



# ***Business Practices Seminar***

*Evolving Higher Education Business Environment*

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# Overview

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  - ❑ National Pressures
  - ❑ State Needs
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  - ❑ Thinking Creatively
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# Trends in Higher Education

## *National Pressures*

### Growing Student Debt:

- Nationally, 69% of graduates have debt averaging \$28,950
- Net Price increasing faster than income, particularly for low-income families
- Concern at both federal and state level over rising debt

# Trends in Student Indebtedness

## Average Debt per Borrower and Percentage of Students Graduating with Debt

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

# Trends in Higher Education

## *National Pressures*

Industry needs highly-skilled labor force:

- Jobs in STEM-H fields are growing faster than graduates (software development, data analytics, nuclear engineering, 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

# Trends in 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

# Trends in Higher Education

2016 efforts of Executive and Legislative branch resulted in significant investment in higher education. The university received new funding for:

- Access and Affordability Funding
  - Enrollment growth, operating budget support.
- Cybersecurity Test Range:
  - To train high school and college cyber security majors on combatting cyber attacks.
- Compensation Increase of 3% for Faculty and Staff
- Student Financial Aid
- Equipment Funding
  - Incremental support for traditional and research-specific equipment allocations.
  - One-time support in the first year for equipment for the Unmanned Aircraft Test Range.
- Unique Military Activities
- Cooperative Extension & Agricultural Experiment Station
  - New support for pay equity and operations and maintenance of new facilities.

# Trends in Higher Education

***The state budget also includes support for five capital program priorities at Virginia Tech.***

| <b>Projects</b>  | <b>Approved For</b> | <b>State</b>    | <b>Total</b>    |
|--|---------------------|-----------------|-----------------|
| 1) Undergraduate Science Laboratory                                  | Planning (2017)*    | \$ 3.7          | \$ 3.7          |
| 2) Holden Hall Renovation  | Construction        | 61.0            | 73.5            |
| 3) Central Chiller Plant, Phase II                                   | Construction        | 35.2            | 40.0            |
| 4) VTC Health Sciences and<br>Technology Expansion (Roanoke)         | Construction        | 46.7            | 67.7            |
| 5) Agency 229: Livestock and Poultry<br>Research Facilities, Phase I | Construction        | 22.5            | 22.5            |
| <b>Total Capital Support</b>   |                     | <b>\$ 169.1</b> | <b>\$ 207.4</b> |

*\*Cost of full project submitted by university is \$74.8 million.*

*\*University actively exploring options to address instructional lab needs in the short term until new facility is available.*

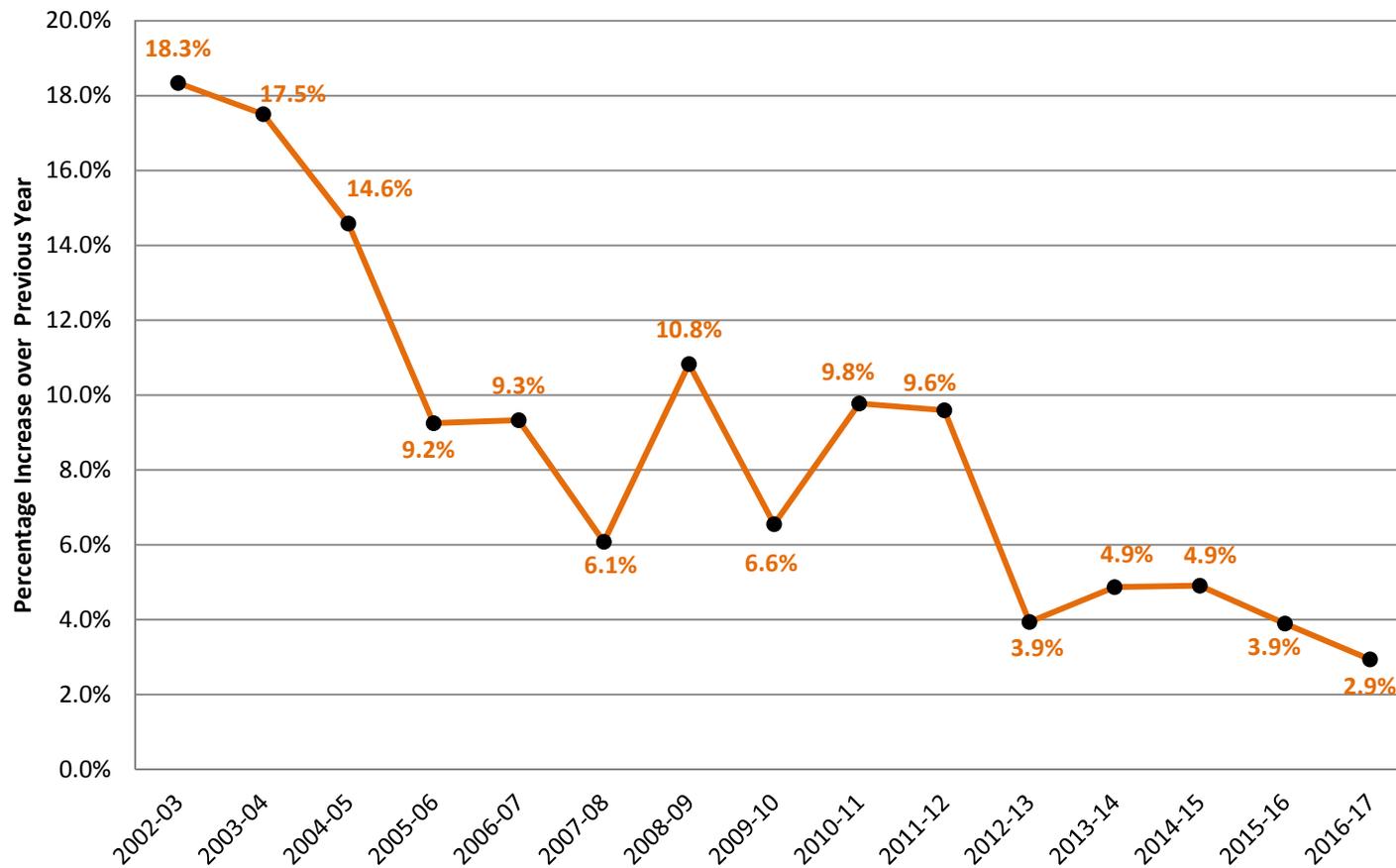
# Trends in Higher Education

2016 Virginia General Assembly emphasis on higher education to:

- Expand access and affordability
  - VAUG enrollment
  - K-12 Pathways
  - Student Financial Aid
  
- Minimize tuition and fee increases for Virginia undergraduate students.

# Trends in Higher Education

*Virginia Tech continues the trend of slowing increases for 2016-17, recommending the lowest increase since tuition was frozen in 2001-02.*



# 2016-17 Tuition and Fees

|   | Approved       | Increase       |             |
|---|----------------|----------------|-------------|
| <u>Undergraduate</u>                            | <u>2016-17</u> | <u>\$</u>      | <u>%</u>    |
| <i>Resident Tuition &amp; Mandatory Fees</i>    | \$12,852       | \$367          | 2.9%        |
| <i>Room and Board</i>                           | <u>8,424</u>   | <u>198</u>     | <u>2.4%</u> |
| <i>Total Resident Cost</i>                      | \$21,276       | <b>\$565</b>   | <b>2.7%</b> |
| <br>  |                |                |             |
| <i>Nonresident Tuition &amp; Mandatory Fees</i> | \$29,975       | \$846          | 2.9%        |
| <i>Room and Board</i>                           | <u>8,424</u>   | <u>198</u>     | <u>2.4%</u> |
| <i>Total Nonresident Cost</i>                   | \$38,399       | <b>\$1,044</b> | <b>2.8%</b> |

# Trends in Higher Education

## ***State Investment into Research and Innovation***

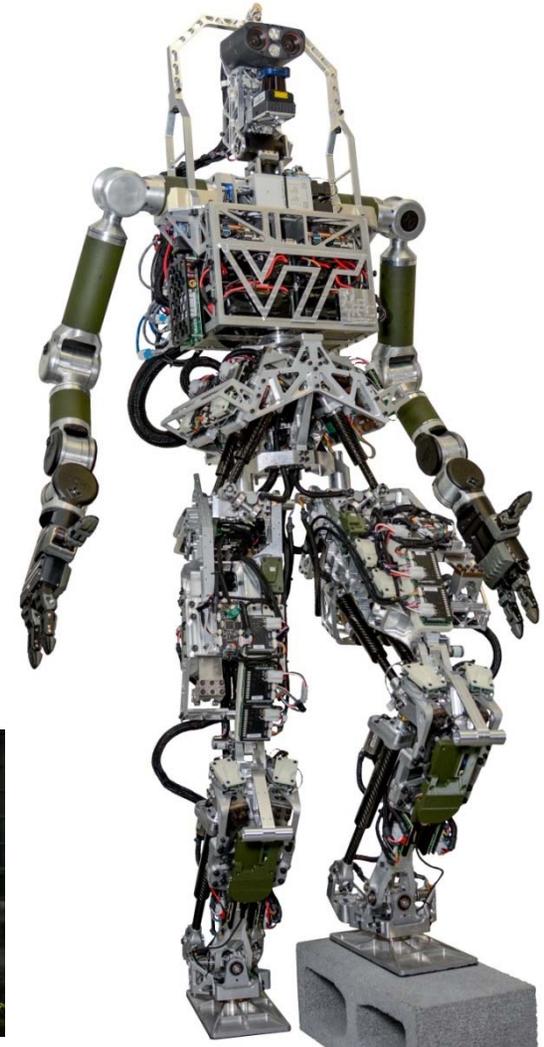
Investment into university research viewed as a partnership

- Newly established Virginia Research Investment Fund serves as a match to institutional resources to attract and recruit eminent researchers
- *GO Virginia* supports regional collaborative efforts
- Focus away from state funding for specific institutional research projects

# Our Challenge

***New resources will be limited, but costs and oversight will continue to increase:***

- How do we manage increases in mandatory costs and new initiatives without relying upon annual tuition increases?
- How do we utilize existing resources more effectively to support Destination Area growth?
- How do we maintain existing facilities and provide for new ones?



# 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.
- How will we maintain a high level of service with limited new resources?



# Growing Demand for a Virginia Tech Education

## *Why increase enrollment?*

- Responds to existing demand for the VT experience
- Serves a primary mission of the university
- Provides access for Virginia residents
- Increases diversity of student body for campus enrichment
- Generates resources to not only sustain but also improve quality of Virginia Tech



## *In-State Undergraduate Growth Scenarios*

- Plan was to expand freshman class by 500 additional students in Fall 2015
  - **Actual growth exceeded this plan**
- Possible growth beyond 2,000 over an 8 year period to approximately 29,000 undergraduates by Fall 2022
- Fall 2015 applications were up almost 8% over Fall 2014.
- Fall 2016 applications are up 12% over Fall 2015.

# Bending the 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.

# What to Expect Moving Forward

## ***Increased pressure and legislative requirements***

- Spotlight on cost containment
- Scrutiny of student services not critical to the instructional mission
- Limitation on generation of incremental revenue from students
- Push to do more with less

## ***Unanswered Questions:***

- *How will enrollment growth impact your service area?*
- *Are there regulations or policies that could be more flexible and enhance your operating environment?*
- *What can the university administration do to support you and your operations?*
- *How can all of us support the university's strategic vision?*

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

***-Dwight***