Public Hearing on Undergraduate Tuition and Fees

April 4, 2022
Key questions

• Why tuition matters?
• Where do my tuition dollars go?
• How does state funding work?
• What about fees?
• What are the alternatives?
Why tuition matters?
W&M’s largest revenue source

FY22 W&M Operating Revenue Including Affiliated Foundations ($ in millions)

- Tuition and E&G Fees, $230.5, 41%
- Auxiliary Revenue, $114.6, 20%
- Affiliated Foundations, $83.3, 15%
- State General Fund, $65.4, 12%
- COVID-19 Relief Funds, $10.2, 2%
- Local Funds, $9.8, 2%
- Grants & Contracts, $31.4, 5%
- University Private Funds, $14.6, 3%

Total FY22 Revenue Budget: $559.8 million

*Excludes VIMS which does not generate undergraduate tuition revenue
Tuition supports two major expenses

1. Educational & General (E&G) Programs
   • Instruction
   • Academic Support
   • Student Services
   • Institution-sponsored research and public service
   • Institutional Support
   • Operations & Maintenance of E&G buildings

2. Student Financial Aid
How is each dollar of tuition spent?

FY21 Actual

- Direct Instruction (including faculty compensation): 45¢
- Need-based financial aid: 18¢
- Libraries, Academic Technology, Deans: 12¢
- Institutional Support (HR, Finance, IT): 12¢
- Operation/Maintenance of Facilities (including police): 9¢
- Registrar, Career Services, Financial Aid Office, Admissions: 4¢
E&G + student aid > 2/3rds of W&M expenses

Total Expenditure Budget: $548.4 million

*Excludes VIMS
How does state funding work?

- VA provides 12% of total university funding
- VA funds “a share” of E&G costs for In-State students
- No VA funds for Out-of-State students
- Auxiliary services (housing, dining, student health, athletics, etc.) must be funded by student fees or other non-state sources

*Excludes VIMS

Total FY22 Revenue Budget: $559.8 million
State requires a “tuition share” for all mandated E&G actions

> 60% of the cost of state mandated increases in salaries, health insurance, and retirement must be covered by tuition

- State only funds faculty and staff who directly support E&G programs
- Staff salaries for auxiliary programs receive no state support

### Proposed 5% salary increase in FY23

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total E&amp;G cost</td>
<td>($8.7M)</td>
</tr>
<tr>
<td>State share</td>
<td>3.2M*</td>
</tr>
<tr>
<td>Unfunded cost</td>
<td>($5.5M)**</td>
</tr>
<tr>
<td>1% tuition increase</td>
<td>$1.5M</td>
</tr>
</tbody>
</table>

* All figures estimated pending final action by the General Assembly and Governor.
Balancing costs and affordability

- State mandates
- Student expectations
- New programs
- Inflation

Student affordability
- Financial need
- Student debt
Recent trend: no tuition increases

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>Avg. Annual Growth Rate</th>
</tr>
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<tbody>
<tr>
<td>In-State</td>
<td>$17,434</td>
<td>$17,434</td>
<td>$17,434</td>
<td>$17,434</td>
<td>0.0%</td>
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<tr>
<td>Out-of-State*</td>
<td>$38,735</td>
<td>$40,089</td>
<td>$40,089</td>
<td>$40,089</td>
<td>1.2%</td>
</tr>
<tr>
<td>Avg. Annual Inflation</td>
<td>2.3%</td>
<td>1.4%</td>
<td>7.0%</td>
<td>+7.8% in Feb.</td>
<td>3.6%</td>
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</table>

*The Commonwealth of Virginia provides no state general fund support for out-of-state students.
CPI is from Bureau of Labor Statistics for All Urban Consumers U.S. City Average series for all items.
FY23 tuition modeling

• Current modeling: 3% increase
  – Generates $4.5M in new revenue
    • ~$500 increase for most IS undergrads; ~$1200 for OOS
  – Based on Governor’s introduced budget
  – Reduced from 4.6% BOV-approved Six Year Plan (6YP)
    • 6YP did not include salary increases for FY23
    • 6YP did not include increased state support
  – Addresses FY22 structural issues, FY23 cost drivers
    • Still evaluating priority requests, strategic needs
What about fees?

• Student fees support a variety of non-academic programs, including
  – Student Health Center
  – Rec Center
  – Counseling Center
  – Athletics
  – Student Unions
  – Debt service on auxiliary facilities
  – Sustainability
  – Cultural Programs

• Housing and dining supported by room and board rates

<table>
<thead>
<tr>
<th>Auxiliary Revenue</th>
<th>% of Total</th>
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<tbody>
<tr>
<td>Student Fees</td>
<td>43.5%</td>
</tr>
<tr>
<td>Dining</td>
<td>18.2%</td>
</tr>
<tr>
<td>Housing</td>
<td>29.8%</td>
</tr>
<tr>
<td>Other</td>
<td>8.5%</td>
</tr>
<tr>
<td><strong>Total Auxiliary Revenues</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
What are the cost drivers in auxiliary programs?

• State-mandated increases in salaries and benefits
  – State provides no support for auxiliary services and employees
  – By law, those programs are required to be self-supporting

• Increased student demand for programs and services

• Inflationary increases for contracted services
FY23 mandatory fee modeling

• Mandatory fees include: General Comprehensive Fee, Facility Fee, Green Fee, Student Activity Fee
• Current modeling: 3% increase
  – ~$200 increase for IS/OOS students
  – Based on Governor’s introduced budget
  – Consistent with Six Year Plan (6YP)
    • 6YP did not include salary increases for FY23
  – Addresses FY22 structural issues, FY23 cost drivers
    • Still evaluating priority requests, strategic needs
FY 2023 BUDGET
Putting the Pieces Together
Key budget drivers

• General Assembly actions
  – Incremental changes in state funding
  – Mandated personnel actions

• Gains/losses in enrollment

• Spending priorities
  – Mission-aligned initiatives
  – Competitive compensation for faculty and staff
  – Investments in technology and infrastructure
Compensation drives almost $10M in new expenses; $6.5M in state mandates

<table>
<thead>
<tr>
<th>Category</th>
<th>Tuition Supported (E&amp;G)</th>
<th>Fee Supported (Auxiliary)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State mandated salary increases</td>
<td>$5.5M</td>
<td>$1M</td>
<td>$6.5M</td>
</tr>
<tr>
<td>- Expect 5% increase in total comp</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Critical Market Adjustments</td>
<td>$0.6M</td>
<td>$0.05</td>
<td>$0.6M+</td>
</tr>
<tr>
<td>- Y1 of multi-year actions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase min. wage to $15.50/hour plus compression</td>
<td>$1.8M</td>
<td>$0.7M</td>
<td>$2.5M</td>
</tr>
<tr>
<td>- Incl. $12/hour for student workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>$7.9M</td>
<td>$1.75M</td>
<td>$9.65M</td>
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Other budget priorities: *Invest to save & gain*

- Restore pre-pandemic staffing in critical areas
- Meet compliance requirements
- Maintain need-based financial aid
- Expand COLL curriculum
- Increase student advising services
- Align admissions staffing with application growth
- Invest in Vision 2026 initiatives
- Support building operations for Fine & Performing Arts
No increase in tuition & fees would require a combination of actions

1. Inability to restore funding to pre-pandemic levels in critical areas, including:
   - Student career services
   - Public safety
   - Admissions
   - Library operations

2. $5.5M reduction to existing programs to support state-mandated salary actions
   - Additional cuts on top of prior year cuts

3. No action on minimum wage
   - Area employers offering $15+/hr; potential loss of workforce is significant
   - High turnover in under-resourced areas, including WMPD, HR, and Admissions

4. No new investments in Vision 2026 or growth in current programs
Timeline

April 4: General Assembly special session

April 22: W&M acts on FY23 budget*
  * Tentative depending on timing of GA action

July 1: FY23 begins
Questions?