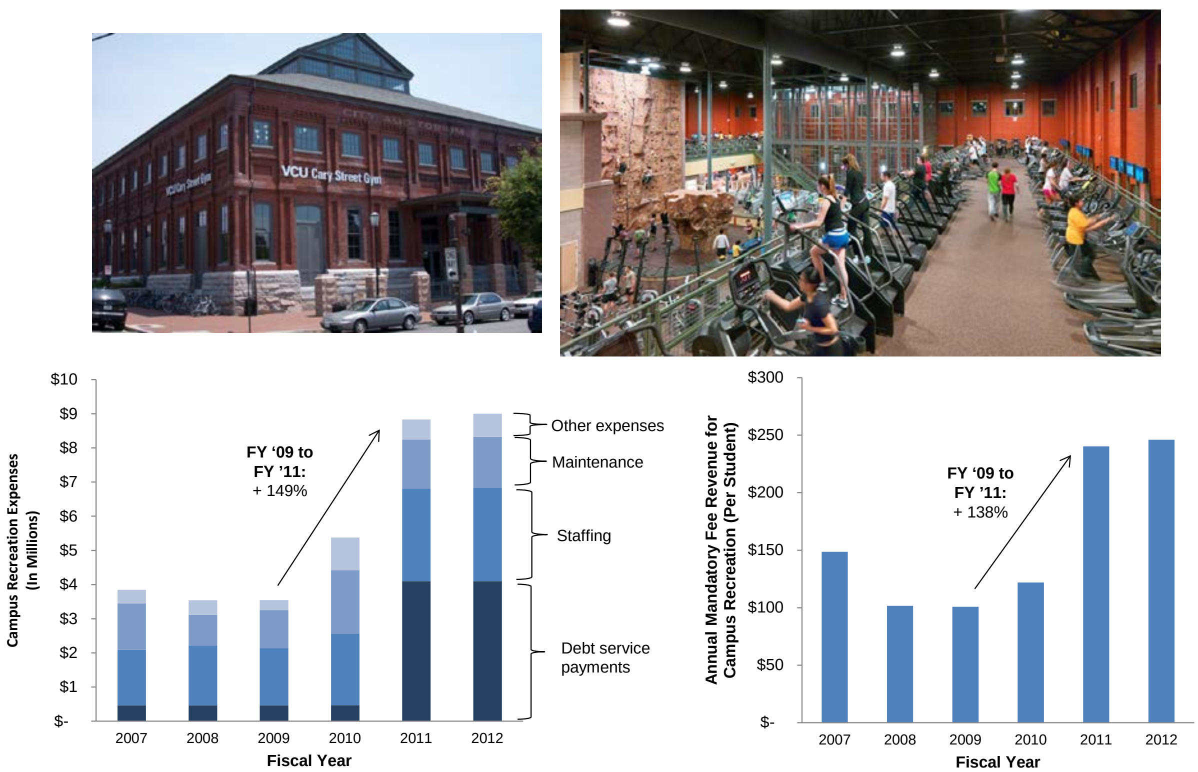
Most schools incur debt to pay for new projects and the decision to incur debt can significantly increase the price students pay for recreation facilities and programs. Debt service is the main reason for increased spending on recreation at most institutions. Across all 15 institutions, debt service payments totaled $21.2 million in FY 2012, representing one-third of total expenditures for recreation.

As the following case study illustrates, debt service for recreation facilities can more than double the cost of, and the price students pay for, an institution's recreation enterprise.

Impact of Debt Service on Recreation Fees at VCU

In FY 2011, debt service payments for new recreation facilities at VCU exceeded the cost of its entire recreation enterprise just two years earlier (Figure 16). Bonds were issued for VCU's $46.3 million renovation of the Cary Street Gym (opened in 2010) and recreation features of its $16.5 million Larrick Student Center (opened in late 2009). While total recreation expenditures in FY 2009 were $3.55 million, debt service payments for the facilities added $3.64 million in expenditures two years later, contributing to a 149 percent increase in total recreation spending. In turn, per-student mandatory fee revenues for recreation increased 138 percent between these years.

Figure 16: FY 2011 Debt Service for Recreation Facilities Exceeded VCU's Total Recreation Expenditures in FY 2009; Per-Student Recreation Fees Increased 138 Percent



Source: Photos from VCU website. JLARC staff analysis of revenue and expenditure data provided by VCU staff and VCU enrollment headcount (all students) data.

National Intramural-Recreational Sports Association (NIRSA)

The principal national organization providing guidance in recreation professional development, facilities, and programming, NIRSA collects recreation facility and programming data from over 350 of its public and private four-year and two-year member institutions—providing useful benchmarking tools.

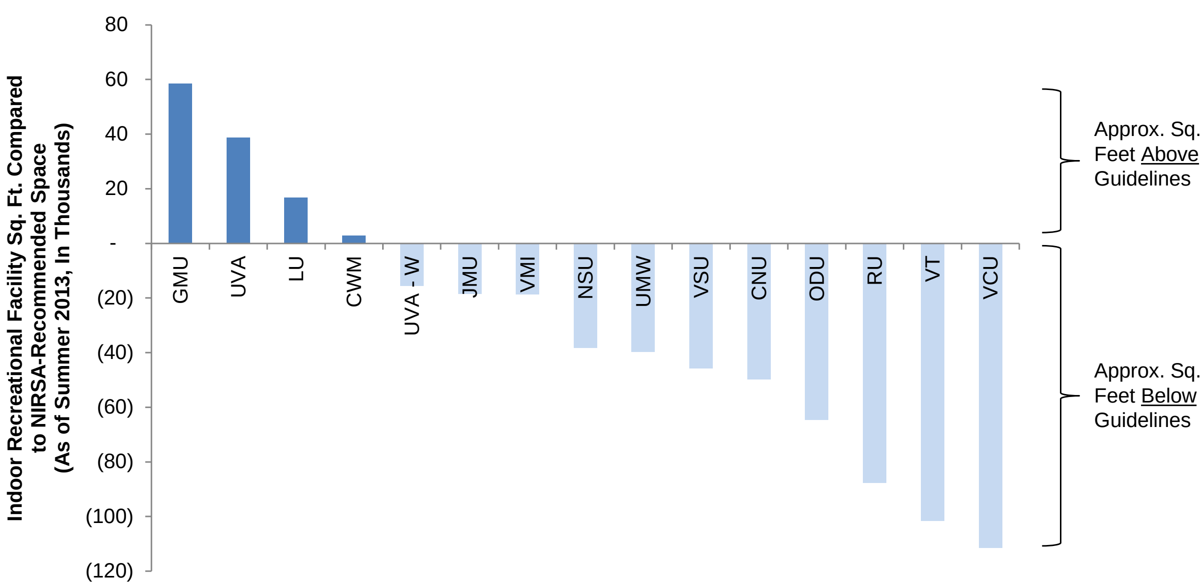
Four schools (VMI, UVA-W, VSU, and NSU) reported no debt service payments for recreation facilities in FY 2012, three of which (UVA-W, VSU, and NSU) also had the least costly recreation enterprises, on a per-student basis, during that fiscal year.

Most Virginia Institutions Offer Less Indoor Recreation Space than Median at Institutions Nationwide

The National Intramural-Recreational Sports Association (NIRSA) provides recreation space guidelines that can help assess how Virginia institutions compare to schools nationwide. NIRSA's guidelines are based on nationwide data of recreation facilities and represent the median square footage of indoor recreation space across 150 of NIRSA's 350 public and private four-year and two-year member institutions.

Compared to these nationwide benchmarks, Virginia schools provide fewer square feet of indoor recreation space per student (Figure 17). The two institutions that most exceed the median (GMU and UVA), however, also offer paid access to recreational facilities to faculty, staff, their families, and other members of the community.

Figure 17: Most Virginia Institutions Are Currently Near or Below NIRSA-Recommended Indoor Recreation Space



Note: NIRSA guidelines were developed based on the median total square feet of indoor recreational space at 150 colleges and universities, ranging in enrollment from approximately 1,000 to over 50,000 students. VMI staff noted that they have no designated indoor recreation space, but provided an estimate to JLARC staff.

Source: JLARC staff analysis of facility information provided by recreation staff at each institution; National Intramural-Recreational Space Planning Guidelines for Indoor Facilities; and SCHEV Fall 2012 headcount data.

These results do not necessarily indicate that Virginia schools need more recreation space, but they do suggest that most Virginia institutions have not overbuilt their indoor recreation space compared to schools of similar size. In addition, these NIRSA benchmarks only account for indoor recreation space, such as weight rooms, indoor basketball courts, and indoor pools. They do not account for outdoor recreation facilities, such as soccer fields or outdoor basketball courts. Measures of outdoor recreation space were unavailable for many Virginia institutions, precluding such comparisons.

RECREATION BENEFITS STUDENTS, STAFF, AND COMMUNITY, BUT CERTAIN INSTITUTIONS COULD REDUCE RELIANCE ON MANDATORY STUDENT FEES

In their current form, recreation facilities and programs are a relatively new feature at colleges and universities, and their perceived importance to the university experience has grown over the past few decades. While many university recreation staff cite student demands for new features as a primary driver of expansions in Virginia, institutional administrators also support these expansions, citing various benefits to the university. Opportunities may exist for certain institutions to lower the cost to students of these benefits by raising revenue from additional sources.

Universities Promote Recreation to Improve Health, Employ Students, and Attract Prospective Students

Recreation may improve more than just a student's physical fitness. Among other positive effects, some research literature suggests that using recreation facilities and/or participating in recreation programs may improve participants' mental health, stress levels, academic performance, social interactions, quality of life, and retention rates. Staff at Virginia institutions cited these benefits, among others, as reasons why their schools invest in recreation enterprises. Where schools have constructed state-of-the-art facilities, institutions usually include visits to fitness centers during campus tours, hoping that it will help to convince prospective students to attend.

Recreation facilities are commonly the largest employers of students on college campuses.

Recreation facilities and programs also provide students with employment opportunities. Across the U.S. and in Virginia, recreation facilities are commonly the largest employers of students on college campuses. In Virginia, six of 15 public four-year institutions each employs more than 300 students on a part-time basis each year, allowing students to earn money while working toward a degree.

Students in Group Interviews with JLARC Staff Affirmed Value of Campus Recreation Facilities and Activities

Results from JLARC staff group interviews with 205 students from Virginia's 15 public four-year universities vary by school but suggest that students generally value their schools' recreation features. For example:

- about three-quarters of the students were opposed to scaling back their school's recreation facilities and activities in exchange for a lower price of attendance; and
- only 15 percent of the students said recreation facilities were not an important feature of their current college experience.

Per-Student Charge for Recreation Is Lower than Average Price of Fitness Center Membership Nationwide

Compared to estimates of average charges for a private-sector gym or fitness center memberships nationwide, most Virginia institutions provide recreation at a lower price. Consumers paid an average of $43 in monthly membership fees in 2011 to access private-sector fitness centers, according to data from the International Health, Racquet, and Sports Club Association, the trade association for the health and fitness industry. In contrast, if spread across a nine-month term (two academic semesters), all but three schools (JMU, LU, and VMI) charged their students a rate lower than $43 per month during the 2012-13 academic year. The average monthly charge across all schools over the nine-month period was $31 per month. An important difference in this comparison is that students are required to pay the fee regardless of whether they use recreation facilities or participate in recreation programs, whereas an individual could choose whether to purchase a fitness center membership.

Some Institutions Could Reduce Costs to Students by Raising Additional Revenue Through Campus Recreation and Fitness Enterprises

Although spending on campus recreation is not a major driver of the cost of higher education, Virginia institutions could still consider adopting techniques, already in place at some schools, to align the costs of services with their price and generate additional revenues to reduce the fees that all students pay.

Schools could charge students extra for specialized programs and services to decrease reliance on mandatory fee. While all schools in Virginia offer a basic level of recreation such as indoor fitness equipment and basketball courts, some schools offer additional opt-in programs and services, such as group fitness classes and locker rentals. These extra programs provide additional benefits to the participants but extra costs to the school. If schools desire to reduce the fees all students are required to pay for recreation, they could consider charging the costs of these additional programs and services to those who use them.

Currently, while some schools charge the full cost of additional programs and services to participants, others include the cost of extra programs or services in the mandatory student fee. For example, CNU, CWM, and UVA charge group fitness class participants a fee to recoup the cost of such classes. Of the 10 remaining schools that provide group fitness classes, three partially subsidize the cost of these classes with the mandatory fee assessed to all students, and seven do not charge individual participants to access these services. Instead, such programs are fully funded through the mandatory fee assessed to all students (Appendix D, Figure D-1).

Assessing fees to users of specialized programs and services could reduce reliance on required student fees. For example, user charges for group exercise classes, recreation programs, intramural sports programs, and other recreation services at UVA added $659,000 in revenues to the school's recreation enterprise. Similarly, GMU generated $2 million in user fees for aquatic and fitness classes, equipment and facility rentals, and club sports dues, constituting 12 percent of its total recreation revenues.

Recreation Facility Rentals

Facility rentals can be an important source of revenue for a school's recreation enterprise.

Twelve of the 15 institutions reported that they rent their facilities during periods of low utilization.

The three remaining schools reported either no low-usage times or limited recreation facilities and staffing.

Schools could charge non-student users of campus recreation facilities to offset their additional costs. Many schools allow faculty and staff, alumni, and other members of the community to access their campus fitness or recreation centers. NIRSA advises that if a school allows non-students to access the facilities, these users should pay a membership or access fee. This approach could help generate additional revenue and offset the additional costs of allowing non-students to access the facilities.

Several Virginia institutions currently allow non-students to access facilities without paying a charge or membership fee. As a result, these institutions tend to be more heavily reliant on student fee revenues (Appendix D, Figure D-2).

Schools could add memberships to increase revenue for recreation enterprise. Where recreation facility capacity exists or where schools have periods of significant underutilization of recreation facilities, Virginia institutions could consider other revenue streams, such as memberships. Some Virginia institutions, for example, have used non-student memberships to raise additional revenues for their recreation programs.

GMU offers memberships to its recreation facilities, charges all non-student users of its recreation centers, and tiers its prices according to the user's connection with the institution (Table 11). In FY 2012, GMU generated $3.1 million in membership revenues and daily admissions, or roughly 19 percent of total recreation-related revenues. In FY 2012, UVA generated approximately $1.1 million in revenues, 13 percent of total recreation revenues, through memberships for faculty, staff, and others.

Some schools, though, may not have the capacity for additional non-student users, and staff at some institutions noted they had security concerns about allowing non-students to access their facilities. Where these concerns exist, schools could still consider charging all individuals (such as families of faculty and staff) who are currently allowed to access their recreation facilities to reduce the price students pay for recreation.

Table 11: GMU Memberships Generate Additional Revenue for Recreation

	Membership Price		
Membership	**Annual**	**Monthly**	**Daily Use Price**
Faculty/Staff	$250	$25	-
Faculty/Staff - Additional Adult	250	25	-
Faculty/Staff - Dependent	100	10	-
Alumni	500	50	-
Alumni - Additional Adult	500	50	-
Alumni - Dependent	150	15	-
Community - Primary Adult	750	75	-
Community - Plus One	750	75	-
Community - Dependent	225	23	-
Daily Guest	-	-	$12
Daily Guest - With Member	-	-	8

Source: GMU recreation website (Accessed 6/25/2013).

Institutions should be aware of the impact of expanding membership to their facilities on nearby privately operated gyms as well as any restrictions set by bonds issued for recreation project. In cases where institutions expand their membership and local businesses are adversely impacted, institutions could be perceived as having an unfair business advantage, because they do not have to pay property taxes. Certain bonds may include restrictions on the users and/or activities that can occur at recreation facilities. In both of these cases, institutions' legal and public relations departments should review new membership policies prior to their adoption.

Recommendation (3). Boards of visitors should assess the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises to reduce reliance on mandatory student fees. The assessments should address the feasibility and impact of raising additional revenue through charging for specialized programs and services, expanding membership, and/or charging all users of recreation facilities.

Chapter

4 Student Housing Charges Are Generally Consistent With Local and National Markets

In Summary

Many students at Virginia's 15 public higher education institutions live on campus in student housing. Charges for student housing vary considerably by institution and the revenue generated from these charges typically accounts for more than 90 percent of revenue for student housing auxiliary operations. The student housing space and amenities varies by campus, but older facilities typically have fewer amenities than more recently-constructed facilities. About three-fourths of all student housing across Virginia's public institutions was built prior to 2000. During the last ten years, the average student housing charge in Virginia has increased more than the average rent nationwide and in various local rental markets. Various factors, including the cost of building new or renovating older facilities and student demand for better housing, contributed to this rate of increase. Despite these increases, Virginia institutions charge about the same, or in certain cases less, than various national and local rental alternatives in higher education and the broader rental market. At most institutions, a considerable number of students choose student housing even though they are not required to, suggesting that the quality, cost, and/or convenience of student housing provided is appealing compared to private alternatives.

In addition to paying fees for intercollegiate athletics and campus recreation, many students at Virginia's 15 public institutions also pay to live on campus in student housing. Housing facilities and operations encompass the physical buildings that students occupy, as well as the operations, maintenance, and services required to run them.

OVER ONE-FOURTH OF UNDERGRADUATES ARE REQUIRED TO LIVE ON CAMPUS IN STUDENT HOUSING, ON AVERAGE

Student Housing

Residence halls, suites, apartments, and other student housing located on or near campus and owned by a higher education institution or related entity. Housing located off campus that is not affiliated with an institution was not reviewed for this study.

At 11 of the 15 public four-year institutions in Virginia, students are required to live on campus in student housing for at least their freshman year (Table 12). Four institutions—GMU, ODU, NSU, and VCU—do not require students to live on campus, though many students do so voluntarily. Of the 11 institutions with residency requirements, three—VMI, CNU, and UMW—require students to live in student housing for more than one year.

Due to these residency requirements, over one-quarter of undergraduate students live on campus at Virginia institutions, on average (Table 12). As a result of the differing student population sizes across Virginia institutions, some require a larger proportion of the student population to live on campus than others. At VT, for example, 5,362 students—23 percent of the undergraduate student population—were required to live on campus in 2012-13. In contrast, at VMI, 1,664 students—100 percent of the student population—were required to live on campus in 2012-13.

The majority of institutions operate their student housing facilities and services internally using institutional employees. According to institutional staff, most major housing functions, such as housing operations, maintenance, housekeeping, and residence life programs, are run in-house. Only two institutions, VSU and LU, contract out their housekeeping services. Several institutions contract out maintenance work when specific expertise is required, but most routine maintenance is completed in-house. Appendix H provides information about recent actions in some states to privatize housing and parking auxiliaries.

Table 12: An Average of 28 Percent of Undergraduate Students, Primarily Freshmen, Are Required to Live on Campus at Most Institutions (2012-13)

Institution	Housing Requirements	# Years	Number of Undergraduate Students[a]	Students Required to Live on Campus	% Students Required to Live on Campus
VMI	✓	4	1,664	1,664	100
CNU	✓	3	5,036	3,004	60
UMW	✓	2	3,861	1,865	48
LU	✓	1[b]	3,953	1,836	46
JMU	✓	1	17,329	4,504	26
RU	✓	1[c]	8,268	1,981	24
CWM	✓	1	6,091	1,470	24
UVA	✓	1	14,641	3,411	23
UVA-W	✓	1	1,522	348	23
VSU	✓	1	5,570	1,303	23
VT	✓	1	23,796	5,362	23
NSU		0	5,209	124[d]	2
GMU		0	16,000	0	0
ODU		0	14,883	0	0
VCU		0	19,659	0	0
Average			**9,832**	**1,791**	**28**
Total			**147,482**	**26,872**	

a Total number of full-time, degree-seeking, undergraduate students.

b Formal requirement is 56 credit hours. Due to increased demand, students can apply to be released from on-campus housing after completing 48 credit hours.

c Formal requirement is two years. Due to increased demand, students can move off campus after attending an information session.

d Students who participate in a selective STEM program are required to live on campus, but not all freshmen.

Source: JLARC staff analysis of institutions' housing websites and data provided by institutions.

STUDENT HOUSING IS FUNDED PRIMARILY BY STUDENT CHARGES, WHICH VARY BY INSTITUTION AND FACILITY

Students pay a set charge each semester to live in student housing. This charge typically covers debt service, utilities, maintenance, and basic internet and television services. Students pay different housing charges depending on the institution and type of housing. Their residential experiences also vary due to the variety of housing facilities and services offered across campuses.

Student Charges Are Primary Source of Housing Funds

Similar to other auxiliary enterprises, student housing auxiliaries are funded with internally-generated revenue, not State funds. Across institutions, student housing charges are the primary funding source for housing auxiliaries, although some institutions do receive limited funding from renting their housing facilities for conferences and camps during academic breaks. At UVA, for example, student charges generated 93 percent of housing auxiliary revenues in FY 2012, while camps, conferences, and other sources generated the remaining seven percent. Other institutions have similar funding models.

Annual Housing Charge

The amount that a student pays to live on campus per year is equal to two semesters of housing charges. At most institutions, annual housing charges cover a 9-month lease, though several institutions also offer students 10 and 12-month lease options.

In FY 2012, student housing charges and other housing revenue sources generated approximately $291 million across all Virginia institutions (Table 13). Student housing auxiliary expenditures totaled roughly $260 million ($2,068 per student, on average) during the same year, resulting in a surplus of $31 million across all institutions combined. According to institutional staff, surplus revenue is typically held in housing auxiliary reserve accounts for future maintenance, renovation, or construction projects. Surplus revenue is not commonly used to support non-auxiliary functions, although there is no statewide prohibition on this practice.

On a per-student basis, the amount that students pay to live on campus in student housing depends on the institution and type of housing facility. The charges for on-campus housing at Virginia institutions ranged from $2,277 per year at VMI to $6,358 per year at CNU during the 2012-13 academic year (Table 14). Housing charges may also vary within an institution for different types of housing. At CNU, for example, housing charges ranged from $6,358 per year for traditional freshmen dorms to $8,658 per year for apartments for upperclassmen (12-month lease).

The charges for on-campus housing at each institution ranged from $2,277 per year at VMI to $6,358 per year at CNU during the 2012-13 academic year.

Differential housing charges typically do not reflect the cost of operating, maintaining, and paying the debt service for a specific housing facility. Instead, most institutions partially subsidize higher-cost housing with revenue from charges paid by students living in lower-cost housing. At many institutions, the older, less expensive student housing facilities are typically reserved for freshmen students. In contrast, newer facilities that have higher prices and more amenities are often used to attract upperclassmen to continue to live on campus.

Table 13: Housing Auxiliary Revenues, Expenditures, and Differences Vary Across Institutions (FY 2012, $ in Thousands)

Institution	Revenue	Expenditures	Surplus (Shortfall)	Surplus (Shortfall) as % of Revenue
UVA	$34,692	$22,370	$12,322	35.5 %
RU	12,204	8,151	4,053	33.2
VMI	3,895	3,222	673	17.3
ODU	27,721	24,042	3,678	13.3
GMU	32,900	29,499	3,402	10.3
LU	16,894	15,197	1,697	10.0
CNU	20,598	19,165	1,433	7.0
UVA-W	3,545	3,303	242	6.8
CWM	24,293	22,977	1,317	5.4
JMU	26,671	25,291	1,380	5.2
VT	38,837	38,293	544	1.4
VCU	24,218	23,939	279	1.2
UMW	9,088	9,069	20	0.2
VSU	15,274	15,299	(25)	(0.2)
Average	**20,774**	**18,558**	**2,215**	**10.5**
Total	**290,832**	**259,815**	**31,016**	

Note: NSU excluded because audited financial data for FY 2012 is not available.

Source: JLARC staff analysis of data provided by housing and budget staff at each institution.

Table 14: Student Housing Charges Vary Depending on the Institution and Type of Residence (2012-13)

	Housing Charges Per Year	
Institution	**Low**	**High**
CNU	$6,358	$6,958
VSU	5,816	7,792
UVA-W	5,092	5,812
CWM	5,170	6,930
LU	5,524	7,814
GMU	5,510	8,910
ODU	5,210	10,120
UMW	5,384	7,920
VCU	4,712	7,306
NSU	5,254	9,430
UVA	5,090	7,070
VT	4,190	8,172
JMU	4,350	4,350
RU	4,032	4,698
VMI	2,277	2,277

Note: Housing charges reported are for 9-month leases. Charges for longer leases may be more expensive than the high housing charges listed above. Housing at VMI is military-style barracks.

Source: Data provided by housing staff at each institution.

Student Housing Facilities Vary in Age; Most Capacity Was Built Before 2000

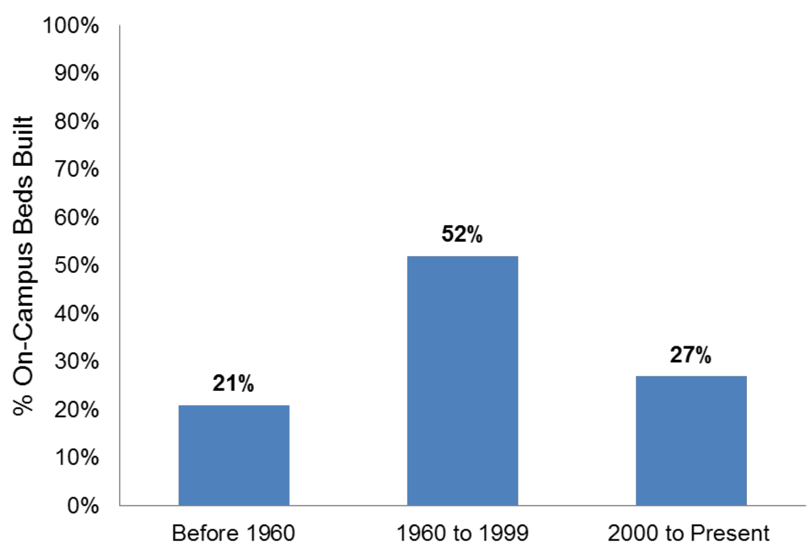
Student housing facilities vary widely across institutions. For example, VT houses over 9,000 students in roughly 50 different facilities, while VMI houses almost 1,700 students in just three facilities. Most institutions have both newer and older student housing facilities on campus, with about three-fourths of student housing capacity (the number of student beds) statewide built prior to 2000 (Figure 18). Some institutions have several new housing facilities. At CNU, for example, over 70 percent of student beds were built between 2000 and 2012. Other institutions have predominantly older housing facilities. At UVA, over 60 percent of student beds were built prior to 1975.

Air Conditioning as an Amenity?

Not all student housing facilities at Virginia's public four-year institutions have air conditioning. In total, approximately 19,000 out of 62,000 student beds, or 31 percent, currently lack air conditioning. Consequently, air conditioning is often considered by institutions to be an amenity.

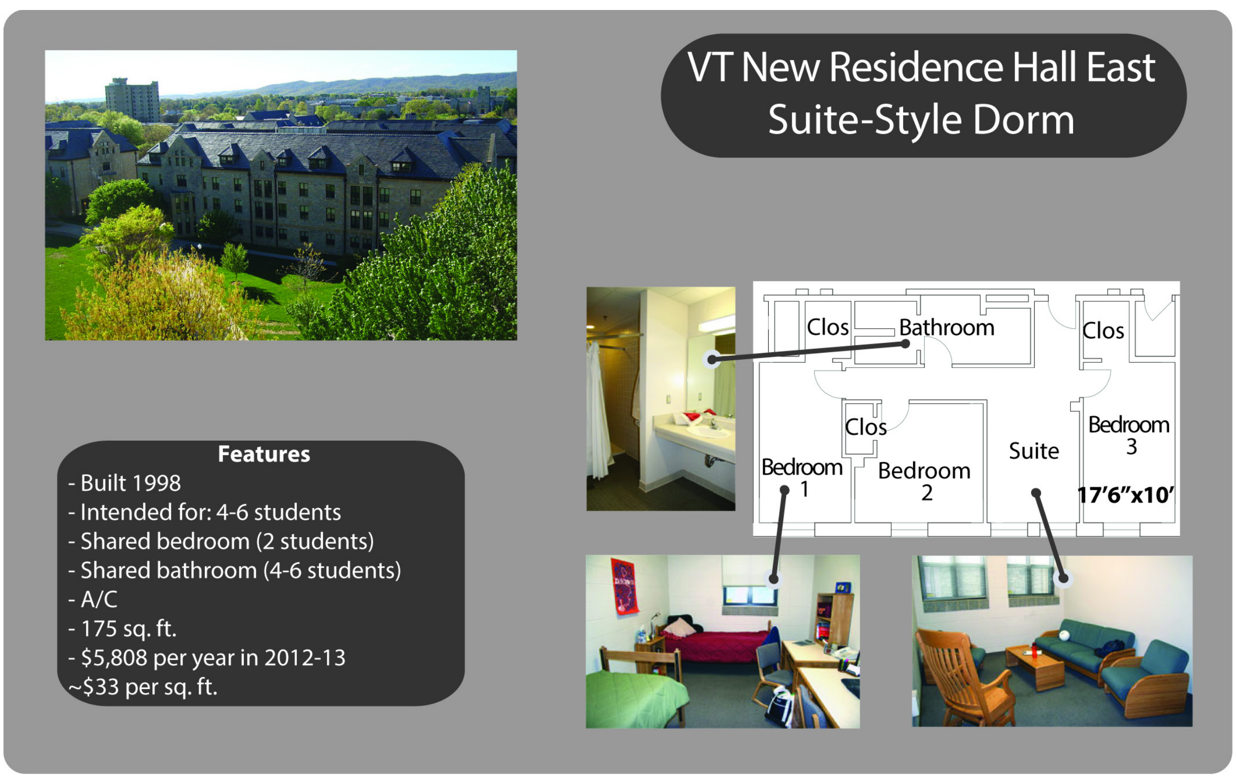
Students living in newer housing facilities typically enjoy more housing amenities than students who live in older housing facilities. Many newer housing facilities have amenities, including air conditioning, wireless internet, private bathrooms, private bedrooms, and even private kitchens. At LU, for example, its newest student housing facility, Longwood Landings, features apartment-style units with large floor plans and added privacy. At VT's New Residence Hall East, newer suite-style units have two or three bedrooms with a common living room and bathroom shared by four to six students. These added amenities often come at a cost, however, as students paid $7,814 and $5,808 in 2012-13 to live in newer facilities at LU and VT, respectively (Exhibit 1).

Figure 18: About Three-Fourths of Student Housing Was Built Prior to 2000 at Virginia Public Four-Year Institutions



Source: JLARC staff analysis of data provided by housing staff at each institution.

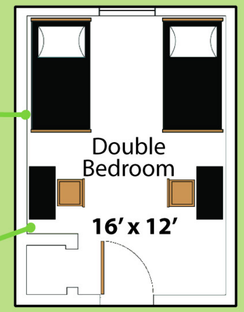
Exhibit 1: Newer Residences Often Provide Students with More Space and Amenities, Typically at a Higher Price



Source: JLARC staff analysis of LU and VT housing websites. Photos from institutions' housing websites and LU and VT staff.

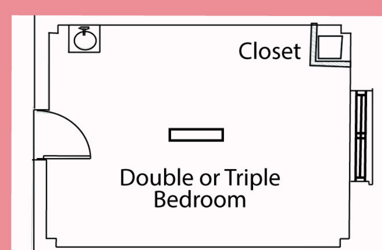
Exhibit 2: Housing That is Older or Military-Style Typically Offers Fewer Amenities, Usually at a Lower Price

UVA McCormick Road Hall-Style Dorm



Features
- Built 1955
- Intended for: 2 students
- Shared bedroom (2 students)
- Shared bathroom (hall of students)
- No A/C
- 192 sq. ft.
- $5,090 per year in 2012-13
~$27 per sq. ft.

Virginia Military Institute Military-Style Barracks



Features
- Built 1851
- Intended for: 3-6 students
- Shared bedroom (3-6 students)
- Shared bathroom (hall of students)
- No A/C
- Typical 3-person room = 292 sq. ft.
- $2,277 per year in 2012-13
~$8 per sq. ft.

Source: JLARC staff analysis of UVA and VMI housing websites. Photos from institutions' housing websites and UVA and VMI staff.

Older housing facilities often have fewer amenities and cost less than newer housing. At UVA, for example, residences on McCormick Road that were built in the 1950s feature smaller floor plans, shared bedrooms, hall-style bathrooms, and no air conditioning (Exhibit 2). Students living in this complex paid $5,090 for the 2012-13 academic year. Students attending VMI live in military-style barracks with few amenities compared to student housing facilities at other campuses. According to VMI housing staff, the VMI barracks provide students with a “spartan” living experience. Unlike at other institutions, the lack of amenities in the barracks is considered an important part of the institution’s military experience. The original barracks were built in 1851, but renovated in 2009 and 2010 without adding amenities. VMI had the lowest housing charges in the State in 2012-13, charging students $2,277 for the academic year (Exhibit 2).

STUDENT HOUSING USES SUBSTANTIAL INSTITUTIONAL AND STUDENT RESOURCES

All of the public four-year institutions in Virginia have large student housing auxiliaries with the capacity to generate significant amounts of revenue. Compared to other auxiliary enterprises, student housing auxiliaries are among the largest auxiliaries at each campus. Students who live on campus pay a large portion of the cost of attending college towards student housing and generally have little control over these costs. Students who live off campus also pay a large portion of their college expenses towards housing, but these students typically have more flexibility in selecting where they live and how much they pay each year.

Student Housing Represents About One-Third of Auxiliary Spending at Virginia Institutions, on Average

Student housing auxiliaries are a large portion of spending at some institutions. Across all institutions, housing auxiliaries represented eight percent of total institutional spending and 32 percent of total auxiliary spending in FY 2012, on average. At individual institutions, housing auxiliary expenditures ranged from 13 percent of total auxiliary spending at UVA to 50 percent at CNU in FY 2012 (Table 15). Several institutions with high percentages of residential students spent a large portion of their total auxiliary expenditures on student housing. Excluding VMI, the five institutions with the highest percentages for spending on housing also had the five highest percentages of residential students.

Table 15: Five Institutions With Largest Residential Populations Spent Highest Percentages of Auxiliary Spending on Housing (FY 2012)

Institution	Expenditures as % Total Auxiliary Expenditures	% Residential Students
CNU	50 %	68 %
LU	44	72
VSU	44	56
CWM	40	75
UMW	34	70
ODU	33	31
Average	**32 ***	**45**
VCU	32	22
UVA-W	30	27
GMU	28	17
VT	24	39
JMU	22	35
RU	20	37
UVA	13	42

Note: NSU excluded because audited financial data for FY 2012 is not available. VMI not shown because it received General Fund dollars to renovate the barracks.

* Simple average across Virginia institutions.

Source: JLARC staff analysis of student housing auxiliary expenditure data.

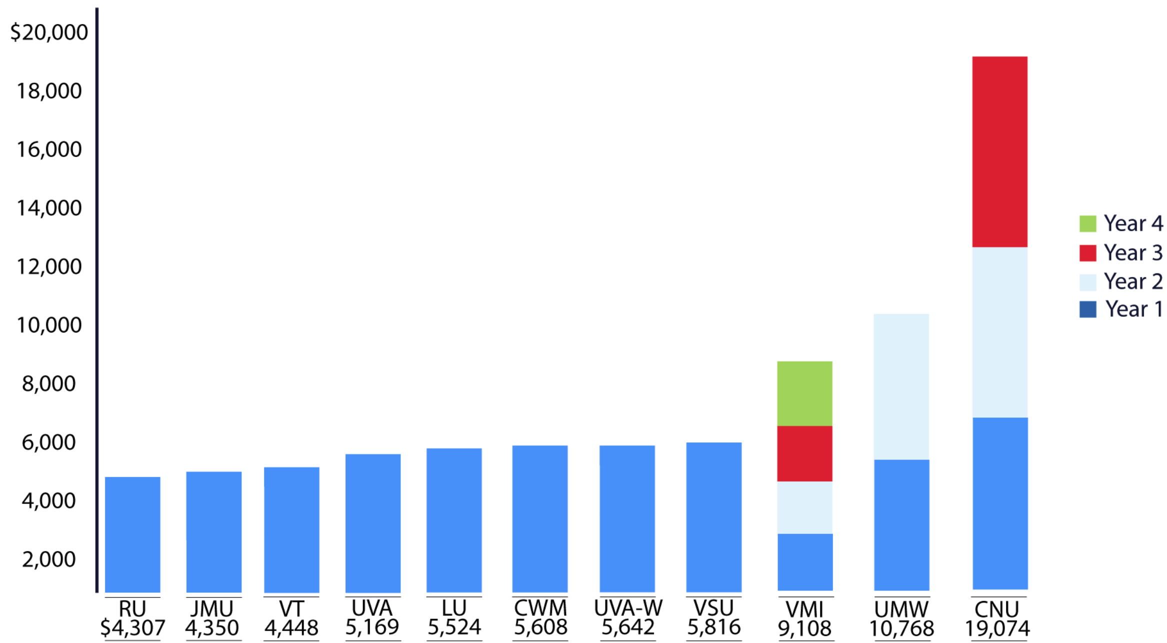
Student Housing Charges Range Between 11 and 35 Percent of Total Cost of College for Students

Students who live on campus pay higher or lower portions of their total cost of attending college towards student housing, depending on the institution they attend. Due to residency requirements, freshmen are a large portion of the residential student population at most institutions. In 2012-13, housing charges made up 27 percent, on average, of the total price that students living on campus paid to attend a public four-year institution in Virginia. At individual institutions, student housing charges ranged from 11 percent of the total price at VMI to 35 percent at NSU. Differences among institutions stem from variations in tuition and fees, residency requirements, and housing charges.

At institutions where students are required to live on campus for at least two years, students are required to pay between $9,108 and $19,074 over four years.

The price that a typical student is required to pay over four years to live on campus is substantially higher at institutions with multi-year residency requirements (Figure 19). At institutions where students are required to live on campus for at least two years, for example, students are required to pay between $9,108 and $19,074 over four years. Students who attend institutions with residency requirements during their freshman year are required to pay between $4,307 and $5,816. Students who attend institutions with no formal residency requirements are not required to pay to live on campus, though many do so voluntarily.

Figure 19: Students Living on Campus Are Required to Pay More Over Four Years for Housing at Institutions With Multi-Year Residency Requirements (2012-13)



Note: Figure represents average required on-campus housing costs. Actual housing costs incurred over four years may be more or less for certain students depending on individual housing decisions. Figure does not reflect housing costs incurred by students living off campus. GMU, VCU, ODU, and NSU not featured because they do not require students to live on campus.

Source: JLARC staff analysis of institution's housing websites and SCHEV data on housing charges.

ON-CAMPUS HOUSING CHARGES IN VIRGINIA ARE LESS THAN RENT IN LOCAL AND NATIONAL MARKETS, DESPITE SUBSTANTIAL INCREASES

The JLARC report *Trends in Higher Education Funding, Enrollment, and Student Costs* noted that the average charge for student housing in Virginia increased more than average rent nationwide during the last two decades. The average charge for student housing in Virginia, however, increased less than the average for public four-year higher education institutions nationwide and in the Southeast.

Within these broad findings, there are more specific comparisons that provide further insight into student housing charges. These include comparing the rate of increase in student housing charges to the surrounding local rental market, as well as comparing current charges to the amount charged by similar higher education institutions. Additional insight into the relative attractiveness of student housing can be gained by measuring how many students choose to live on campus even in the absence of a requirement. Finally, the percentage of available student housing capacity that is used at each institution provides insight into the relationship between supply and demand for housing.

Fair Market Rent (FMR)
Gross rent estimates published by HUD that include rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television, and internet services.

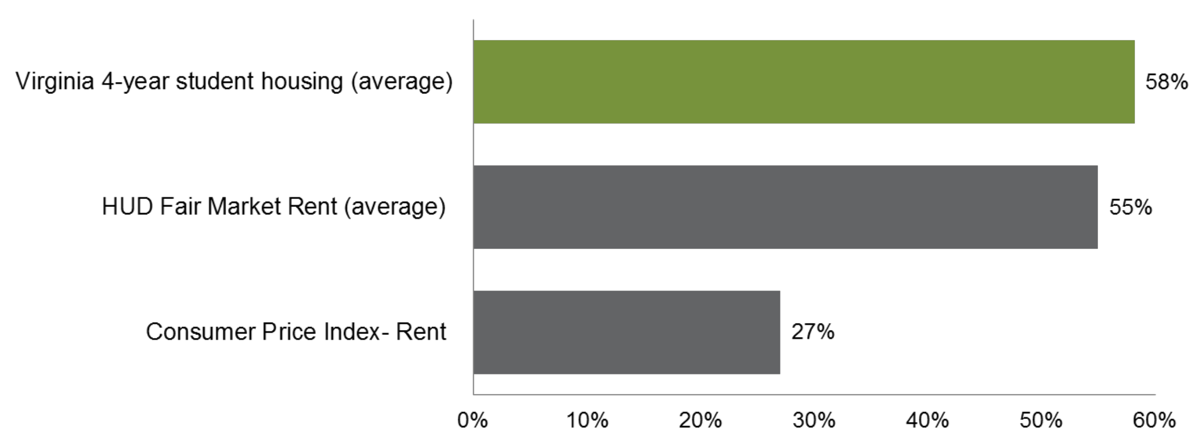
For this study, JLARC staff used FMR values for one-bedroom units in FY 2004 and FY 2013. JLARC staff calculated annual FMR values for 9 months to be comparable to charges for on-campus housing.

Average Charge for Student Housing in Virginia Has Increased Faster Than Average Rent Nationwide and in Local Markets

Over the last decade, housing charges at Virginia institutions have increased more than national average rent rates. According to Consumer Price Index (CPI) data, between 2003 and 2012 average rent increased approximately 27 percent nationwide (Figure 20). In comparison, student housing charges at Virginia public four-year institutions increased 58 percent, on average, during a similar time period (Figure 20). Among individual institutions, VT and UVA-W had the largest increases in student housing charges, at 116 percent and 96 percent, respectively.

Housing charges at Virginia institutions have also increased faster than local rent charges over the last decade. Data collected by the U.S. Department of Housing and Urban Development (HUD) show that local fair market rent (FMR) increased 55 percent, on average, between FY 2004 and FY 2013 in the localities where Virginia's public four-year institutions are located (Figure 20). As noted above, student housing charges increased 58 percent, on average, during the same time period. Local fair market rent increased the most in Norfolk (156 percent) during the 10-year time period. Student housing charges at institutions located in Norfolk, ODU and NSU, increased to a lesser extent (46 percent at ODU and 34 percent at NSU).

Figure 20: Housing Charges at Virginia Institutions Increased at Faster Rate Than Local and National Rent Over the Last Decade



Source: JLARC staff analysis of SCHEV data on weighted average housing charges (academic years 2003-04 to 2012-13), CPI rent data (December 2003 to December 2012), and U.S. HUD FMR data (FY 2004 to FY 2013).

Increase in Student Housing Charges Is Likely Attributable to Several Factors

According to institutional staff and the research literature, a number of factors are responsible for the increases in student housing charges. A JLARC staff analysis of correlations between housing charges and variables such as room capacity and percentage of full-time undergraduate students did not yield statistically significant results. Consequently, JLARC staff relied instead on case studies to illustrate likely drivers of increased housing costs.

Like other institutions nationwide, many of Virginia's public four-year institutions have recently been renovating and expanding their student housing facilities. Renovations and expansions are typically funded through debt, which institutions often repay by increasing student housing charges. Institutions plan and complete construction and renovation projects in different cycles, depending on the age and housing needs of the campus. At some institutions, the majority of housing facility construction and renovation has already taken place, resulting in increases in student housing charges in previous years. Other institutions are currently renovating or expanding their student housing facilities, which partially explains why their student housing charges are comparatively high and increasing.

Housing Renovation and Construction Cost Increases at UVA-W

All student housing facilities at UVA-W were built between 1958 and 2009. The oldest student housing facilities, built in 1958 and 1970, were renovated in 2007 and 2012, respectively. As a result of the recent construction and renovation projects, students living on campus at UVA-W now pay a relatively high student housing charge, $5,642 per year on average, that has increased 96 percent in the past 10 years.

Heightened expectations of students and their parents reflect a broad societal shift toward more amenities and private space at home.

Consistent with the research literature, many institutions indicate that student housing charges have increased because students and their parents now expect and demand modern housing with added amenities. The heightened expectations of students and their parents reflect a broad societal shift toward more amenities and private space at home. Typical amenities include air conditioning, private bedrooms, private bathrooms, a private washer and dryer, and a kitchen. While not all institutions meet all these expectations, such amenities do increase construction and renovation costs associated with student housing, which necessitates increases in student housing charges.

Student Preferences for Amenities at LU

According to LU staff, building costs associated with student housing have increased in part due to students' growing expectations and demands for amenities. A survey of LU students completed in 2010 indicated that 88 percent of students would prefer a double bed, and over 70 percent of students would like a private room in their student housing. When asked if they would be willing to pay a higher housing charge to cover the cost of added amenities, a majority of students said they were willing to pay more. Apartment-style facilities at LU currently feature private bedrooms, double beds, kitchens, and onsite laundry facilities, which have resulted in higher housing charges for students.

Auxiliary reserve funds are a key source of institutional revenue used to help fund future or unanticipated projects. To fund housing reserves, institutions use revenue generated from student housing charges in excess of student housing expenditures. Institutions take different approaches to building and managing auxiliary reserves. Some institutions dedicate specific reserve funds to housing, while others have central or combined reserve funds for multiple auxiliaries.

Auxiliary Enterprise Reserves

According to SCHEV, a reserve is an "undivided or unidentified portion of the net assets of an institution, in a stated amount, held for a special purpose."

Under these guidelines, institutions may have three categories of auxiliary enterprise reserves: (1) operating reserves, (2) reserves for renewal and replacements, and (3) reserves for renovation, acquisition, and plant or program expansion.

Institutions generated several million dollars in surplus student housing revenue in FY 2012, some of which was for reserves (Table 13). Institutions collect more than is necessary to cover direct housing expenditures for a given year, and this surplus can cause an increase in housing charges. To the extent that institutions use housing reserve funds to subsidize projects in other auxiliaries, this may also drive up student housing charges. Staff at most institutions say housing revenues are not currently used to support other auxiliaries, but some institutions have used housing revenues to fund other auxiliaries in the past.

Auxiliary Reserve Increases at VSU

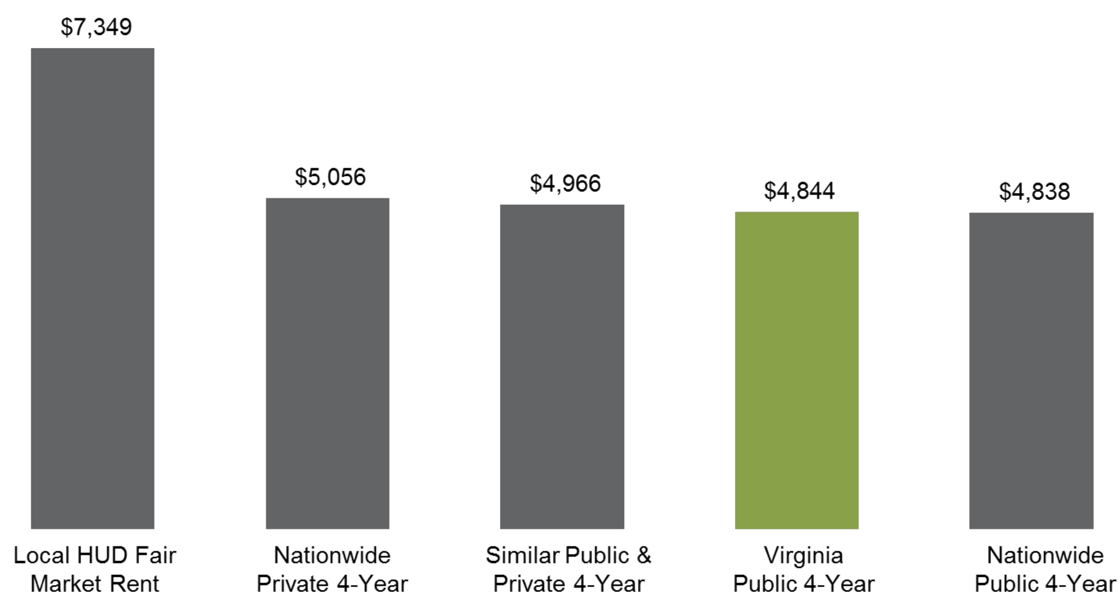
VSU maintains a separate auxiliary reserve for its student housing auxiliary. In FY 2012, the housing auxiliary reserve was $5.0 million. This was the equivalent of $1,617 per on-campus student and represents about 28 percent of total housing charges. In addition to being used for student housing auxiliary projects, housing reserve funds were used to fund unanticipated costs associated with the construction of a new dining hall in FY 2011. Roughly $1.2 million in revenue from student housing charges was used to offset the construction of a new dining facility in FY 2011, though most of it was repaid with dining charges in FY 2012.

According to institutional staff, another reason for increasing housing charges is the growth in utility and labor costs in the past decade. Consumer Expenditure Survey data show large increases in the cost of basic utilities since 2003, including electricity (40 percent), water (70 percent), and heating fuel (146 percent). The cost of providing high speed internet service has also increased, particularly in light of increased student downloading and streaming activity. Furthermore, the cost of employing student housing staff has grown due to increases in wages and benefits. To cover the increased costs associated with operating student housing facilities, institutions have raised their student housing charges.

Average Student Housing Charge in Virginia Is Near Nationwide Averages and Less Than Similar Higher Education Institutions and Local Markets

Although housing charges increased more than local and national rent over the last decade, student housing charges at Virginia's public four-year institutions remain below local rent, on average. Fair market rent across the 15 localities where Virginia's public four-year institutions are located was $7,349, on average, in FY 2012. In comparison, the average charge for student housing was $4,844 during the 2011-12 academic year (Figure 21). In individual localities,

Figure 21: Average Housing Charge at Virginia Institutions Is Less Than or Comparable to Local and Nationwide Averages



Source: JLARC staff analysis of HUD FMR data (FY 2012), NCES data (2011-12), and SCHEV data (2011-12).

fair market rent rates were higher than student housing charges in 13 of the 15 localities where Virginia's public four-year institutions are located. The institution with the greatest difference between fair market rent and student housing was UMW, where fair market rent for Fredericksburg was $11,952 (for nine months), compared to $5,080 to live on campus, on average. Only two institutions, LU and UVA-W, had student housing charges that were higher than fair market rent. Housing charges may have been higher than fair market rent at these institutions because the local housing markets are primarily in rural counties.

Compared to other four-year institutions, student housing charges at Virginia's public four-year institutions are similar. In academic year 2011-12, the average housing charge across all public four-year institutions nationwide was $4,838 (Figure 21). The average housing charge across all private four-year institutions nationwide was $5,056 during the same year. As stated above, Virginia public four-year institutions charged students $4,844, on average, for housing in 2011-12, which is four percent less than private institutions and about the same as other four-year public institutions nationwide.

Analysis of Similar Institutions

JLARC staff used data from the National Center for Education Statistics (NCES) to compare the average housing charges at public and private four-year institutions to the rates charged at Virginia's public four-year institutions in 2011-12.

Institutions were compared to institutions with similar geographic locations, institutional sizes, residential student populations, and net price of attendance to students.

More information about the methodology of this analysis can be found in Appendix B.

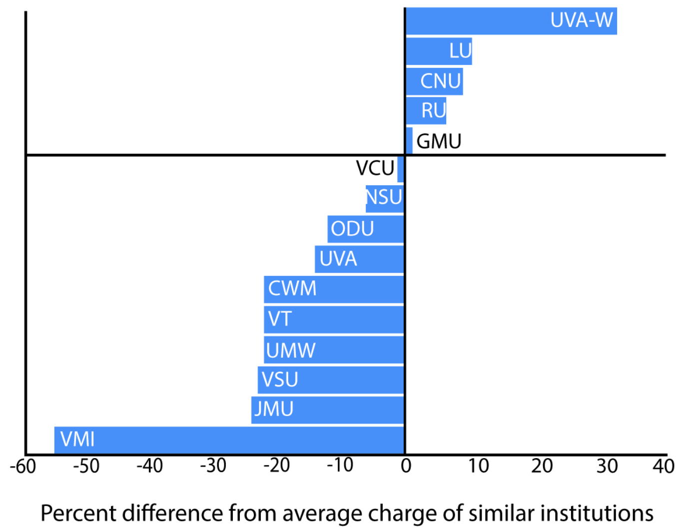
Results for specific Virginia institutions can be found in Appendix E.

Compared to similar public and private four-year institutions nationwide (see sidebar), the average student housing charge across Virginia's public four-year institutions was slightly less expensive. On average, housing charges were $4,966 at public and private four-year institutions that share similarities with Virginia institutions, compared to $4,844 at Virginia public four-year institutions. Housing charges at individual Virginia institutions ranged from 55 percent below the average among similar national institutions at VMI to 31 percent above the average housing charge among similar national institutions at UVA-W (Figure 22). The majority of housing charges at Virginia institutions were between 30 percent below and 10 percent above similar institutions. (Appendix E includes additional detail on this analysis.)

Many Students Choose to Live on Campus Even in Absence of a Requirement

Many students choose to live on campus in student housing at Virginia institutions. These students who live on campus voluntarily select student housing facilities over housing options off campus. Although this is a reflection of many factors, including the availability of off-campus housing, a high percentage of students choosing to live on campus is one indicator that the housing is relatively desirable due to quality, cost, and/or the convenience of living on campus.

Figure 22: Most Virginia Institutions Charge About the Same as or Less than Similar Institutions (2011-12)



Note: Analysis is comparison of institution housing charge to average charge of similar institutions nationwide. Actual amount charged by Virginia institution provided in Appendix E. These amounts may still be relatively low based on other comparisons. For example, RU charged $4,117 for student housing in 2011-12 and this was the second lowest housing charge among Virginia institutions.

Source: JLARC staff analysis of NCES data.

Across institutions, 33 percent of students, on average, chose to live on campus at Virginia institutions though they were not required to in 2012-13.

Across institutions, one-third of students, on average, chose to live on campus at Virginia institutions though they were not required to in 2012-13 (Table 16). The institution with the highest percentage of students that chose to live on campus voluntarily was CWM, with 62 percent of its students who were not subject to residency requirements still choosing to live on campus.

Most Institutions Use a High Percentage of Student Housing Capacity

Overall, student housing facilities appear to have relatively high occupancy rates at public four-year institutions in Virginia. On average, institutions reported that students occupied 98 percent of total room capacity in 2012-13. Occupancy rates ranged from 89 percent at UVA-W to 105 percent at CNU. At institutions with occupancy rates exceeding 100 percent, students may have been tripled in double-occupancy rooms to accommodate all students living on campus. At institutions with lower occupancy rates, student housing revenue may not have been maximized. Unfilled rooms cost money to operate and maintain but do not generate revenue from rent. For example, UVA-W had a total of 82 unoccupied rooms in student housing facilities in 2012-13. Potential revenue

Table 16: On Average, 33 Percent of Students at Virginia Institutions Live On Campus Voluntarily (2012-13)

Institution	# Students Living On Campus Voluntarily	% Students Living On Campus Voluntarily
CWM	2,913	62%
LU	1,158	55
NSU	2,442	48
VSU	1,790	42
UMW	828	41
GMU	5,765	36
Average	**2,496**	**33**
ODU	4,615	31
VCU	5,181	26
UVA W	300	26
UVA	2,718	24
VT	3,906	21
CNU	410	20
RU	1,119	18
JMU	1,794	14

Note: VMI not included because all students are required to live on campus. Some institutions may not have sufficient housing capacity for additional students to live on campus voluntarily.

Source: JLARC staff analysis of data provided by housing staff at Virginia institutions.

from those rooms could have totaled more than $460,000 in student housing charges (13 percent of UVA-W total housing revenue in 2012-13). Given that most institutions in Virginia report occupancy rates above 90 percent, student housing auxiliaries appear to be making relatively efficient use of their existing facilities.

SEVERAL INSTITUTIONS ATTEMPT TO KEEP STUDENT HOUSING AFFORDABLE, CITING BENEFITS

HJR 108 directs JLARC staff to "study the cost efficiency of the Commonwealth's institutions of higher education." Public four-year institutions in Virginia appear to provide relatively cost-efficient student housing, based on (i) an analysis of housing charges compared to local markets and institutions nationwide, (ii) the number of students voluntarily living on campus, and (iii) the occupancy rate of housing facilities.

It is important to note that students who live on campus, either because they are required to or because they choose to do so voluntarily, receive an essential service in return. Students are given a place to live, and, as research suggests, their academic performance may be strengthened as a result of living on campus. Staff at Virginia institutions indicated that they continuously work to improve their housing facilities and services, but also attempt to manage the increase in housing charges over time.

Student Retention Is Linked to Living on Campus

According to the research literature, students who live on campus have slightly higher rates of retention. In 2011, a study used national longitudinal data to assess the impact that living on campus had on remaining enrolled. The study found that students who live on campus are 3.3 percent more likely to enroll in their second year of college than off-campus students. Supporting the research literature, staff from several Virginia institutions cited the academic benefits that students experience when they live on campus. Institutional staff indicated to JLARC staff that freshmen who live on campus are more engaged in the university community and have a better understanding of the academic resources available to them than those who live off campus.

Virginia Institutions Make Efforts to Manage Growth of Housing Charges

During JLARC site visits to each institution, housing and budget staff discussed ways they try to keep student housing costs and charges relatively low, while still trying to maintain the quality and appeal of their student housing. These practices illustrate how institutions try to maximize the value that students receive for their housing charges. Certain practices have already been implemented at multiple institutions in the State and may be instructive for other institutions.

LU offers students a low-cost housing option. During the 2012-13 academic year, LU charged students less for older dorms. The lower rate applied to dorms that have not been renovated, offering students a savings of $250 per semester. This equaled a five percent reduction from the average student housing charge.

Some institutions reduce operating costs by removing outdated services and improving energy efficiency. Several institutions have reported utility cost savings from removing landline telephones from common areas and individual rooms. Most students now have mobile phones and no longer use landline telephones. The removal of landline telephones at CWM reportedly saved students from having to pay higher student housing charges, as savings from removing them were used to install wireless internet in dorms. Institutions have also reported savings from improving energy efficiency in housing facilities, such as heating, cooling, and water flow. For example, RU added air conditioning to older housing facilities at a minimal cost to students due to energy efficiencies associated with renovating facilities to be LEED Gold certified.

VT sets housing charges in the context of total student fees. As noted earlier, student housing charges are only a portion of the total cost that students pay to attend college. Evaluating student housing charges in the context of other fees and student charges can help constrain growth, as fees are viewed as part of a student's total cost (e.g., mandatory fees, tuition). VT takes this approach to fee setting and reports that it helps staff prioritize specific fee increases.

Some institutions routinely collect student feedback on cost and quality of student housing. Institutions collect student input on housing facilities and services in a variety of ways, including student satisfaction surveys, focus groups, town hall meetings, advisory committees, and student representation on the board of visitors. At GMU, for example, a student housing advisory committee meets regularly to discuss housing issues and plans. This student input can contribute to discussions of ways to keep housing both high-quality and affordable.

Chapter 5

Student Dining Charges Are Generally Consistent With Other Institutions

In Summary

Many students at Virginia's 15 public higher education institutions use student dining services. All but two of the 15 institutions have privatized their student dining services to one of four vendors. Charges for student dining vary considerably by institution, and the revenue generated from these student charges funds a large portion of student dining auxiliary operations. During the last 10 years, the average student dining charge in Virginia increased more than the average cost of a meal consumed away from home in the U.S. and dining plans at public and private four-year higher education institutions nationwide. Various factors, including the costs of food and labor, building new dining facilities to accommodate enrollment growth, and accommodating expanding student dietary needs, have contributed to this rate of increase. On average, one-third of students who are not required to purchase dining plans choose to do so anyway. In 2012-13, the average cost per student meal was $7.14 for a traditional 14 or 15 meal-per week plan and $7.00 for the most utilized dining plan at Virginia institutions. In 2012-13, students consumed 83 percent of the meals they pre-paid for through purchasing dining plans, on average. Certain institutions in Virginia are particularly effective at providing dining services that are attractive to students, have a relatively low cost per meal, and are structured so that students are able to utilize most of their meals during a semester.

As with student housing, many students at Virginia's 15 public institutions also purchase student dining plans. These plans allow students access to various on-campus dining venues. Dining plans represent a substantial cost for students who live in student housing and are required to purchase a dining plan.

ABOUT 45 PERCENT OF UNDERGRADUATES ARE REQUIRED TO PURCHASE DINING PLANS, ON AVERAGE

All of Virginia's public four-year institutions have student dining auxiliaries that provide residential and retail dining services on campus. To access dining facilities, students either purchase a dining plan or pay per meal. Dining plans typically provide a set number of meals for students to use at traditional dining halls and a set amount of "dining dollars" to be used at other dining locations. Some students are required to purchase dining plans, though many also do so voluntarily. In contrast with housing auxiliaries, dining auxiliary services at most Virginia institutions are privately run.

Dining Dollars

Dining "currency" students get when they purchase certain dining plans. One dining dollar is equivalent to one U.S. dollar at most institutions, but can be spent only at designated locations.

Institutions Require Majority of Students Living on Campus to Use Student Dining

Across Virginia's 15 public four-year institutions, the vast majority of students living on campus are required to purchase dining plans, which equates to about 45 percent of undergraduate students, on average (Table 17). As discussed in Chapter 4, 11 out of the 15 public institutions in Virginia require at least freshmen to live on campus and purchase dining plans. Students who live on campus voluntarily are also subject to dining plan requirements, with limited exceptions for upperclassmen at certain institutions. The percentage of students required to purchase dining plans varies by institution, ranging from 14 percent at VCU to 100 percent at VMI (Table 17).

Freshmen are most subject to dining plan requirements because residency requirements apply to at least freshmen at the majority of institutions. Only GMU, VCU, ODU, and NSU do not require freshmen to live on campus and purchase dining plans. The dining plans that freshmen and other residential students are required to purchase are often more expensive and provide more meals than plans available to students not living on campus.

Table 17: Students Living on Campus Are Required to Purchase Dining Plans at All Institutions (2012-13)

Institution	Dining Plan Requirement[a]	# Students Subject to Dining Plan Requirements[b]	Number of Undergraduate Students[b]	% Student Population Subject to Dining Plan Requirements
VMI	✓	1,664	1,664	100%
LU	✓	2,864	3,953	72
UMW	✓	2,693	3,861	70
VSU	✓	3,406	5,570	61
NSU	✓	2,339	5,209	45
CWM	✓	2,680	6,091	44
CNU	✓	2,115	5,036	42
UVA-W	✓	608	1,522	40
VT	✓	9,198	23,796	39
RU	✓	3,061	8,268	37
JMU	✓	6,299	17,329	36
UVA	✓	3,862	14,641	26
ODU	✓	3,610	14,883	24
GMU	✓	3,296	16,000	21
VCU	✓	2,785	19,659	14
Average		**3,365**	**9,832**	**45**
Total		**50,480**	**147,482**	

Note: Data represent average of fall and spring semesters for academic year 2012-13 for most institutions.
[a] Required of most students living on campus. Certain upperclassmen are exempt at several institutions.
[b] Full-time, degree-seeking, undergraduate students.
[c] Data reported for fall semester.

Source: Data provided by staff at institutions.

All But Two Institutions Outsource Dining Operations to Private Vendors

Dining auxiliary services are contracted to third-party vendors at 13 of the 15 public four-year institutions in Virginia. Only VT and CNU operate their dining services in-house using institutional staff. Institutions with dining service contracts use one of four companies: Aramark, Sodexo, Chartwells, or Thompson Hospitality (Table 18). These dining vendors oversee residential and retail dining services, as well as university catering.

Table 18: Virginia Institutions Use One of Four Vendors to Provide Dining Services to Students (2012-13)

Institution	Dining Vendor	Current Vendor
CNU	No	----
CWM	Yes	Aramark
GMU	Yes	Sodexo
JMU	Yes	Aramark
LU	Yes	Aramark
NSU	Yes	Thompson Hospitality
ODU	Yes	Aramark
RU	Yes	Chartwells
UMW	Yes	Sodexo
UVA	Yes	Aramark
UVA-W	Yes	Chartwells
VCU	Yes	Aramark
VMI	Yes	Aramark
VSU	Yes	Thompson Hospitality
VT	No	----

Source: JLARC staff interviews with dining staff at each institution.

According to institutional staff, there are both benefits and drawbacks associated with privatizing dining services. Dining service vendors offer expertise that many institutions indicate they could not get through institutional staff. Dining companies are able to purchase food at a lower cost because they buy in bulk, sometimes for several institutions. However, institutions note that using a dining vendor can hinder their ability to quickly change the design of student dining plans and facilities. Dining vendors also set student charges to generate a profit, whereas institutions that operate dining services in-house need not make a profit.

STUDENT DINING IS FUNDED PRIMARILY BY STUDENT CHARGES, WHICH VARY BY INSTITUTION AND PLAN

Students pay a dining charge each semester to purchase dining plans. Revenue from student dining charges, along with retail sales, constitute the main funding sources for dining auxiliaries. The charges that students pay to purchase dining plans vary and can be higher or lower depending on the institution or the dining plan. Students' dining venues also vary, as each institution has a different set of dining halls, cafes, and national brand restaurants such as Subway or Chick-fil-A.

Student Charges Are Primary Source of Dining Funds

Similar to other auxiliaries, student dining auxiliaries do not receive State general funds. Consistent with SCHEV's chart of accounts, student dining auxiliaries are "self-supporting." Student charges are the predominant revenue source for student dining auxiliaries. At ODU, for example, dining plan sales generated 96 percent of student dining auxiliary revenues in FY 2012. Retail dining sales also generate revenue for student dining auxiliaries, but they are a small portion of total revenue. Retail customers include faculty, staff, and other non-students who purchase food while on campus.

In total, student dining charges and retail sales generated approximately $290 million in revenue across institutions in FY 2012 (Table 19). Student dining expenditures totaled $273 million ($1,976 per student, on average), resulting in a total revenue surplus of nearly $17 million for all institutions. Institutional staff indicate that the revenue surplus from student dining is typically held in auxiliary reserve funds to be used for future dining operations, maintenance, or building projects.

Table 19: Student Dining Auxiliary Revenues, Expenditures, and Differences Vary Across Institutions (FY 2012, $ thousands)

Institution	Revenue	Expenditures	Surplus (Shortfall)	Surplus (Shortfall) as % of Revenue
VMI	$8,520	$6,736	$1,784	21%
UMW	9,530	7,694	1,836	19
RU	17,132	13,991	3,141	18
VSU	11,013	9,083	1,930	18
ODU	15,793	13,679	2,114	13
CWM	17,478	16,211	1,267	7
UVA	39,915	38,022	1,893	5
JMU	49,458	47,254	2,204	4
VCU	20,741	19,938	802	4
CNU	11,238	11,072	166	1
GMU	31,395	31,306	89	0
VT	46,849	47,038	(189)	(0)
LU	8,496	8,797	(300)	(4)
UVA-W	2,353	2,544	(191)	(8)
Average	**20,708**	**19,526**	**1,182**	**7**
Total	**289,912**	**273,365**	**16,547**	

Note: Revenue and expenditure data include dining vendor revenue and expenditures. NSU excluded because audited financial data for FY 2012 are not available.

Source: Data provided by dining and budget staff at each institution.

Dining Facilities, Plans, and Charges Vary Considerably

Student dining auxiliaries have several key differences across Virginia's public four-year institutions, including but not limited to: (i) the specific dining facilities available on campus, (ii) the design of dining plans, and (iii) the charges students pay for dining plans. Each institution offers students a relatively unique dining experience due to the different venues on campuses (Figure 23). At UMW, for example, students primarily eat at traditional dining halls. In contrast, students attending JMU have access to multiple dining halls, food courts, and national brands such as Chick-fil-A, Einstein Bros. Bagels, and Starbucks.

Figure 23: Institutions Have Different Dining Venues and Offerings

Pictures: VT D2 Dining Center (top left), UVA Einstein Bros. Bagels at Rice Hall (top right), JMU D Hall (bottom).

Source: Institution dining websites.

Flex Dollars

Dining "currency" students get when they purchase flex plans. Purchases make students eligible for discounts on retail prices. For example, VT flex dollars give students a 50 percent discount.

Annual Dining Charge

The amount that a student pays for dining per year is equal to two semesters of dining charges.

Institutions offer different dining plans. Residential dining plans provide students between one and unlimited meals per week. Some institutions, such as NSU, have plans that require students to consume a set number of meals each week; otherwise they expire. Other institutions, such as UVA, offer plans that allow students to consume meals over the course of a semester. Several institutions, including VT and RU, have plans that allow students to purchase food at a reduced rate from a declining balance of "flex dollars."

The charges students pay for dining plans vary depending on the institution and plan. Residential dining plan charges ranged from a minimum of $410 per year at VCU to a maximum of $5,456 per year at VMI in 2012-13 (Table 20). Dining charges also vary within an institution. At JMU, for example, a 14 meal-per-week plan cost $3,938 annually, while a 19 meal-per-week plan cost $4,280 annually in 2012-13.

Table 20: Dining Charges for Residential Students Vary Depending on the Institution and Type of Plan (2012-13)

Minimum				Maximum			
Institution	Charge for Residential Plan (Per Year)	Approximate # Meals (Per Week)	Dining Dollars (Per Year)	Institution	Charge for Residential Plan (Per Year)	Approximate # Meals (Per Week)	Dining Dollars (Per Year)
VCU	$410	1[a]	$320	VMI	$5,456	unlimited	$30
ODU	702	1[a]	200	UMW	5,142	unlimited	200
LU	1,428	5	300	JMU	4,280	19	300
UVA	1,550	3	390	CWM	4,256	unlimited	250
CNU	1,680	5	160	UVA	4,250	unlimited	150
CWM	1,744	3[a]	550	ODU	4,244	20	200
UMW	1,942	5[a]	350	GMU	4,200	N/A[b]	0
NSU	2,436	7	500	UVA-W	4,145	15	0
VT	2,806	N/A[b]	0	VSU	3,864	19	0
GMU	2,890	10	0	VCU	3,818	20	200
UVA-W	3,415	12	0	LU	3,596	unlimited	300
RU	3,466	N/A[b]	0	RU	3,574	19	300
VSU	3,864	10	500	CNU	3,370	19	100
JMU	3,938	14	500	VT	3,216	N/A[b]	0
VMI	5,456	unlimited	30	NSU	2,876	19	0

Note: Table features minimum and maximum dining plans available to residential students, which are not necessarily the most utilized plans. Commuter dining plans are not included. Plans should not be compared based on this table, because it does not illustrate the full range of options per institution.
[a] Number is approximate; plan is not designed to provide a certain number of meals each week.
[b] Dining plan has no set number of meals per week; noted plan reflects declining balance account.

Source: Data from institution dining websites.

STUDENT DINING USES SUBSTANTIAL INSTITUTIONAL AND STUDENT RESOURCES

Student dining auxiliaries represent a large portion of total auxiliary spending at institutions, as noted in Chapter 1. At individual institutions, the portion of total auxiliary spending dedicated to dining ranged from 19 percent at ODU to 41 percent at JMU in FY 2012. Similar to student housing auxiliaries, student dining auxiliaries are typically among the largest auxiliaries across Virginia institutions, simply because food consumption is a major cost of living.

Residential students dedicate significant resources to dining. Across all institutions, residential students who purchased the maximum dining plans spent an average of 20 percent of the total price of higher education on dining during the 2012-13 academic year. At individual institutions, the amount that residential students spent on dining ranged from 15 percent of the total price of attendance at LU and VT to 25 percent at JMU and VMI.

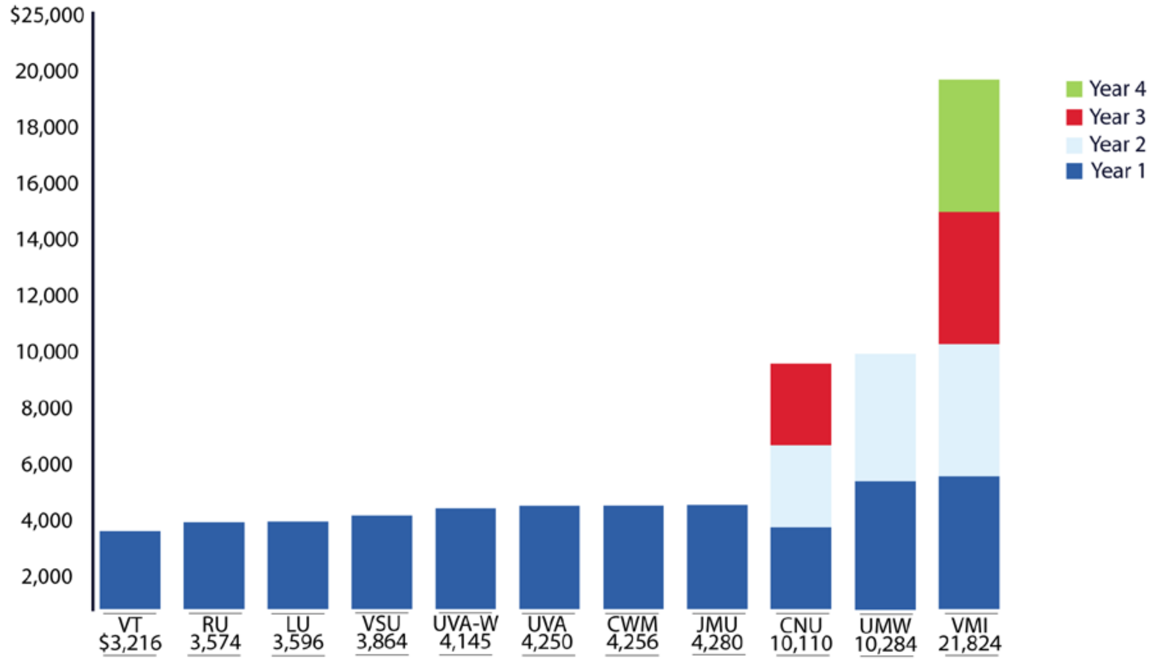
Students who attend institutions with multi-year residency requirements likely pay more in student charges for dining over four years than students who attend other institutions (Figure 24). At VMI, for example, students are required to live on campus and purchase dining plans for all four years. Consequently, VMI students pay $21,824 in dining charges over four years (assuming that dining charges were similar to 2012-13 rates for all four years).

Students who attend institutions that only require them to live on campus for their freshmen year pay a maximum of between $3,216 and $4,280 for dining, at 2012-13 rates, depending on the institution (Figure 24). Students who attend schools with no formal residency requirement (GMU, VCU, ODU, and NSU) are not required to pay for dining if they do not live on campus, though many students purchase dining plans voluntarily.

STUDENT DINING CHARGES ARE COMPARABLE TO OTHER PUBLIC AND PRIVATE INSTITUTIONS, DESPITE INCREASES

JLARC staff's report, *Trends in Higher Education Funding, Enrollment, and Student Costs,* noted that the average charge for student dining in Virginia increased more than the average meal away from home nationwide during the last two decades. The average charge for student dining in Virginia increased about the same on a percentage basis compared to the average for public four-year higher education institutions nationwide and in the Southeast. Within these broad findings, additional insight can be

Figure 24: Residential Students Are Required to Pay More for Dining Over Four Years at Institutions With Multi-Year Residency Requirements (2012-13)



Note: Figure represents cost of maximum residential dining plan. Actual dining costs incurred over four years may be more or less depending on a student's choice of dining plan and decision to purchase a plan when it is not required. Figure does not reflect dining costs incurred by students who purchase food off campus. GMU, VCU, ODU, and NSU not shown because they do not require students to live on campus and purchase dining plans.

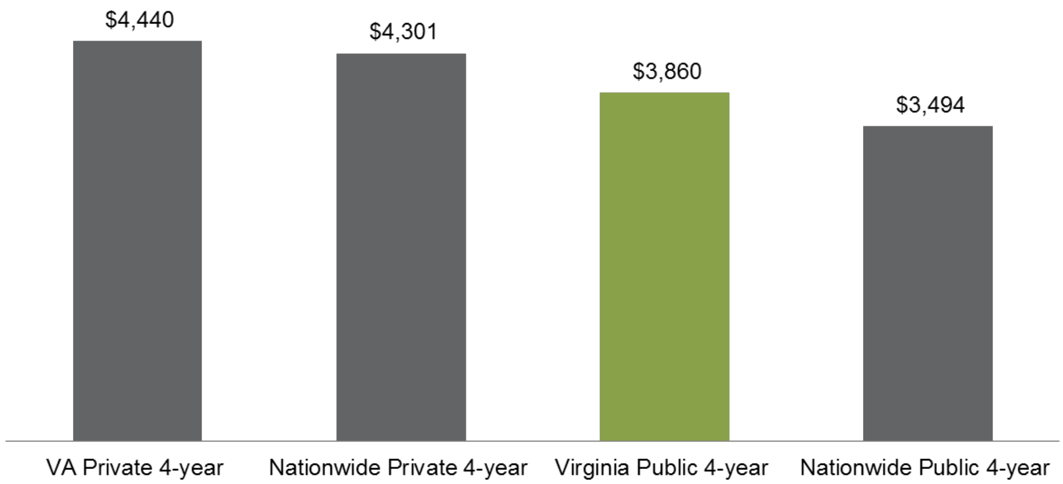
Source: JLARC staff analysis of residency requirements and data on dining charges provided by institutions.

gained through analysis of how current dining charges compare to other higher education institutions, increases in dining costs in Virginia and nationwide, and the various factors driving cost increases at public four-year institutions in Virginia.

Student Dining Charges Are Within Range of National Average for Public and Private Four-Year Institutions

In academic year 2012-13, student dining charges at Virginia's public four-year institutions were similar to charges at other four-year institutions in Virginia and nationwide. The average dining charge at Virginia public four-year institutions was $3,860, which was less than the average dining charge for private four-year institutions in Virginia ($4,440) and nationwide ($4,301). The average dining charge at public four-year institutions nationwide was $3,494 (Figure 25).

Figure 25: Average Dining Charge for Virginia Public Four-Years More Than Public Four-Years Nationwide, But Less Than Private Four-Years in VA and Nationwide (2012-13)



Source: JLARC staff analysis of NCES data.

Dining Charges Have Increased Faster Than Average Price of Meals Out and Charges at Comparable Institutions

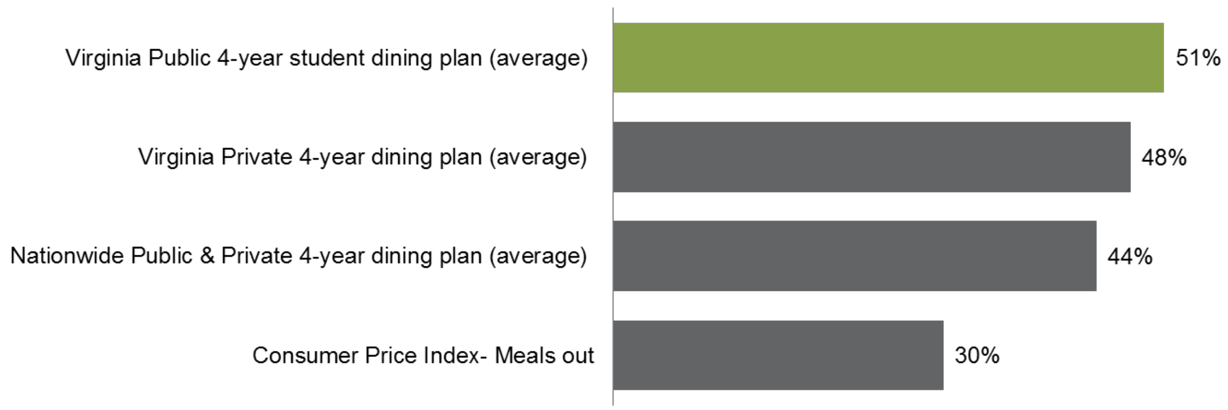
Compared to other institutions nationwide, student enrollment also increased more in Virginia, which may partially explain the faster rate of growth in dining charges.

Between academic years 2003-04 and 2012-13, dining charges increased an average of 51 percent across all public four-year institutions in Virginia (Figure 26). The average increase in dining charges at Virginia's public four-year institutions exceeded increases in the price of meals consumed away from home, according to Consumer Price Index (CPI) data, which grew 30 percent between 2003 and 2012. Dining charges at Virginia public four-year institutions also increased more than dining charges at public and private four-year institutions nationwide, which increased an average of 44 percent during the same period. Compared to other institutions nationwide, student enrollment also increased more in Virginia, which may partially explain the faster rate of growth in dining charges. Finally, dining charges at Virginia's public four-year institutions increased slightly more than private four-year institutions in Virginia, which grew 48 percent over the 10-year period.

Increase in Student Dining Charges Is Likely Attributable to Several Factors

According to institutional staff and the research literature, a number of factors may be responsible for the increases in student dining charges in Virginia, though data limitations make it difficult to isolate the specific variables driving up costs. To identify likely causes of dining charge increases, JLARC staff relied on interviews with institutional staff.

Figure 26: Dining Charges at Virginia Public Four-Year Institutions Outpaced the Cost of Meals Out and Other Higher Education Institutions (2003-04 to 2012-13)



Note: Graphic features a category of the Consumer Price Index defined by the U.S. Bureau of Labor Statistics as "food away from home." NCES data for nationwide public and private 4-year student dining plan averages reflect meal plans with an average of 19 meals per week.

Source: JLARC staff analysis of NCES data and data collected by the U.S. Bureau of Labor Statistics.

The cost of inputs—in particular food, utilities, and labor—is a key driver of dining charge increases. Given that the CPI increased 30 percent and Virginia's charges increased 51 percent, inflation in these input costs could account for more than half of the increase, on average.

> ***Growing Cost of Inputs at RU***
> *To account for increases in food and labor costs, RU's contract with Chartwells has an escalation clause that increases the University's meal plan contract rates automatically by three percent each year. As a result, student charges have risen by a minimum of three percent annually for the past 12 years. This resulted in a 36 percent growth between 2001-02 and 2012-13. The three percent increase exceeded the CPI in certain years, but was less than the CPI in others.*

Construction of new and larger dining facilities has been a driver of increased dining charges. Institutions across the State have been expanding and renovating their campuses in recent years to accommodate growing student populations and update aging facilities. Several institutions have recently updated or built new student dining facilities using debt funding. Revenues collected from student dining charges are the primary funding source to pay the debt service on dining projects, resulting in higher student dining charges at these institutions.

New Dining Facility at ODU
ODU is currently planning to construct a new dining facility. The facility will cost an estimated $23 million, for which $24.8 million in bonds have been authorized by the General Assembly. Auxiliary reserve funds, funded primarily by revenue from student dining charges in excess of expenditures, will be used to pay debt service on the facility once it is complete.

Growing demand for foods that meet special dietary needs, wider food selection, and longer dining facility hours have also driven increased dining charges. At institutions with large, diverse student populations, an increasing number of students now require gluten-free, kosher, vegan, halal, and other specialty food options. Providing food to meet students' special dietary needs increases costs, because institutions and vendors have to prepare food separately. Students are also requesting a more diverse selection of food and longer hours of operation at dining facilities. Responding to these demands requires that institutions pay more for food and labor costs and then recoup their costs through student dining charges.

Providing food to meet students' special dietary needs increases costs, because institutions and vendors have to prepare food separately.

Changing Student Dietary Needs and Demands at GMU
According to GMU staff, an estimated 10 percent of GMU students have special dietary needs, including religious, medical, allergy, and vegan or vegetarian needs. Student allergies, in particular, are a growing problem among the student-age population, and institutions are required to accommodate students with food allergies as part of the federal Americans With Disabilities Act. Accommodating special food needs requires additional food, labor, and cooking equipment and so increases dining costs at GMU.

Institutions' use of dining revenue for auxiliary reserves may result in increased dining charges. Institutions use revenues from student dining charges to fund auxiliary reserves for future or unanticipated costs. Many institutions use dining revenues exclusively for dining-related expenses such as dining facility maintenance. However, some institutions have central or combined auxiliary reserves that are partially funded with dining revenues. At all institutions, students pay higher charges to generate funds for reserves.

Growth in the Dining Auxiliary Reserve at UVA-W
UVA-W maintains auxiliary reserves for student dining that totaled $4.8 million in FY 2012. These reserves are used primarily to fund projects related to dining, including operating expenses, renewal and replacement, and dining facility expansion. Between FY 2003 and FY 2012, dining reserves at UVA-W increased $431,045, approximately 10 percent of the total reserve. Surplus student dining charges were used to generate reserves.

CERTAIN INSTITUTIONS HAVE PARTICULARLY LOW PER-MEAL COSTS AND HIGH UTILIZATION

The attractiveness of dining services to students varies across campuses due to differences among dining auxiliaries. Because student perceptions of dining are subjective, measuring the quality of dining services or number of desirable attributes is difficult. Still, several measures suggest that some dining services are more attractive to students than others. These measures include: (i) the percentage of students who voluntarily purchase dining plans, (ii) the estimated cost of each meal, and (iii) student utilization of meals already purchased.

Many Students Purchase Dining Plans Even in Absence of a Requirement

As previously discussed, all public four-year institutions in Virginia require residential students to purchase dining plans. Many non-residential students also purchase dining plans voluntarily. Across institutions, an average of 39 percent of students purchased dining plans voluntarily in 2012-13 (Table 21).

Several institutions had particularly high or low percentages of students who voluntarily purchased dining plans in 2012-13. Institutions with high rates of voluntary dining plan purchases included VT and JMU, which had 76 percent and 67 percent of students

Table 21: Eight Institutions Exceeded Statewide Average for Percentage of Non-Residential Students Who Voluntarily Purchase Dining Plans (2012-13)

Institution	# Students Who Voluntarily Purchase Dining Plans	% Non-Residential Students Who Voluntarily Purchase Dining Plans
VT	11,055	76%
JMU	7,370	67
UMW	762	65
CWM	2,042	60
CNU	1,664	57
RU	2,162	42
UVA	4,387	41
LU	439	40
Average	**2,870**	**39**
VCU	6,011	38
VSU	316	15
UVA W	126	14
ODU	1,549	14
GMU	1,636	13
NSU	307	11
Total	**40,180**	**---**

Note: VMI not shown because all students are required to purchase dining plans.

Source: JLARC staff analysis of data provided by dining staff at each institution.

voluntarily purchasing dining plans, respectively (Table 21). Institutions with low rates included NSU and GMU, which had only 11 percent and 13 percent of students voluntarily purchasing dining plans, respectively. Possible explanations for why students may or may not purchase dining plans include the relative quality, convenience, and/or accessibility of food on and off campus.

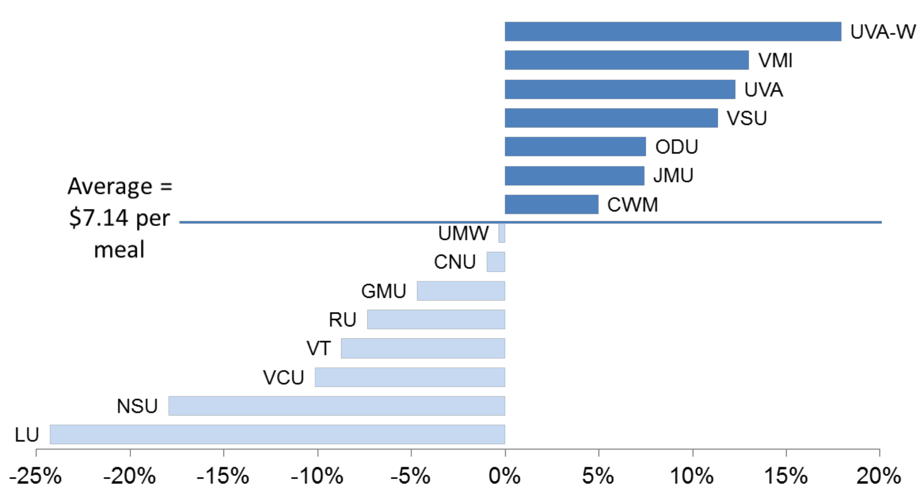
Some Institutions Have Particularly Low Estimated Per-Meal Costs

14 or 15 Meal-Per-Week Dining Plans

Provide students with 14 or 15 meals each week. At some institutions, meals expire if they are not fully consumed each week. Other institutions give students a block of meals each semester, which equates to 14 or 15 meals per week. At most institutions, students can use 14 or 15 meal-per-week plans at all-you-can-eat dining halls.

The estimated price that students pay per meal is higher at some Virginia institutions than others. Students attending Virginia's public four-year institutions paid $7.14 per meal, on average, for a 14 or 15 meal-per-week plan in academic year 2012-13 (Figure 27). Students attending LU paid the lowest amount, $5.41 per meal. In contrast, students attending UVA-W paid the highest amount, $8.43 per meal. Per-meal costs apply to breakfast, lunch, and dinner. Variations in per-meal costs may be partially attributed to differences in institutions' dining plans, size, student participants, or geographic location. Per-meal costs may also vary based on the contract an institution negotiates with its chosen vendor. However, there does not appear to be a pattern of certain vendors having consistently lower or higher per-meal costs. For example, both LU and UVA use Aramark, but their estimated per-meal costs are $5.41 and $8.02, respectively.

Figure 27: Eight Institutions Below Statewide Average Per-Meal Cost for 14 or 15 Meal-Per-Week Dining Plan (2012-13)



Note: Calculations reflect estimated cost of all meals, including meals not consumed. Assumption of 32 weeks in academic year 2012-113. "Dining dollars" or campus equivalent subtracted from calculations. Value for VMI reflects unlimited meal plan. Values for ODU, UMW, and VCU reflect block plans with between 225 and 250 meals per semester. Value for VT reflects average price per transaction for all transactions in 2012-13.

Source: JLARC staff analysis of dining plan data available on institution dining websites.

Per-Meal Price for 14 Meal Plan at LU

The price that LU charged students per meal for a 14 meal-per-week plan in 2012-13 was low compared to other institutions for several reasons. According to staff, LU controls student dining charges by requiring freshmen who participate in the work study program to work in dining services. LU has several practices in place to control food costs, including buying in bulk through Aramark, and to reduce waste, including going without trays in the dining halls.

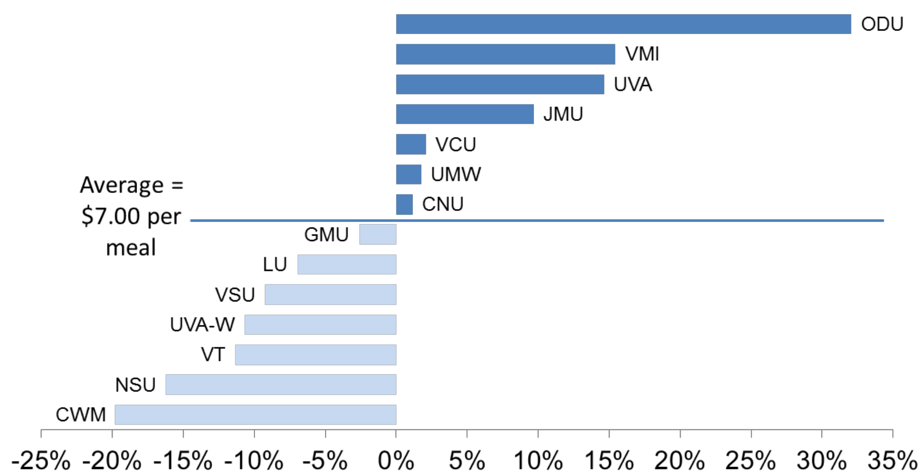
LU controls student dining charges by requiring freshmen who participate in the work study program to work in dining services.

Per-Meal Cost for 15 Meal Freedom Plan at UVA-W

The price that students paid per meal at UVA-W for the 15 meal-per-week "freedom" plan in 2012-13 was higher than other institutions for multiple reasons. According to institutional staff, the meal plan was purchased by only a handful of students, resulting in higher costs. The plan offered students the flexibility to use meals at any time during the week. This was a departure from the default 19 meal-per-week plan, which required students to use meals during the allotted meal time. This plan had a per-meal cost of $6.25. To address concerns over the freedom plan, UVA-W plans to introduce a new 15 meal-per-week plan in 2013-14 that will cost less and give students more flexibility in how they consume meals.

The per-meal cost that students pay for the most utilized dining plans also vary widely by campus. In 2012-13, students paid $7.00 per meal, on average, for the most utilized meal plan at their respective institution (Figure 28). Students attending CWM paid the lowest amount, $5.61 per meal, while students attending ODU paid the highest amount, $9.24 per meal. Students selected these dining plans for a variety of reasons, including design, cost, and because they comply best with dining plan requirements set by the institution. The most utilized dining plans are not necessarily comparable across institutions, as they provide different amounts of meals and dining currency and are sold at different price points. However, these plans represent what many students pay for dining plans each year at Virginia institutions.

Figure 28: Seven Institutions Below Statewide Average Per-Meal Cost for Most Utilized Dining Plan (2012-13)



Note: Dining plans provide different numbers of meals and dining currency depending on the institution. Calculations reflect cost of all meals, including meals not consumed. Assumption of 32 weeks in academic year 2012-13. "Dining dollars" or campus equivalent subtracted from calculations. Per-meal cost for RU Flex Plan not available. Value for VT reflects average transaction cost for Major Flex Plan.

Source: JLARC staff analysis of dining plan data available on institution's dining websites.

Some Institutions Have Particularly High Meal Utilization Rates

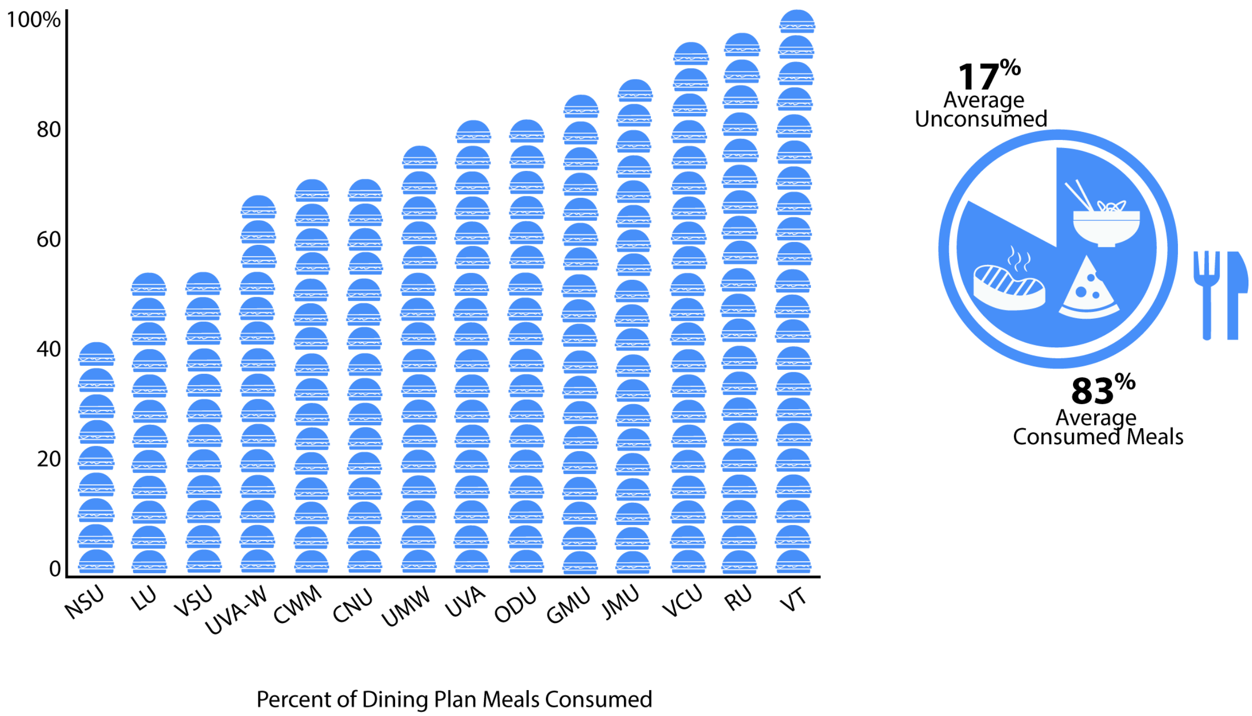
Meal Plan Utilization Rate

Counts the number of meals that a student consumes compared to those allotted each semester. Students typically do not consume 100 percent of their allotted meals.

Students use their dining plans at different rates, but some institutions have particularly high utilization rates. Students purchase meal plans at the beginning of the semester and are not reimbursed for unused meals. Students who consume more meals maximize the use of their dining plan. Across all Virginia public four-year institutions, students consumed an average of 83 percent of their meals in the spring semester of 2012-13. This means that, on average, students did not use about 17 percent of the meals they had purchased (Figure 29). This average includes meals from all dining plans, but not "dining dollars" or the relevant dining currency equivalent.

Some institutions have high utilization rates, nearly 100 percent at VT and 96 percent at RU (Figure 29). Other institutions have comparatively low utilization rates. NSU, for example, reports that students only consumed an average of 41 percent of their allotted meals during the 2012-13 spring semester. Differences in utilization rates can stem from the design of dining plans. At VT, for example, students have a declining balance of flex points that they can use throughout the semester, whereas at NSU, students have to use a set number of meals each week; otherwise they expire.

Figure 29: Students Consume Roughly Four Out of Five Meals, On Average, at Virginia Institutions (Spring Semester 2012-13)



Note: VMI is not included because staff do not track meal plan participation. VT reported an average meal utilization rate of 99.55 percent. Average percent of meals consumed across all institutions is weighted based on the number of students with dining plans at each institution.

Source: Meal plan participation data provided by staff at each institution.

Students interviewed by JLARC staff reported that meal plans are used less if dining facilities provide poor food selection or have restrictive hours of operation.

Certain Dining Programs Appear Particularly Beneficial for Students

Based on the indicators above, numerous institutions appear to provide dining services that are attractive to students at a relatively low price. In 2012-13, VT had the highest percentage of voluntary dining plan purchases, the highest meal utilization rate, and below average estimated per-meal costs compared to the averages among other public four-year institutions in Virginia. Dining plans at eight institutions—CNU, CWM, GMU, JMU, LU, RU, UMW and VCU—were better than the statewide average in at least two of the following categories: (i) voluntary dining plan purchases, (ii) estimated per-meal cost, and (iii) meal utilization rate.

SEVERAL INSTITUTIONS MAKE EFFORTS TO IMPROVE DINING UTILIZATION AND CONTRACT DESIGN

Institutions report implementing a variety of practices to lower the cost and/or enhance the quality of their student dining programs. Because all but two institutions have privatized their dining services, JLARC staff had limited insight into vendor operations and focused instead on the efforts of institutions. In particular, the practices implemented at institutions with higher voluntary meal plan purchases, lower per-meal costs, and higher meal utilization rates may provide a model for improving the usability and attractiveness of student dining services at other institutions.

Some Institutions Offer Flexible Dining Plan Options to Reduce Unused Meals

Unused meals are not reimbursed and essentially result in wasted money for students. The number of unused meals is partly the result of restrictions on when and how students can use their meals. Several institutions, including VT, RU, and GMU have dining plans that are more flexible than traditional plans. These plans provide students with a declining balance of dining currency that can be used over the course of the semester instead of in a given meal period. Institutions with these types of plans report improved student utilization of meals. This practice would address comments made by students during group interviews with JLARC staff. At multiple institutions, students who participated in group interviews voiced concerns about wasted meals and unused dining currency at the end of each semester due to limitations in the set meal periods.

Some Institutions Assess Whether Existing Vendor Contracts Maximize Benefits to Students

VCU's contract stipulates that Aramark only gets paid when students use a meal, which incentivizes Aramark to offer attractive and usable options that bring students into dining facilities.

Contracts are designed differently at each institution, even among institutions with the same dining vendor. The way that a dining contract is structured impacts the attractiveness and cost of dining services for students. For example, students at UMW have relatively low dining charges because the university renegotiated its dining contract in 2012-13, and a key bargaining point for the new contract was that it offered a price reduction to students. At VCU, staff attribute the attractiveness of student dining services to the structure of their dining contract with Aramark, which stipulates that Aramark only gets paid when students use a meal. Aramark thus has an incentive to offer attractive and usable options that bring students into the dining facilities. At VT, dining services are operated by the institution, which allows VT to focus on breaking even rather than generating a profit. According to VT staff, this partially explains why students pay comparatively low dining charges.

Chapter 6

Students Fund Institutional Debt Service for Auxiliary Enterprise Projects

In Summary

Virginia's public four-year institutions of higher education have undertaken extensive construction and renovation of auxiliary enterprise buildings and facilities in recent years, most of which has been funded through the issuance of bonds. Institutions had a total of $3.5 billion authorized for 207 auxiliary enterprise projects over the 11-year period ending in FY 2012. Users of auxiliary facilities—primarily students—pay 90 percent on average of the debt service on these projects, usually through mandatory fees and user charges. Debt service is often embedded within the fees and charge for the various auxiliary operations, as discussed in Chapters 2-5. Seven percent of the price of higher education to students covers the institutions' debt service for auxiliary enterprise and other campus projects, on average. At some institutions, student-paid debt service has risen substantially both in dollar terms and as a percentage of the price of attendance. Total institutional debt per student ranges from $38 at RU to $3,152 at CNU. The amount explicitly charged as debt service more than doubled at six institutions since 2004-05. Institutions have policies limiting the amount of debt the institution may incur, but not on the amount of institutional debt that may be passed on to students.

Virginia's 15 public higher education institutions have many buildings on their campuses with many different purposes, including:

- academic classroom and laboratory space;
- student housing, dining, and recreation;
- intercollegiate athletics; and
- parking facilities, conference centers, museums, event venues, and retail stores.

Academic and Administrative Space

Classroom, lab space and administrative offices are considered "education and general" or E&G space, and will be addressed in a forthcoming JLARC report. This report focuses on buildings and facilities used primarily for auxiliary enterprises.

Numerous capital projects have been undertaken on Virginia's campuses in recent years, reflecting several factors. Enrollment growth, decisions at several institutions to house more students on campus, and the need to renovate older buildings to provide adequate electrical and related infrastructure, are among the major reasons institutional staff cite. The "amenities arms race" is also cited, as staff point to the need to showcase state-of-the-art recreation, housing, and dining facilities to attract prospective students and their parents.

A key factor underlying the growth in mandatory non-E&G fees, as well as student housing charges, is the debt service on these construction and renovation projects. The majority of recent construction and renovation projects for non-academic purposes have been paid for with borrowed funds. The use of debt to finance construction takes advantage of low interest rates and helps ensure auxiliary operations are self-supporting by matching facility users with debt service costs over a relatively long time period. Much of the funding to repay the debt service on these projects is collected through the mandatory non-E&G fee and student charges.

AUXILIARY ENTERPRISE PROJECTS ARE FUNDED MAINLY WITH STATE-ISSUED BONDS

The General Assembly approves the issuance of bonds on a project-by-project basis through the appropriation process. Borrowing funds by selling bonds allows the higher education institutions to use the State's high credit rating to obtain low interest rates and repay the cost of building a facility consistent with the long-term life of the facility. Most bonds issued for auxiliary enterprise projects have a 20-year duration. The debt service to repay these bonds is usually collected from students and others who use the facilities. In certain cases, funds such as revenues or reserves from other auxiliaries are also used. For example, revenue generated by student housing may be used to help repay debt service for student dining or other projects.

The Virginia College Building Authority (VCBA) issues revenue bonds and notes to finance the institutions' capital projects, although UVA (including UVA-W) issues its own. Two of the major programs operated by the VCBA are the pooled bond program and the 21st century college and equipment programs. Under the pooled bond program, VCBA bonds are secured by notes of participating institutions. The institution pledges institutional revenue (including tuition and fees) to the notes. The 21st century college program funds capital projects designated by the General Assembly, while the equipment program funds only educational equipment, not equipment for auxiliary enterprises. Bonds for these programs are paid primarily from institutional revenues that are appropriated by the General Assembly.

Under the 2005 Restructuring Act, Level III institutions (UVA, VCU, VT, and CWM, which are required to maintain at least a AA-bond rating from at least one national rating agency) are authorized to issue bonds and certain other types of debt without first obtaining approval by the General Assembly or any state agency. UVA issues debt under this authority and maintains AAA ratings from the major bond rating agencies. Other institutions, such as VT, have also issued bonds under their own authority.

Table 22: Three Types of State Debt Used for Higher Education Construction and Renovation Projects

Type of Debt	Approval	Recent Activity	Repaid By …
9(b) General Obligation Bonds	General Assembly, Governor, voters	In 2002, voters approved $900 million	State taxpayers
9(c) Revenue Bonds	2/3 vote of General Assembly, Governor	Since 2006 Virginia has authorized $1.3 billion for higher education institutions	Project users
9(d) Revenue Bonds	General Assembly and Governor authorize VCBA to issue bonds and appropriate funds for debt service	As of FY 2012, VCBA had $3.5 billion in bonds outstanding	General revenue of the institution (may include state general funds, student fees, other revenues)

Note: Level III institutions are authorized by Code to issue certain debt without prior General Assembly approval.
Source: Constitution of Virginia, Department of Treasury.

The State uses several types of debt to finance higher education auxiliary enterprise projects (Table 22). Revenue bonds, both 9C and 9D, are generally used to fund auxiliary enterprise projects. These kinds of bonds shift payment away from state taxpayers to campus users of the projects, primarily students.

VIRGINIA INSTITUTIONS HAVE BORROWED $3.5 BILLION TO FUND MORE THAN 200 AUXILIARY ENTERPRISE PROJECTS

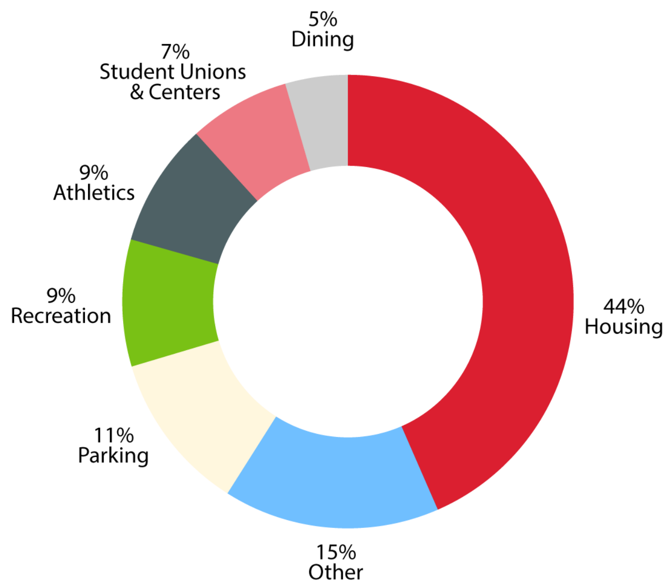
Much of the long-term debt on which Virginia's public four-year institutions of higher education pay debt service is for auxiliary enterprise projects. Over the 11-year period ending in FY 2012, institutions had a total of $3.5 billion authorized for 207 auxiliary enterprise projects. (This only includes projects which the institutions consider to be fully auxiliary enterprise in character.) Four institutions (VT, VCU, GMU, and JMU) accounted for 56 percent of the dollar value of these projects. (A detailed listing of these projects for each institution is included as Appendix G.)

Auxiliary enterprise projects ranged in size from $1 million renovation and repair projects at CWM and VT to two $100 million projects to add student housing at GMU. The largest portion by dollar value—44 percent—is related to student housing (Figure 30). For example, of VCU's 21 debt-funded auxiliary enterprise projects, 13 were student housing units totaling $250 million. Of GMU's 38 projects, 18 were for student housing and totaled $359 million.

Student Fees Subsidize 90 Percent of Auxiliary Enterprise Debt Service

Students are generally the principal users of auxiliary enterprise projects, and thus are usually the principal payers of debt service

Figure 30: Student Housing Accounts for the Largest Percentage of Auxiliary Enterprise Debt



Note: Based on projects authorized 2002-2012.

Source: Department of Treasury and higher education institutions.

on the projects. On average, student fees cover 90 percent of the total auxiliary enterprise debt service across the 15 institutions. At 10 institutions, students pay 100 percent of such debt service, according to institution staff.

The Debt Service Portion of Mandatory Fees Has More Than Doubled at Some Institutions

As Virginia institutions have issued more debt for auxiliary enterprise projects, a consequence has been increased student fees for debt service. The nine institutions that charged students a mandatory fee for debt service, either separately or as part of a comprehensive fee, increased the fee from an average of $348 in 2004-05 to $756 in 2011-2012, an average increase of 117 percent (Table 23). The 2011-12 range in debt service fees was from a low of $121 at VCU to a high of $1,674 at CNU.

TOTAL INSTITUTIONAL DEBT SERVICE HAS INCREASED AND IS SUBSTANTIAL

Because debt service is often embedded in other fees, and/or no separate debt service fee is charged at all, measuring only the increase in the debt service fee or in the amount of auxiliary enterprise debt service does not adequately capture the change in institutional debt per student in all cases. Several institutions do not,

Table 23: Mandatory Student Fees for Debt Service Doubled at Six Institutions

	2004-05	2011-12	% Change
ODU	$155	$597	285 %
RU	80	299	274
CWM	402	1,267	215
CNU	606	1,674	176
GMU	194	497	156
NSU	252	634	152
UVA-W	821	1,232	50
UMW	606	976	61
VSU	211	260	23
UVA	151	164	9
VCU	NA	121	--
JMU	NA	830	--
LU	NA	1,271	--
Average	**$348**	**$756**	**117** %

NA: Not available.
Note: VT, VMI listed no separate debt service fee in either year.

Source: SCHEV Tuition & Fees reports.

or did not until recently, charge a separately identified debt service fee to students, but this does not mean that students at those schools pay no institutional debt service. Instead, student-paid debt service at these schools is usually included in the enterprise-specific fee charged to students. For example, as noted in Chapter 3, about one-third of the fees charged to students for recreation cover debt service on the recreation facilities.

Institutional Debt Service Averages $1,330 Per Student

Total institutional debt service, including both E&G and auxiliary enterprise debt, averaged $1,330 per student in FY 2012 (Table 24). This is an 88 percent increase since FY 2005, when the total institutional debt service per student averaged $709 per year.

The dollar increase over this period was highest at UVA-W, where the amount increased by $1,760, from $1,216 to $2,976. NSU had the highest percentage increase, although NSU's debt service per student remained well below the average. RU and VCU had the smallest increases, at $6 and $56, respectively.

These amounts of debt service per student do not necessarily match the debt service fee some institutions assess each student (Table 23). Students do not pay all debt service incurred by an institution; debt service on academic (E&G) space, for example, may

Table 24: Institutional Debt Service Per FTE Student is Substantial and Has Increased at Most Institutions

	FY 2005	FY 2012	% Change since FY 2005
NSU	$164	$641	291 %
VSU	369	1,193	223
LU	536	1,441	169
UVA-W	1,216	2,976	145
CWM	966	2,098	119
JMU	569	1,179	107
VT	710	1,365	92
GMU	641	1,190	86
CNU	1,814	3,152	74
UMW	553	854	54
VMI	442	620	40
ODU	917	1,252	37
RU	32	38	19
UVA	978	1,168	19
VCU	731	787	8
Average	**$709**	**$1,330**	**88** %

Note: Includes debt related to Education and General projects (classrooms, administrative offices) as well as auxiliary enterprise projects. Also includes debt related to housing, dining, and other auxiliary enterprises that not all students at all institutions may pay.

Source: APA, JLARC staff analysis of data from higher education institutions.

be paid by the State or other sources. Institutional debt per student reflects the number and size of all bonded capital projects authorized at each school over the period, as well as the size of the student population. Thus some of the schools with smaller student populations, such as CNU, have higher levels of debt per student in part because of a relatively smaller student population. VT, VCU, and GMU, by contrast, have lower per-student institutional debt despite having higher amounts of debt, in part because these schools have larger student populations over which to spread their debt.

Institutions also indicated that in some cases they begin building a reserve for a specific project as much as four years in advance of issuing bonds for the project. For example, RU's debt service per student was relatively constant between FY 2005 and FY 2012, while the debt service fee charged to students went up more than $200 (274 percent). According to RU staff, the increase was due mainly to the administration's desire to phase in the debt service for a planned recreation center over several years and avoid a major one-year jump in fees. The facility construction began in the summer of 2013.

Institutional Debt Service Averages Seven Percent of Total Charges to Students

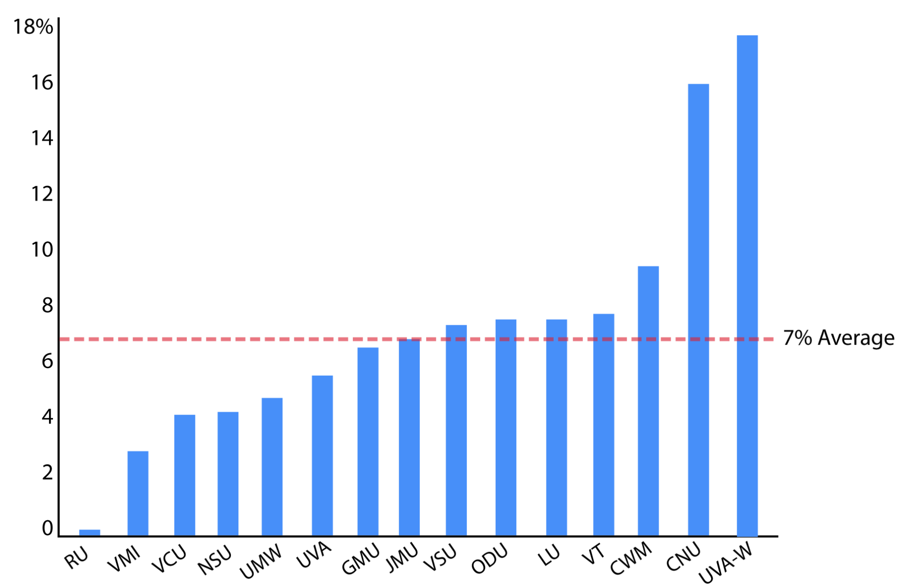
The role of debt in the price of higher education to students can be assessed by calculating institutional debt service per student as a percentage of total tuition, mandatory fees, and average housing and dining charges. Across Virginia's public four-year institutions, institutional debt service per student averaged seven percent of the price of higher education (Figure 31). At CNU almost one-sixth of the price was for debt service, reflecting the institution's substantial construction and renovation program over the last two decades. In contrast, 0.5 percent of the price at RU went toward debt service. However, because debt service is often included in other charges, such as charges for housing or intercollegiate athletics, these debt service figures cannot be added to other figures in previous chapters without "double counting" debt.

Debt service figures cannot be added to other figures in previous chapters without "double counting" debt.

Debt Service Increases Often Reflect Enrollment Growth and Expansion of Student Housing

The substantial variation in debt service per student across the institutions occurs for several reasons. First, changes in enrollment can impact per-student calculations as student populations increase, decline, or remain relatively constant as new projects start

Figure 31: Institutional Debt Service Averaged Seven Percent of the Price of Higher Education, 2011-12



Note: Includes tuition and all mandatory fees and average housing and dining charges for each institution.

Source: JLARC analysis of SCHEV and institutional data.

CNU has replaced or renovated almost all buildings on campus since the mid-1990s.

and bonds are issued. Second, construction and renovation has been more extensive at some institutions. For example, CNU has replaced or renovated almost all buildings on campus since the mid-1990s and is now in a peak period in the total amount of debt-funded projects. As a result, CNU students pay debt service fees that are more than twice as much as the average for students at other institutions.

In contrast, debt service costs for students are low at RU because it has undertaken only one major debt-funded auxiliary enterprise project in recent years: a recreation center. The amount of institutional debt also varies because certain projects at some schools have been partly funded by private donations and other sources, which reduces the debt service paid by students.

Many auxiliary enterprise projects reflect the character of the campuses. Institutions with higher proportions of on-campus students have recently constructed projects such as housing and recreation centers. VCU, GMU, and ODU have significantly increased the number of students living on campus in recent years, and have also constructed extensive new housing and recreation centers. VCU added housing totaling $251 million between 2002 and 2012. Similarly, GMU received bond authorization for $359 million for housing and $38.3 million for recreation facilities between 2002 and 2012.

GMU constructed several parking structures using $80.8 million in debt authorization.

Parking capacity has grown at certain campuses with large residential and commuter populations. VCU, for example, funded six parking decks with $65.4 million in bond authorization between 2002 and 2012. GMU constructed several parking structures using $80.8 million in debt authorization.

Most Institutions Have Policies Governing Institutional Debt Levels, But Not The Effect on Student Fees and Charges

Virginia's public four-year higher education institutions are required by the Appropriation Act to have policies set by their boards of visitors that limit the amount of debt and debt service an institution can support (although there is no statutory guidance on the actual ratio). The Act stipulates that these policies must set a cap on the institutions' debt and debt service.

The institutional policies set these maximums using differing data and methods, but generally set a maximum ratio of annual debt service payments to annual operating revenues or expenditures. This ratio is generally between seven and 10 percent (Table 25). Because of the widely varying operating revenues and expenditures across institutions, these policies result in substantial differences in the annual dollar amount of debt service, from $7 million at VMI to more than $108 million per year at VT.

Despite policies on institutional debt, no institutions have policies that address how institutional debt and debt service should be funded or the impact on student fees. The Appropriation Act does require institutions to assess the marginal impact of proposed debt-funded projects on student costs and on financial assistance needs. SCHEV then forwards a summary to the General Assembly that identifies the specific projects and associated debt service, along with the source of revenues to pay the debt service and how the debt service will affect student fees and financial assistance.

The SCHEV report to the 2012 General Assembly, for example, identified requests for 44 projects at eight institutions and the community college system totaling $764 million, to be funded with bonds. The required increases in mandatory fees ranged from zero to 97 percent. For example, bonds for VSU's proposed student union building were listed at $34.5 million, to be paid from a $625 (23 percent) increase in a mandatory fee. This fee increase in turn would require a $1 million annual increase in VSU's need for financial aid. (Appendix F includes the report prepared for the 2012 General Assembly.)

The JLARC report *Trends in Higher Education Funding, Enrollment, and Student Costs* noted that student reliance on their own borrowing tripled during the last 20 years to nearly $10,000 per student. Though SCHEV provides this information per project each year, neither SCHEV nor any of the institutions provide

Table 25: Board-Approved Capacity for Debt Service Ranges From Less Than $7 Million to $108 Million Per Year (selected institutions)

	Summary of Policy	Approximate Annual Cap ($ in millions)	Recent level
VT	Debt service to operating expenses not to exceed 7%	$108	3.65%
GMU	Annual debt service/Total operating expenditures no more than 8%	67	$57.6 million
LU	Annual debt service will be no more than 9% of university operating expenditures	10.8	6.2%
CNU	Maximum annual debt service costs as percentage of total operating revenues not to exceed 10% for non-revenue-producing capital projects	8.5	7.98%
VMI	Maximum debt service not to exceed 10% of total operating expenses	7	1.6%

Note: Recent level for VT, 11/5/12; GMU & LU, FY 2012; CNU, 9/14/12; VMI, May 2013.

Source: Board of visitors policies, financial statements, JLARC staff interviews.

information about or have a policy on how much institutional debt service should be paid by students.

As noted in Chapter 1, the fifth and final report in this JLARC series may include institution-specific or system-wide changes related to debt service. Whether such changes are recommended depends, in part, on the findings of the subsequent JLARC reviews of academic and administrative operations.

JLARC Recommendations:

Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions

1. 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. (Chapter 2)
2. 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. (Chapter 2)
3. Boards of visitors should assess the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises to reduce reliance on mandatory student fees. The assessments should address the feasibility and impact of raising additional revenue through charging for specialized programs and services, expanding membership, and/or charging all users of recreation facilities. (Chapter 3)

Appendix A Study Mandate

HOUSE JOINT RESOLUTION NO. 108

Directing the Joint Legislative Audit and Review Commission to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia. Report.

Patrons—Landes, Albo, Bell, Richard P., Cole, Helsel, Hodges, LeMunyon, Massie, Poindexter, Ramadan and Villanueva

Referred to Committee on Rules

WHEREAS, "Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011" has set a goal of awarding 100,000 more degrees over the next 15 years; and

WHEREAS, the State Council of Higher Education in Virginia has reported that the average increase for in-state undergraduate tuition and mandatory fees from the 2009-2010 school year to the 2010-2011 school year was 13.1 percent at four-year institutions; and

WHEREAS, the Joint Legislative Audit and Review Commission has reported in its 2011 Review of State Spending that tuition revenue for Virginia's public colleges and universities increased 110 percent between 2002 and 2009, while inflation increased only 23 percent during that period; and

WHEREAS, the Joint Legislative Audit and Review Commission has reported that Virginia's average annual in-state tuition and fees at public four-year institutions of higher education was $8,814 in 2010, ranking as the fourteenth highest average in the nation; and

WHEREAS, the increasing costs of higher education have forced many students to incur significant debt in order to complete their degrees, with the Institute for College Access and Success reporting that the average student debt for Virginia public institutions of higher education is $19,918, and that 57 percent of students have debt related to their higher education; and

WHEREAS, the increasing costs of higher education and the growing debt burden for students may limit access to educational opportunities, adversely affect growth

in other sectors of Virginia's economy, and be an obstacle to the goal to award 100,000 more degrees over the next 15 years; and
WHEREAS, in December 2009 the Joint Legislative Audit and Review Commission authorized its staff to complete a study of the cost efficiency of higher education in Virginia, but, because of workload demands from joint study resolutions adopted by the General Assembly, such a study could not be completed; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, that the Joint Legislative Audit and Review Commission be directed to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia.

In conducting its study, the Joint Legislative Audit and Review Commission (JLARC) shall consider (i) teaching loads and productivity of faculty; (ii) the impact of faculty research on tuition and other costs; (iii) incentives created by existing faculty compensation models; (iv) design and utilization of facilities; (v) operation of enterprise activities; (vi) the use of technology for academic programs and administrative functions; (vii) administrative staffing and costs; (viii) scholarships and other student aid programs; (ix) the use of outsourcing and public-private partnerships; (x) the use of cooperative procurement; (xi) the impact of nonacademic activities and programs on tuition and fees; (xii) sources of revenue and income, and how these sources are allocated toward academic, administrative, and other costs; (xiii) opportunities to reduce the cost of public higher education in Virginia; and (xiv) such other related matters as it may deem appropriate

Technical assistance shall be provided to the Joint Legislative Audit and Review Commission by the State Council for Higher Education in Virginia and all state-supported institutions of higher education. All agencies of the Commonwealth shall provide assistance to JLARC for this study, upon request.

The Joint Legislative Audit and Review Commission shall complete its meetings for the first year by November 30, 2013, and for the second year by November 30, 2014, and the Chairman shall submit to the Division of Legislative Automated Systems an executive summary of its findings and recommendations no later than the first day of the next Regular Session of the General Assembly for each year. Each executive summary shall state whether JLARC intends to submit to the General Assembly and the Governor a report of its findings and recommendations for publication as a House or Senate document. The executive summaries and reports shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

Appendix B Research Activities and Methods

JLARC staff conducted the following primary research activities:

- site visits to all 15 public four-year institutions in the State;
- structured interviews with institutional staff, State agency staff, and students;
- case studies of auxiliary functions at selected institutions;
- quantitative analysis of institutions' revenues and expenditures related to auxiliary enterprises, and of the impact of certain auxiliary functions on student costs; and
- review of institutional studies and the research literature.

SITE VISITS AND STRUCTURED INTERVIEWS

Site visits and structured interviews were key research methods used by JLARC staff in conducting research for this report. JLARC staff conducted site visits to all 15 public four-year Virginia institutions, structured interviews with university administrative staff, and interviews with state agency staff at SCHEV, APA, DPB, and Treasury.

Staff at Public Four-Year Institutions in Virginia

Site visits and phone interviews were conducted with administrative staff at each institution to obtain broad information about topics such as the budgeting and fee-setting process and general auxiliary operations on the campuses. JLARC staff also met separately with function-specific administrators (e.g. athletic directors, VPs of finance, housing and dining directors, etc.) to obtain more detailed information in certain areas of interest. In total, JLARC staff conducted more than 65 interviews and met with 204 staff members at Virginia's public institutions over the course of the study.

State Agency Staff

JLARC staff conducted structured interviews with staff at SCHEV, APA, DPB, DGS, DHRM, Treasury, and staff from House Appropriations and Senate Finance in order to discuss various aspects of the project. Topics discussed included the availability of various types of data, the State's guidelines for auxiliary enterprise funding, capital projects authorized by the General Assembly, and the budgeting and appropriation process for public higher education institutions.

Student Groups at Public Four-Year Institutions in Virginia

JLARC staff also conducted group interviews with undergraduate students at each of the 15 public four-year institutions in Virginia. A total of 205 students participated in JLARC staff group interviews, averaging approximately 13 students at each school. The group interviews were designed to obtain students' perspectives on non-academic features of their institution, including athletics, housing, dining, and campus recreation. Staff at each institution were asked to secure approximately 15 full-time, in-state, undergraduate students, who were generally representative of their overall population and who were willing to participate.

Of the 205 students who participated in JLARC staff group interviews, 15 percent were freshmen, 20 percent were sophomores, 30 percent were juniors, and 35 percent were seniors. Two-thirds of the students had a meal plan, and two-thirds lived on campus.

As part of the group interview, all students were asked to fill out a questionnaire and review a list of the mandatory fees assessed by their institution to in-state undergraduate students. The results of these questionnaires were transposed into a database. Additionally, JLARC staff transcribed student responses that were provided verbally during the group interviews.

Because of the limited sample size at each school, school-by-school results are not reported. However, inferences were drawn where substantial commonalities were found across the group of 205 students who participated.

Group interviews were chosen as the method for gathering student input instead of a statewide survey of students primarily because institutional staff cautioned that surveys would yield very low participation rates. Across schools, staff noted students suffer from "survey fatigue" after receiving many surveys throughout the year. Group interviews also allowed students to provide additional context to their responses to the JLARC staff questionnaire on non-academic features of their school.

Stakeholders and Institutional Staff from Other States

Finally, JLARC staff interviewed several higher education stakeholders early in the project, including David Feldman and Robert Archibald at William & Mary; Margaret Miller and David Breneman at the University of Virginia; Mary Morris and staff at Virginia529; Minnis Ridenour at Virginia Tech; and Don Finley of the Virginia Business Higher Education Council. These interviews were conducted to obtain general background information on higher education topics in Virginia and nationwide.

JLARC staff also conducted a phone interview with housing staff from the University of Kentucky to learn more about the impact of privatizing student housing facilities, operations, and maintenance.

CASE STUDIES OF AUXILIARY FUNCTIONS AT SELECTED INSTITUTIONS

To supplement the analysis of auxiliary enterprises, JLARC staff worked with institutional staff to identify examples of auxiliary enterprise cost structures and drivers at selected institutions. JLARC staff used case studies in the report to exemplify intercollegiate athletics, campus recreation, housing, and dining activities. Examples about intercollegiate athletics were used to show the growth in student fees and expenditures at ODU and LU after certain decisions were made to increase investment in athletic programs. A case study about campus recreation was used to demonstrate the impact of debt service on students' mandatory recreation fees. Case studies about housing and dining auxiliaries were used to highlight potential drivers of increased student housing and dining charges, as JLARC staff's correlation analysis of potential drivers did not produce statistically significant results.

QUANTITATIVE ANALYSIS

JLARC staff collected data from a variety of sources during the course of this study. Data from National Collegiate Athletics Association (NCAA) reports were used to assess the impact of intercollegiate athletics on institutional and student costs. JLARC staff also collected data from each institution to evaluate the institutional costs and student fees associated with campus recreation, housing, dining, and debt service. In addition, JLARC staff used data collected by the State Council of Higher Education for Virginia (SCHEV), the National Center for Education Statistics (NCES), the U.S. Bureau of Labor Statistics (BLS), and the U.S. Department of Housing and Urban Development (HUD) to assess how student charges from housing and dining in Virginia compare to charges locally and nationwide.

Data Provided by Institutions on Intercollegiate Athletics

The 14 NCAA member institutions provided JLARC with their NCAA Revenue and Expense Reports from 2006-07 to 2011-12. Most of the data analysis in Chapter 2 of the report uses these self-reported numbers. JLARC staff also collected various data from the institutions, including average student attendance at home games and authorized capital projects.

In order to present a table with comparable athletic fees across all Virginia institutions, JLARC staff requested data from athletic and finance administrators. The request asked each athletic program to provide a fee amount which captured the athletic component of the mandatory fees (as listed in the SCHEV report), less any portion which supports campus recreation, plus athletic debt service, operation and maintenance of athletic facilities, and the athletic indirect cost recovery rate (on a per student basis), if not included in the amount reported to SCHEV.

Data Provided by Institutions on Revenues, Expenditures, Student Fees, and Student Utilizations for Auxiliary Enterprises

To collect financial, operational, and utilization data for each institution's recreation, housing, and dining enterprises, JLARC staff developed several data collection instruments. The data collection instruments included a definitions page that was designed to ensure schools submitted similar data. For all instruments, data was collected on revenues, expenses, utilization, and student fees. For the housing and dining data collection instruments, data on reserves was also requested. The recreation data collection instrument included several tabs with questions regarding staffing, pricing of features, and access to facilities. While data was collected from all 15 institutions, some institutions had recently changed accounting systems, limiting the years for which financial information was available. These limitations are noted where applicable in the report.

Housing Charges in Virginia Compared to Other Markets and Higher Education Institutions

JLARC staff used data collected by SCHEV to assess the increase in average student housing charges at Virginia's public four-year institutions between 2003-04 and 2012-13. The increase in housing charges at Virginia public four-year institutions was compared to the following measures to assess trends in the growth of housing charges both locally and nationwide:

- local fair market rent (FMR) for 15 localities in which institutions are located between FY 2004 and FY 2013; and
- national consumer price index (CPI) rent between December 2003 and December 2012.

To evaluate the actual price that students pay for housing each year at Virginia institutions, JLARC staff compared student housing rates at Virginia's public four-year institutions in 2011-12 to the following:

- local FMR rates in FY 2012;
- national average housing charge across all public four-year institutions in 2011-12;
- average housing charge across all private four-year institutions nationwide in 2011-12; and
- average housing charge across institutions with similar housing characteristics nationwide in 2011-12.

As part of the evaluation of housing charges, JLARC staff identified public and private four-year institutions with similar housing characteristics to public four-year institutions in Virginia. Similarities were identified based on the following characteristics:

- (i) geographic location;
- (ii) institution size;
- (iii) potential residential student population; and
- (iv) net price of attendance.

JLARC staff sorted institutions into different groups based on their similarities and calculated an average housing charge for each group. Staff then determined the extent to which housing charges at Virginia public four-year institutions were above or below the average charge at institutions in their group. The average housing charge at Virginia public four-year institutions was also compared to the average housing charge for all institutions that shared similarities with Virginia public four-year institutions (623 institutions in total).

Dining Charges in Virginia Compared to Other Higher Education Institutions

JLARC staff used data collected by NCES to assess the increase in average student dining charges at Virginia's public four-year institutions between 2003-04 and 2012-13. The increase in dining charges at Virginia public four-year institutions was compared to the following measures to assess trends in the growth of dining prices nationwide and the growth of student dining charges at both public and private institutions:

- national average consumer price index (CPI) meal consumed out between December 2003 and December 2012;
- average dining charges for private four-year institutions in Virginia in 2012-13; and
- average dining charge for public and private four-year institutions nationwide in 2012-13.

To evaluate the actual price that students pay for dining each year at Virginia institutions, JLARC staff compared NCES data on student dining rates at Virginia's public four-year institutions in 2012-13 to the following:

- average dining charge across all public four-year institutions nationwide in 2012-13;
- average dining charge across all private four-year institutions nationwide in 2012-13; and
- average dining charge across all private four-year institutions in Virginia in 2012-13.

Data on Debt Service

Data on institutional and auxiliary enterprise debt service was collected from each institution and from the Department of Treasury. Data on student charges came from SCHEV as well as from the institutions. Numerous interviews with institutional staff provided additional detail on practices concerning debt management and debt service. Staff from APA also provided additional background information.

REVIEW OF INSTITUTIONAL STUDIES AND RESEARCH LITERATURE

Through the course of the study, JLARC staff conducted a review of literature pertaining to auxiliary enterprises in general, as well as literature on the operation and considerations for intercollegiate athletics, campus recreation, and housing and dining. The study team also consulted SCHEV Tuition and Fees reports examine trends and detailed information on Virginia institutions' mandatory fee categories. JLARC staff relied upon the advice of several experts in the field of higher education in order to identify relevant literature, and also used Internet searches to identify material of interest to the study team.

Appendix

C List of Sports at Virginia Institutions

	CNU	CWM	GMU	JMU	LU	NSU	ODU	RU	UVA-W	UMW	UVA	VCU	VMI	VT	VSU
Men's Sports															
Baseball	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Basketball	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Football	X	X		X		X	X		X		X		X	X	X
Golf	X	X	X	X	X		X	X	X		X	X		X	X
Gymnastics		X													
Lacrosse	X									X	X		X		
Rifle													X		
Rowing										X					
Sailing	Coed						X								
Soccer	X	X	X	X	X		X	X		X	X	X	X	X	
Swimming		X	X				X			X	X		X	X	
Tennis	X	X	X	X	X	X	X	X	X	X	X	X		X	X
Track, Indoor	X	X	X			X		X		X	X	X	X	X	X
Track, Outdoor	X	X	X			X		X		X	X	X	X	X	X
Track, X-Country	X	X	X		X	X		X	X	X	X	X	X	X	X
Volleyball			X												
Wrestling			X				X				X		X	X	
Women's Sports															
Basketball	X	X	X	X	X	X	X	X	X	X	X	X		X	X
Bowling						X									X
Equestrian										X					
Field Hockey	X	X		X	X		X	X		X	X	X			
Golf		X		X	X		X	X			X				
Gymnastics		X													
Lacrosse	X	X	X	X	X		X			X	X			X	
Rifle													X		
Rowing			X				X			X	X				
Sailing	Coed						X								
Soccer	X	X	X	X	X		X	X		X	X	X	X	X	
Softball	X		X	X	X	X		X	X	X	X			X	X
Swimming		X	X	X			X	X		X	X		X	X	
Tennis	X	X	X	X	X	X	X	X	X	X	X	X		X	X
Track, Indoor	X	X	X	X		X		X		X	X	X	X	X	X
Track, Outdoor	X	X	X	X		X		X		X	X	X	X	X	X
Track, X-Country	X	X	X	X	X	X		X	X	X	X	X	X	X	X
Volleyball	X	X	X	X		X		X	X	X	X	X		X	X
Water Polo													X		

Appendix

D

Recreation User Fees and Memberships

The following figures summarize whether and how institutions charge users for additional programs or services (Figure D-1) and to access their fitness centers (Figure D-2).

Figure D-1: Schools Could Consider Assessing Fees to Users of Services to Help Cover Their Costs

Recreation Program or Service Funded Entirely Through **User Fees (✓),** Through **Partial Support from Mandatory Fees (P)**, or **Entirely Through Mandatory Fees (X)**

Institution:	Group fitness classes and non-credit instruction classes	Intramural sports	Club sports	Personal fitness training services	Outdoor pursuits, excursions, and/or trips	Off-campus rental equipment	Locker services	Towel services
CNU	✓	**P**	✓		✓		✓	
CWM	✓	✓	✓	✓	✓	✓	✓	
GMU	**P**	**X**	**P**	✓	**P**		✓	✓
JMU	**P**	**X**	**P**	✓	**P**	**P**	✓	**P**
LU	**X**	**P**	✓	✓	**P**	✓		
NSU	**X**	**X**						
ODU	**X**	**X**	**P**	✓	**P**	**P**	✓	
RU	**X**	**P**	**P**		**P**	**P**		
UMW	**X**	**X**	**X**					
UVA	✓	**P**	✓	✓	✓	✓	✓	✓
UVA-W		**X**			✓			
VCU	**X**	**P**	✓	✓	✓	✓	✓	✓
VMI	**X**	**X**	**X**		**X**			
VSU		**X**			**X**		**X**	
VT	**P**	**P**	**P**	**P**	**P**	**P**		

Note: Blank spaces indicate service was reported as not being available on campus or being funded through different means, such as private donations and fund-raising.

Source: JLARC staff analysis of responses provided by institutional recreation staff.

Figure D-2: Schools Charging All Users of Recreation Centers Tend to Reduce Burden of Recreation Enterprise on Students

	Access to campus recreation facilities **with charge (✓)** or **without charge (O)**							
Institution	Faculty and staff	Family of faculty and staff	Alumni	Family of alumni	Guests of students	Other affiliated local residents	Charges all users of facilities?	% of Total Recreation Revenues Paid By Students (FY 2012)
CNU	O	✓	✓	✓	✓			90%
CWM	O	✓	✓	✓	✓	✓		95
GMU	✓	✓	✓	✓	✓	✓	✓	55
JMU	O	O	✓	✓	✓	✓		97
LU	✓	✓			✓		✓	97
NSU	✓						✓	97
ODU	✓	✓	✓	✓	✓		✓	89
RU	O	O			O			99
UMW	O	O			O			100
UVA	✓	✓	✓	✓	✓		✓	68
UVA-W	O	O	O	O	O			95
VCU	✓	✓	✓	✓	✓	✓	✓	87
VMI	O	O	O		O			99
VSU	O	O	O					100
VT	✓				✓		✓	92

Note: Blank spaces indicate facilities are not available to that particular group at that institution. In addition, several schools noted some minor exceptions to these policies, such as allowing alumni to access facilities on alumni weekend or charging faculty and staff to access certain facilities.

Source: JLARC staff analysis of responses provided by institutional recreation staff.

Appendix

E Housing Charges at Virginia Institutions Compared to National and Local Markets

This appendix provides additional information on how average housing charges at each of Virginia's 15 public four-year higher education institutions compare to charges at other higher education institutions nationwide and local rental markets. The data on housing charges shown in the table is from the U.S. Department of Education's National Center for Education Statistics (NCES) for academic year 2011-12, and the U.S. Department of Housing and Urban Development (HUD) for FY2012. Certain data may differ from other available sources, including housing charge data reported by the State Council of Higher Education in Virginia (SCHEV), because of data collection and reporting methods. Additional information on JLARC staff's analysis of Virginia institutions' housing charges compared to charges at similar higher education institutions nationwide and local rental markets can be found in Chapter 4 of the report and Appendix B.

Table E-1: Average Housing Charges at Virginia Public Four-Year Institutions Compared to Charges at Similar Institutions Nationwide and Local Rental Markets

		Similar Institutions*		HUD Fair Market Rent (FMR)		
Institution	VA Housing Charge	Similar Institution Housing Charge	% Difference from VA Housing Charge	Locality	FMR	% Difference from VA Housing Charge
CNU	$6,358	$5,943	-7%	Newport News city	$8,271	30%
CWM	5,112	6,549	28	Williamsburg city	8,271	62
GMU	5,350	5,307	-1	Fairfax county	11,952	123
JMU	4,184	5,487	31	Harrisonburg city	5,796	39
LU	5,260	4,853	-8	Prince Edward county	4,743	-10
NSU	5,051	5,394	7	Norfolk city	8,271	64
ODU	5,058	5,720	13	Norfolk city	8,271	64
RU	4,117	3,904	-5	Radford city	5,823	41
UMW	5,080	6,524	28	Fredericksburg city	11,952	135
UVA	4,946	5,720	16	Charlottesville city	7,830	58
UVA-W	5,273	4,035	-23	Wise county	4,131	-22
VCU	5,262	5,307	1	Richmond city	7,074	34
VMI	2,200	4,853	121	Lexington city	4,950	125
VSU	5,016	6,524	30	Chesterfield county	7,074	41
VT	4,138	5,307	28	Montgomery County	5,823	41

Note: Housing charges represent the average housing charge for a certain institution or locality. Housing charges are per year and represent a 9-month lease. NCES data is reported for academic year 2011-12 and HUD FMR data is reported for FY 2012.
* See Appendix B for additional information on JLARC staff analysis of similar institutions.

Source: JLARC staff analysis of information reported by institutions to NCES and HUD FMR data.

Appendix

F

SCHEV Capital Feasibility Report Prepared for 2012 General Assembly

SCHEV - Estimated Impact of New 9(d) Debt on Student Fees and Financial Aid Need - 2012-14

Year	Institution	Project	Debt Amount	Major Revenue Sources	Current Mandatory Non-E&G Fees	Increase in Mandatory Non-E&G Fees	Percent Increase	Increase in Financial Aid Need
2011	CWM	Renovate Auxiliary Facilities	$12,000,000	Increase in student activity fee	4,767.00	111.00	2.33%	$47,690
2011	GMU	Academic VII/Research III (E&G)	$28,000,000	IDC, Fund Raising	2,514.00	0.00	0.00%	$0
2011	GMU	Fairfax Campus Dining Renovation	$17,000,000	Food Service Revenue	2,514.00	0.00	0.00%	$0
2011	GMU	Facilities Complex Part 1 (E&G)	$26,616,000	Internal Cost Recoveries	2,514.00	0.00	0.00%	$0
2011	GMU	Renovate Baseball Stadium	$4,027,000	Increase in student activity fee	2,514.00	22.00	0.88%	$81,371
2011	GMU	Construct and Reno David King Hall	$6,250,000	Indirect Cost Recovery	2,514.00	0.00	0.00%	$0
2011	GMU	Johnson Center Learning Commons Dining Reno	$11,813,000	Food Service Revenue	2,514.00	0.00	0.00%	$0
2011	GMU	Construct Bull Run Hall IIIB Parking	$550,000	Parking and Transit Revenue	2,514.00	0.00	0.00%	$0
2011	GMU	Construct Economics Building	$30,735,000	Private Gifts	2,514.00	0.00	0.00%	$0
2011	GMU	Pedestrian Pathways Improvement	$4,172,000	Parking and Transit Revenue	2,514.00	0.00	0.00%	$0
2011	GMU	Renovate Robinson Hall and Harris Theatre	$3,400,000	Indirect Cost Recovery	2,514.00	0.00	0.00%	$0
	Subtotal		$132,563,000					
2011	JMU	University Recreation Addition	$56,983,000	Increase in student comprehensive fee	3,806.00	168.00	4.41%	$283,297
2011	JMU	Convocation Center	$88,000,000	Increase in student comprehensive fee	3,806.00	250.00	6.57%	$422,239
2011	JMU	East Campus Parking Deck	$29,621,000	Parking and Transit Revenue	3,806.00	0.00	0.00%	$0
	Subtotal		$174,604,000		3,806.00	418.00	10.98%	$708,384
2011	LU	Replace Willett Hall HVAC System	$830,000	Increase in student comprehensive fee	4,590.00	30.00	0.65%	$24,244
2011	LU	Campus Wide Building Efficiency	$3,470,000	Increase in student comprehensive fee	4,590.00	90.00	1.96%	$72,758
2011	LU	Additional Biomass Boiler	$1,037,000	Increase in student comprehensive fee	4,590.00	300.00	6.54%	$242,976
	Subtotal		$5,337,000		4,590.00	420.00	9.15%	$340,564
2011	ODU	Expand and Renovate Webb University Center	$19,945,000	Increase in student comprehensive fee	3,092.00	90.00	2.91%	$356,853
2011	ODU	Construct Campus Dining Improvements	$24,766,000	Meal plan revenues, Institutional reserves	3,092.00	0.00	0.00%	$0
	Subtotal		$44,711,000					
2011	VCU	MCV Campus Parking Deck	$29,265,000	User fees, other institutional sources	1,917.00	0.00	0.00%	$0
2011	VCU	Life Sciences II	$14,505,000	Facilities Admin Cost Recovery	1,917.00	0.00	0.00%	$0
2011	VCU	Oliver Hall	$3,905,000	Facilities Admin Cost Recovery	1,917.00	0.00	0.00%	$0
2011	VCU	Renovate Sanger Hall Phase II	$6,890,000	Facilities Admin Cost Recovery	1,917.00	0.00	0.00%	$0
	Subtotal		$54,565,000					
2011	VPI	Signature Engineering Building	$41,425,545	Gifts and Overhead Funds	1,610.00	0.00	0.00%	$0
2011	VPI	Performing Arts Center	$39,935,000	Gifts, Private Funds and Service Contract	1,610.00	0.00	0.00%	$0
2011	VPI	Chiller Plant Phase I	$8,040,000	Self-generated Fees and Student Fees	1,610.00	10.00	0.62%	$28,134
2011	VPI	Translational Research and Medicine Laboratory	$31,300,000	Gifts and Overhead Funds	1,610.00	0.00	0.00%	$0
2011	VPI	Computer Science and Engineering Building	$6,840,000	Overhead Funds	1,610.00	0.00	0.00%	$0
2011	VPI	Lane Hall Renewal and Expansion	$5,000,000	Gifts	1,610.00	0.00	0.00%	$0
2011	VPI	Randolph Hall Renewa	$13,800,000	Gifts	1,610.00	0.00	0.00%	$0
2011	VPI	Robeson Hall Renovation and Expansion	$17,150,000	Overhead Funds	1,610.00	0.00	0.00%	$0
2011	VPI	Vivarium and Research Addition	$20,250,000	Overhead Funds	1,610.00	0.00	0.00%	$0
2011	VPI	Veterinary Medicine Instruction Addition	$11,000,000	Vet Med Capital Fee	1,610.00	1,535.00	95.34%	$4,456,783
2011	VPI	Chiller Plant Phase II	$9,040,000	Self-generated Fees and Student Fees	1,610.00	11.00	0.68%	$31,074
	Subtotal		$203,780,545		1,610.00	1,556.00	96.65%	$4,519,484
2011	VSU	Student Union Building	$34,547,000	Increase in comprehensive fees	2,684.00	625.00	23.29%	$1,002,861

SCHEV - Estimated Impact of New 9(d) Debt on Student Fees and Financial Aid Need - 2012-14

Year	Institution	Project	Debt Amount	Major Revenue Sources	Current Mandatory Non-E&G Fees	Increase in Mandatory Non-E&G Fees	Percent Increase	Increase in Financial Aid Need
2011	VSU	Gateway Residence Hall II - Parking Component	$530,712	Residence Hall Fee	2,684.00	0.00	0.00%	$0
	Subtotal		$35,077,712					
2011	VCCS	Construct Student Commons, RCC - Glenns	$2,382,240	Comprehensive Student Fee	95.70	330.00	344.83%	$130,194
2011	VCCS	Construct Student Commons, RCC - Warsaw	$2,382,240	Comprehensive Student Fee	95.70	330.00	344.83%	$130,194
						660.00		$260,640
2011	VCCS	Construct Parking Garage, TCC - Chesapeake	$25,893,000	Comprehensive Student Fee	805.50	129.00	16.01%	$897,903
2011	VCCS	Construct Parking Garage, NVCC - Annandale	$16,910,250	Comprehensive Student Fee	198.00	90.00	45.45%	$396,241
2011	VCCS	Construct Parking Garage, NVCC - Loudoun	$16,910,250	Comprehensive Student Fee	198.00	90.00	45.45%	$396,241
2011	VCCS	Construct Parking Garage, NVCC - Woodbridge	$23,466,750	Comprehensive Student Fee	198.00	90.00	45.45%	$396,241
						270.00		$1,188,475
2011	VCCS	Construct Parking Garage, JTCC - Midlothian	$6,614,000	Comprehensive Student Fee	49.80	40.00	80.32%	$57,771
2011	VCCS	Construct Parking Garage, JTCC - Chester	$6,614,000	Comprehensive Student Fee	49.80	40.00	80.32%	$57,771
	Subtotal		$101,172,730			80.00		$115,689
	Grand Total		$763,810,987					

2009-10 financial aid data file.
2011-12 tuition & fees as a base
increase over 2011-12 fees
VCCS used individual institutional fees as base, not the systemic number
need & number of students based upon the Partnership Model

Appendix

G Debt-Funded Capital Projects for Auxiliary Enterprises

The following table includes all debt-funded projects that were authorized between the 2002 and 2012 (inclusive) General Assembly Sessions and were purposed as serving a fully auxiliary (not E&G) function, according to institution staff. Authorized debt is not always fully utilized. The table that follows includes those projects identified by institutional staff as serving a partially auxiliary function.

Fully Auxiliary **Debt-Funded Auxiliary Capital Projects Authorized Between 2002 and 2012**	**Total Authorized Amount**
9(c) Debt-Funded Projects (Project Number)	**$1,309,307,470**
CNU	**$74,667,000**
Construct Residence Hall VII (17857)	$37,000,000
Construct Residence Hall V (17359)	$32,667,000
Renovate Santoro Residence Hall (17837)	$5,000,000
CWM	**$80,280,000**
Renovate Campus Center and Trinkle Hall (17554)	$35,000,000
Construct New Dormitory (17808)	$25,800,000
Renovate Dormitories (17933)	$5,000,000
Renovate Dormitories (17281)	$5,000,000
Renovate Residence Halls (17811)	$4,500,000
Renovate Graduate Student Dormitories (17555)	$2,500,000
Renovate Commons Dining Hall (16647)	$1,480,000
Construct Dormitory (17808)	$1,000,000
GMU	**$375,072,700**
Construct Student Housing VII (17056)	$106,556,000
Housing VIII (17570)	$102,460,000
Construct Housing VII and Entrance Road Realignment (17367)	$48,486,000
Construct Student Housing IX-A (17929)	$41,071,000
Smithsonian CRC Housing (17572)	$17,804,000
Renovate Commons (17841)	$16,002,000
President's Park Phase II Renovation (17540)	$15,633,000
Renovate Student Housing, President's Park I (17050)	$10,540,000
Renovate Commonwealth and Dominion Housing Facilities (16690)	$9,332,700
Renovate Student Housing, President's Park I (17050)	$3,340,000
Renovate Student Apartments (17844)	$3,098,000
Construct Housing VII (17367)	$750,000
JMU	**$139,277,170**
Student Housing Phase I (17949)	$50,000,000
Construct New Residence Hall (17329)	$34,284,000
Renovate Bluestone Dormitories, Phase IV (17330)	$23,909,000
Construct New Dining Facility (17439)	$18,914,170
Renovate Bluestone Residence Hall, Phase 3 (16687)	$9,170,000
Construct Dining Hall (17439)	$3,000,000

LU	**$35,732,000**
Renovate Stubbs Hall (17321)	$13,878,000
Renovate Cox Hall (17320)	$12,893,000
Renovate Housing Facilities (16874)	$8,961,000
ODU	**$92,358,000**
Construct Residence Hall, Phase II (17342)	$67,245,000
Renovate Student Housing, Phase 2 (17945)	$23,113,000
Renovate Student Housing, Phase I (16688)	$2,000,000
RU	**$41,410,000**
Renovate Residence Halls (17565)	$36,000,000
Renovate Washington Hall housing unit (17948)	$5,410,000
UMW	**$10,000,000**
Acquisition of Student Residence Facilities (16686)	$10,000,000
VCU	**$82,602,000**
Construct West Grace Street Housing, North (17896)	$33,763,000
Construct West Grace Housing and Parking, Phase I (17832)	$33,566,000
Monroe Park Housing (17109)	$15,273,000
VSU	**$141,437,000**
Demolish Student Village and Construct Gateway 500, Phase II (17531)	$38,342,000
Construct Quad, Phase II (17895)	$30,816,000
Construct Two Residence Halls (17479)	$26,253,000
Construct Residence Halls (17307)	$19,529,000
Construct Student Village 240 Bed Residence Hall (16685)	$10,952,000
Construct Dining Hall (17309)	$7,925,000
Renovate Howard Hall Housing (17308)	$7,620,000
VT	**$236,471,600**
Renovate Ambler Johnston Hall residential (17557)	$65,000,000
Construct Academic and Student Affairs Building (17859)	$35,153,000
Construct New Residence Hall (16682)	$30,047,000
Parking Structure (17804)	$30,000,000
Construct New Residence Hall (17478)	$27,000,000
Parking Facilities and Improvements (16696)	$13,000,000
Improve Residence and Dining Halls (17294)	$10,000,000
Construct Dining and Student Union Facility (16683)	$6,250,000
Renovate Dietrick Servery, Phase II dining (16681)	$5,000,000
Renovate Owens and West End Market Food Courts (17558)	$5,000,000
Parking Auxiliary Projects (14815)	$4,942,700
Improve Major Residence and Dining Hall (17008)	$4,000,000
Major Repairs Dorm and Dining (14303)	$1,078,900
9(d) Debt-Funded Projects (Project Number)	**$1,737,051,368**
CNU	**$88,335,000**
Residence Hall IV Construction (16742)	$23,000,000
Residential Housing (17632)	$13,500,000
Parking Deck II and Surface Lots (17046)	$9,200,000
Parking Deck I Construction (16707)	$8,400,000
Expand Athletic Facilities II (17361)	$8,300,000
Athletics Expansion (16520)	$7,300,000
Expand Residential Dining Facility (17898)	$4,750,000
Renovate Student Center (16346)	$4,385,000
Alumni House (17800)	$4,000,000
Residence Hall Roof Replacement (17873)	$3,000,000
Track Complex Construction/Renovations (16519)	$2,500,000
CWM	**$112,183,000**

New Dormitory (16691)	$29,651,000
Construct Cooling Plant & Utilities (17651)	$24,354,000
Parking Deck (16410)	$13,664,000
Improve Auxiliary Facilities (17934)	$12,000,000
Recreation Sports (16692)	$9,150,000
Football Field Practice Facility (Laycock Football Facility) (16579)	$5,850,000
Renovate Power Plant and Make Utility Improvements (17446)	$5,364,000
Improve Intercollegiate Athletic Facilities (17164)	$4,500,000
Expand Recreation Sports Center (17187)	$2,750,000
Residence Hall Fire Safety (17446)	$2,100,000
Improve Intercollegiate Athletic Facilities (17553)	$2,000,000
Reconstruct Ash Lawn-Highland Barn (17810)	$800,000
GMU	**$319,267,000**
Construct Conference Center (& Hotel) (17374)	$50,000,000
Prince William Performing Arts Center (16745)	$40,000,000
Construct Parking Deck III (17049)	$32,524,000
Construct Parking Deck III, Phase II (17573)	$27,237,000
Renovate and Construct Addition to Student Union I (17485)	$26,334,000
Construct Patriot Center addition, phase II (15812)	$21,451,000
Construct Parking Deck II (16709)	$17,856,000
Enhance Fairfax Campus Dining (17917)	$17,000,000
Construct West Campus Connector and Campus Entrances (17574)	$13,922,000
Construct Addition Field House (17143)	$13,815,000
Renovation Student Union Building II (16253 to 17366)	$12,009,000
Student Union III (17051)	$10,021,000
Renovate Field House (17843)	$9,186,000
Fairfax Aquatic Fitness Center Addition (16710)	$7,027,000
Student Union III (II) (17508)	$6,000,000
Construct Smithsonian Conservation and Research Center Housing and Dining (17572)	$5,250,000
Prince William Phase II Parking Loop Road (15659)	$3,200,000
Repair Aquatic and Fitness Center HVAC (17845)	$2,526,000
Construct and Improve Softball Field Complex (17369)	$2,109,000
Child Development Center (17191)	$1,800,000
JMU	**$309,654,000**
Convocation Center (17963)	$88,000,000
University Recreation Center Addition (17953)	$56,983,000
Renovate and Expand Bridgeforth Stadium (17331)	$47,000,000
Renovate and Expand Athletics and Recreation (17562)	$44,253,800
Parking Deck (17941)	$29,621,000
Construct Student Health Center/East Wing (17824)	$11,900,000
Renovate Parking Deck (New Construction: Parking Deck) (17098)	$8,600,000
Construct Softball and Baseball Complex (17505)	$7,000,000
Renovate West Wing, Rockingham Hospital (17674)	$6,000,000
Acquisition: Acquire Land (17440)	$4,550,000
Construct Recreation Fields (17096)	$3,746,200
Bridgeforth Stadium (16396)	$2,000,000
LU	**$75,420,000**
New Fitness Center (16420)	$17,481,000
Construct Addition and Renovate Lankford Hall (17318/17893)	$15,000,000
Renovate Athletic Offices and Support Facilities (17322)	$11,961,000
Modernize Heating Plant Phase II (17017)	$5,620,000
Upgrade Heating Plant Phase III (17323)	$5,102,000
Renovate Blackwell & Bookstore (17019)	$4,813,000

Lacrosse/Field Hockey Complex (17018)	$4,571,000
New Parking Garage (16700)	$4,500,000
Renovate Baseball and Softball Fields (17319)	$2,558,000
Renovate Lancer Gym & Willett Hall (17147)	$2,063,000
Construct Soccer Fields (17018)	$1,751,000
NSU	**$42,220,000**
Renovate and Expand Student Center (16873)	$42,220,000
ODU	**$157,905,125**
Powhatan Sports Complex (17483)	$40,500,000
Campus Dining Improvements (17946)	$24,766,000
Construct Student Dormitory (17195)	$23,745,125
Expand & Renovate Webb Ctr (17947)	$19,945,000
Construct Parking Facility on 49th Street (17347)	$14,609,000
Quad Parking Structure (17344)	$8,816,000
Construct Indoor Tennis Center (17031)	$8,065,000
Relocate and Expand Athletics Facilities (17033)	$7,559,000
Parking Structure-Lot 30 (16089)	$6,025,000
Improve Webb University Center (17640)	$3,875,000
RU	**$32,000,000**
Construct Student Fitness Center (17563)	$32,000,000
UMW	**$125,000,000**
Construct Dining and Student Center (17909)	$45,000,000
Construct Residence Halls (17507)	$40,000,000
Construct Convocation Center (17021)	$27,000,000
Parking Deck (17022)	$6,000,000
Indoor Tennis Facility Construction (16321)	$2,500,000
Improve Battlefield Athletic Complex (17860)	$2,500,000
Renovate Goolrick Field (Recreation) (17506)	$2,000,000
VCU	**$266,302,000**
Construct Monroe Park and MCV campus recreation facilities (17452)	$57,523,000
Monroe Park Campus Parking/Housing Facility (Housing portion) (17109)	$33,429,000
Construct Academic Campus housing III (Rhoads Hall II) (16703)	$29,000,000
Construct West Grace Street Parking Deck (17566)	$24,250,000
Gladding Residence Hall (16338)	$21,725,000
Refinance Ackell Residence Center I (16093)	$13,650,000
Construct Parking at 11th and Broad Street (8th Street Parking Deck--OS) (16879)	$13,200,000
Central Dining Facility (16722)	$12,508,000
Belvidere and Grace Parking (17566)	$11,445,000
Student Commons Phase III Project (16401)	$10,000,000
Bowe St Parking, Arts Lab and Athletic Facility Proj (16406)	$9,900,000
Construct Academic Campus housing IV and parking (Parking portion) (16578)	$9,035,000
Capital Med Housing (16403)	$8,215,000
Construct West Grace Housing and Parking (Parking portion) (17832)	$7,422,000
Renovate Hunton Hall (17110)	$5,000,000
VMI	**$2,816,000**
Construct South Hill Parking (17559)	$2,816,000
VSU	**$10,270,151**
VSU: Renovations to Rogers Stadium (16121)	$8,870,151
VSU: Improve Student Housing (17207)	$1,400,000
VT	**$195,679,092**
Renovate Henderson Hall (Performing Arts Center) (16758)	$58,000,000
Stadium Expansion (16480)	$56,800,000
Alumni/CEC/Hotel Complex (16143)	$20,732,000

Construct Additional Recreation, Counseling, and clinical Space (17295)	$13,000,000
Upgrade Campus Heating Plant (17120)	$11,500,000
Construct Basketball Practice Facility (17529)	$9,400,000
Construct Chiller Plant (17657)	$7,639,092
Construct McComas Hall Exterior Wall Structure (17556)	$6,000,000
New Career Services Facility (16477)	$4,608,000
New Electric Services Facility (16483)	$3,000,000
Improve Graduate Student Center (17205)	$3,000,000
Improve Boiler Pollution (17009)	$2,000,000
UVA Bonded Projects (Project Number)	**$409,114,345**
UVA	**$388,016,545**
John Paul Jones Arena (16281)	$75,000,000
Alderman Road - Phase 2, Bldg 2 (17794)	$56,974,545
Alderman Road - Phase 3, Bldgs 3 & 4 (B1092)	$56,042,000
Alderman Road - Phase 4, Bldg E(5) and F(6) (B1171)	$53,600,000
11th Street Garage (17150)	$43,000,000
Alderman Rd Residence Area: O'Hill (Kellogg House) (16650)	$22,500,000
Ivy Road Parking Structure (16645)	$18,500,000
Newcomb Hall Renovations (B1099)	$13,700,000
Newcomb Hall Dining Expansion (B1076)	$3,500,000
Culbreth Road Garage (17151)	$11,900,000
Health System Parking Garage - South (16559)	$10,800,000
National Radio Astronomy Observatory (16280)	$7,400,000
Aquatics and Fitness Center (16383)	$5,500,000
Acquisition of 214 Sprigg Lane (Weedon House) (17198)	$4,700,000
Bookstore Expansion (B1065)	$3,600,000
Printing and Copying Services Building Addition (17475)	$1,300,000
UVA-W	**$21,097,800**
Wise Housing Division - Residence Hall III (17363)	$8,312,800
Wise - Culbertson Hall (Residence Hall II) (16963)	$7,185,000
Wise - New Dining Facility (17364)	$5,600,000
Grand Total	**$3,455,473,183**

Partially Auxiliary Debt-Funded Auxiliary Capital Projects Authorized Between 2002 and 2012	Total Authorized Amount
9(d) Debt-Funded Projects (Project Number)	**$251,420,293**
CNU	**$152,758,000**
Land Acquisition (17633)	$82,000,000
New Student Center (16706)	$36,308,000
Expand Freeman Center Gym (17360)	$26,100,000
Construct Ratcliffe Hall Addition (17567)	$8,350,000
GMU	**$68,650,293**
Construct Fairfax Surge Space Fit Out Data Center (17142)	$23,316,000
Renovate and Expand the Physical Education Bldg. (17054)	$17,003,000
Construct Academic II and Parking (Arlington) (17056/16523)	$16,625,293
Physical Education Addition (Phase II) (17368)	$11,706,000
JMU	**$8,000,000**
Acquire Rockingham Memorial Hospital (17168)	$8,000,000
ODU	**$22,012,000**
Health and PE Bldg Renovation (17103)	$22,012,000
UVA Bonded Projects (Project Number)	**$10,000,000**
UVA	**$10,000,000**
Observatory Hill Dining Replacement Facility (16094)	$10,000,000
Grand Total	**$261,420,293**

Appendix

H Privatization of Parking and On-Campus Housing at Higher Education Institutions

This appendix summarizes information about the decisions by two higher education institutions to privatize parking services (Ohio State University) and on-campus housing (University of Kentucky). JLARC staff have not independently validated the following information and have not surveyed staff at Virginia's 15 public four-year institutions to assess the feasibility or financial impact that similar privatization would have on these services at Virginia campuses. Staff at some institutions indicated they had conducted such a review of parking and determined it not to be feasible.

PRIVATIZATION OF PARKING SERVICES AT OHIO STATE UNIVERSITY

In 2012, Ohio State University (OSU) awarded a 50-year lease/contract to QIC Global Infrastructure (operating through QICParc, Inc., and its concessionaire, CampusParc L.P.) to manage its parking operations. OSU's parking operations include more than 36,000 spaces located in 196 surface lots and 18 parking structures around the campus. The school received an up-front payment of $483 million for this contract.

OSU's stated goals in privatizing its parking services were to generate funds to support its core academic mission, which had seen declining state funding, and to increase its endowment. Parking was not seen as a core part of the school's overall mission.

The $483 million received by OSU will be split into separate endowment-type funds with the interest on the funds being used for student financial aid, faculty recruitment, arts and humanities, and campus transportation, according to the OSU parking proposal website.

The contract allows parking fee increases of 5.5 percent per year for the first ten years and ties subsequent increases to the Midwest Consumer Price Index (CPI) or four percent per year, whichever is higher. Information on OSU's parking website indicates that price increases over the past several years were within that range, with double-digit increases through 2003 and annual increases of about five percent since.

PRIVATIZATION OF ON-CAMPUS STUDENT HOUSING AT THE UNIVERSITY OF KENTUCKY

Publicly-traded firms as well as private developers own and manage student housing at numerous college campuses nationwide,. In many cases, housing units supplied by these firms are off-campus and in addition to what the school provides, although some firms also operate housing units owned by colleges. Several publicly-traded real estate investment trusts (REITs) specialize in student housing, although these are typically off-campus locations. Some of these REITs are active in Virginia. For example, Campus Crest Communities, Inc., operates units containing more than 1,200 beds near JMU and has 500 beds near RU. American Campus Communities, Inc. operates 528 beds in Charlottesville.

Higher education institutions in other states have also established partnerships with private REITs and developers to renovate and construct new student housing facilities. The University of Kentucky (UK), for example, established a partnership with Education Realty Trust (EdR) in 2011 to build nearly 3,000 new beds on campus by August 2014. UK entered a 75-year contract with EdR that stipulates that EdR will build new housing facilities on campus using land leased from UK. UK retains both ownership of the land on which facilities are built and control of all residence life programming. The first phase of student housing built by EdR, 601 beds, is expected to open in the fall of 2013.

According to UK staff, privatizing student housing operations will allow UK to increase and improve its student housing facilities despite limited debt capacity at the state level. Student housing built by EdR is funded with debt-free equity, which is reported to eliminate the debt service costs typically associated with new construction for UK and its students. New housing built by EdR will also significantly reduce the deferred maintenance costs that UK was experiencing with its older housing facilities on campus. Prior to its partnership with EdR, UK housing facilities were 45 years old, on average, with few updated units, according to UK staff.

Students attending UK will also benefit from privatized student housing, according to UK staff. New housing units will be "living-learning communities" that incorporate classroom and learning spaces into residential areas. UK expects these features to improve student retention rates and academic performance. The charges that students pay to live in facilities built by EdR will also not increase from the rates charged by UK for premium housing due to a cost control clause in UK's contract with EdR.

Appendix I

Agency Responses

As part of an extensive validation process, State agencies and other entities involved in a JLARC assessment are given the opportunity to comment on an exposure draft of the report. JLARC staff provided an exposure draft of this report to the Secretary of Education and following State agencies and institutions:

State Council of Higher Education for Virginia
Christopher Newport University
College of William and Mary
George Mason University
James Madison University
Longwood University
Norfolk State University
Old Dominion University
Radford University
University of Mary Washington
University of Virginia
University of Virginia – Wise
Virginia Commonwealth University
Virginia Military Institute
Virginia State University
Virginia Tech

The Department of the Treasury was also provided a copy of Chapter 6 for review.

Appropriate corrections resulting from technical and substantive comments have been made in this version of the report.

This appendix includes written response letters provided by:

Secretary of Education
State Council of Higher Education for Virginia
George Mason University
Longwood University
University of Virginia
University of Virginia-Wise

COMMONWEALTH of VIRGINIA

Office of the Governor

Laura W. Fornash
Secretary of Education

August 29, 2013

Mr. Glen Tittermary

Director

Joint Legislative Audi and Review Commission

Suite 1100, General Assembly Building, Capital Square

Richmond, Virginia 23219

Dear Glen,

Thank you for the opportunity to review and comment on the draft report *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions.* I commend you and your team for the tremendous research and analysis conducted in preparation of this report. I support the recommendations as presented and believe they will provide greater transparency for the student and his/ her parent or family member. However, I've provided a few comments to consider before finalizing this report to provide additional context regarding non-academic services and auxiliary enterprises.

Little attention in the report is given to the value of non-academic services provide to the collegiate experience. Many students seek four year institutions to enjoy a residential experience with athletic programs, themed housing options, in addition to recreation and fitness facilities. Institutions and their boards of visitors must carefully evaluate how the cost of supporting these programs impacts the total cost a student or family pays to attend the institution.

Further, Chapter 1 of the report states that auxiliary enterprise revenues exceeded expenditures by an average of 17 percent at 11 institutions and then gives several reasons for this being the practice. The report should also state that sound good business practice, encouraged by the state, is to build reserves so that future renovation and other expenses can be provided for when needed. Institutions have bond rating covenants on auxiliary facilities that require reserves

Patrick Henry Building • 1111 East Broad Street • Richmond, Virginia 23219 • (804) 786-1151 • TTY (800) 828-1120

or balances to be built and held. Bond rating agencies emphasize risk management and control, especially liquidity. The State Council for Higher Education in Virginia has a Reserve Policy that requires an annual report from each institution on four reserve types: Operation, Renewal & Replacement, Major Renovations, Acquisitions and Plant or Program Expansion, and Bond Debt requirements. Without adequate explanation, the reader could be left with the impression that institutions charge students more than necessary. It may also be helpful to note the growth of enrollment during the years the report reviews for the non-academic fees.

In closing, I appreciate the work you and your team have done in response to House Joint Resolution 108. Governor McDonnell has made higher education a priority throughout his Administration. He has worked with the legislature to help begin to restore the budget cuts of the recession. At the same time, he also asked the institutions to increase their budget reallocations to priorities of the Commonwealth's higher education road map outlined in the Higher Education Opportunity Act of 2011 while keeping their tuition increases as low as possible. Our public institutions are becoming more efficient through maximizing facility usage, administrative cost savings, collaborating with other higher education institutions, greater energy management, and contracting services.

Please let me know how I can be of assistance to you or your team as you complete your work.

Sincerely,

Laura W. Fornash

Laura W. Fornash

AUG 30 2013

COMMONWEALTH of VIRGINIA

Peter Blake
Director

STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
James Monroe Building, 101 North Fourteenth Street, Richmond, VA 23219

(804) 225-2600
FAX (804) 225-2604
www.schev.edu

August 29, 2013

Mr. Glen S. Tittermary
Director
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Richmond, VA 23219

Dear Glen:

Thank you for the opportunity to review the exposure draft of JLARC's second report in fulfillment of HJR 108 (2012), entitled "Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions." Your staff has produced a thorough and clearly presented product. It supports the general impression that Virginia's colleges and universities have found a reasonable balance between baseline auxiliary services and extravagance.

Our observations center primarily on the context of the report. Auxiliary enterprises are a vital part of an institution's comprehensive educational mission. Residential, dining, and recreation services, and intercollegiate athletics contribute to the living-learning experience. Student engagement with and connection to the institution and the campus are proven factors in student retention and completion. Without this context, the reader may be left with the impression that auxiliary enterprises are add-ons, somehow separate from or in addition to the academic enterprise. Because this is so critical to understanding the higher education environment today, we recommend that you provide this context in Chapter One of your report.

Also important is an understanding of relationship between enrollment growth and the expansion of auxiliary enterprises. Over the last 10 years or so, the Commonwealth has encouraged public institutions to increase their enrollment, especially among undergraduate in-state students. These additional students must be housed and fed somewhere. An explanation of this growth would provide the reader with a richer understanding of why institutions have undertaken extensive dormitory and dining hall construction. To illustrate, you might consider adding a table showing the increase in in-state undergraduate enrollment and in housing and dining services since 2000.

Facilities costs also are driven by demand and condition. Students and their families expect good housing, dining, recreation and fitness facilities and services. Often, the strongest student demand is for the newest residence halls, which happen to be the most expensive. Further, dormitories and other auxiliary facilities generally are more expensive to construct or renovate than private facilities, which usually are not built with the same standards for quality, durability or projected lifespan.

We applaud the document's clear acknowledgement that auxiliary services are self-supporting activities and must generate funds to support operating and capital expenditures. As such, institutions need to build and maintain reserves both as a sound business practice and to moderate fee increases over time. It is important that institutions retain control of these funds. A JLARC recommendation along these lines would be helpful.

Finally, JLARC staff might give consideration to the sequencing of the chapters consistent with the amount of spending for these non-academic services. Housing and dining account for the majority of spending yet are the subjects of Chapters 3 and 4, while other, smaller components of auxiliary enterprises are featured in earlier chapters.

Overall, we find the report to be accurate and fair. More contextual information both within the narrative and at the beginning of the report would render it even stronger. Congratulations on completing this next phase of your project. We look forward to working with you on the remaining reports of HJR 108.

Sincerely,

Peter Blake

GEORGE MASON UNIVERSITY

Senior Vice President

4400 University Drive, MS 3B2, Fairfax, Virginia 22030
Phone: 703-993-8750; Fax: 703-993-8772

August 27, 2013

Mr. Glen S. Tittermary
Director
Joint Legislative Audit and Review Commission
201 North 9th Street, Suite 1100
General Assembly Building, Capitol Square
Richmond, Virginia 23219

Dear Mr. Tittermary:

We have received the draft report, *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions,* and would like to take this opportunity to thank you and the JLARC staff for giving George Mason University the opportunity to respond and address some of the issues in the draft report.

We appreciate the hard work evidenced by the report and find strengths in a number of sections, particularly key findings on cost of recreation below the private sector and housing/dining costs on average less than or below other institutions nationally. We believe the report is a fair review of auxiliary activities on our campus, which provide a significant student experience, but we would like to share some concerns and comments:

Recommendation 1 – Board mandated itemization of major components of mandatory fees on student invoices

We are concerned about the negative impact on some of our students that is inherent in the recommendation that institutions itemize the major components of all mandatory fees on student invoices. George Mason has more than two thousand students whose tuition is paid by a third party, and some payers will not pay mandatory fees that are listed separately. Thus, the requirement recommended in the draft report will have the unintended consequence of shifting the burden of this mandatory cost of education to these students. We support the disclosure of mandatory fee components on our web site, but we believe the student invoice is a business transaction that shouldn't be directed in a manner that unfairly disadvantages some of our students.

Recommendation 2 – Working group convened by SCHEV to create a standard way of calculating and publishing mandatory non E&G fees, including athletics

We support this recommendation and look forward to working with SCHEV and the other institutions.

Recommendation 3 – Board assessment of the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises

The draft report highlights George Mason's use of memberships to its recreational facilities, charges to all non-student users and tiered pricing as an example or model of how additional revenues can be generated to support recreational facilities. We would like to thank JLARC for using that data and we will continue to seek creative ways to support these facilities. We use revenue generating activities as one strategy to allow reallocation of student fees to our highest student focused priorities.

Chapter 3 – Recreation and Fitness Center Costs are Modest, But Mandatory Fees Could Be Reduced

We believe a more balanced title would be "Recreation and Fitness Center Fees are Modest, but Revenue Diversification is Possible". This would acknowledge the opportunity at some institutions to subsidize their recreation activities, as described in Recommendation 3. We also believe a more balanced presentation approach would be to reorder this chapter to focus first on revenues, then on expenses and conclude with issues related to alternative ways of generating revenue and reducing dependence on student fees. This is more consistent with how one would analyze a profit and loss statement.

George Mason University appreciates the opportunity to participate in this process. The Commonwealth's institutions of higher education have been a successful investment by Virginia's citizens and our students. We are fully committed to continuing the delivery of a quality higher education experience in an efficient, transparent manner.

Very truly yours,

Jennifer (J.J.) Wagner Davis
Senior Vice President for Administration and Finance

LONGWOOD
UNIVERSITY

201 High Street
Farmville, Virginia 23909
tel: 434.395.2001
fax: 434.395.2821
trs: 711

August 28, 2013

Mr. Glen S. Tittermary, Director
Joint Legislative and Audit Review Commission
Suite 1100, General Assembly Building
Capitol Square
Richmond, Virginia 23219

Dear Mr. Tittermary:

Thank you for the opportunity to review and respond to the Commission's report to the Governor and General Assembly on Non-Academic Services and Costs at Virginia's Public Higher Education Institutions.

The Commonwealth and its public colleges and universities can indeed rightfully boast of providing the best public higher education in America --- today just as has been true historically. Longwood, the third oldest public university in Virginia, celebrates its 175th anniversary this year.

Surveys regularly show that our students at Longwood deeply benefit from and enjoy their years here. Our University is a model of the classic tradition of residential liberal arts education. Most students clamor to live "on campus" and see the sense of community as a key facet of their college experience here. Campus housing is fundamentally important at other Virginia institutions as well, several of which place higher housing requirements on their students than do we.

Likewise, we are pleased that your report noted one of our unique programs, which reduces the cost of the meal plan for all students while helping our work study students meet a financial need and develop leadership skills. As you describe, all freshmen here who participate in the work study program must work in the dining hall, which lowers costs with our longtime private partner, ARAMARK. These work study students also receive in-service leadership training during this freshman year.

The Commission's report recommends that Virginia's colleges and universities seek new revenue streams for recreation and fitness centers to help offset costs. This summer in fact, as the Commission's report was being prepared, Longwood began to open our Health & Fitness Center for a fee to the thousands each year attending conferences at the University. More broadly, we are mindful of the effects of opening the Center to the general public, which would have consequences for its use by our students, but also likely cause lasting harm to the local YMCA, which is a celebrated institution in the community.

Office of the President

Lastly, concerning athletics, as the report notes, this past spring Longwood completed its first year in the Big South Conference, with notable success in several sports. Division I athletics and our success in the Big South Conference have contributed to a deeper sense of pride and spirit throughout the campus. The "Lancer Lunatics," in fact, have become one of the largest student organizations at the University and last year they were recognized by the Naismith organization as the best student section in the Big South. The spirit of a place is intangible but consequential. At the same time, the University understands that Division I athletics are expensive, and this summer we have initiated focused efforts to off-set these costs. With greater philanthropy and prudent budgeting, we hope to hold the athletic fee constant for several years.

We appreciate the opportunity to respond to the Commission's Report. Thank you for the fair-minded analysis and systematic review --- a hallmark of JLARC's work always.

Sincerely,

W. Taylor Reveley IV
President

UNIVERSITY of VIRGINIA
OFFICE OF THE VICE PRESIDENT FOR MANAGEMENT AND BUDGET

August 29, 2013

Mr. Glen S. Tittermary
Director, Joint Legislative Audit and Review Commission
General Assembly Building, Suite 1100
201 North 9th Street
Richmond, Virginia 23219

Dear Mr. Tittermary:

Thank you for providing the University of Virginia (U.Va.) an opportunity to review and comment on the draft report *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions*. The report presents a thorough review of some of the major non-academic activities that support life on a residential college campus. Per your letter of August 14, 2013, we have submitted technical comments and corrections on the comment website. This letter will address several other substantive issues about the operation of auxiliary enterprises at institutions of higher education in general and specifically at U.Va.

First, we would like to provide additional context about the costs associated with operating auxiliary enterprises. As noted in the report, auxiliaries are completely self-supporting operations and as such must generate sufficient revenues to offset operating and capital expenditures. Auxiliaries pay overhead charges to institutions to fully cover the cost of support services and are subject to state actions with regard to salary increases and benefits, including actions that may divert revenue from its intended purpose such as the VRS reversions to the state general fund in 2011 and 2012. It is also necessary for auxiliary enterprises to build and maintain reserves, contributions to which are planned as part of the annual operating budget. Reserves are then used for major maintenance and repairs, as well as renovation of existing physical plant and construction of new facilities. At U.Va., a policy adopted by the Board of Visitors in 2006 requires that self-supporting units annually expend for capital renewal purposes or contribute to a capital reserve at least one and one-half percent of a building's replacement value. The Association of Physical Plant Administrators (APPA) recommends an annual investment between two and three percent of replacement value.

In addition, providing high-quality products and services to meet students' expectations often results in increases in the cost of auxiliary services. At U.Va., for example, multiple factors contribute to higher than average dining plan prices including:

Madison Hall · Post Office Box 400227 · Charlottesville, Virginia 22904-4227
434-924-3349 · Fax: 434-924-4778
Colette@virginia.edu * www.virginia.edu/vpmb

(1) maintaining and supporting a dining program that offers a wide variety of choices and options (four residential dining rooms and 21 retail locations serving students from 7:00 a.m. until 2:00 a.m.); (2) elevating the overall quality of the dining program with an emphasis on better quality food products; (3) paying contract employees a starting wage comparable to the University's, which is higher than many other institutions or private retail food outlets; and (4) implementing a robust sustainability program that includes purchasing local, organic, and fair-trade food products and reusable or compostable disposable ware.

Second, U.Va. disagrees with the finding that student fees subsidize athletic programs. Although some institutions rely more heavily on student fees than others, these fees would be better characterized as another source of revenue among a diverse set of revenue sources that support collegiate athletic programs. Also as noted in the report, students receive a direct benefit from the athletic fee by having access to all home athletic events. Further, the report grants little consideration to the ancillary benefits of athletic programs which tend to build general community goodwill and foster relationships with key stakeholders that are beneficial to the institution as a whole.

Third, the report states that auxiliary projects are funded primarily through the issuance of bonds, with students paying the majority of the debt service. Important to this discussion are the various reasons why debt is the appropriate means to finance capital projects for auxiliary operations. Debt provides a low-cost option for financing projects, aligns the cost of facilities with the actual future users of the facilities, provides a dedicated revenue source to repay the debt, and assists in meeting the requirement that auxiliary operations remain self-supporting functions of the institution.

Finally, we would like to offer a further recommendation for consideration by the Commission. As accurately noted throughout the report, auxiliary enterprises are completely self-supporting and receive no state support. During difficult economic times, however, the state has sought to redirect auxiliary cash balances and interest earnings on those balances to the general fund. Such efforts jeopardize the self-supporting nature of these operations and often result in increased costs to our students. We would like to suggest that JLARC consider making an additional recommendation that the Governor and the General Assembly refrain from redirecting these funds from the institutions to the state general fund.

Thank you again for the opportunity to comment on the draft report. We enjoyed working with your staff who were not only interested in analyzing the data, but also in listening to the role auxiliary enterprises play at a university and why we make certain decisions about their operation. Please do not hesitate to contact me at 434-924-3349 or cc@virginia.edu if you have any questions or need additional information related to our response.

Sincerely,

Colette

Colette Sheehy
Vice President for Management and Budget

cc: President Teresa A. Sullivan, U.Va.
Pat Hogan, Executive Vice President and Chief Operating Officer, U.Va.

THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

Office of the Vice Chancellor for Finance & Administration

One College Avenue
Wise, VA 24293

PHONE (276) 328-0133
FAX (276) 328-0233

August 29, 2013

Glen S. Tittermary
Director
Joint Legislative Audit and Review Commission
201 North 9th Street
General Assembly Building, Suite 1100
Richmond, Virginia 23219

RE: UVA-Wise Supplemental Response

Dear Mr. Tittermary:

On behalf of the University of Virginia's College at Wise I want to thank you for the opportunity to provide additional input into JLARC's *Review of Non-Academic Services and Costs at Virginia's Public Higher Education Institutions.* The College has submitted technical adjustments via the on-line process for incorporation in the report.

The College believes it should be conveyed within the report that the review components of the report are essential to the overall deliverance of higher education. While the key component of higher education is the classroom, the out of classroom experiences are essential in formulating a well-rounded individual capable of being citizens of the Commonwealth who are able to adapt and change to our economic and social landscape now and in the future. Thus services such as outdoor recreation, intercollegiate athletics, housing and dining services and intermural activities are essential to the overall college experience of the student and must be viewed as an overall cost. Otherwise, if charged on an individual basis, students not knowing what to partake of would miss out on essential lifelong learning experiences and would price these services out of the realm of many students.

Increasing the detail of the statement may add an additional cost to the student as we change the requirements of the student information system. This also creates the potential for ramifications for students with third party payments which could create a situation where this could impact their financial aid, thus increasing the cost of attendance to students. The data is currently available for comparative purposes on the SCHEV website and we know that it is viewed by students, thus we would further create a duplication.

The study does not point out that auxiliary services also pay back to the Education and General Fund which enables educational opportunities to be continued and enhanced especially during the time of state funding downturn. This mandated state payment to the E&G side creates a component of the cost of auxiliaries which was not brought out in the report.

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The use of HUD Fair Market Rent as a comparison of residence hall costs is not valid in regards to Wise. While a remark is briefly mentioned about this, I must point out how significant this is. When Wise last had on campus rental housing for faculty, approximately seven years ago, we were required to have an independent evaluation of rental costs for these units every two years. At that time, the rental cost comparisons performed by a third party appraiser was significantly higher than those shown in the JLARC Report using HUD FMR.

We were going to comment on the use of the most expensive meal plan instead of the mandatory meal plan. This as shown in the draft skewed the data for UVA-Wise significantly due to a handful of students using an optional plan. However, with the request for information on the mandatory plan we now believe that the report will show a more accurate student meal cost.

Thank you for providing us with the opportunity to comment on the draft prior to its release. Should you care to discuss any of these points, do not hesitate to contact me.

Sincerely,

Simeon E. Ewing
Vice Chancellor for Finance
and Administration

cc: Donna Henry, Chancellor
Colette Sheehy

JLARC

Director

Hal E. Greer

Staff

Lauren W. Axselle
Erik Beecroft
Jamie S. Bitz
Justin C. Brown
Andrew B. Dickinson
Christopher J. Duncombe
Kathleen DuVall
Bridget E. Farmer
Katie A. Francis
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Joint Legislative Audit and Review Commission
201 North 9th Street• General Assembly Building • Suite 1100 • Richmond, Virginia 23219
804-786-1258 • Fax 804-371-0101 • http://jlarc.virginia.gov