

## A Solid Financial Foundation

*The following is adapted from my remarks to the State Council of Higher Education for Virginia when SCHEV met at William & Mary this summer.*

Virginia's public colleges and universities are approaching a financial cliff in fiscal year 2012, when the steep reductions in state funding of the last few years will no longer be partially offset by federal stimulus relief. The system is living on borrowed financial time. We must do something to get it back on a solid financial foundation. Here are seven facts that, in my judgment, must be taken into account in our financial planning:

Fact 1: Among the states, Virginia now ranks among the lowest in appropriations per in-state student. Our neighbors North Carolina and Maryland provide much more support per in-state student.

Fact 2: The funding needs of health care, K-12 education, public safety and transportation usually prove to be more politically compelling in the commonwealth than the need to fund higher education. Nor are new taxes to support higher education likely. With this in mind, we should be realistic about how much the commonwealth is likely to respond to our requests for more funds for higher education.

Fact 3: Virginia's funding of higher education has come increasingly to rely on public/private partnerships. The operating budgets of the strongest state universities are now profoundly dependent on the private side of these public/private partnerships. Thirty years ago, William & Mary got 43 percent of its operating budget from the state taxpayers. It's 12 percent now and heading south.

Fact 4: Among the private funds most crucial to the public/private partnership that now sustains the College is the tuition paid by out-of-state students. Though no more than 35 percent of our undergraduate body, out-of-state students provide almost 70 percent of all the tuition paid by William & Mary undergraduates. In this academic year, each out-of-state student will pay \$21,576 more in

tuition and fees than each in-state student. Since we have relatively little financial aid for out-of-state students, William & Mary has become more expensive than the private schools with which we compete for these students. Thus, until we can raise more funds for financial aid for out-of-state students, we are bumping up against a competitive ceiling for out-of-state tuition increases. From a market standpoint, our realistic opportunity for growth is with in-state tuition. It now costs us far more to educate each in-state student than he or she contributes in tuition and the state provides as a subsidy. This is not a financially sustainable situation.

Fact 5: Tuition and fee "sticker price" is only one factor in determining the affordability of a college degree. The availability of need-based financial aid is also crucial. Tuition and fees can rise without undermining affordability so long as adequate financial aid exists for poor and middle class families. Also key to the affordability of college is whether paying the school's bills actually leads to a degree and, if so, how long it takes. William & Mary, with its

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powerful success at graduating students and doing so on time, can have a higher "sticker price" and still be a bargain compared to schools where large numbers of students pay for degrees never received or degrees that take a very long time to get.

Fact 6: Growing reliance on tuition, grants and philanthropy to support those public colleges and universities with the greatest market strength can lessen the need for incremental state support of these schools, thereby freeing up scarce taxpayer dollars for schools (community colleges in particular) that are less able to increase tuition, attract grants and bring in donations.



Fact 7: Higher education across the country, including Virginia, must become more productive. Society will not continue to accept the costs of higher education rising at a greater rate than inflation generally. The challenge for us is how to become more productive both administratively and academically while still providing learning of high quality. We already do more with less at William & Mary than other universities of comparable caliber. Thus, the challenge on this front is great.

These seven facts taken as whole militate strongly against a "one size fits all" approach in Virginia to state funding of higher education. But if some state universities are to receive less state support in the future than what would have been their share under past

practice, then they must in turn be allowed to have the out-of-state students and to charge the in-state tuition essential to bridging the gap.

This cannot be a one-way street. If some schools are asked to fend for themselves, their boards of visitors must have the flexibility to draw adequately on the private sector for support.

If all of us who care about sustaining Virginia's marvelous system of state colleges and universities are willing to think realistically about our financial options and take advantage of our opportunities, Virginia's system of public colleges and universities can enjoy a spectacular 21st century and, indeed, lead the way for the country.

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