Public Hearing on Undergraduate Tuition and Fees

January 21, 2021
Tuition is W&M’s biggest source of revenue

Total Revenues: $465.2 million*  

*Excludes VIMS
Undergraduate tuition has seen little growth in the last four years

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>Avg. Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-State</td>
<td>$16,370</td>
<td>$17,434</td>
<td>$17,434</td>
<td>$17,434</td>
<td>2.1%</td>
</tr>
<tr>
<td>Out-of-State*</td>
<td>$37,425</td>
<td>$38,735</td>
<td>$40,089</td>
<td>$40,089</td>
<td>2.3%</td>
</tr>
</tbody>
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*The Commonwealth of Virginia provides no state general fund support for out-of-state students.
Academics accounts for over half of expenditures

FY20 Expenditures, $ in millions

- Academics (E&G), $241.1, 53%
- Student Financial Aid, $59.7, 13%
- Sponsored Research, $33.4, 8%
- Auxiliary Enterprises, $114.8, 25%
- Other, $4.6, 1%

Total Expenditures: $453.5 million

*Excludes VIMS
Two-thirds of academic expenses are supported by tuition revenue

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>% of Academic (E&amp;G) Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and E&amp;G fees</td>
<td>66.1%</td>
</tr>
<tr>
<td>State General Fund</td>
<td>18.0%</td>
</tr>
<tr>
<td>Philanthropy, Local Funds, Other</td>
<td>15.9%</td>
</tr>
<tr>
<td>All Sources</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Undergraduates contribute >70% of Tuition and E&G Fee Revenue
How is Each Dollar of Tuition Spent?

FY20 Actual

47¢
DIRECT INSTRUCTION (INCLUDING FACULTY COMPENSATION)

17¢
NEED-BASED FINANCIAL AID

13¢
LIBRARIES, ACADEMIC TECHNOLOGY, DEANS

11¢
INSTITUTIONAL SUPPORT (HR, FINANCE, IT)

8¢
OPERATION/MAINTENANCE OF FACILITIES (INCLUDING POLICE)

4¢
REGISTRAR, CAREER SERVICES, FINANCIAL AID OFFICE, ADMISSIONS
>75% of academic expenditures directly supports students

Academic (E&G) Expenditures by Program
($ in millions)

- Student Services, $15.1, 6%
- Academic Support, $38.1, 16%
- Institutional Support, $36.4, 15%
- Plant Operations, $20.9, 9%
- Instruction, $130.6, 54%

FY20 Academic Expenditures = $241.1 million

*Excludes expenditures for research, grants & contracts, student financial aid, and auxiliary services.

*Excludes VIMS
For auxiliary services, student fees are the top revenue source

<table>
<thead>
<tr>
<th>Auxiliary Revenue</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Fees</td>
<td>36.0%</td>
</tr>
<tr>
<td>Dining</td>
<td>16.9%</td>
</tr>
<tr>
<td>Housing</td>
<td>27.1%</td>
</tr>
<tr>
<td>Other</td>
<td>20.0%</td>
</tr>
<tr>
<td>All Revenues</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Student Fees supports:
- Health and Wellness
- Student Health Center
- Rec Center
- Counseling Center
- Athletics
- Student Unions
- Debt Service
- Sustainability
- Cultural Programs
- Other Auxiliary Programs
How are tuition and fees set?

• The Code of Virginia gives the BOV the power to set tuition and fees

• Decision balances multiple factors including:
  – Student affordability
  – Market position/competitiveness
  – Impact on budget and ability to deliver the quality services students seek
FY 2021 BUDGET
W&M facing a $40+M shortfall in FY21

- $2.8M shortfall due to decision to hold tuition flat
- $4M drop in anticipated revenue due to shift in in-state/out-of-state enrollment
- $24M projected loss in auxiliary enterprises
  - Compounding a $6M loss in FY20
- $10M+ in increased expenses related to COVID
  - Testing, classroom and outdoor modifications, PPE, Q&I, cleaning, etc.
Balancing the FY 21 budget

- W&M must have a balanced budget

- Actions to close the projected gap:
  - $17.4M in expense reductions across the institution – most temporary or one-time
  - $10.7M in temporary debt service savings due to refinancing
  - $5.0M in one-time state funding to cover Coronavirus related expenses
  - $3.5M in one-time state funding to mitigate the impact of holding undergraduate tuition at 0%
  - $4.2M in carryforward balances from prior year savings
FY22 starting point: $12.3M shortfall

• $7.0M projected base shortfall
• $2.0M anticipated to meet incremental need-based aid
• $3.3M required for W&M share of state-mandated compensation changes if General Assembly approves
  – 3.2% increase in health insurance premiums
  – One-time bonus for faculty and staff
• Assumes no new initiatives or investments in university programs or infrastructure
What about the recent bond sale or campaign?

- W&M recently sold $70M in general revenue bonds
  - Backstop against “worst-case” pandemic operating scenarios
  - Seed money for strategic investments to position W&M for the next decade
  - ROI to cover debt service costs
  - **NOT** intended to cover base operating costs or to address a structural budget deficit

- For the Bold Campaign reached the $1B campaign mark
  - 93.5% of gifts have a restricted purpose (e.g., scholarships, professorships, construction and renovation, etc.)
    - Unrestricted funds were raised as part of the annual fund goal and expensed in the year they were raised
  - 50% of the restricted funds are in outstanding pledges or deferred gifts
Key decision points on the FY22 budget

- FY22 budget will be driven by:
  - BOV decision on tuition and fees
  - General Assembly actions
    - Incremental changes in state general fund support
    - Mandated personnel actions
  - Changes in enrollment
    - Shift in in-state/out-of-state mix
  - Prioritization of new spending
  - Reduction of current costs/reallocation of existing resources
Undergraduate tuition and fee considerations

• In-state undergraduate tuition
  – 0% to 3% increase for students entering in AY19-20 or AY20-21
  – 0% increase for students entering prior to AY19-20

• Out-of-state undergraduate tuition
  – 0% to 3%

• Mandatory Student Fees (all students)
  – 0% to 3% for comprehensive fee
  – 0% to 3% facility fee
Upcoming dates

• Feb 11: 2021 General Assembly adjourns
• Feb 26: W&M BOV acts on tuition & fees
• April 23: W&M acts on FY22 budget
• July 1: FY22 begins