



The Erosion of State Funding for Virginia's Public Higher Education Institutions Report Highlights

A Structural Problem: Fluctuations in state funding that result from cyclical economic conditions in Virginia present a tremendous challenge to the well-being of our public higher education institutions and the state's students and families.

- Between 1992 and 2010, general fund appropriations to public higher education in Virginia fell from 14% to 11% of total state appropriations. This aggregate decline in state funding has been masked by increases in funding when the economy is doing well followed by decreases in funding when the economy contracts.
- On a per student basis, general fund appropriations declined by 18% at four-year institutions and by 9% at the VCCS between 1992 and 2010. In contrast, tuition revenues from all sources increased by 90% for four-year institutions and 86% for the VCCS during the same time period. This means Virginia's students and their families are shouldering an ever-increasing portion of college costs.
- Based on the data provided in SHEEO's *State of Higher Education Funding 2008 Final Report*, Virginia ranked 40th for state and local appropriations. Our neighboring states to the north and south ranked substantially higher—Maryland ranked 14th while North Carolina ranked 7th.
- While the national average for educational appropriations was \$7,059 in 2008, Virginia's appropriation per student was \$1,254 lower at \$5,805.
- Virginia lags behind regionally as well. For 2008, Virginia's per student appropriations was the lowest of the 16 member states of the Southern Regional Education Board (SREB).

An Affordability Issue: As public higher education costs have increased, so has the financial burden on the state's residents, which is leading to an affordability challenge for ordinary Virginians.

- Virginia received a failing grade for affordability from the National Center for Public Policy and Higher Education (NCPPE) in its *Measuring Up 2008* national report card on higher education.
- Further exacerbating the affordability problem is the fact that reductions in state funding—which lead to tuition fee increases—usually occur during labor market downturns when Virginia's students and their families can least afford it.

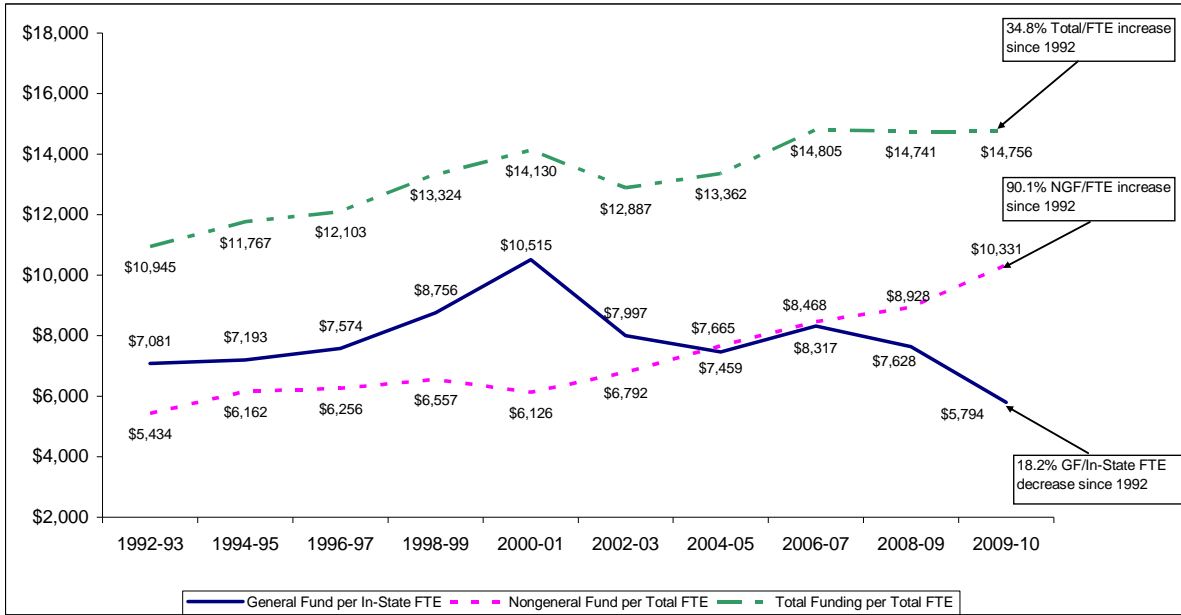
Maryland Case Study: While other states face many of the same funding challenges, Maryland's state government has established the Higher Education Investment Fund (HEIF) to help insulate their higher education system from experiencing deep budget cuts during economic downturns.

- This legislative action was accomplished by the state setting aside a small portion of the increase in their corporate tax rate that was instituted in 2007.
- In conjunction with the legislative action, the public universities were required to temporarily freeze tuition.
- For fiscal years 2008 and 2009, the Maryland General Assembly authorized \$16 million and \$54.3 million respectively for the HEIF.
- Although the transfers from the corporate tax increase to the HEIF were scheduled to end as of fiscal year 2009, the Maryland General Assembly decided to continue the transfers until fiscal year 2011.

Rationale for Change: The 1973 Carnegie Commission on Higher Education findings make clear that it is incumbent upon policymakers and the higher education community to formulate a funding policy that will minimize the impact of economic fluctuations on students and provide sufficient resources to the Commonwealth's colleges and universities.

- Economically, the Commonwealth has almost as much as the student to gain from a student's pursuit of higher education. A college education greatly increases an individual's earning potential and the multiplier effect of that higher income benefits the state's tax base and helps to create a healthy economy within the state.
- The naming of Virginia as the "Best State for Business" for the past three years by *Forbes*, and most recently by CNBC, is based in part on the educational attainment of the state's population. There is no question that a highly educated population will continue to encourage businesses to invest in Virginia.
- The growing importance of higher education as a requirement for sustainable employment imposes an ever-greater responsibility on the state to ensure that Virginia's public higher education institutions remain not only viable, but vibrant. In order to accomplish this goal, a long-term strategy will need to be developed to address the structural problem inherent in the current financing model.

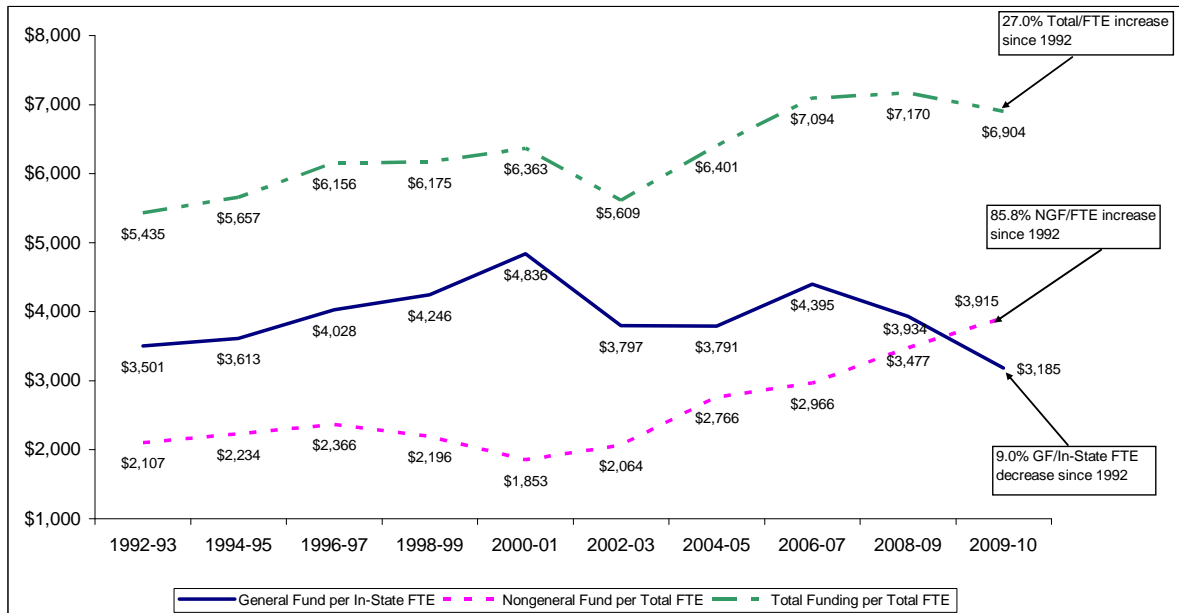
Average Funding per FTE Student at Four-Year Institutions (in 2009-10 constant dollars)



Notes:

- (1) Total Funding per Total FTE is not the sum of General Fund per In-State FTE and Nongeneral Fund per Total FTE.
- (2) FY09 and FY10 are based on projected enrollments. All other years are based on actual enrollments.
- (3) Nongeneral Fund per Total FTE includes funding from the American Recovery and Reinvestment Act of 2009.

Average Funding per FTE student at Virginia Community Colleges (in 2009-2010 constant dollars)



Notes:

- (1) Total Funding per Total FTE is not the sum of General Fund per In-State FTE and Nongeneral Fund per Total FTE.
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- (3) Nongeneral Fund per Total FTE includes funding from the American Recovery and Reinvestment Act of 2009.