



Business Practices Seminar

Evolving Higher Education Business Environment
April 20, 2017

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Overview

☐ Trends in Higher Education

- ☐ National Pressures
- ☐ Virginia Higher Education

☐ Opportunities for Virginia Tech

- ☐ Growing Demand for A Virginia Tech Education
- ☐ Rising Status of Virginia Tech

☐ Evolving Funding Model

- ☐ Philanthropy
- ☐ Strategic Partnerships
- ☐ Cost Containment

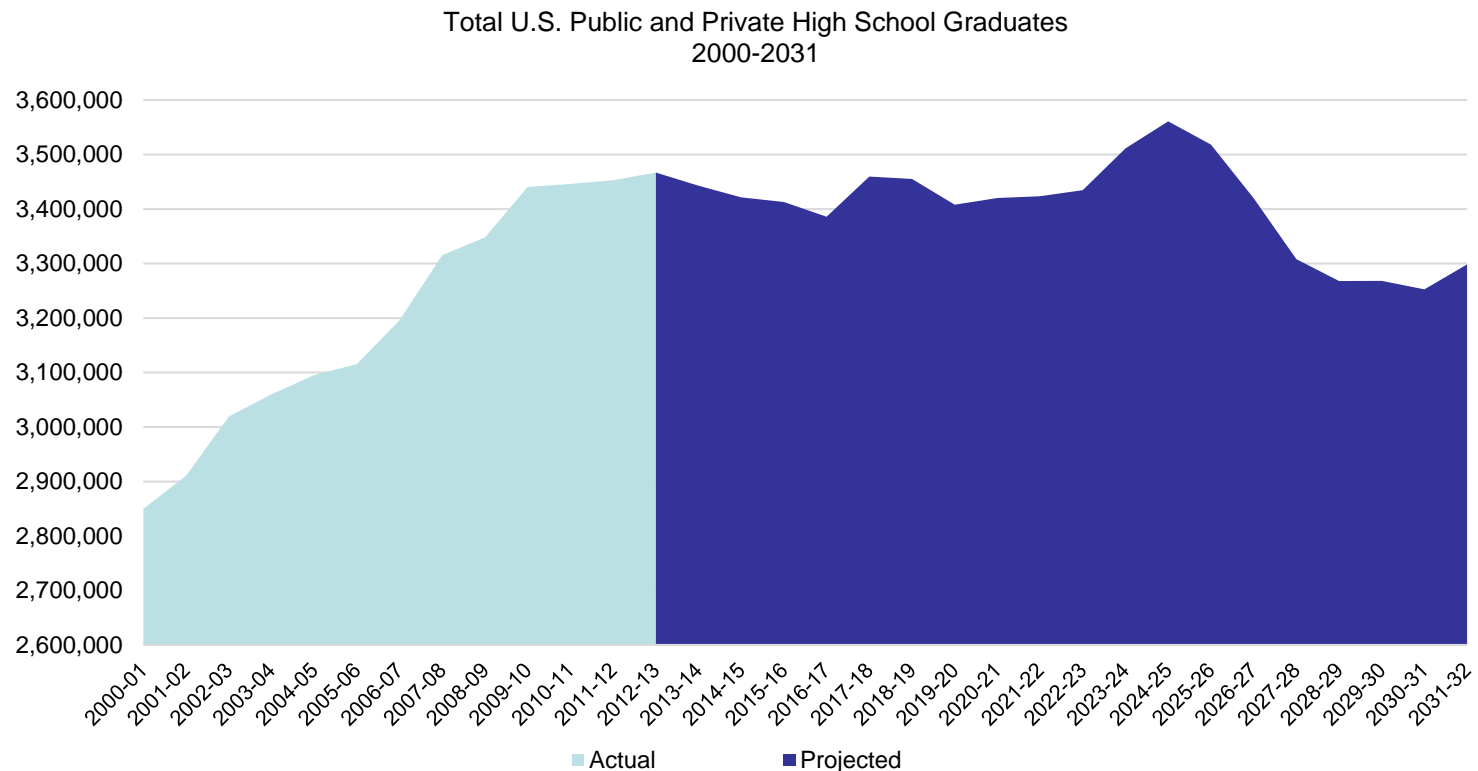
Trends in Higher Education



National Pressures

Enrollment

- Number of high school graduates will flatten and begin to shrink in coming years



Source: Western Interstate Commission for Higher Education (WICHE)

- *Already feeling impact:* More than four in ten private colleges and almost three in ten public colleges missed their goals for enrollment and tuition revenue in 2016.

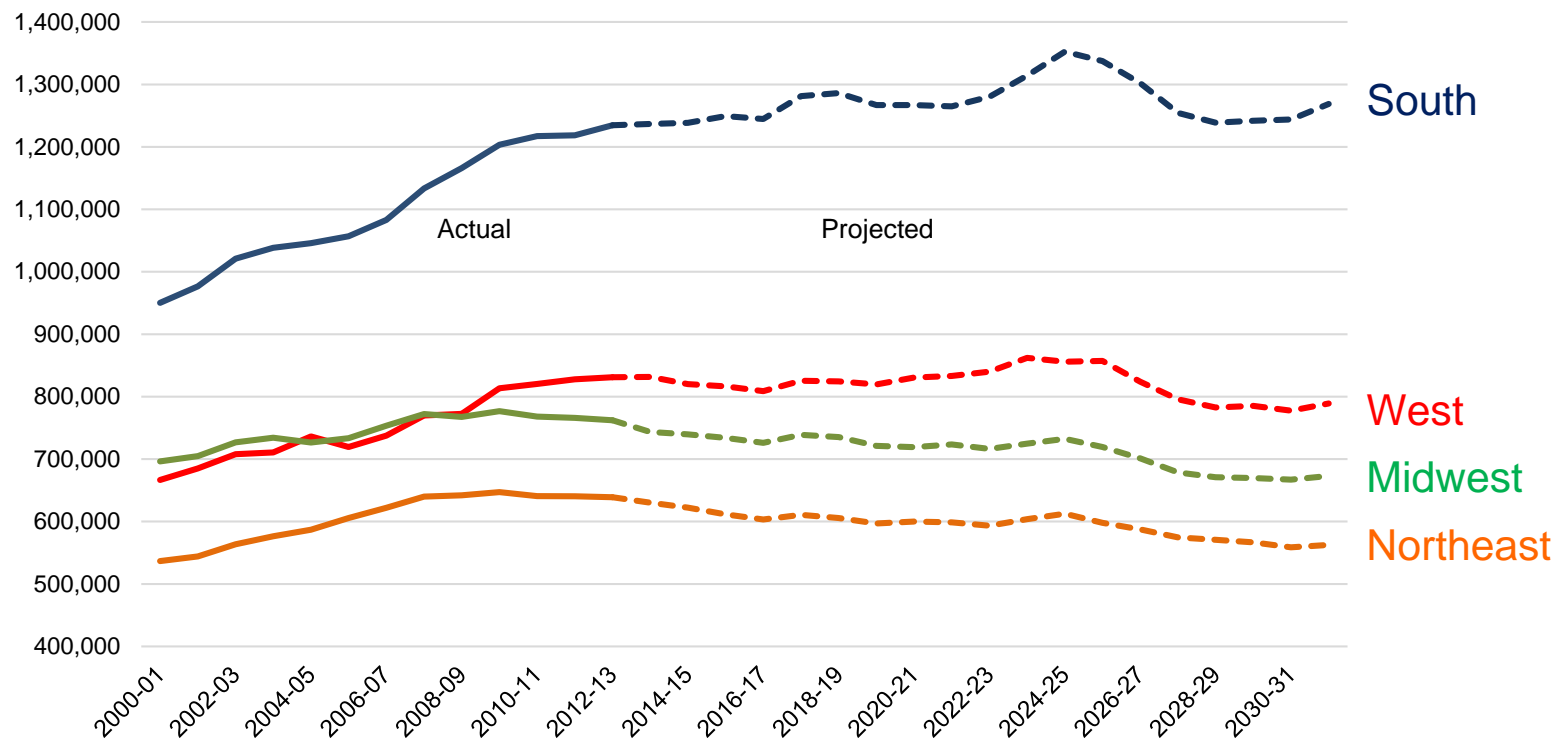


National Pressures

Enrollment

- In most regions, number of high school graduates will flatten/shrink in future
- South Region may experience some growth, but flatten over time (VT is in South)

Total U.S. Public and Private High School Graduates by Region
2000-2031





National Pressures

Possible Reductions to Federal Spending

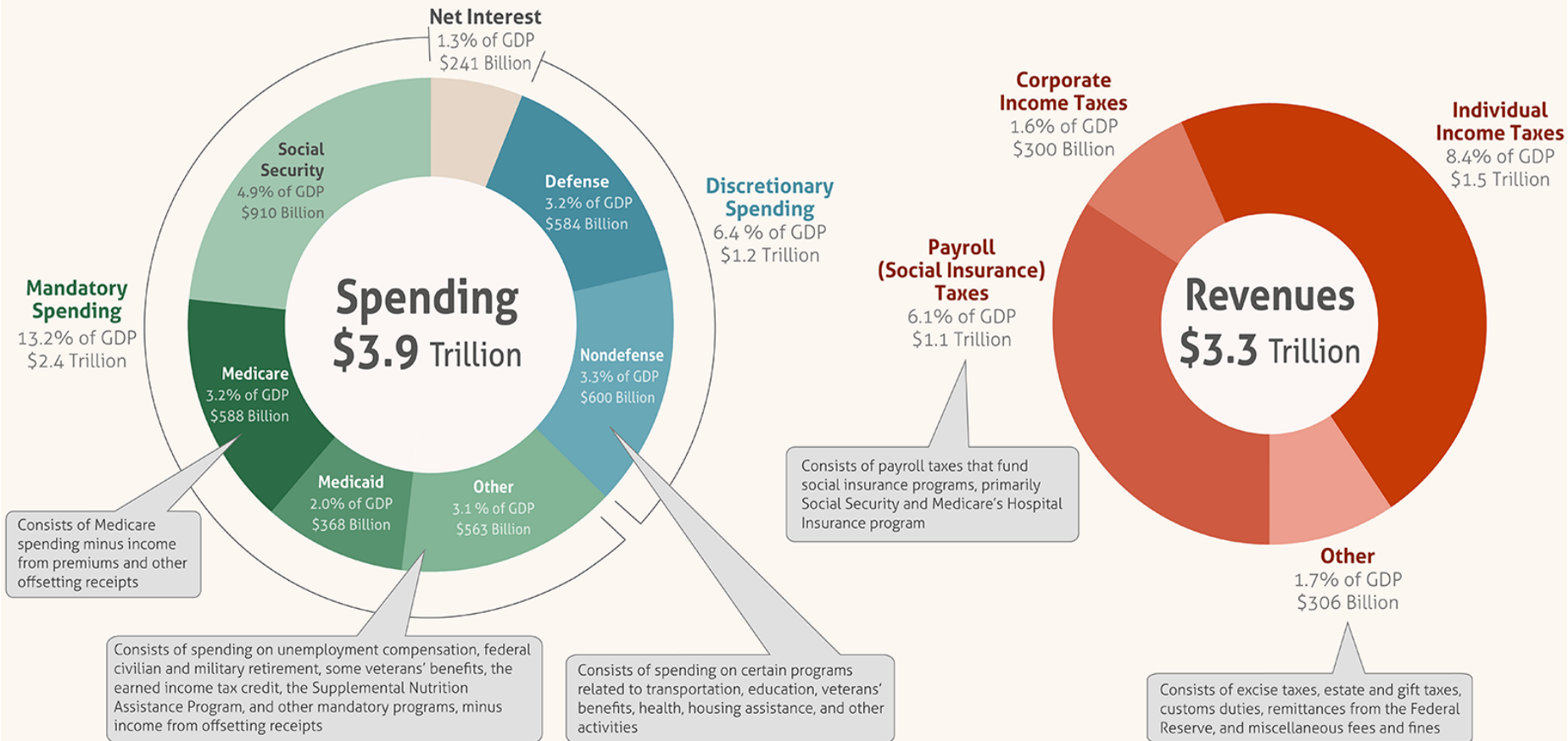
- **Mandatory** spending continues to grow
 - Medicare, Medicaid, other military and civilian benefits
- **Discretionary** spending includes Higher Education research & financial aid
- Large cuts proposed for the National Institutes of Health
- Possible changes to the structure and availability of some forms of federal student aid (Federal Work Study, Supplemental Equal Opportunity Grant)
- Impacts of hiring freeze or future reductions in federal workforce could negatively impact Virginia budget



National Pressures

Federal Spending by Category

- Discretionary vs. Mandatory Spending





National Pressures

Growing Student Debt

- Nationally, 68% of graduates have debt averaging \$30,100
- Net Price increasing faster than income, particularly for low-income families
- Concern at both federal and state level over rising debt



National Pressures

Average Debt per Borrower and Percentage of Students Graduating with Debt

Class of:		2011	2012	2013	2014	2015
VT	\$	\$ 24,175	\$ 25,672	\$26,807	\$27,865	\$28,873
	%	52%	54%	55%	53%	53%
National Average	\$	\$ 26,600	\$27,850	\$28,400	\$28,950	\$30,100
	%	66%	68%	69%	69%	68%

National Pressures

Net Price

- Total cost of attendance less average institutional financial aid package.
- Key component of the economic decision faced by a student/family.

	<u>Cost of Attendance</u>	<u>Net Price</u>	<u>Difference</u>
Virginia Tech	\$ 44,710	\$ 40,710	\$ 4,000
SCHEV Peer Average	<u>49,058</u>	<u>37,492</u>	<u>11,566</u>
Advantage/(Disadvantage)	\$ 4,348	\$ (3,218)	\$ (7,566)

	<u>Cost of Attendance</u>	<u>Net Price</u>	<u>Difference</u>
Virginia Tech	\$ 44,710	\$ 40,710	\$ 4,000
Regional Competitive Peers	<u>46,062</u>	<u>36,204</u>	<u>9,858</u>
Advantage/(Disadvantage)	\$ 1,352	\$ (4,506)	\$ (5,858)



National Pressures

Expectations of Modern University

Industry needs highly-skilled labor force:

- Jobs in STEM-H fields are growing faster than graduates (software development, data analytics, cybersecurity, etc.)
- Traditional degrees in liberal arts/humanities moving to be more technology-oriented and serve analytical roles within organizations (pattern-finders)

Universities increasingly relied upon as economic development drivers:

- Capital growth and employment in higher education centers and institutes
 - Research to develop new solutions and support commercialization
 - Focus on partnerships between higher education, local/regional/state governments, and private businesses to grow research and job opportunities
-



Virginia Higher Education

Limited Focused State Investment

In Virginia, mandatory costs are driving government spending, limiting opportunity for new investment in higher education.

- Health care
- Compensation
- Retirement
- K-12 education

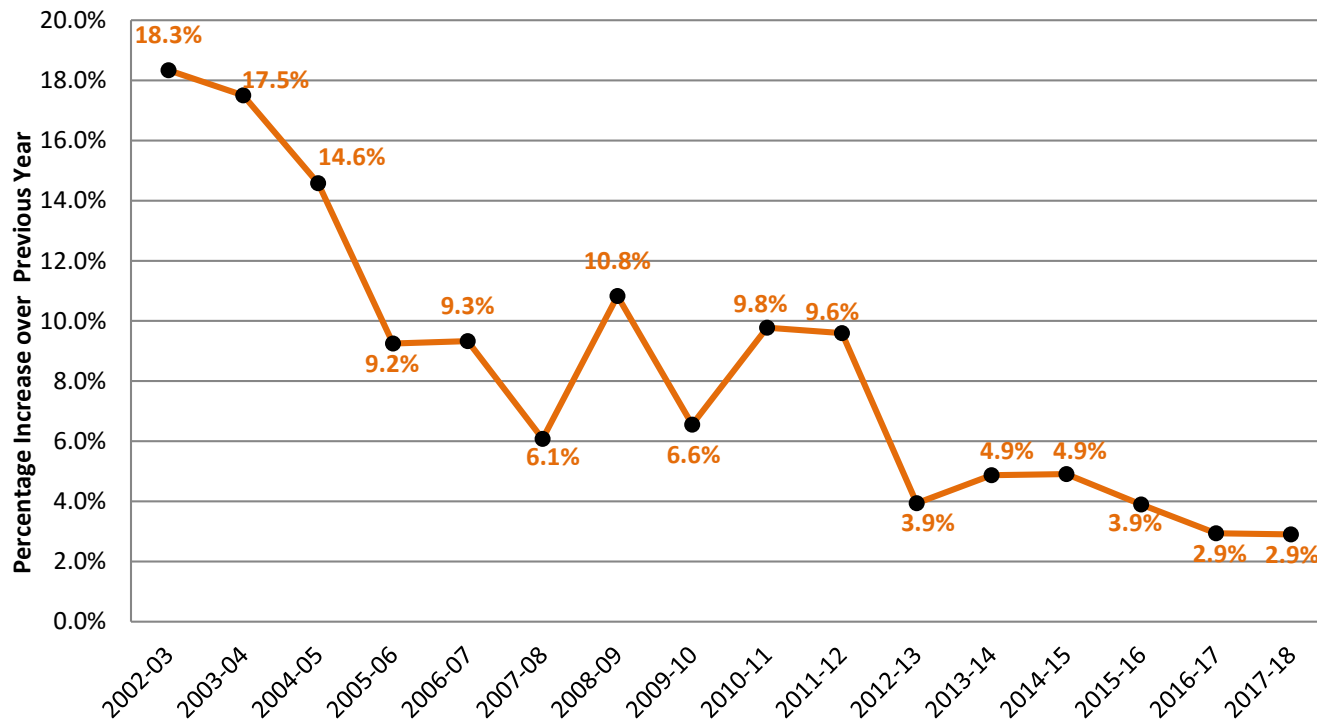


Virginia Higher Education

- State had to close \$1.26 billion shortfall in state revenues over the 2016-18 biennium.
- For Virginia Tech, this means a General Fund reduction of \$8.6 million in 2017-18 (5% of total General Fund allocation for the University Division)
 - Land Grant division (Agency 229) was sheltered from reduction
- State approved employee pay raises effective July 10, 2017
 - 3% for staff
 - 2% for faculty (merit-based)

Virginia Higher Education

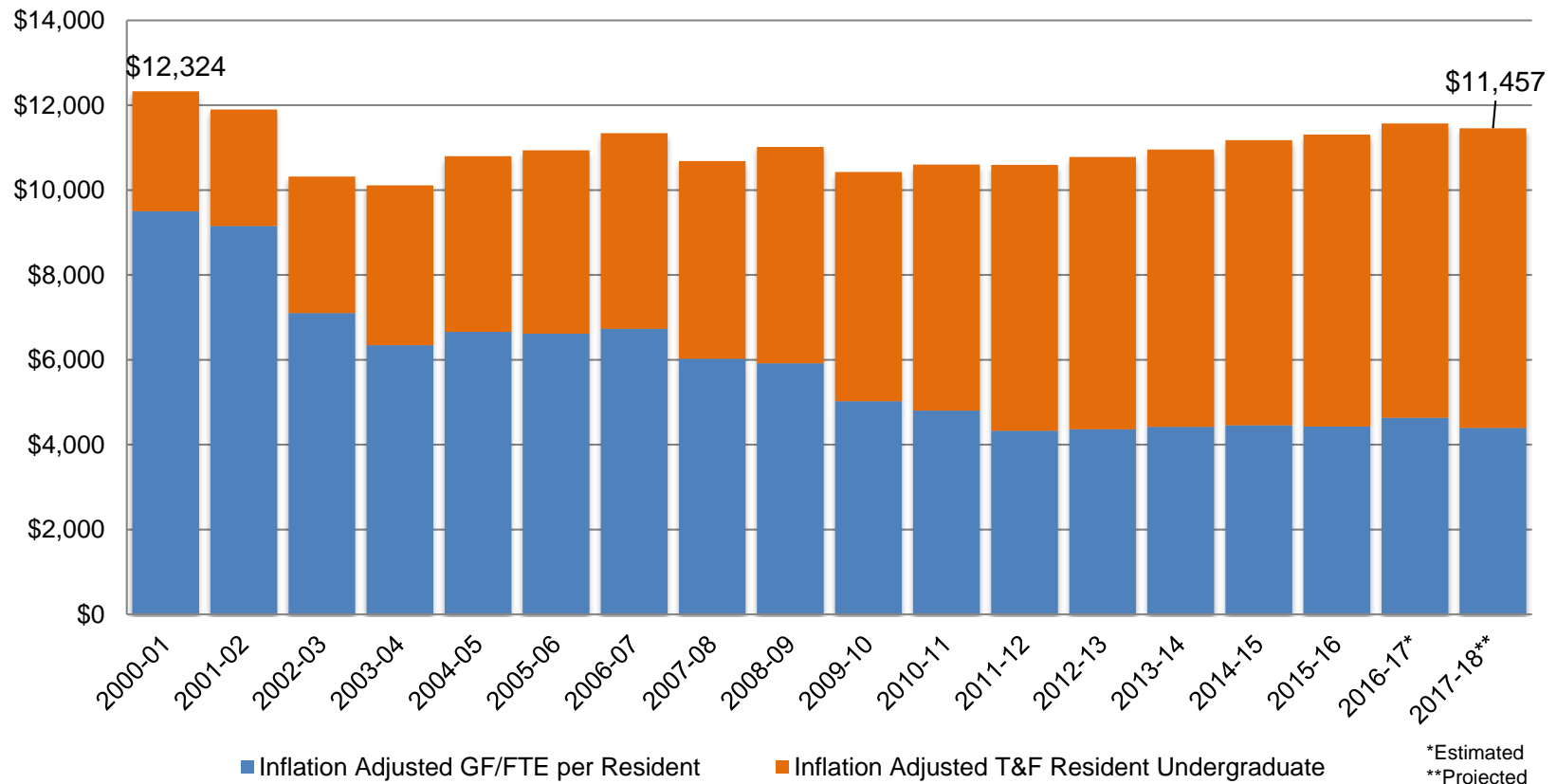
- State reductions have traditionally been partly offset by tuition increases
- Current pressure from State representatives and the university BOV to slow tuition increases, even though state support is declining
- For 2017-18, Virginia Tech continues the trend of slowing increases



Virginia Higher Education

- Tuition and General Fund per student at Virginia Tech combine to generate fewer resources per student than in 2000-01.

General Fund and Tuition & Fees per Resident FTE
Inflation Adjusted to 2000-01

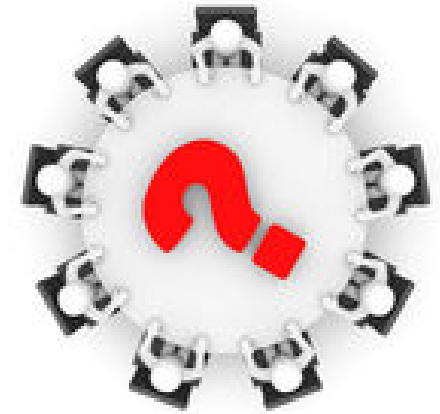


Inflation adjustment utilizing the Higher Education Price Index (HEPI).

Trends in Higher Education

At your table, spend 3 minutes discussing the following:

- How is your area impacted by federal funding changes?
 - Sponsored Research, Student Financial Aid
- How is your area impacted by state funding changes?
 - E&G, Research, Cooperative Extension
- How is your area impacted by tuition and fee changes?
 - E&G, Auxiliaries, Departmental Research



Opportunities for Virginia Tech



Opportunities

Growing Demand for a Virginia Tech Education

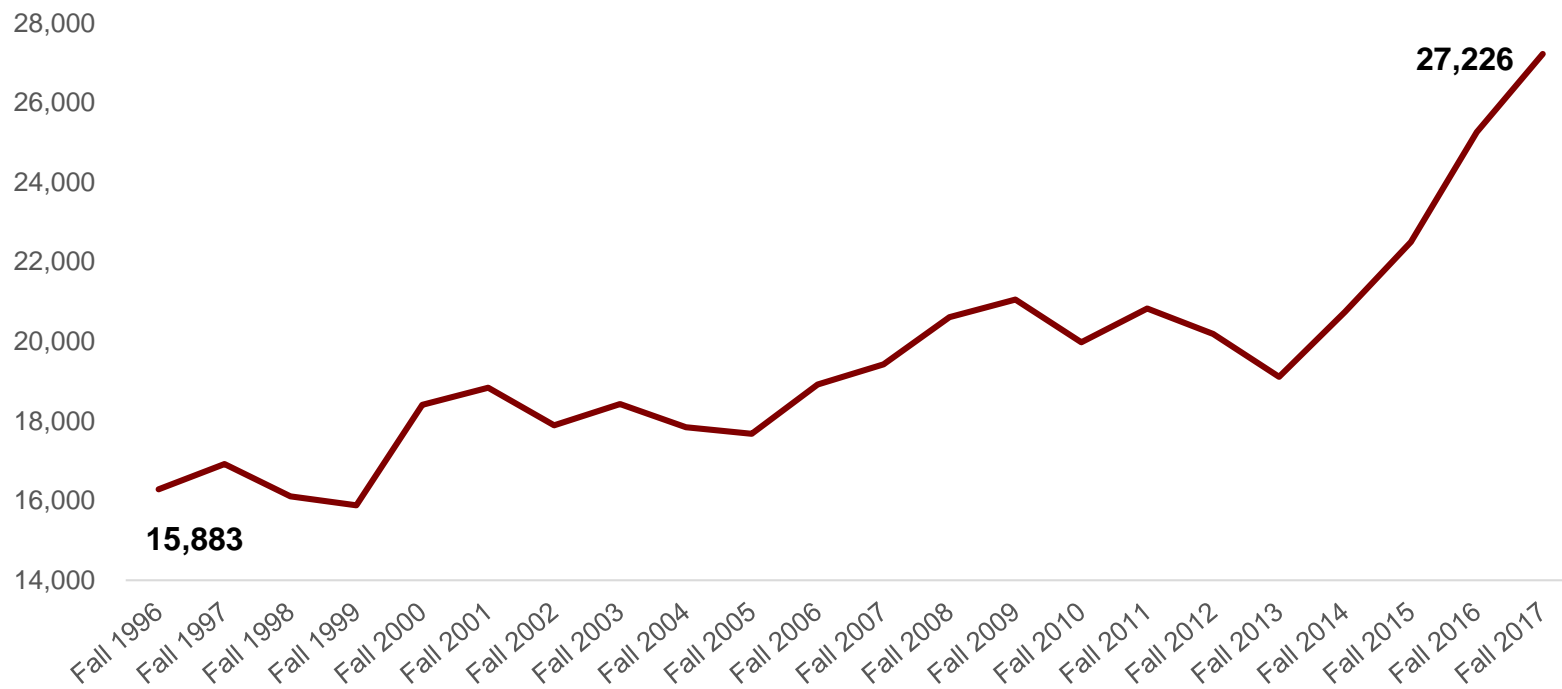
- Enrollment growth is impacting every corner of campus.
- Growth is a source of incremental resources, and also a new cost.
 - Academic Quality
 - Supporting Infrastructure
 - Student Life and Support Activities
- New resources are largely needed to address rising fixed costs and university strategic priorities.



Growing Demand for a Virginia Tech Education

- We are experiencing a significant increase in demand, and undergraduate applications reached a new high for Fall 2017 admission.
- Demand is broad-based and includes several areas where Virginia Tech is in a unique position to provide additional access to qualified students.

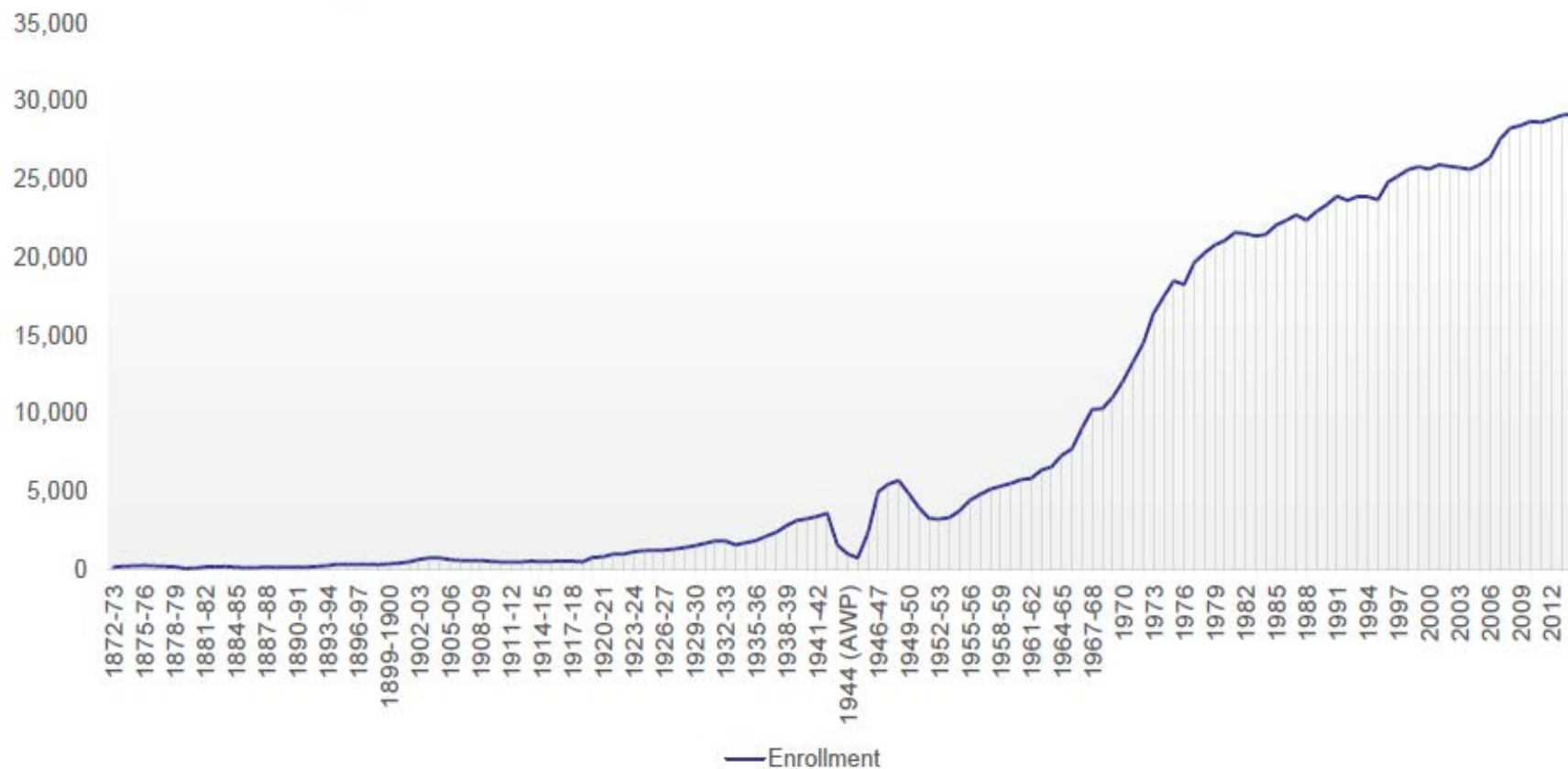
Applications to Virginia Tech



Enrollment Growth

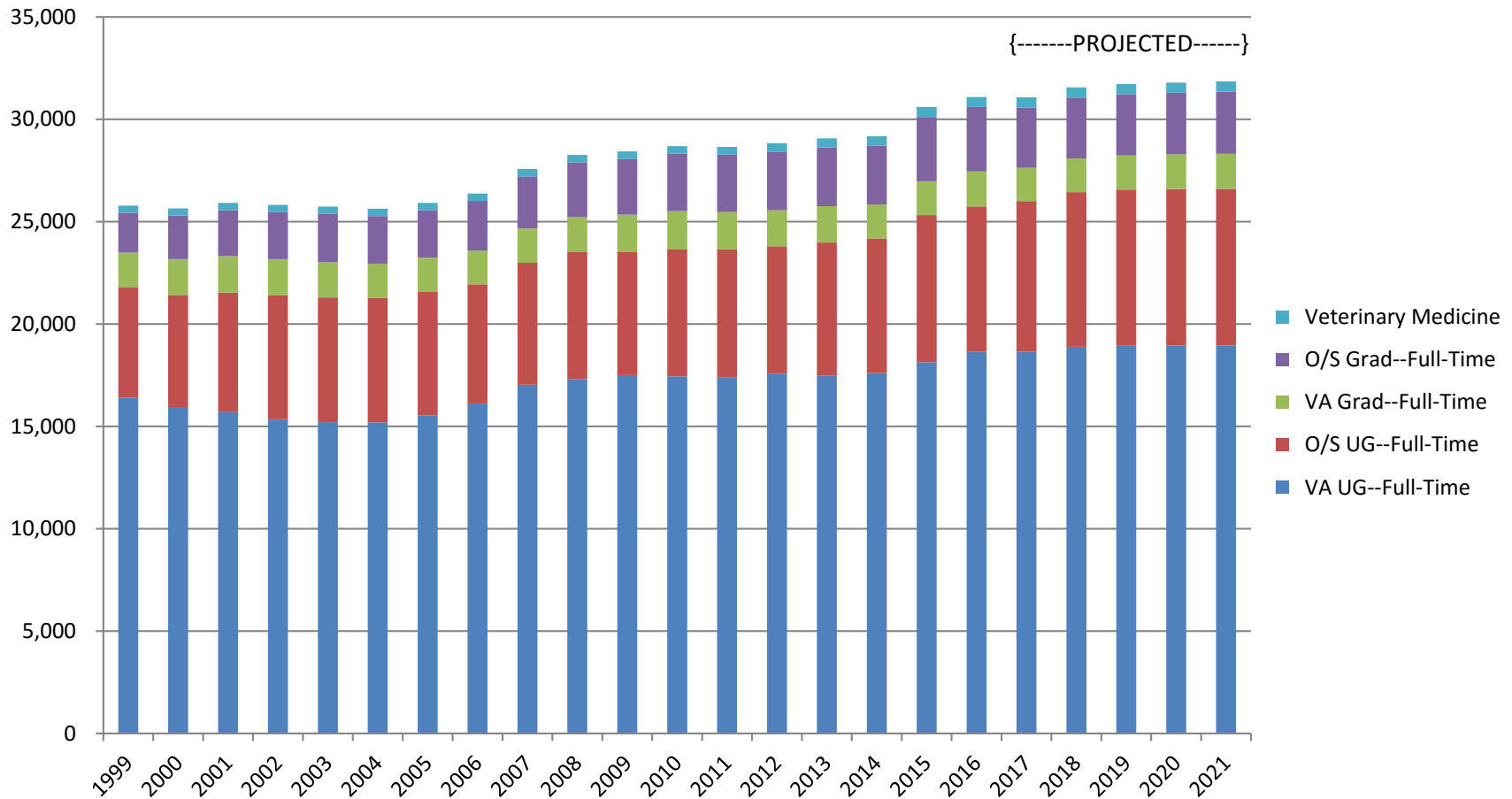
The university has grown in phases over its history, and is beginning a new wave of enrollment growth to address demand.

On-Campus Enrollment Since 1872



Enrollment Growth

- The University plans to continue modest enrollment growth in targeted areas over the next several years.



Virginia Tech's Rising Status

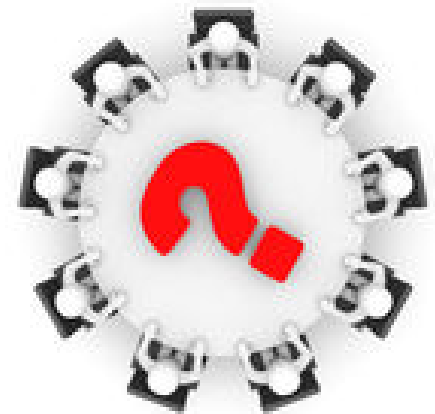
- U.S. News & World Report: Four graduate programs in Top 10 of their respective disciplines
 - Evening MBA Program (#7), Civil Engineering (#7), Environmental Health Engineering (#6), Industrial Manufacturing Systems (#6)
- Money Magazine
 - #18 Best Overall College
 - #9 Best Public College
 - #2 Best Colleges You Can Actually Get Into
- Princeton Review
 - #1 Best Quality of Life
 - #1 "Their Students Love These Colleges"

Opportunities for Virginia Tech

At your table, spend 3 minutes discussing the following:

As Virginia Tech Grows:

- *Has your area felt an impact?*
- *What future impacts will enrollment growth have on your service area?*
- *What can the university administration do to support you and your operations?*



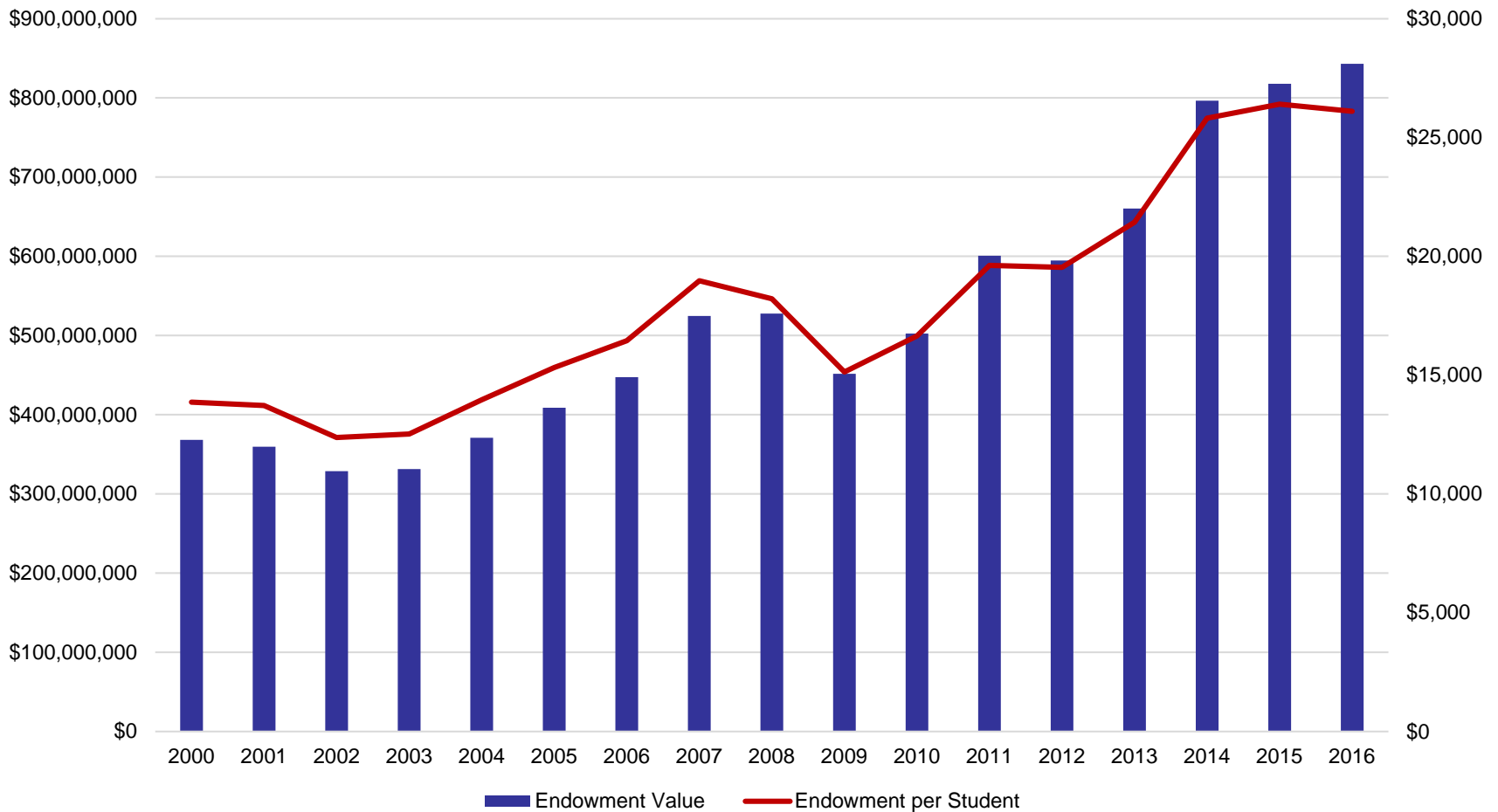
Evolving Funding Model

Evolving Funding Model

- Increased emphasis on Philanthropy
- Envision more partnerships
 - Examples: Carilion Clinic, Agriculture Initiative with State
- Increase student financial aid to support access and enrollment goals
- Strategically managed enrollment growth supported by incentive models (PIBB, Winter, Summer, Professional masters)
- Cost containment and efficiency efforts

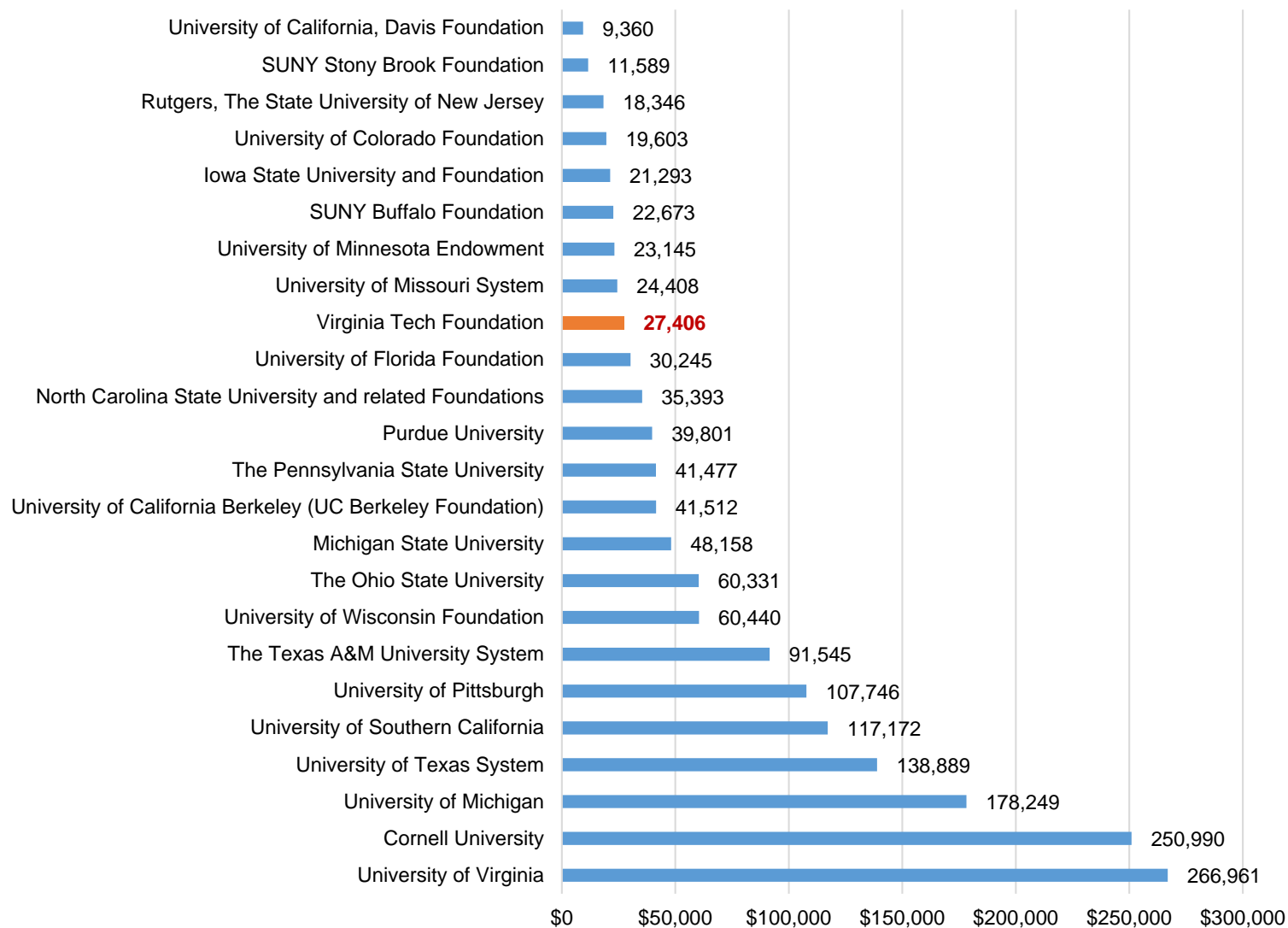
Endowment Trends

Trends in Total Endowment and
Endowment per Student
2000 - 2016



Endowment Benchmarking

2016 Endowment \$ per Student





Partnership Opportunities

Future Growth Through Strategic Partnerships

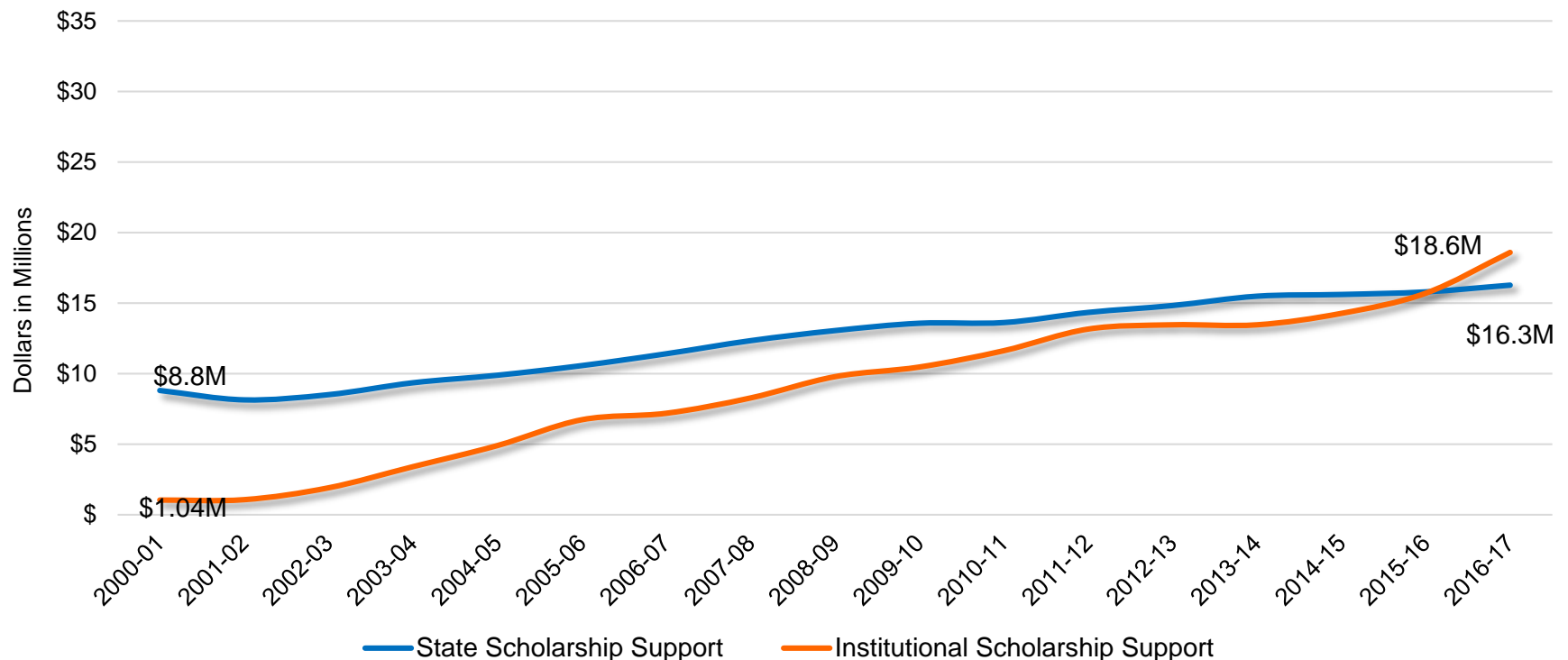
- Health Sciences and Technology activity, much of it in Roanoke, through a collaboration with Carilion Clinic that is expected to attract students, faculty, research scientists, physicians, and investors.
- National Capital Region activity including growth in federal and private research partnerships, as well as student enrollment in both undergraduate opportunities and masters level programs.



Student Financial Aid

- Student Financial Aid supports access and affordability, as well as targeted enrollment growth.
- Beginning in 2015-16, the university has invested more heavily in financial aid than the state. This trend will continue.

State and Institutional Undergraduate Scholarship Support





Bending the Cost Curve

Why focus on Cost Control?

- Annual increases in tuition and fees cannot be sustained
- Rising cost of current operations and improvements to academic programs
- Legislative limits on out-of-state student enrollment

Emphasis on efficiency, effectiveness and containment through:

- Programmatic review: aligning new initiatives with the university strategic plan
- **Destination Areas:** Effective partnerships between existing fields
- Improving use of assets and existing spaces
- Consolidation and shared services, elimination of duplicated efforts

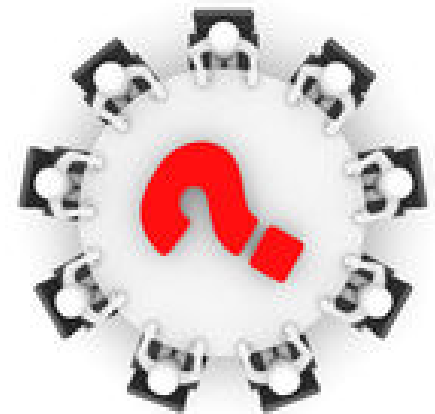
Discovering new funding models that are innovative, agile, and sustainable

- University must focus on partnerships and financial models that support academic excellence and world-class research while advancing access and affordability.

Evolving Funding Model

At your table, spend 3 minutes discussing the following:

- *Will the shift in the funding model impact your area?*
- *What do you think your area will look like in 10 years? Will you serve campus in the same way?*
- *Are there examples or ideas of successful change that have been implemented in your area that could be useful to others on campus?*



**Thank you for your contribution
to Virginia Tech's success!**
-Dwight