

Affordable Excellence:

U.Va.'s commitment to students and families to continue offering a world-class education accessible to all

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Cornerstone Plan Strategy 12: Affordable Excellence

The University will develop and implement a financial model that generates adequate resources to sustain AccessUVA and additional measures envisioned in the Commonwealth of Virginia's recent higher education legislation, thus promoting academic excellence, diversity, and financial predictability and affordability.

Timeline

May 2014	Finance Subcommittee established to develop recommendations for the Affordable Excellence strategy of the Cornerstone Plan
June 2014 (subcommittee meeting)	Tuition/Financial Aid Pricing Models Cost of Education AccessUVa Program UVa Endowment
July 2015 (subcommittee meeting)	Leveraging the University's AAA Balance Sheet Role of the Endowment and Options for Consideration Funding AccessUVa for the Long-Term University Financial Model Organizational Excellence Strategic Corporate Partner Program
Summer 2014	Extensive outreach to leaders in higher education across the nation and current and former Board of Visitors members
September 2014 (subcommittee meeting)	Research Philanthropy Observations from Completion of Recent Admissions Cycle Strategies to Leverage the University's AAA Balance Sheet
November 2014 (subcommittee meeting with full Board)	Cost analysis of strategic priorities <ul style="list-style-type: none">• Cornerstone Plan• Generational Faculty Turnover• Sustaining Excellence in Operational Performance• Enhancing Affordability
March 2015	Adoption of <i>Affordable Excellence</i> model

Finance Subcommittee Charge

Affordability for low-income and middle-income students

Socio-economic diversity

- Makes UVA more affordable for 70% of Virginia's families
- Shields in-state students with need from tuition step increase
- Decreases loan caps: \$4,000 for low-income Virginian students and \$18,000 for all other Virginians with need

Predictability of tuition and fees

- Establishes a multi-year plan, with one step increase and subsequent years of rate increases held to no more than 1% + inflation

Sustainable student financial aid program

- Builds endowment to provide long-term financial support to AccessUVA; the goal is to use annual earnings to fund tuition grants at a level sufficient to meet 100% of demonstrated financial need

*Sustainable funding to preserve and enhance **academic excellence***

- Plan allows for significant investments in excellence – including quality of faculty, instruction, knowledge creation, and student experience

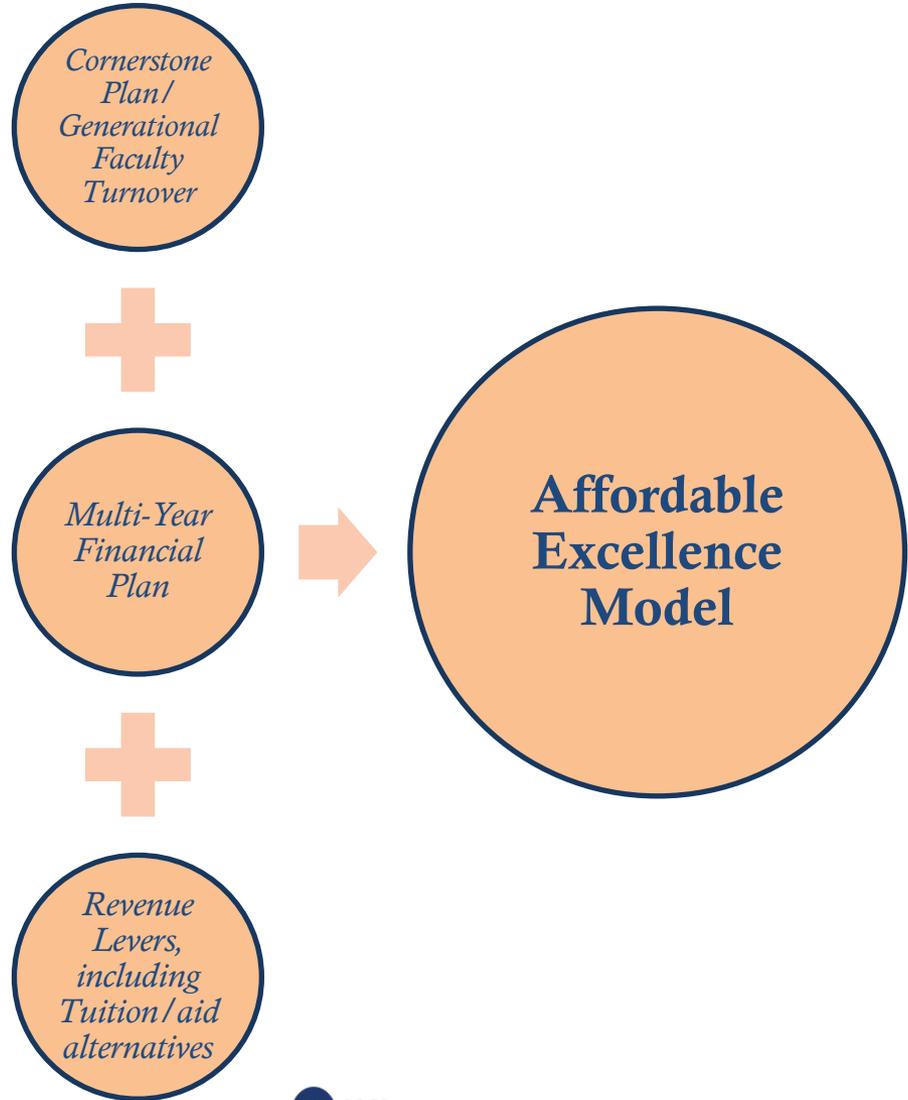
New revenues, efficiencies and savings achieved through *Organizational Excellence*

- Incorporates \$150 million in new revenue and efficiency savings over seven years into base operating model

What have we done?

- ❖ Developed a **long-range financial plan** for the University.
 - Subject to board-approved annual budgeting process
- ❖ Implemented a plan to increase **affordability for Virginians**.
 - Governor's Commission on Higher Education specifically asked institutions to address middle class families that are "squeezed because tuition continues to rise yet financial aid through grants is limited or non-existent."
 - Higher Education Opportunity Act of 2011 declared a state policy to improve affordability for low-income and middle-income students and their families.
- ❖ Offered families an option for **tuition certainty** and have built an assumption on **tuition predictability** into the financial plan.

Affordable Excellence Framework



Defining Affordability

- ❖ The **definition of middle income** was developed by the Top Jobs for the 21st Century-created Higher Education Advisory Committee (400% of the federal poverty definition; **roughly \$100,000 for a family of four**)
- ❖ The two primary reasons students make decisions on college: **academic quality and cost**
- ❖ **70% of all Virginia households have annual household income of less than \$100,000**
- ❖ **Improving net price** makes it **more affordable** for a growing proportion of Virginia high school graduates to attend UVa

Multiple Funding Strategies

Before considering tuition we employed all other available strategies to help meet overall goals:

- Increase the endowment spending distribution
- Optimize the performance of the balance sheet
- Generate savings by restructuring the debt portfolio
- Execute a robust philanthropic campaign to support the Cornerstone Plan, faculty excellence, and student financial aid
- Continue to achieve operational efficiencies and developing new academic revenues
- Craft a tuition/aid model to improve affordability and predictability

Reduce Need-Based Indebtedness for Virginians

- ❖ *Minimize role of loans as part of financial aid strategy.*
- ❖ *\$10,000 reduction in maximum indebtedness after four years*

	<u>Current Model</u>		<u>New Model</u>
For low-income Virginians:	\$14,000	→	\$4,000
For all other Virginians:	\$28,000	→	\$18,000

Funding to Reduce Need-Based Indebtedness for Virginians

- ❖ Two \$1,000 step increases to be fully phased in by 2019-2020:
 - In-state students entering Fall 2015: 15-16 base tuition + \$1,000
 - In-state students entering Fall 2016: 16-17 base tuition + additional \$1,000 (total step increase of \$2,000)
- ❖ Current in-state students are exempt from step increases.
- ❖ Tuition revenue generated from the step increases will be used to fund tuition grants.

Tuition Certainty

- ❖ For planning purposes, financial model assumes base annual tuition increases at inflation (estimated at 2.5%) plus 100 basis points, or an additional 1%. The actual annual change could be impacted (positively or negatively) by factors such as changes in Board policy, philanthropic success, changes in state policy or appropriations, etc.
- ❖ For Virginia students/families who want the certainty of a guaranteed four-year base tuition price, the University has developed a four-year fixed-price base tuition contract *option* that is available at a reasonable *premium*. (This guarantee is exclusive of fees and school-specific tuition differentials.)

Endowment

- ❖ The University will establish a long-term objective of building an endowment for need-based scholarships that fully funds tuition grants to provide relief to the operating budget, thereby promoting enhanced affordability and financial predictability.
- ❖ An endowment of \$1 billion would independently fund the current level of tuition grants.

2015-16 Approved Tuition & Fee Rates

	2015 Continuing Students	2015 Entering Class *
In-State	\$13,468	\$14,468
Out-of-State	\$43,764	\$43,764

* 2016 Entering Class: 2016-17 base tuition (anticipated 3.5% increase over 2015-16) plus additional \$1,000 step increase

How Will We Measure Success?

- ❖ Yield rates
- ❖ Socio-economic and racial diversity of student body
- ❖ Number of students on aid
- ❖ Investment in tuition funded grants
- ❖ Average student indebtedness
- ❖ Number of guarantee contracts
- ❖ Progress toward \$1 billion AccessUVA endowment

QUESTIONS