
Implementing W&M's Fourth Century Vision

The William & Mary Promise



A **NEW OPERATING MODEL**
for Enhancing and Sustaining
Quality, Affordability and **Access**
at Virginia's distinctive **Public Ivy**

The William & Mary Promise



A Distinctive Public Ivy

A distinctive *public ivy* - **Why we stand out**

TESTED: *America's second oldest college*

TREASURED: *a top university in Virginia's
stand-out higher education system*

VITAL: *well-spring of the republic; alma mater to presidents,
governors, justices, lawmakers and leaders in every field*

EXCEPTIONAL: *a top American liberal arts college
with extraordinary faculty-student interaction*

COVETED: *over 14,000 applications for 1,470 slots*

PRODUCTIVE: *91% graduation rate, second highest
among all U.S. public universities*

A distinctive *public ivy* - Why we stand out

EFFICIENT: *administrative/professional staffing 35% below the US News top 50 average: creative adaptation*

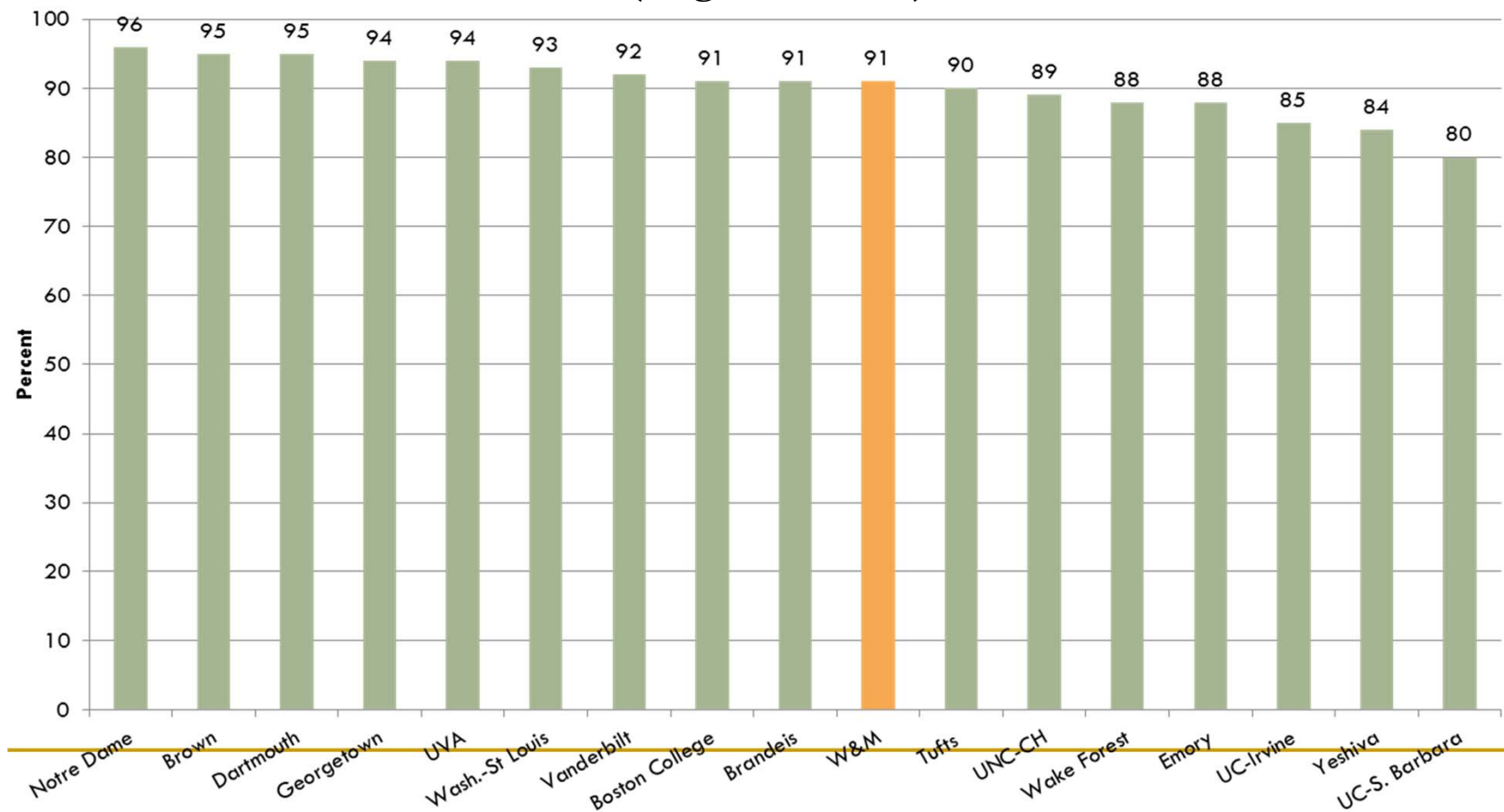
A STEM LEADER: *school of education is among national leaders in preparing K-12 STEM teachers ...
... among top 3 U.S. public universities in the percentage of graduates who earn science and technology Ph.D.'s ...
... 20% of undergraduates have STEM majors*

RESPONSIBLE: *lowest student loan default rate in Va. and 12th lowest of all leading national universities*

A TOP INVESTMENT: *top-10 highest R.O.I. (earnings/cost) in U.S. higher education, according to PayScale.com*

William & Mary's undergraduate graduation rate is among the highest in the country, including both public and private institutions. William & Mary has the second highest graduation rate of all public universities and, as shown below, it is in elite company with many of the top privates as well.

Undergraduate Graduation Rate
(August 31, 2011)



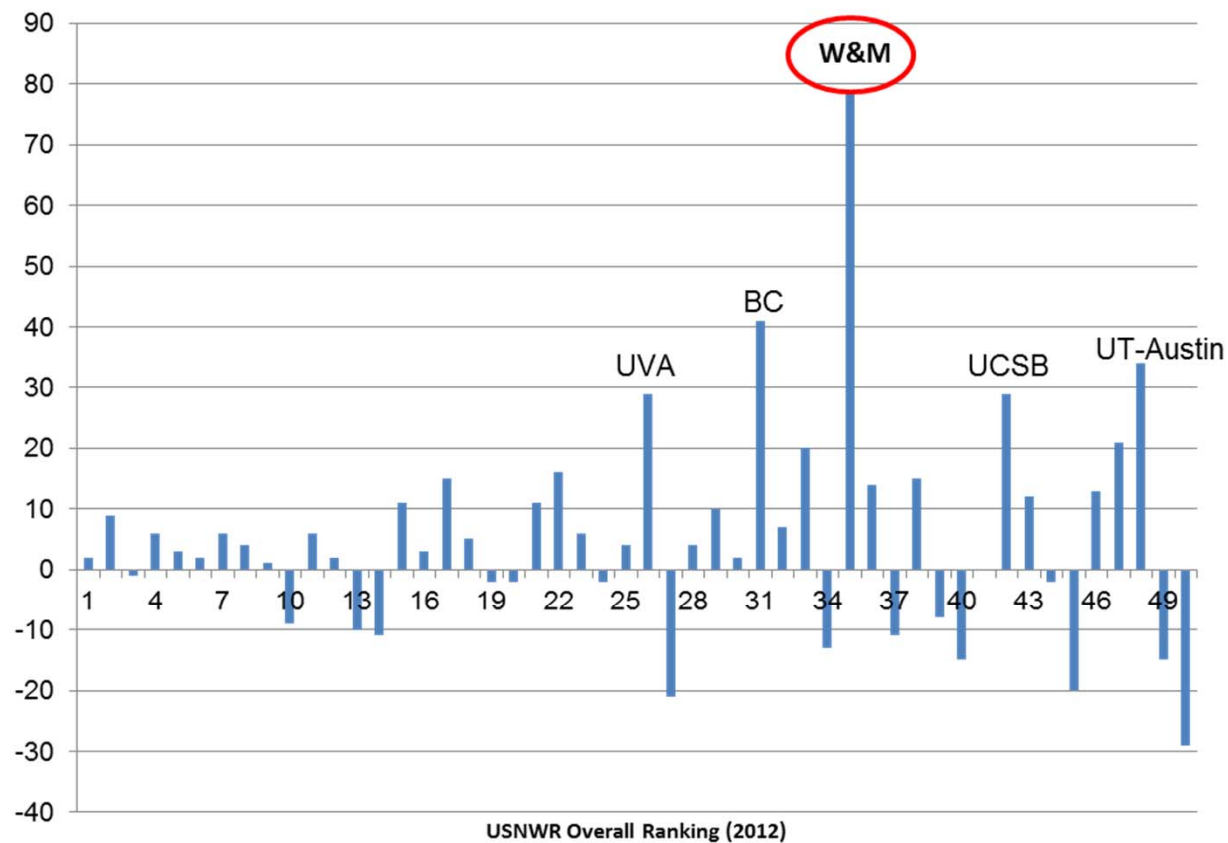
The William & Mary Promise



***Challenges to Remaining a
Distinctive Public Ivy***

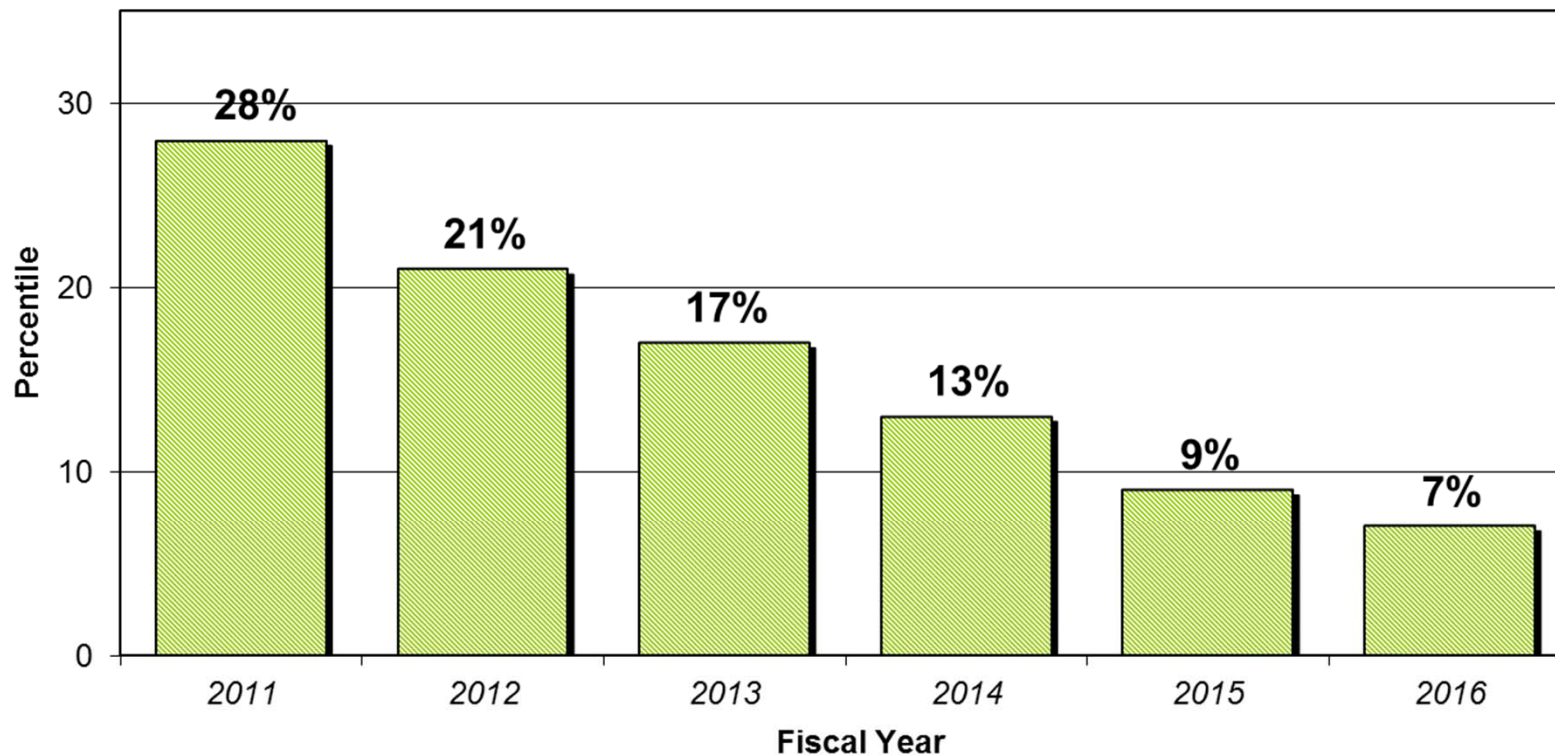
No leading U.S. university faces anywhere near the resource gap William & Mary faces:

US News and World Report ranks William & Mary tied for 33rd on the list of “Best National Universities” but 112th in financial resources. That gap of 79 spaces is the largest by far for any of the top 50 ranked universities.



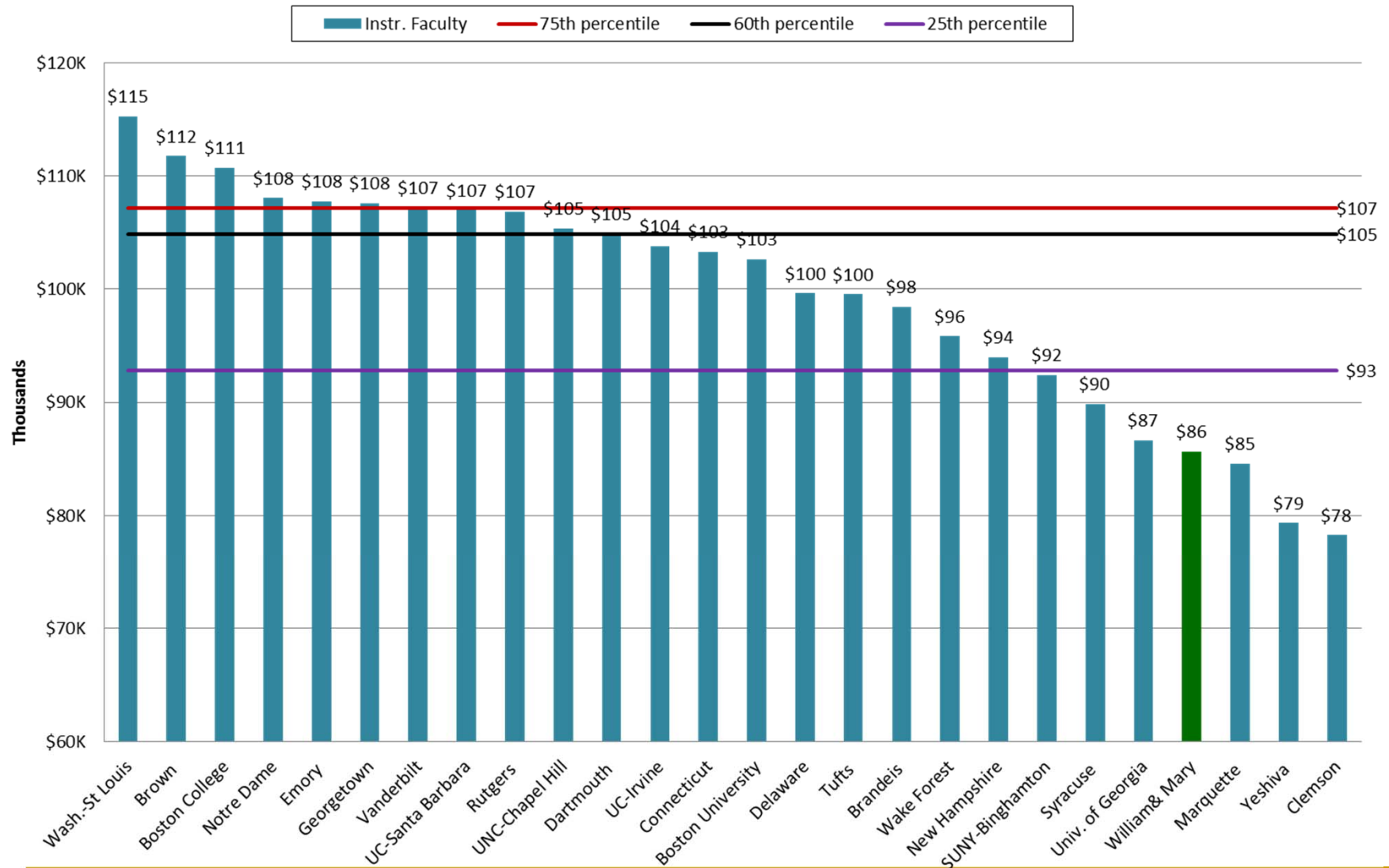
In the critical area of faculty compensation, state funding cuts over the past decade have dramatically eroded the College's standing among its peers, and the situation will worsen significantly under the current business model.

The College of William & Mary
Faculty Salary Average
Percentile Rank Within SCHEV-Approved Peer Group
(State Goal: 60th Percentile)



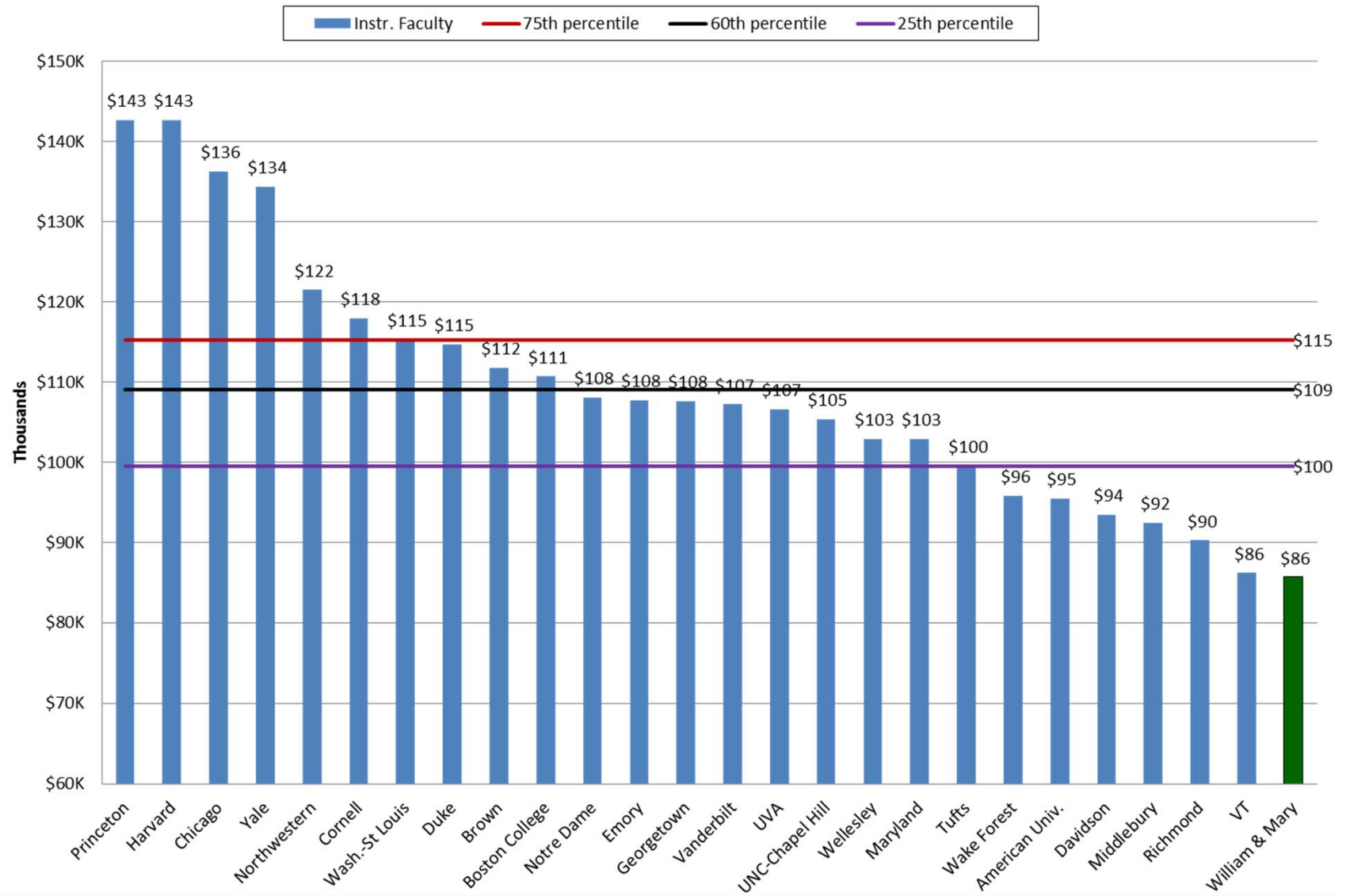
SCHEV estimated assuming 1% growth in FY 2011 and FY2012; 2% growth annually FY2013 through FY2016.

Average Faculty Salaries: SCHEV Faculty Salary Peer Group Full-time Instructional Faculty, Fall 2010

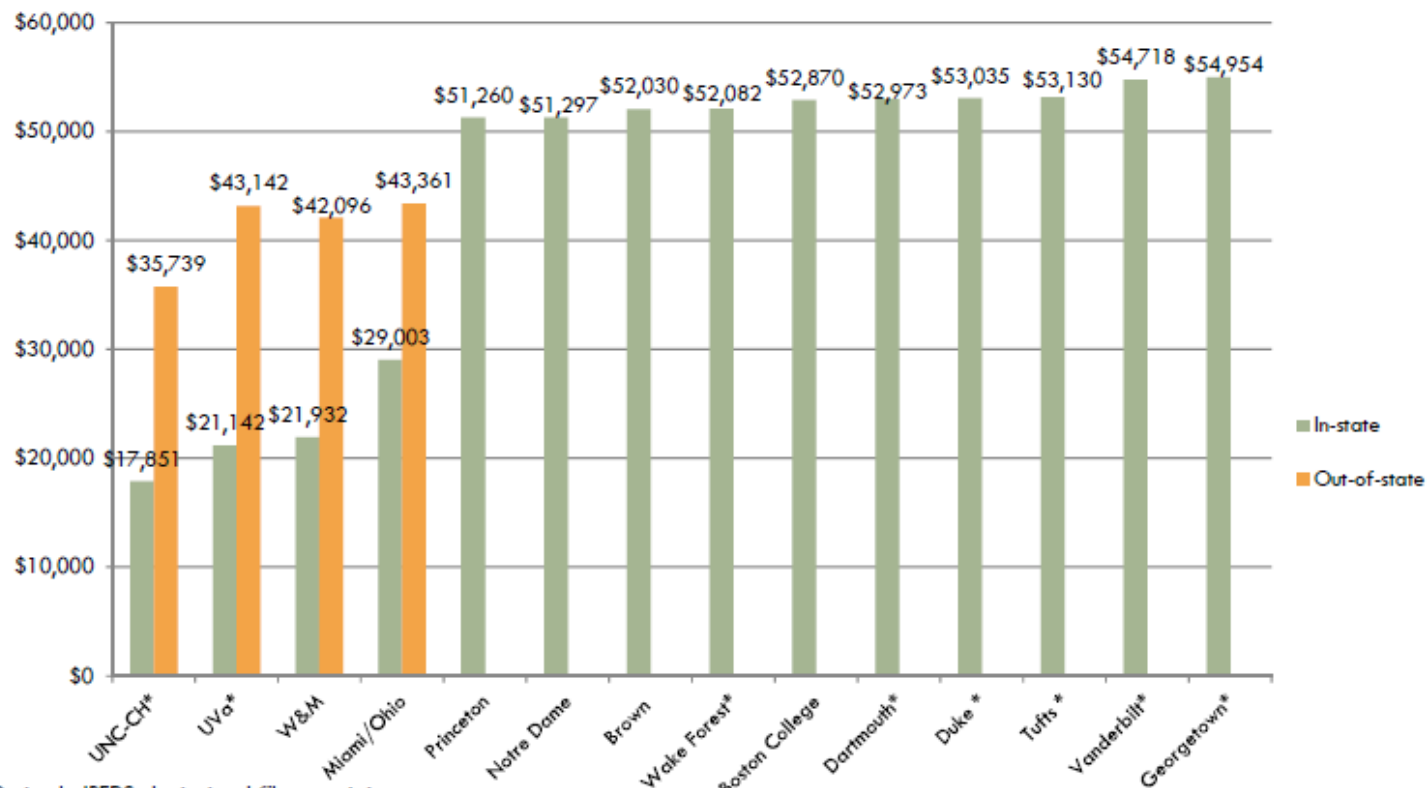


Average Faculty Salaries: Admissions Competitor Group

Full-time Instructional Faculty, Fall 2010



Total price for students living on campus (2009/2010)



Source: Derived - IPEDS, Institutional Characteristics component

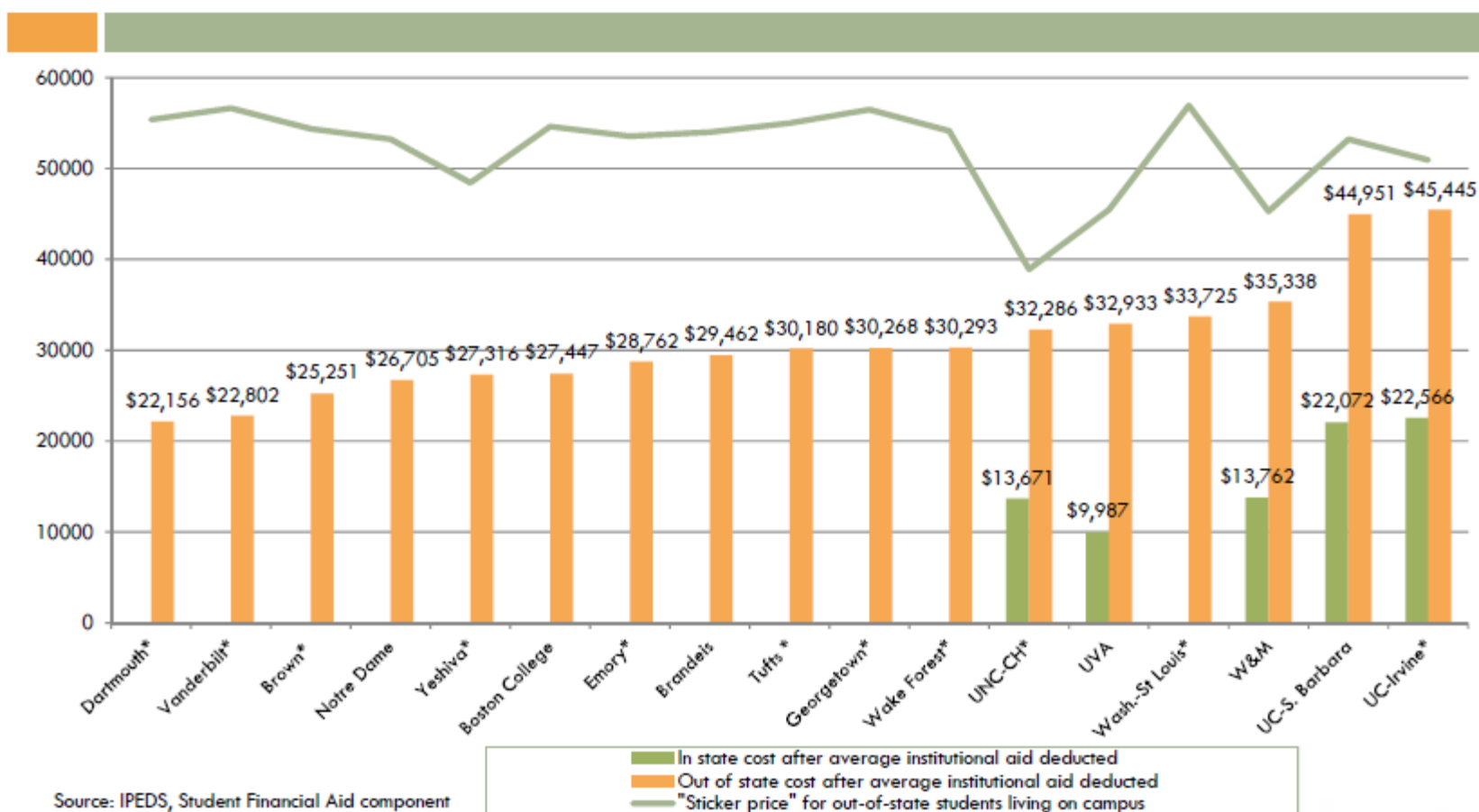
*Denotes institutions that have a medical school

Note: Schools with the same tuition for in-state and out-of-state have a single reported figure.

Total Price is cost of attendance for full-time undergraduate students living on campus for the academic year. Cost includes tuition and fees, books and supplies, on campus room and board, and other on campus expenses.



Price for students after average institutional grant (2009/2010)



Can William & Mary remain a Public Ivy in the contemporary economic environment?

William & Mary has been serving Virginia and the Nation nobly for centuries. Its record has no equal. *But now the College is at a crossroads...and must overcome some unique challenges:*

- ❑ William & Mary has by far the smallest undergraduate student body and the lowest student-to-faculty ratio (12:1) of any top public university. We have small classes (92% have 50 students or fewer) and 80% of our credit hours are taught by full-time professors. No other state school, not UVA or Michigan or Berkeley, does what we do.
- ❑ That combination allows William & Mary to deliver a distinctive “public ivy” education, but it also limits financial flexibility. As the Governor’s Commission on Higher Education noted, William & Mary’s cost of education is an outlier because of those unique characteristics.
- ❑ Attracting and retaining top faculty is the key to academic excellence, and the competition for top faculty has never been more fierce. William & Mary daily combats, with mixed success, raids on key faculty by other institutions that are better positioned to compensate and support top faculty.

That’s why William & Mary’s Board, Administration, and Faculty have heeded the Governor’s “Top Jobs 21” call to adapt, innovate, and improve. Our answer is:

THE WILLIAM & MARY PROMISE.

So, how do we preserve this “public ivy” treasure in Virginia?

The William & Mary Promise



An Innovative New Operating Model
developed by the Board and Administration
to
Enhance Quality, Affordability and Access
and
Secure a Future Worthy of the College's Past

What do we promise?

We promise to preserve our distinctive character and prized reputation as a public ivy that educates young people exceptionally well.

- The new operating model will enable William & Mary to meet the intense competitive threat for top faculty, providing the resources necessary to attract and retain the excellent scholar/teachers for which William & Mary is widely celebrated.
- Adopting the new operating model will begin the lengthy process of closing William & Mary's acute and growing resource gap, by far the worst such gap faced by any leading U.S. university.
- The new operating model closes this gap through a balanced approach that includes a new pricing structure for tuition, greater efficiencies, significant productivity gains, and enhanced philanthropic support.
- Without closing the resource gap, it will be impossible to preserve the College's unique educational experience, extraordinary student-faculty interaction, and hard-earned reputation as America's distinctive "public ivy".

What do we promise?

We promise to enhance affordability for Virginia students, especially middle-income families who are caught in a financial squeeze.

*“The Commission has focused on the particular affordability challenge faced by middle-income students and their families. Wealthy Virginians generally can afford to pay for college, and they even get a subsidy from taxpayers: those attending independent colleges qualify for TAG payments, and at public institutions in-state tuition is substantially lower than the actual cost to educate the student. At the low-income end of the spectrum, needy Virginians traditionally have qualified for ample federal grants and/or loans. **In the middle, however, families are squeezed because tuition continues to rise yet financial aid through grants is limited or nonexistent.**”*

**-- Preparing for the Top Jobs of the 21st Century
Interim Report of Governor Bob McDonnell’s Commission
on Higher Education Reform, Innovation and Investment**

What do we promise?

We promise to enhance affordability for Virginia students, especially middle-income families who are caught in a financial squeeze.

- The **William & Mary Promise** enhances affordability for middle-income students and their families by reducing the net cost of tuition after financial aid.
 - The definition of “middle-income” is that developed last year by the TJ21-created Higher Education Advisory Committee (400% of the federal poverty definition; roughly \$100,000 in annual income for a family of four).
 - 71% of all Virginia households have annual household income of less than \$100,000 a year.
- The new operating model continues to provide a taxpayer-paid subsidy for all Virginians attending William & Mary, but allocates more of the subsidy to the middle-income Virginians who are continually caught in a financial squeeze.
- The new operating model also increases tuition to out-of-state students, who already subsidize in-state students by paying more than 100% of their educational cost.

What do we promise?

We promise to reduce the debt burden that Virginia undergraduate students carry when they leave William & Mary and increase the amount of grant financial aid packages for in-state students.

- **The new operating model addresses the serious and growing student loan debt problem cited by the Governor's Commission and TJ21 legislation. Specifically, the new model:**
 - ❑ **Lowers the average annual borrowing and four-year cumulative debt average for Virginia undergraduates.**
 - ❑ **Lowers the maximum amount of loans included with any in-state financial aid package by up to 36%**
 - ❑ **Maintains no-loan, all-grant financial aid packages for in-state freshmen coming from households where the annual income is \$40,000 or less (roughly 200% of the federal poverty level or less).**

What do we promise?

We promise to give Virginia students and their families predictability and peace of mind through an innovative, ironclad promise that tuition will remain constant all four years.

- Under the new operating model, William & Mary will provide the needed predictability by giving incoming freshmen and their families a guaranteed four-year tuition rate – an innovative solution that lets higher education consumers know the four-year tuition price before they commit to William & Mary.
- The new operating model will be phased in over several years through three step changes in tuition list prices and corresponding financial aid changes.
- Already enrolled students will not be affected by the changes and any tuition increases will be held to the rate of inflation.

What do we promise?

We promise to increase the number of Virginians admitted to the College, enhancing in-state student opportunities on campus and at other locations.

- In response to calls by the Governor and General Assembly, William & Mary in the Spring of 2011 committed to add 150 more slots for Virginia students.
- The new operating model will permit William & Mary to double that commitment by adding another 150 slots for in-state students.
- To increase opportunities for in-state students and meet regional demand, part of the growth could be accomplished through an innovative program offered from the College's facilities in Northern Virginia and Washington, DC.
- Together with the commitment made in 2011, the new operating model will enable the College to increase by 8% the opportunities provided to in-state undergraduate students.

What do we promise?

We promise to lead the way on innovation, efficiency, productivity, and reform. Key initiatives include:

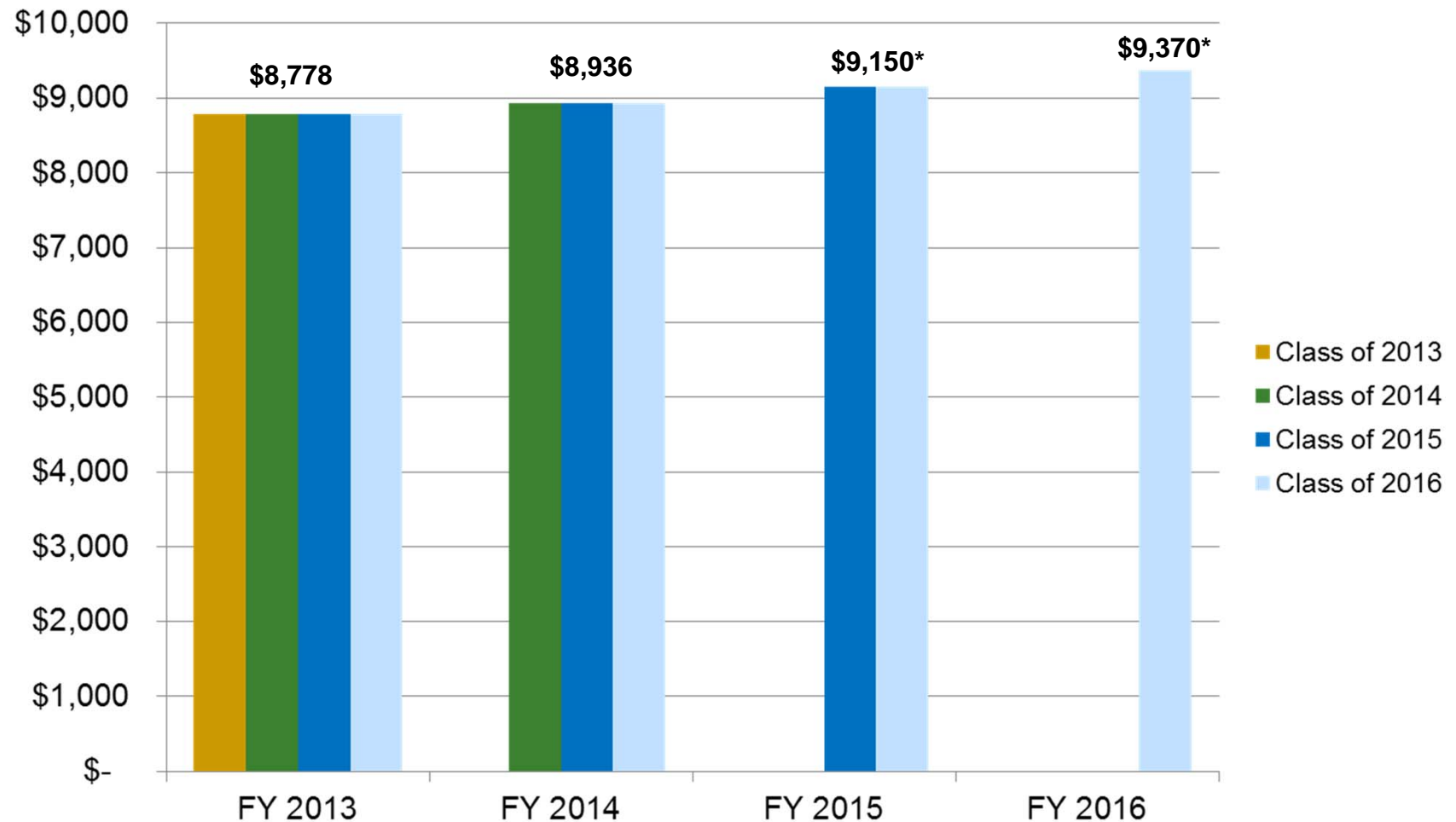
- Retaining an outside firm to review and make recommendations on how William & Mary could be better structured in its administrative operations to drive greater efficiencies and cost savings.
- Increasing the number of courses taught by full-time faculty, including more non-tenure-track faculty focused on teaching.
- Expanding digital means to teach courses on campus and developing innovative ways for faculty and students to interact.
- Enhancing year-round use of facilities and resources by expanding summer school programs and the possible addition of a short winter session.
- Adopting new ways of generating academic revenue using current resources, including increasing net revenue through executive programs, continuing education certificate programs, and eLearning opportunities.
- Participating in instructional resource-sharing initiatives across the Virginia higher education system through use of new technologies.
- Developing a rigorous faculty and staff compensation plan that rewards merit.

The William & Mary Promise



New Operating Model

Tuition Program to Implement Six Year Plan – Returning Students FY 2013 – FY 2016: Tuition Increase at Annual CPI Increase

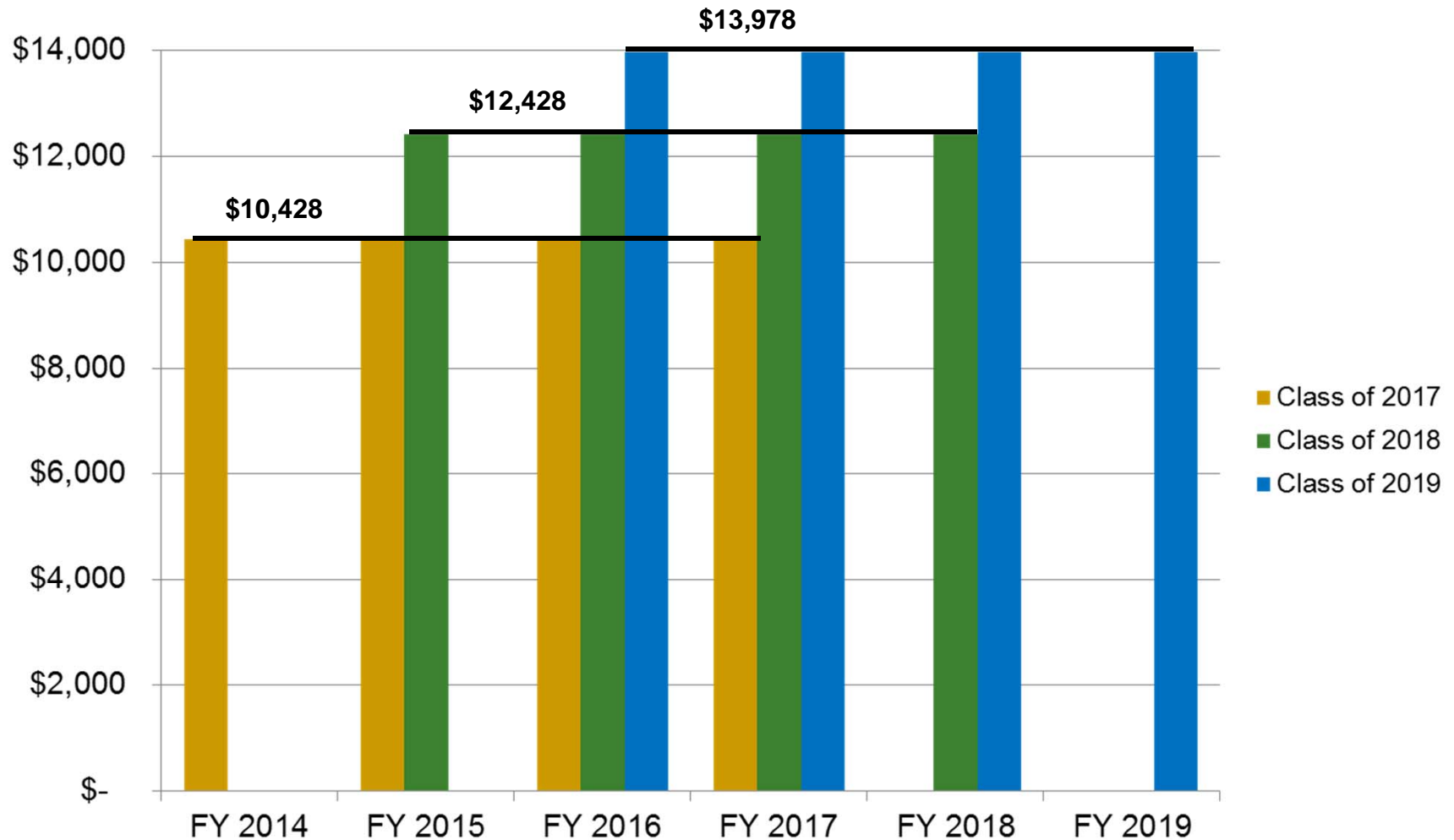


* Assumes projected rate of inflation of 2.4% annually.

Tuition Program to Implement Six Year Plan – New Students

FY 2014 – FY 2016: Three Year Step Change for Freshmen with Four Year Guarantee

FY 2017 and Beyond: CPI Increase for Incoming Freshmen with Four Year Guarantee

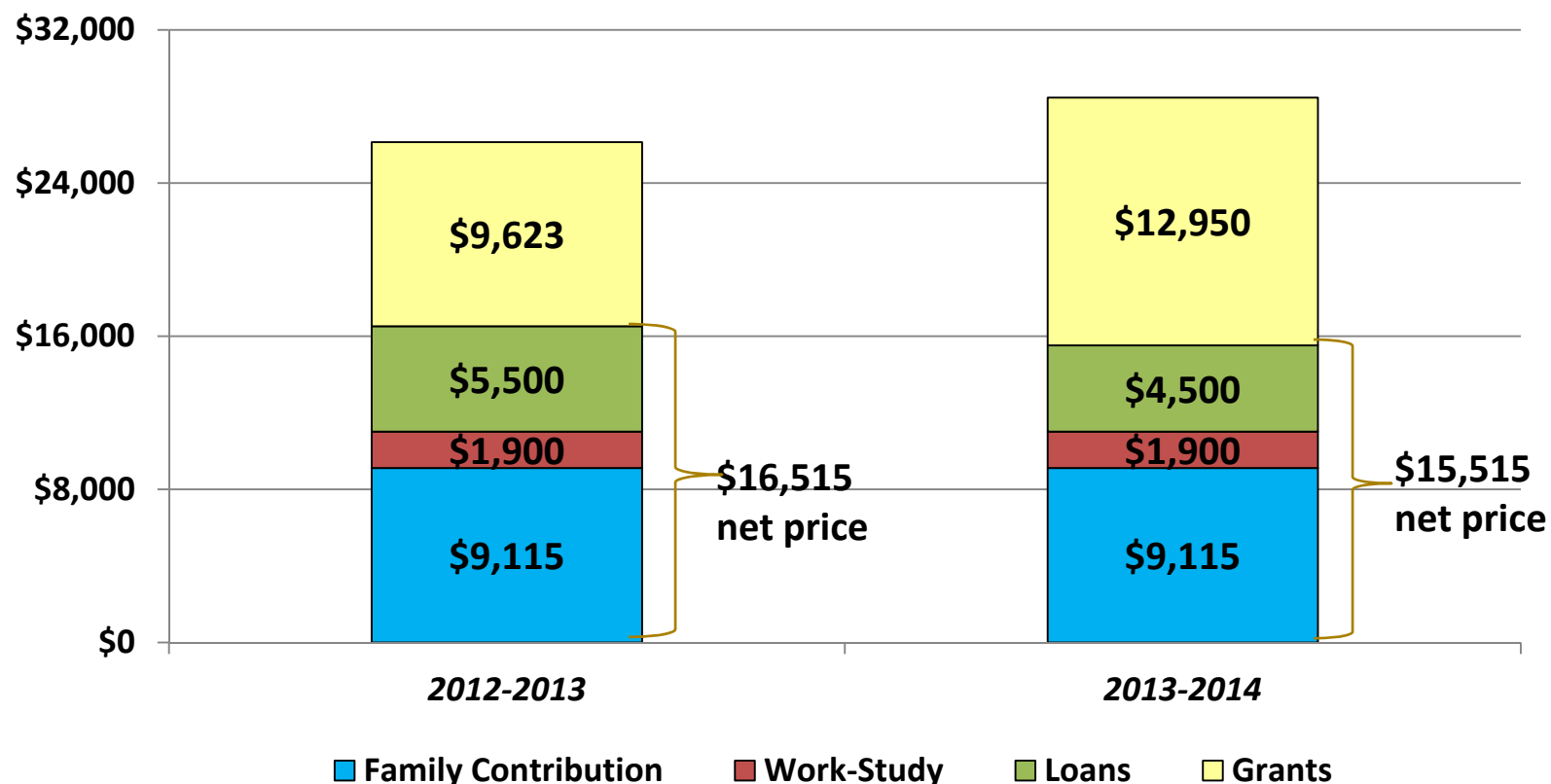


How the restructured pricing model will work:

Reduced “net price” for middle-income families with financial need

**Example: Family of Four with Two in College,
Household Income of \$100,000**

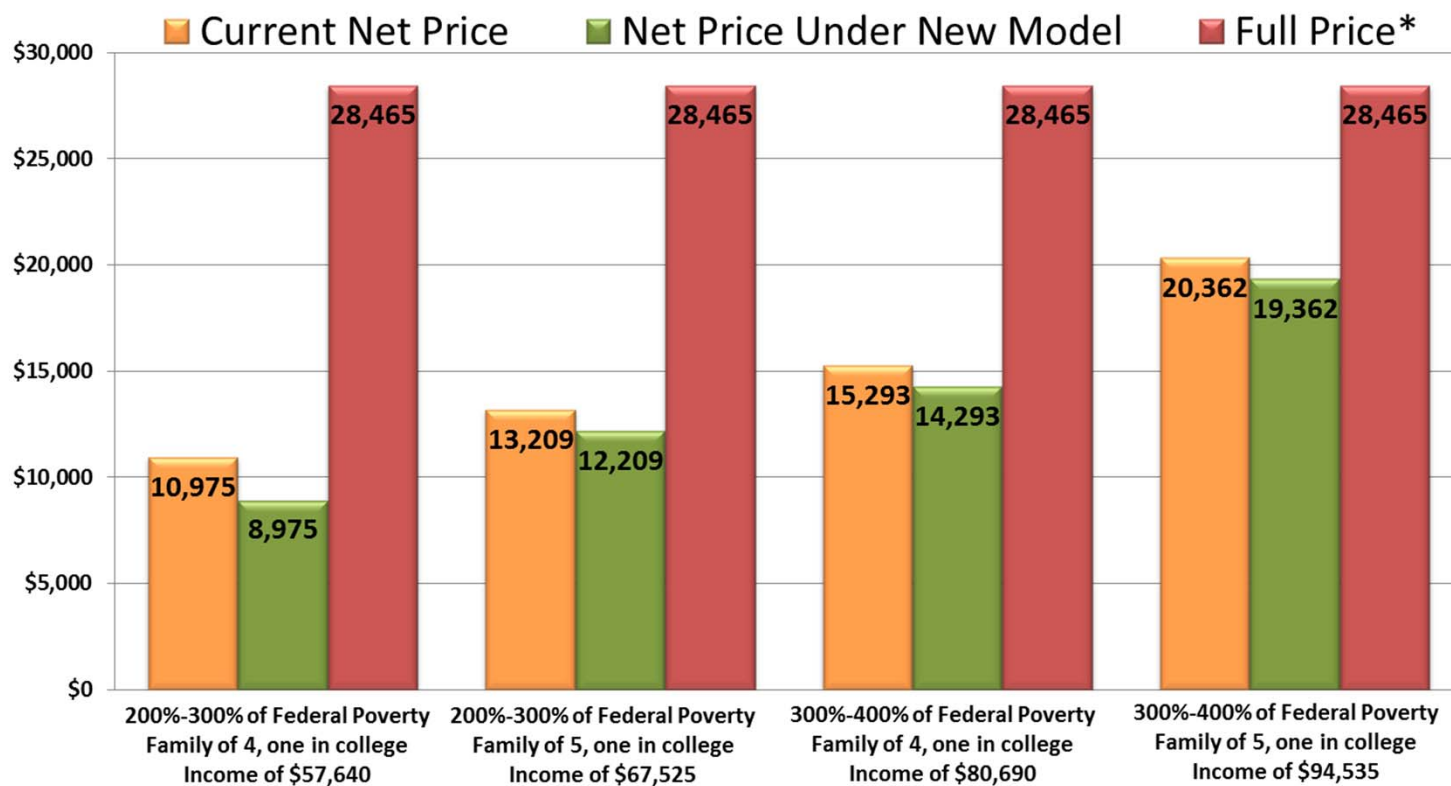
**2012-2013 Financial Aid Under Current Costs and Packaging vs.
2013-2014 Financial Aid Under Proposed costs and Packaging**



How the restructured pricing model will work:

Various scenarios for “middle-income” In-State Students

How the Restructured Pricing Model Reduces Net Price for In-State Students (4 examples)



***Full Price = estimated FY 2014 total cost (tuition, fees, room, board, books, travel)**

How the restructured pricing model will work:
In-State Student financial aid – in dollars

Comparison of Current and Proposed Average In-State Financial Aid Packages:

	Current (based on 2012-2013 costs)		Proposed (based on proposed FY 2014 costs)	
<u>Income</u>	<u>Grant</u>	<u>Loan</u>	<u>Grant</u>	<u>Loan</u>
≤ \$40K	\$26,138	\$0	\$28,465	\$0
\$41-60K	\$12,207	\$5,500	\$16,534	\$3,500
> \$61K <100K	\$2,842	\$5,500	\$6,169	\$4,500
> \$100K <175K	\$985	\$5,500	\$4,312	\$4,500

How the restructured pricing model will work:
In-State Student cumulative four-year debt

Comparison of Cumulative Four-Year Debt:

<u>Income</u>	Current (based on 2012-2013 costs)	Proposed (based on proposed costs)
$\leq \$40K$	\$0	\$0
\$41-60K	\$22,000	\$14,000 (-36%)
$> \$60K < 100K$	\$22,000	\$18,000 (-18%)
$> \$100K < 175K$	\$22,000	\$18,000 (-18%)

The William & Mary Promise

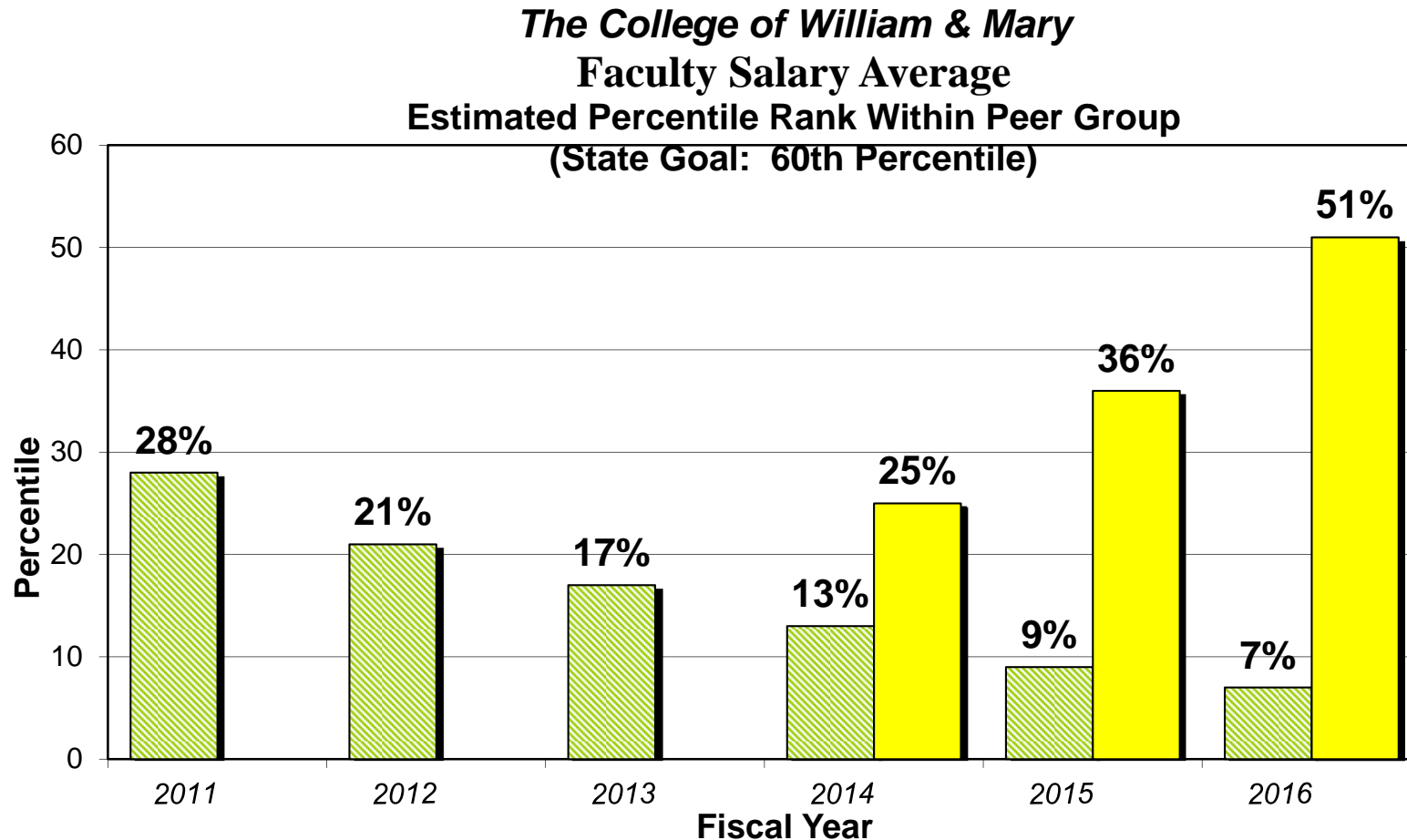


Sustaining a Distinctive Public Ivy

Incremental Revenue, Expenditures and Reallocations (FY 2014 – 2016)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>REVENUE</u>			
State Funds	\$1,956,936	\$1,200,000	\$200,000
Undergraduate Tuition			
In-State	2,096,364	3,915,000	5,263,000
Out-of-State	1,854,000	1,910,000	1,967,000
Enrollment Growth	710,000	1,462,000	877,000
Graduate/Professional School Tuition	<u>1,536,600</u>	<u>1,613,000</u>	<u>1,693,000</u>
Total Revenue	\$8,153,900	\$10,100,000	10,000,000
<u>EXPENDITURES / REALLOCATIONS</u>			
Faculty & Staff Salaries	\$4,939,168	\$5,986,836	\$6,304,407
Fringe Benefits (State)	1,981,614	781,600	820,800
Financial Aid	1,840,000	2,340,000	2,340,000
Graduate Aid	350,000	500,000	500,000
Enrollment	340,000	360,000	360,000
Base Operations	1,057,118	831,564	374,793
TJ21/Strategic Plan	1,000,000	300,000	300,000
Reallocation	<u>(3,354,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net Expenditures	\$8,153,900	\$10,100,000	\$10,000,000

Under the new operating model, the average faculty salary will increase from the 17th percentile in 2013 to the 51st percentile in 2016.



■ SCHEV estimated assuming 1% growth in FY 2011 and FY 2012; 2% growth annually FY 2013 through FY 2016.

■ Impact of William & Mary Promise on faculty compensation.

The William & Mary Promise



Summary

A new operating model that will:

- **Secure a sustainable future for Virginia’s distinctive “public ivy,” as recognized by the Governor’s Commission on Higher Education**
 - Continue to provide a “public ivy” education – small and interactive class rooms, highly motivated students, great teachers, high graduation rates
 - Fully meet the operating objectives in William & Mary’s approved Six-Year Plan, with a strong emphasis on retaining and attracting top faculty
- **Relieve the “middle-class squeeze” by reducing net tuition for middle-income Virginians as defined by the Governor’s Commission on Higher Education**
 - More than 7 in 10 Virginia households have household income of \$100,000 or less and meet the middle income definition of the Governor’s Commission on Higher Education
- **Give all incoming Virginia undergraduates and their families an innovative, ironclad four-year guarantee that tuition won’t rise**
 - Provide a four-year tuition guarantee to all new in-state students, providing predictability for Virginia’s families to allow them to plan better for their child’s college education

A new operating model that will:

- **Reduce the student loan debt burden faced after graduation by middle-income Virginians**

- Increase grants, reduce loans, and lower overall debt upon graduation for middle-income Virginians

- **Reset the College's tuition model**

- Hold tuition increases for existing in-state students to no more than the rate of inflation
- Implement a step increase in tuition over the next three years for new in-state students and then guarantee their tuition price for four years
- Establish differential pricing for certain undergraduate majors
- Ensure that all in-state students continue to pay less than the cost of their education

- **Attract and retain top national and international faculty**

- Move the average faculty salary from the projected 7th percentile in FY 2016 (compared to William and Mary's SCHEV-approved peer group target of the 60th percentile) to the 51st percentile in FY 2016

A new operating model that will:

- **Provide greater access to William & Mary undergraduate degree opportunities for more Virginia students**
 - Increase in-state undergraduate enrollment by 8% over a five-year period
- **Lead the way in higher education reform, with a strong emphasis on innovation, efficiency, and productivity**
 - Build on William & Mary's well-deserved reputation and ranking as a best value university – low cost per degree, highly efficient, low student debt levels
 - Drive instructional innovation through the College's Creative Adaptation Fund
 - Increase the instructional contribution by full-time faculty
 - Utilize technology to effectively deliver instructional content
 - Continue several efficiency initiatives to meet reallocation objectives, including retaining an outside firm to review and make recommendations on how William & Mary could be better structured in its administrative operations to drive greater efficiencies and cost savings

Paul Verkuil '61, President 1985-1992

“As an alumnus and President Emeritus, I continue to be involved in the success of my alma mater. It is good to know that under Taylor Reveley and Jeff Trammell’s leadership, the Board of Visitors is facing the financial challenges confronting public universities. Their collective efforts have produced a creative, workable and laudable plan. It is imperative to expand access to financially strapped students, while at the same time ensuring our fine faculty is properly compensated. I am sure this plan will also inspire the faculty to rededicate its invaluable services to this broad effort.”

Susan Aheron Magill '72, Rector 2003-2006

“This new business model meets in a very responsible way the desire of more Virginia students to attend the College of William & Mary. I know that’s been a really important issue for many Virginia families as well as the General Assembly. Over time, an additional 300 Virginia students will be enrolled—that’s an eight percent increase. What will not change of course is the remarkable William & Mary education that these students will receive.”

Michael Powell '85, Rector 2006-2009

“As a proud alumnus and former rector of William & Mary, I understand the College’s commitments to students, alumni, faculty and staff as well as the Commonwealth of Virginia. The William & Mary Promise delivers on all fronts and ensures the College will remain a thriving institution for years to come.”

Henry C. Wolf '64, J.D. '66, Rector 2009-2011

"I've been involved with William & Mary since I first set foot on campus as a freshman more than 50 years ago. Much has changed in that time, but the extraordinary quality of a William & Mary education has not. The William & Mary Promise provides a firm foundation to ensure that excellence remains the hallmark of a William & Mary education for years to come with more predictable costs for students and their parents and the opportunity to earn a degree that will have lasting value."

Sen. Tommy Norment

"The William & Mary Promise represents a commitment to both the College and the Commonwealth. It's a decisive action to secure William & Mary's exceptional quality for years to come while increasing access for Virginians. The tuition guarantee allows students and their families to know the cost of a William & Mary education and plan accordingly. Financial aid will reach further into the middle class, reducing the burden on these hard-working families."

Timothy J. Sullivan '66, President 1992-2005

"I am an enthusiastic advocate of the William & Mary Promise. I commend the Board of Visitors and President Reveley for their vision and for their courage. The leadership of the Commonwealth has abdicated its responsibility for adequate support of public higher education in Virginia. If we are to protect the College in this event, we must be sure that William & Mary is not a victim of a failed system of public support."

COLLEGE OF WILLIAM & MARY



FY 2014 BUDGET

College of William & Mary

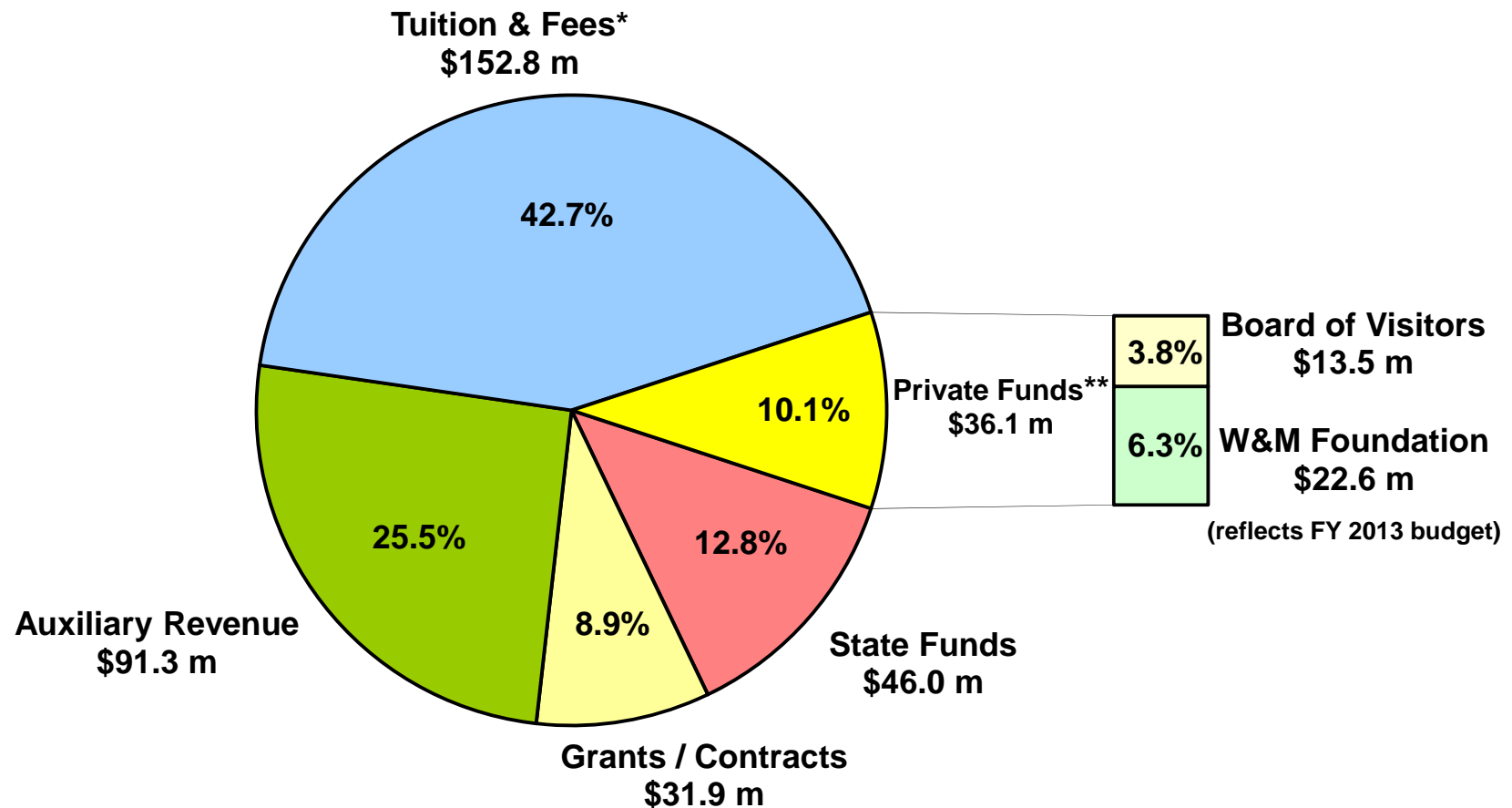
FY 2014 Funding Priorities

- *Implement the William & Mary Promise;*
- *Maintain and enhance the quality of academic programs, including the competitiveness of faculty salaries;*
- *Recognize the Commonwealth's incremental investment;*
- *Identify opportunities for budget reallocations and academic/business innovation;*
- *Address Strategic Planning, Six Year Plan, and Higher Education Opportunity Act priorities, including expanded aid for middle-income Virginia families;*
- *Balance revenue need with student affordability;*
- *Use all available fund sources to address funding requirements;*
- *Continue to aggressively seek private funds and other revenue sources.*

College of William & Mary

FY 2014 Operating Revenue (All Sources)

\$358.1 million



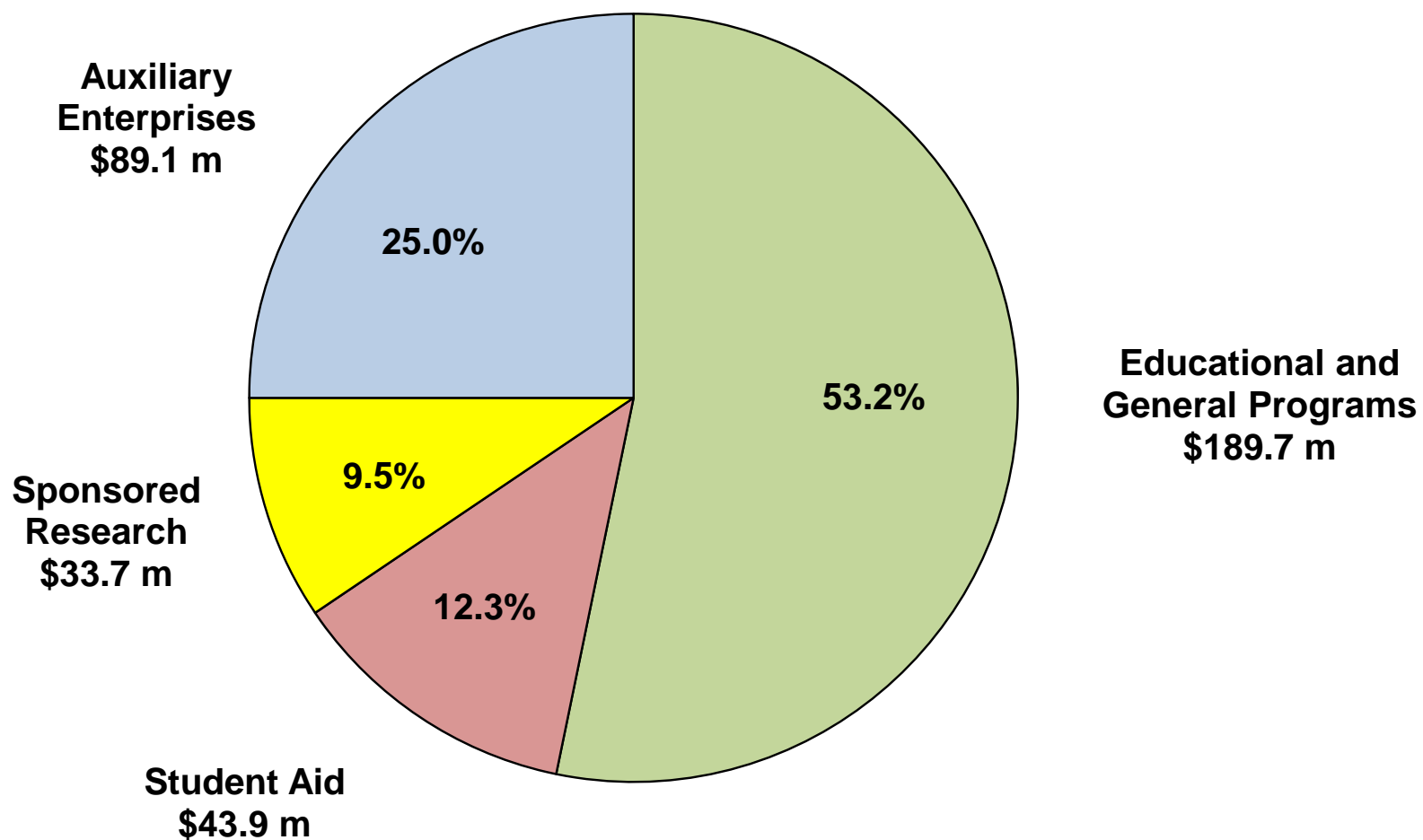
* Includes \$8.6 million in tuition waivers.

** Includes drawdowns from fund balances.

College of William & Mary

FY 2014 Operating Expense (By Program)

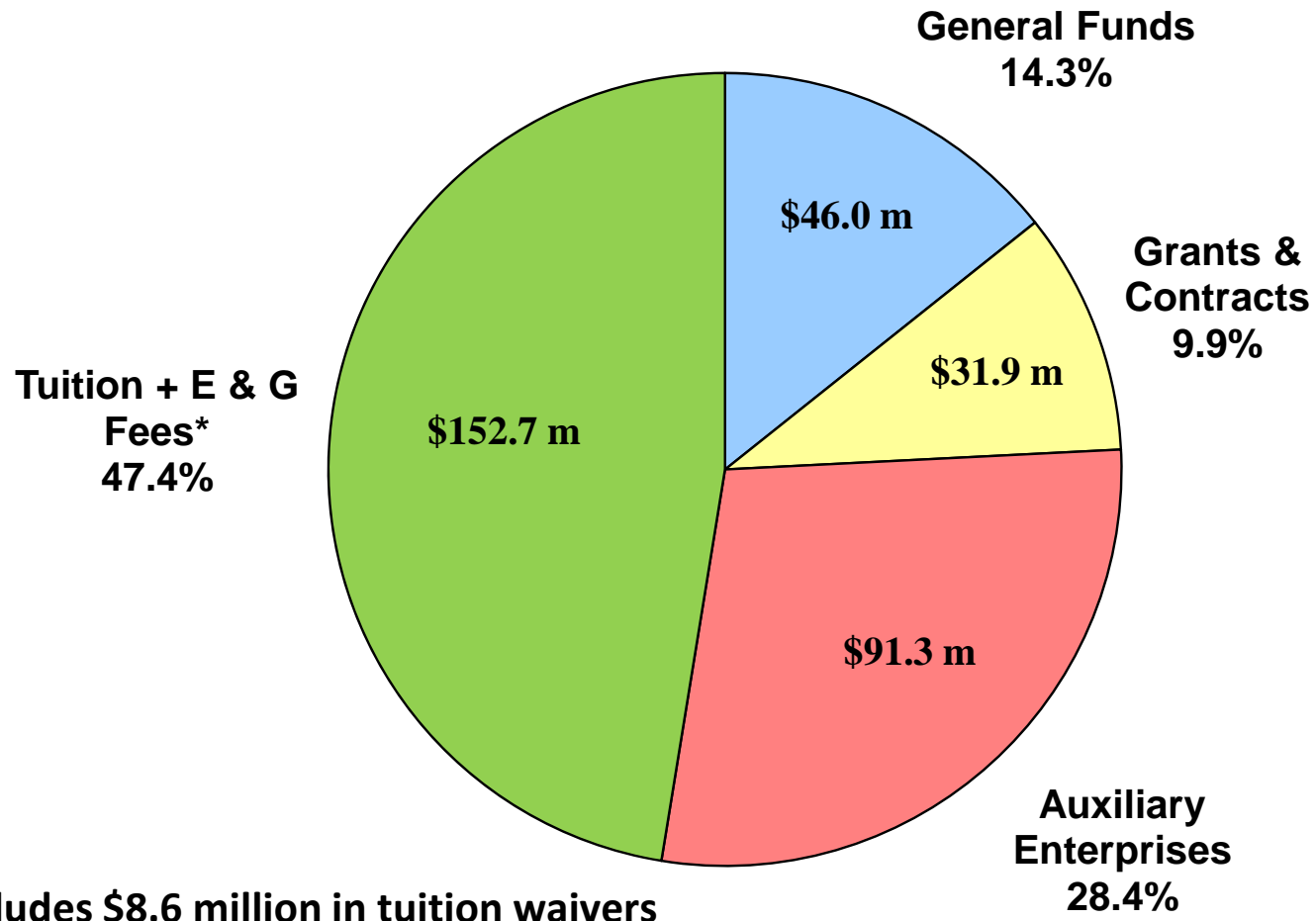
\$356.4 million



College of William & Mary

Sources of State Appropriated Funds

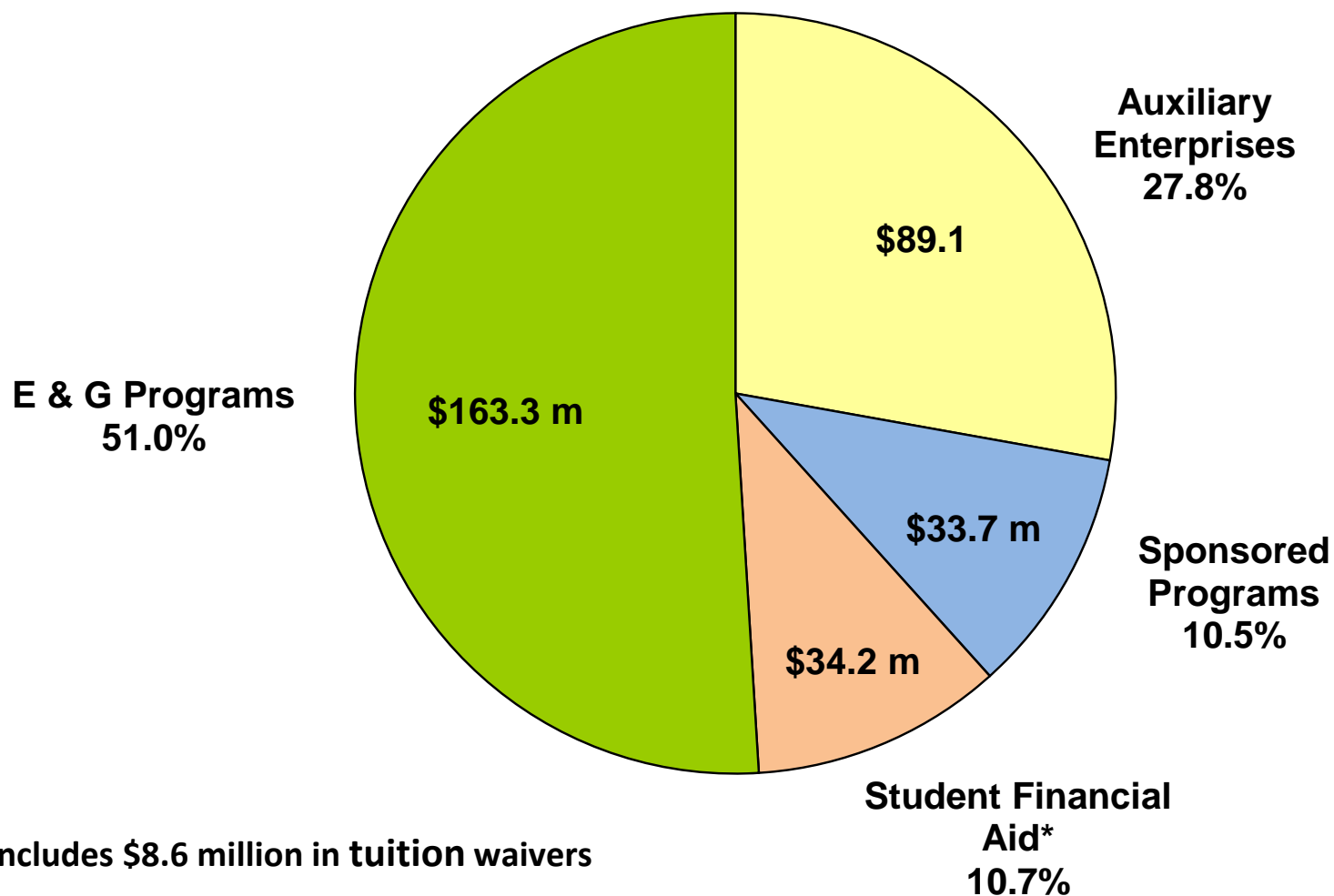
\$321.9 million



College of William & Mary

State Appropriated Expenditures by Major Program

\$320.3 million

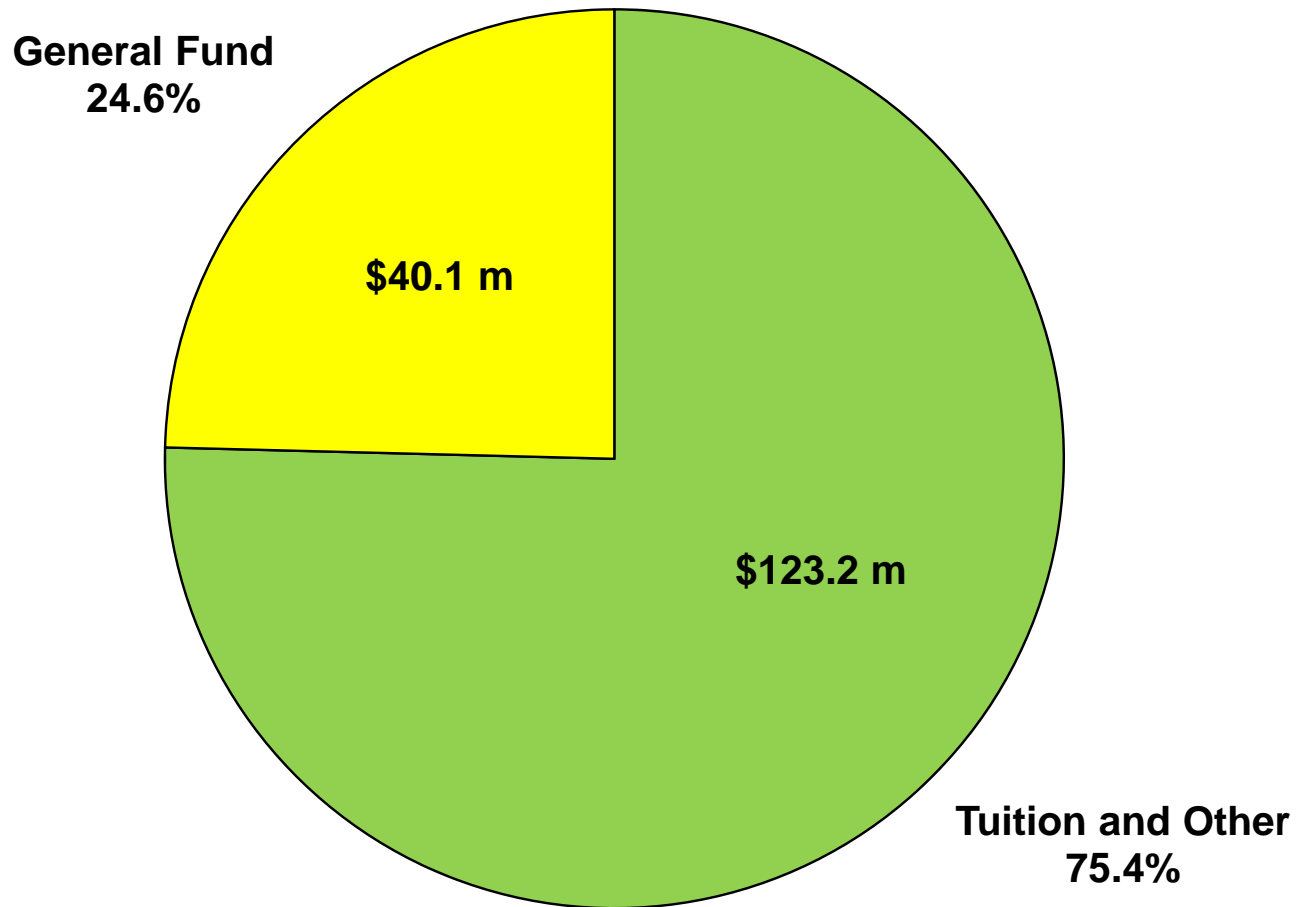


*includes \$8.6 million in tuition waivers

College of William & Mary

Sources of E & G Revenue

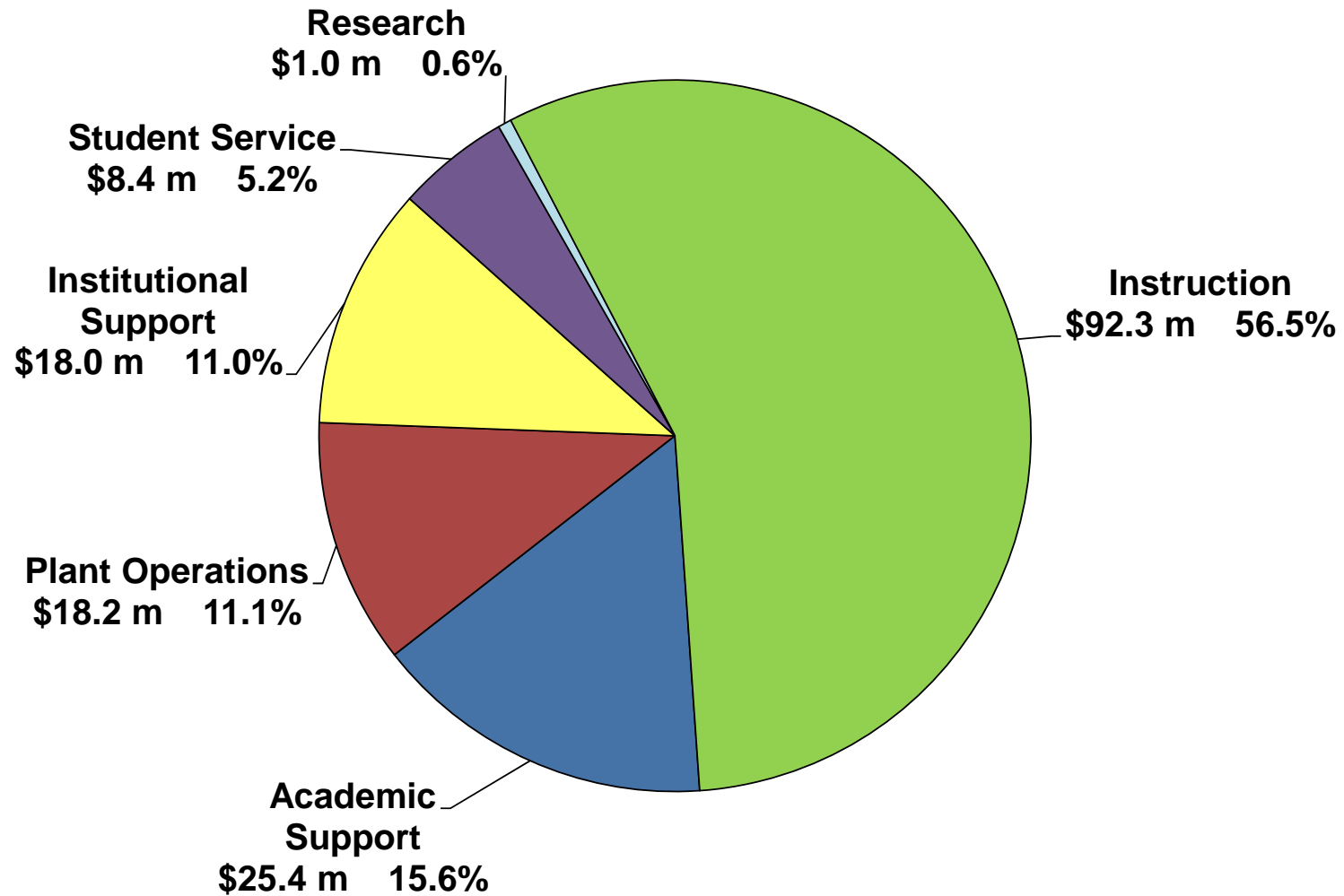
\$163.3 million



College of William & Mary

Expenditures by E & G Program

\$163.3 million



College of William & Mary

FY 2014 INCREMENTAL REVENUE AND EXPENSE

REVENUE

State Funds	\$1,756,936
State Funds: EVMS	\$200,000
Undergraduate Tuition	
In-State	2,096,364
Out-of-State	1,854,000
Enrollment Growth	710,000
Graduate/Professional School Tuition	<u>1,536,600</u>
TOTAL REVENUE	\$8,153,900

EXPENSE

Faculty Salaries	\$3,082,715
Staff Salaries	\$1,856,453
Health Insurance Increase	1,981,614
Undergraduate Student Aid	1,840,000
Enrollment Support	340,000
Graduate Financial Aid	350,000
EVMS	200,000
Base Operating Support/Strategic Plan	1,857,118
Reprogram 2% Bonus (College share)	(2,354,000)
Reallocation/Innovation Savings	<u>(1,000,000)</u>
TOTAL EXPENSE	\$8,153,900

College of William & Mary

Base Operating Support/Strategic Plan Allocations

Arts and Sciences

Dean's fund	\$ 125,000
Dean's fund (equipment trust fund)	\$ 125,000
Start-up fund	\$ 100,000

International Programs \$ 100,000

Instructional Technology

Academic support	base funded in FY 2013
Business processes	\$ 100,000

Research Support

Internet 2	\$ 50,000
VIMS	\$ 98,500
F&A/IDC offset	\$ 200,000

Student Affairs

Community Engagement	\$ 17,000
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Operating Funds (M&O) \$ 571,618

Library Materials \$ 250,000

Campus Security \$ 105,000

Professional Development \$ 50,000

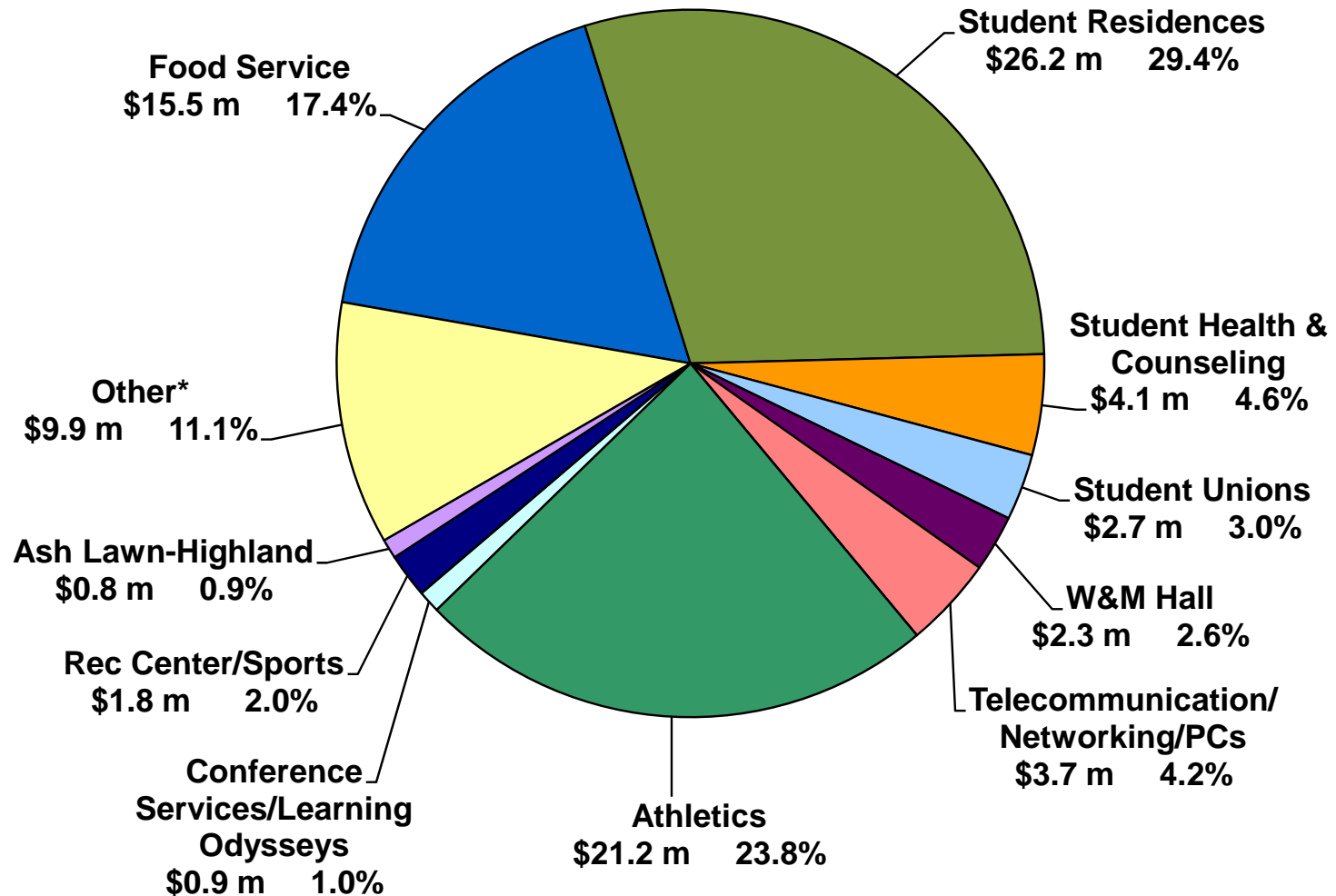
University Comptroller \$ 90,000

\$ 1,857,118

College of William & Mary

Projected Auxiliary Enterprise Expenditures By Major Program

\$89.1 million



***Other includes parking, bus service, vending, licensing, ID office, and other smaller auxiliary services.**

College of William & Mary

FY 2014 TUITION AND FEE SUMMARY

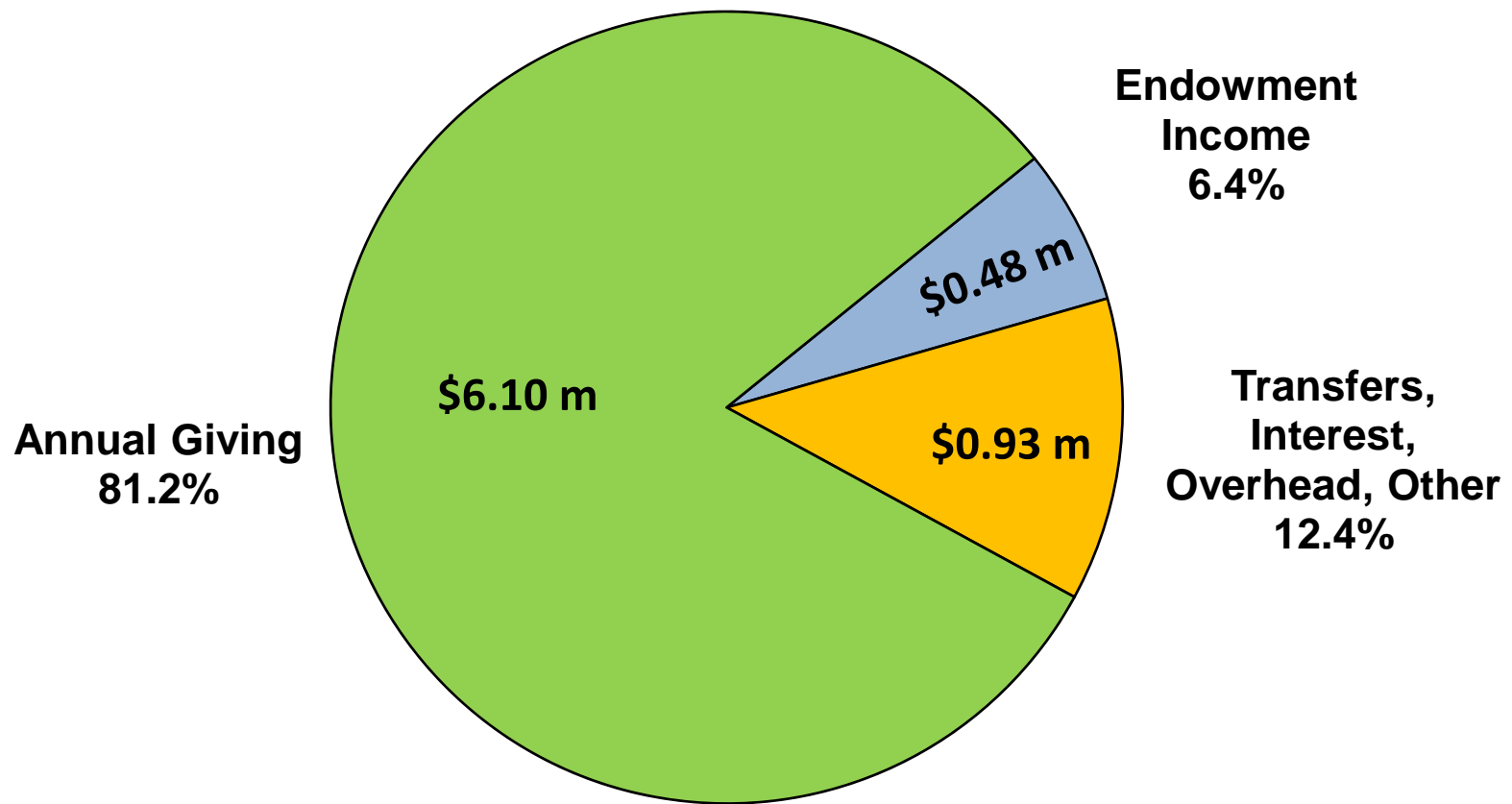
	<u>PROPOSED</u> <u>FY 2013-14</u>
<i>IN-STATE UNDERGRADUATE (CONTINUING)</i>	
Tuition and Fees	\$13,868
Room	\$ 5,870
Board	<u>\$ 3,946</u>
TOTAL COST	\$23,684
<i>IN-STATE UNDERGRADUATE (NEW STUDENT)</i>	
Tuition and Fees	\$15,463
Room	\$ 5,870
Board	<u>\$ 3,946</u>
TOTAL COST	\$25,279
<i>OUT-OF-STATE UNDERGRADUATE</i>	
Tuition and Fees	\$38,440
Room	\$ 5,870
Board	<u>\$ 3,946</u>
TOTAL COST	\$48,256
<i>GRADUATE ARTS AND SCIENCES, EDUCATION, AND MARINE SCIENCE</i>	
In-State Tuition/Fees	\$11,884
Out/State Tuition/Fees	\$26,960
<i>LAW</i>	
In-State Tuition/Fees	\$29,000
Out/State Tuition/Fees	\$38,000
<i>GRADUATE BUSINESS: MBA / MAC</i>	
In-State Tuition/Fees	\$30,898
Out-of-State Tuition/Fees	\$41,354

College of William & Mary

Board of Visitors Unrestricted Funds

Source of Funds

\$7,518,649

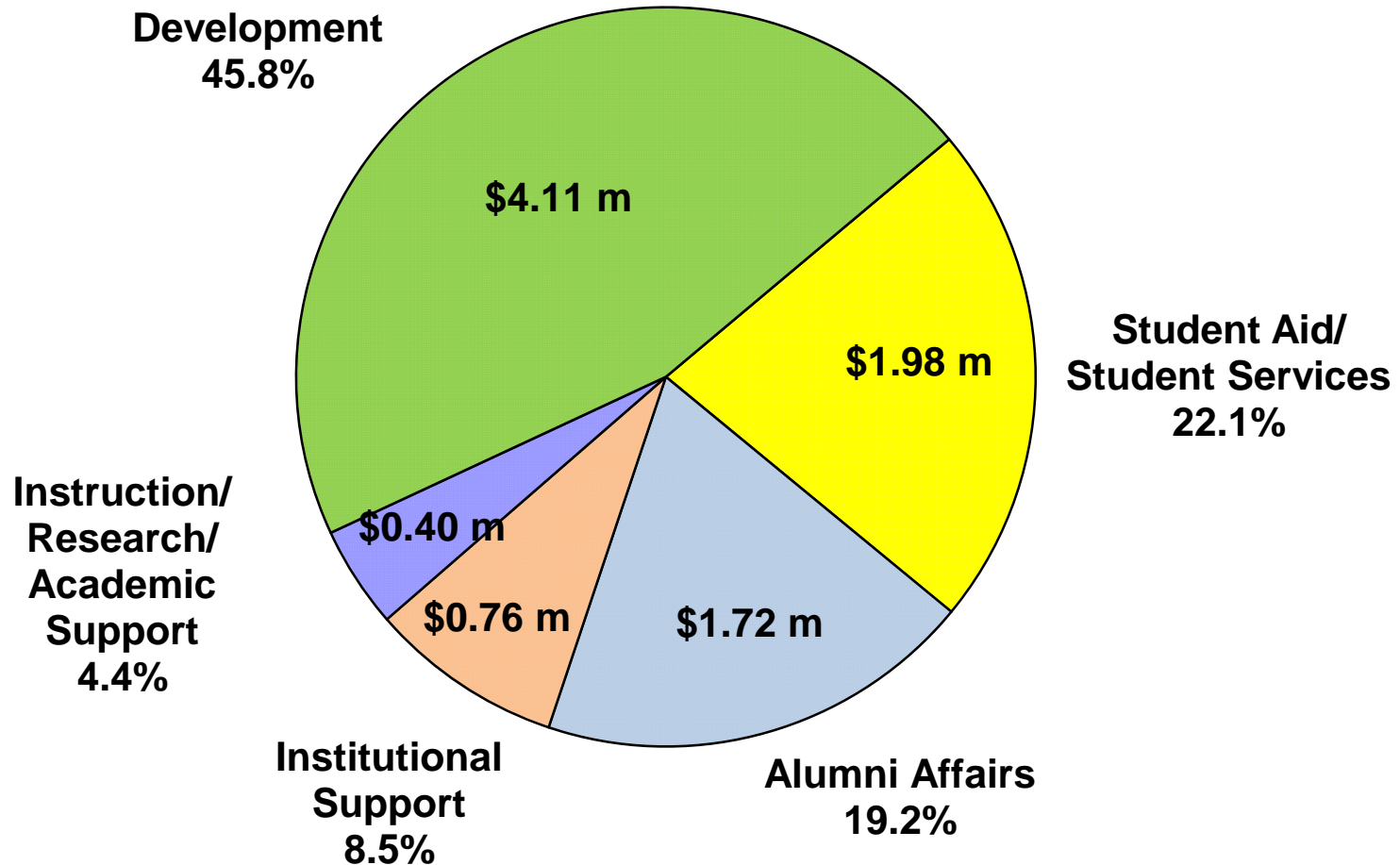


College of William & Mary

Board of Visitors Unrestricted Funds

Uses of Funds

\$8,969,447



College of William & Mary

- | | |
|-----------------------------|---|
| <i>Resolution 26</i> | FY 2013-14 Operating Budget for Educational and General Programs |
| <i>Resolution 27</i> | FY 2013-14 Tuition and Fee Structure for Full- and Part-time Students |
| <i>Resolution 28</i> | FY 2013-14 Auxiliary Enterprise Operating Budgets |
| <i>Resolution 29</i> | FY 2013-14 Sponsored Programs Operating Budget |
| <i>Resolution 30</i> | FY 2013-14 State Appropriated Student Financial Assistance |
| <i>Resolution 31</i> | FY 2013-14 Applied Music Fee |
| <i>Resolution 32</i> | FY 2013-14 Board of Visitors Private Funds Budget |
| <i>Resolution 33</i> | FY 2013-14 Operating Budget (Virginia Institute of Marine Science) |