

*President Tim Sands' Remarks to the Virginia Senate Appropriations Committee –
Higher Education Subcommittee*

Good afternoon and thank you for this opportunity to speak to you today. I bring greetings from Virginia Tech where we just kicked off an exciting spring semester on our campuses across the commonwealth. Today however, I'm here to speak in my capacity as chair of the Virginia Council of Presidents. Over the past five years we've seen public higher education's positive impact on Virginia's economic strength and competitiveness. We've been able to celebrate some significant success. Thank you for the historic investment in higher education during the last session. However, as competition increases in the post-pandemic economy, if we pause now and simply tread water, we risk falling behind.

SUPPORTING VIRGINIA'S WORKFORCE AND ECONOMY

Virginia's highly skilled and qualified graduates are a necessary resource for the industries that will drive the commonwealth's economic future, however that resource is increasingly at risk.

We are currently facing heightened competition from other states for both our jobs and our students. High school graduates are leaving Virginia for out-of-state schools because some of our highest-in-demand colleges and universities don't have the capacity to admit them. Moreover, most of our universities lack the necessary resources to compete with financial aid offers from out-of-state institutions. Simply put, the financial aid packages some out-of-state universities are offering is so aggressive students are leaving Virginia. And of course when Virginia students, especially those in high demand fields, choose to leave, it impacts the commonwealth's ability to attract new industries and retain the ones we have. Fewer new jobs means fewer reasons for our graduates to stay and the cycle continues.

As leaders of the commonwealth's public institutions, we want to ensure that talented Virginia students have the opportunity to enroll in **Virginia** public institutions that can provide the education they need to meet their career goals. And once we have those in-state, and out-of-state students enrolled, we need to ensure that as many as possible stay in Virginia to begin their careers.

We can keep more of our graduates in the commonwealth by building a pathway that begins on the first day they set foot on a Virginia campus and continues after graduation as they begin a career with a Virginia employer.

One of the most effective ways to build that pathway is to connect students with potential employers through internships and other work-based learning opportunities. Although we have established pathways with many large employers, we need to seek solutions that allow our students to gain valuable experiences in medium and small businesses, including startups, that often lack the infrastructure to establish robust internship programs on their own.

Last year, the Council of Presidents made a pledge that every enrolled student who desired a paid internship would have one, without extending the time to degree.

We need to advance toward this goal without making these opportunities cost-prohibitive for low-and middle-income students, so part of that pledge is to build these experiences into our curricula so that work-based learning does not extend the time to degree.

We appreciate the fact that the General Assembly and the Administration, along with the State Council of Higher Education for Virginia, the Virginia Chamber, the Virginia Business Higher Education Council, V-TOP, GoVirginia, and VEDP, are taking this seriously. We're working with SCHEV to develop the data we need to track our progress so we can double down on programs that are successful.

The upcoming Fiscal Year

As we look to the next fiscal year, there are many reasons to be optimistic. Although COVID is still with us, the crisis has abated, and Virginia's institutions have adapted in a manner that has made us more resilient and more responsive in meeting our students' needs. In addition, last session, this body provided significant incremental operating support for access and affordability in the first year of the biennium to Virginia's public colleges and universities and championed much-needed salary increases in both years for our faculty and staff in the face of unprecedented inflation and escalating labor market demands. Your support was timely and it made a difference, thank you.

Going into FY24, we anticipate that we will once again face significant cost drivers.

SCHEV estimates that the non-general fund share of the 5% increase for faculty and staff salaries next year will cost Virginia's public institutions an additional \$101 million. Add to that the impact of auxiliary employees who must be covered fully by the institutions.

In addition, while inflation appears to be cooling a bit, SCHEV conservatively estimates that the cost of energy, operations and maintenance of new facilities coming online, and contractual escalations will exceed \$54 million over the current year. And institutions continue to absorb unfunded mandates such as the Virginia Military Survivors' and Dependents Educational Program (VMSDEP), which is projected to grow to more than \$78 million next year.

We continue looking for ways to be more efficient, but efficiencies alone are not likely to close the gap. Based on the Six-Year Plans submitted to SCHEV in the fall,

ALL Virginia public institutions are anticipating tuition and fee increases in the coming year to cover salary increases and core services.

The challenges for the upcoming year are particularly acute. As you will recall, last year, most of the institutions were able to provide one-time relief to students and families to offset tuition increases in FY23. We recognized collectively that the families of our students were feeling the full impact of inflation while wages and salaries were lagging. We were able to absorb that one-time hit by deploying reserves and making cuts. Because this reprieve was temporary, it merely delayed the impact of increasing costs imposed on our institutions – and that impact will be fully reflected in the tuition rates in FY24. There is an opportunity in this session to mitigate the impact of the inflationary adjustments with incremental operating support from the legislature. Surely, our institutions will continue to look for efficiencies and reduce expenditures, but that alone will not be enough to avoid tuition increases.

Access and Affordability

All of us have much more work to do to make Virginia higher education affordable for low and middle-income students and their families. This challenge is compounded by the higher education marketplace, which is more competitive than ever. College enrollments are down across the country, and universities in other states are competing for our in-state students as well as out-of-state students that are considering Virginia institutions.

At the same time, low- and middle-income Virginia students are finding it increasingly difficult to afford public 4-year institutions, despite the fact that we have bent the curve on tuition rates over the last five years or so with a combination of new state appropriations and internal cost savings.

Virginia has been recognized nationally for its top-performing public higher education sector, but we are not immune from the forces that are depressing enrollment and increasing competition for talent.

We see two opportunities here. The first is to ensure that we are providing pathways to an affordable education for low- and middle-income Virginians who would like to stay in Virginia. The need here is financial aid – from the Commonwealth, the federal government, private philanthropy, and from institutional sources. We are facing severe shortages of healthcare professionals, teachers and daycare workers (among others) - people who make our communities great places to live, work and raise a family. We need affordable pathways to these professions. I'd like to thank the General Assembly and SCHEV for making real progress here for FY23-24. We need to do more.

The second opportunity is going on offense to retain mobile talent in Virginia and to attract out-of-state talent to Virginia. Increasingly, institutions in other states are offering deep discounts to top-performing Virginia high school students in STEM disciplines. It is becoming common to hear that Virginia students have offers to enroll at public universities in surrounding states with effective tuition rates that compete with our in-state rates. For states south of us, they need the STEM talent to fuel economic growth in biotechnology, semiconductors, manufacturing and computer science. The states north of us are primarily trying to fill empty seats for which the marginal cost of providing the education is well below the in-state tuition rate. If they don't fill those seats, these campuses will enter a death spiral.

Virginia is in the muddled gray area between these two dynamics. Some of our institutions are seeing enrollment drops, and others are seeing growing demand, especially in STEM. But all of our institutions are going to be impacted by the rapidly changing enrollment dynamics as competition intensifies.

I hope we can mutually explore innovative solutions to help ensure that Virginia's public universities are nationally competitive for all students in a time of increasing pressure on enrollments. This may be time, for example, to reconsider the requirement that out-of-state tuition covers 100% of the average of the cost of providing that education. For some of our institutions with enrollment capacity, the marginal cost of educating a student is much lower than in-state tuition and fees. For other institutions, recruiting out-of-state students from strategic populations where there is capacity may require competing more aggressively in the net price offered to those students.

Virginia has wisely invested in quality higher education and it has made a difference for our students and their families, our communities, our workforce, and the commonwealth's economic outlook for the future. We can further leverage that investment by ensuring that our institutions are providing a pathway that connects Virginia students with Virginia employers and Virginia jobs.

However, the greatest colleges and universities in the world with the best employment pathways won't make a difference for talented Virginia students who can't afford the tuition and expense, and are pulled away from the commonwealth by higher financial aid offers from other states. After investing so much time, effort, and resources in public higher education in Virginia, let's make sure our students are able to attend. They need us, and we need them. It's a win-win for everyone.