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DEPARTMENTAL REVIEW

HIGHER EDUCATION POLICY COMMISSION & COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION

AUDIT OVERVIEW

An Affordable Higher Education for State Residents Will Require Actions by the Higher Education Policy Commission, the Council for Community and Technical Education, and the Institutions to Halt the Long-term Trend Away From Affordability



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CONTENTS

Executive Summary..... 5

Objective, Scope and Methodology..... 7

Issue 1: An Affordable Higher Education for State Residents Will Require Actions by the Higher Education Policy Commission, the Council for Community and Technical College Education, and the Institutions to Halt the Long-term Trend Away From Affordability 9

List of Tables

Table 1: Decline in Maximum Pell Grant Coverage Of Average Cost of Attendance At a Public University 15

Table 2: State Financial Aid Program Number of Recipients Per Academic Year..... 17

Table 3: AY 2007-08 Baccalaureate Student Unmet Need 20

Table 4: AY 2007-08 Community College Student Unmet Need..... 21

Table 5: West Virginia Baccalaureate Institutions Three-Year State Resident Tuition and Fee Increase Per Student AY 2007-08 Through AY 2009-10..... 23

Table 6: Community and Technical Colleges Three-Year State Resident Tuition and Fee Change Per Student AY 2007-08 Through AY 2009-10..... 24

Table 7: Public Higher Education Institutions 10-Year Rise in State Resident Tuition and Fees 26

List of Figures

Figure 1: Percentage of First-Time Baccalaureate Students Borrowing to Start at a Public College..... 18

Figure 2: Percentage of First-Time Community College Students Borrowing to Start at a Public Community College..... 18

Figure 3: State Appropriation for Community Colleges Has Risen Since 2001-01..... 28

Figure 4: State Financial Appropriation for Baccalaureate Institutions Lower in 2008-09 Than in 2001-01 29

Figure 5: West Virginia’s State Financial Appropriations Shift Dependency to Tuition and Fee Revenue in Baccalaureate Institutions 30

Figure 6: West Virginia’s State Financial Appropriations for Community and Technical Colleges Also Require More Tuition and Fee Revenue 31

Figure 7: Baccalaureate Institutions Percentage of Change in Personnel Expenses From 2007 Through 2009 33

Figure 8: Community College Percentage of Change in Personnel Expenses From 2007 Through 2009 33

List of Appendices

Appendix A: Transmittal Letters37
Appendix B: Baccalaureate College Graduation Rates 39
Appendix C: Possible Factors Influencing Time to Graduate.....41
Appendix D: Credits Needed Per Semester for Graduation Within Four Years43
Appendix E: Financial Aid Programs45
Appendix F: Percent of Budget Spent on Personnel in FY 2009.....47
Appendix G: Agency Responses49

EXECUTIVE SUMMARY

Issue 1: An Affordable Higher Education for State Residents Will Require Actions by the Higher Education Policy Commission, the Council for Community and Technical College Education, and the Institutions to Halt the Long-term Trend Away From Affordability.

The Legislature in 2000 established affordability as a target for higher education. The Legislature, the governing systems of the Higher Education Policy Commission (HEPC) and the Council for Community and Technical College Education (CCTCE) and the institutions all have an important role to play in creating affordability for West Virginia students. However, evidence suggests that between 2000 and 2008, higher education has become less affordable for state residents and that an increasing cost burden has been placed on students through rising tuitions and fees. Contributors to the lack of affordability are:

- required capital fees that add to the cost to attend college,
- rising costs at individual institutions, and
- State appropriations that have stagnated between 2000 and 2009 for baccalaureate institutions.

Recognizing this trend, the Legislature in 2008 re-emphasized achieving education access and affordability by 2020. The Legislature has identified capital fees as a significant factor in increasing costs to students, and has passed legislation to relieve students of this burden. The Legislature has also capped the amount that tuitions and required fees can rise annually and over a four-year period.

Underlying the trend away from affordability is the lack of a benchmark for affordability. The State does not know when college costs too much to be affordable for state residents because there is no definition of higher education affordability and there are no established affordability benchmarks or goals. The HEPC provides extensive amounts of data on tuition and fees, college costs, loan debt and low-income students in its annual Higher Education Report Card. However, the HEPC has not established affordability standards or benchmarks for higher education. One affordability standard could be the percentage of the net cost of education that the State considers affordable for the student to share. Presently, after receiving financial aid undergraduate students at four-

Evidence suggests that between 2000 and 2008, higher education has become less affordable for state residents and that an increasing cost burden has been placed on students through rising tuitions and fees. Underlying the trend away from affordability is the lack of a benchmark for affordability.

year colleges in West Virginia pay 49 percent of the direct cost to educate them and community college students pay 36 percent of the cost.

In order to monitor progress toward affordability, the Legislature needs to define affordability and the HEPC, CCTCE and the institutions need to establish specific benchmarks and measures to assess affordability for state residents. In addition, the HEPC and the CCTCE need to emphasize institutional cost management and cost efficiencies, identifying cost efficiencies and reporting to the Legislature on a regular basis.

Recommendations

- 1. The Higher Education Policy Commission and the Council for Community and Technical College Education should establish a definition of affordability, perhaps based on the portion of the educational cost that the State considers affordable for students to share.*
- 2. The Higher Education Policy Commission and the Council for Community and Technical College Education should develop specific affordability measures that comprise an affordable percentage increase in tuition and fees; annual and projected target goals to increase the number of low-income students attending college; and annual and projected target goals to decrease the percentage of students borrowing to start college and continue college.*
- 3. The Higher Education Policy Commission, the Council for Community and Technical College Education and the educational institutions should identify ways to operate more cost effectively through the required development of cost-management plans for each institution.*
- 4. The Higher Education Policy Commission should establish a tuition and fee policy as required by the 2010 legislative session. Such a policy should incorporate and reinforce the requirement of institutions to control costs.*
- 5. The Higher Education Policy Commission should examine financial aid policies in order to determine whether the extension of financial aid to students completing their eighth semester with 98 credits or more who meet other prescribed requirements might allow for degree completion prior to six years.*

OBJECTIVE, SCOPE & METHODOLOGY

Objective

Pursuant to the West Virginia Performance Review act, specifically §4-10-8(b)2, the Legislative Auditor has conducted a Department Review of the Higher Education Policy Commission (HEPC) and the Council for Community and Technical College Education (CCTCE). The first two issues of this review were reported in January 2010 and dealt with the governance responsibility and authority of the two boards and the number of institutions of higher education that exist. The purpose of this report is to examine the cost of higher education for state residents and whether this cost meets the legislative intent of an affordable education for state residents. In order to examine the cost of higher education, the Legislative Auditor examined the annual cost to attend college; the decline in financial aid as it relates to annual cost; the borrowing and loan repayment behavior of West Virginia students; the rise in tuition and fees over a 3 and 10-year period; the imposition of legislative tuition and fee caps; the state appropriations to higher education over the past 10 years and their impact on tuition and fees; the lack of emphasis on cost management for the institutions and the personnel expenditures at the institutions. The report makes recommendations to define and to strengthen the emphasis on affordability.

Scope

The scope of this report covers AY 2000 to AY 2010-11 concerning tuition and fee increases. The legislative history of the higher education system also covers the CY 2000 through CY 2010. Budget information covers FY 2000 through FY 2009. Financial aid information covers AY 2002 through AY 2009-10. Student borrowing information obtained from the Southern Regional Information Board (SREB) analysis from the National Center for Higher Education Management Systems (NCHEMS) statistics covers AY 2001-02 through AY 2006-07. Student loan default information from the U.S. Department of Education is from 2009. U.S. Census information is from 2008.

Methodology

The Legislative Auditor utilized numerous sources during this Departmental Review. Statutory criteria were obtained from various West Virginia code sections pertaining to higher education. The HEPC and CCTCE master plans were reviewed for affordability policy. Four-year institutions' compacts were also reviewed for affordability and cost management efficiencies. The minutes of the HEPC Efficiencies Task Force were reviewed. The Legislative Auditor developed the annual cost of college creating an average of all state institutions using the AY 2009-10 College Navigator total expenses (including the books

and supply costs). Financial resource information was taken from 2008 U.S. Census Bureau figures. The percentage of West Virginia household income to pay for college was taken from National Center for Higher Education Management Systems. Statistics from NCHEMS also provided the basis for calculations of unmet student need. Interviews and correspondence with higher education officials provided numerical information and clarified questions on student financial aid and changes to various programs; the application of the legislative caps on tuition and fees and the current status of the tuition and fee policy. U.S. Department of Education information on student loan default rates was also provided by the Financial Aid Division of HEPC. Rising tuition rates and the percentage of change were calculated by the Legislative Auditor from tuition and fee information published by the HEPC. The Budget Division of the Legislative Auditor's Office provided information on the total state appropriations to higher education from FY 2000 through FY 2011. The Budget Division also provided total revenue and expenditure information for fiscal years 2007, 2008 and 2009 for all four-year institutions and community colleges. The appropriations to the institutions and the shift in dependency on tuitions and fees came from information published by the Southern Regional Education Board. Enrollment information is from the HEPC. Every aspect of this review complied with the Generally Accepted Governmental Auditing Standards (GAGAS) as set forth by Comptroller General of the United States.

ISSUE 1

An Affordable Higher Education for State Residents Will Require Actions by the Higher Education Policy Commission, the Council for Community and Technical College Education, and the Institutions to Halt the Long-term Trend Away From Affordability.

Issue Summary

The Legislature in 2000 established affordability as a target for higher education. However, evidence suggests that between 2000 and 2008, higher education has become less affordable for state residents and that an increasing cost burden has been placed on students through rising tuitions and fees.

The long-term trend *away* from affordability can be seen by the following:

- The total cost to attend a four-year college in West Virginia has risen by an average of nearly 38 percent between 2004 and 2009.
- In-state undergraduate tuitions and fees have risen by 101 percent for four-year colleges and 38 percent for community colleges, between 2000 and 2009.
- State financial aid is discontinued after four years although only 15 percent of entering freshmen graduate in four years.
- State financial aid is not keeping pace with tuitions and fees. The PROMISE merit scholarship no longer covers tuition and fees at eight out of 11 four-year colleges, and the Higher Education Grant (once 75 percent of tuition and fees at all colleges) is now set on a sliding scale where the maximum award is less than 75 percent of tuition and fees at all four-year colleges.
- Only about one-fifth of low-income students in the state attend college.
- A rising percentage of state students borrow to start college. The percentage of first-time borrowers rose by nearly 9 percent for four-year students and 6 percent for community college students between AY 2002-03 and AY 2007-08.
- West Virginia student-loan default rates are 2.6 percent higher than the national average for public colleges.

Contributors to the lack of affordability are:

- Required capital fees that add to the cost to attend college;

In-state undergraduate tuitions and fees have risen by 101 percent for four-year colleges and 37 percent for community colleges, between 2000 and 2009.

- Rising costs at individual institutions; and
- State appropriations that have stagnated between 2000 and 2009 for baccalaureate institutions.

Recognizing this trend, the Legislature in 2008 re-emphasized achieving education access and affordability by 2020. In order to realize this vision, the Legislature established nine broad objectives as highest priorities. The first objective, to reduce the obligation of students and parents to bear the cost of higher education building projects and maintenance, addresses affordability. The Higher Education Policy Commission (HEPC) and the Council for Community and Technical College Education (CCTCE) have undertaken actions to respond to the 2008 objectives and priorities of the Legislature.

The Legislative Auditor finds that the State does not know when college costs too much to be affordable for state residents because there is no definition of higher education affordability and no established affordability benchmarks or goals. In order to monitor progress toward affordability the HEPC needs to define affordability and the HEPC, CCTCE and the institutions need to establish specific benchmarks and measures to assess affordability for state residents. In addition, the HEPC and the CCTCE need to emphasize institutional cost management and cost efficiencies, identifying cost efficiencies and reporting to the Legislature on a regular basis.

The State does not know when college costs too much to be affordable for state residents because there is no definition of higher education affordability.

The Legislature's Emphasis on Affordability in West Virginia Code

Education is a necessary and vital component of life for the citizens of West Virginia that should also be affordable. For the past 10 years, this concept has been incorporated in state code. In 2000, the concept was first raised in West Virginia Code 18B-1-1a:

The Legislature finds that post-secondary education is vital to the future of West Virginia. For the state to realize its considerable potential in the twenty-first century, it must have a system for the delivery of post-secondary education which is competitive in the changing national and global environment, is affordable within the fiscal restraints of the state and for the state's residents to participate... .

West Virginia Code was revised in 2008 to reemphasize this concept. Also in 2008, the areas of education access and affordability as areas of special concern to the Legislature were added, and tuition and fee levels were included as important in West Virginia Code §18B-1D-3 (a):

(i) By establishing tuition and fee levels for in-state students that do not inhibit access to public education nor cause students to incur excessive debt.

Legislation passed in 2008 established 9 higher education objectives to be addressed as highest priorities during the 12 years between 2008 and 2020. These objectives include increasing academic rigor; increasing the number of students who graduate; recruiting adults; providing incentives to encourage science, technology, engineering and mathematics courses; developing stable funding for expensive, high-demand, or workforce development programs; developing uniform delivery of community and technical college programs in all regions; developing research capacity and increasing the percentage of literate adults. However, the first objective addresses affordability and is stated in West Virginia Code §18B-1D-3 (b):

(1) ... Develop a state-level facilities plan and funding mechanism to reduce the obligation of students and parents to bear the cost of higher education capital projects and facilities maintenance.

House Bill 4026 passed in 2010 established a mechanism to develop a system-wide capital development plan by 2011 and required all higher education institutions to prioritize capital projects. It also charged the HEPC and the CCTCE to carefully consider all requests from institutions to incur additional debt and to participate to a greater extent in managing capital projects at the smaller institutions. The bill also states the intent of the Legislature that dedicated funding sources are designated periodically to finance construction and renovation of educational and general facilities at state institutions, and that ongoing state funding be dedicated to supplement capital fees for maintenance at community and technical colleges. The HEPC, CCTCE and the institutions are charged with ensuring that sufficient capital revenues are available for maintenance of new facilities and major renovations, and that these are maintained adequately.

House Bill 4026 passed in 2010 established a mechanism to develop a system-wide capital development plan by 2011 and required all higher education institutions to prioritize capital projects.

However, public post-secondary education is increasingly less affordable for state residents. The education partnership necessary to attain affordability includes the institutions, the Legislature, the Higher Education Policy Commission and the Council for Community and Technical College Education. If this goal is to be attained by 2020, the education partnership must move toward actions that curb rising costs

and create an affordable public education.

Affordability in Higher Education Policy

The Higher Education Policy Commission and the Council for Community and Technical College Education incorporate affordability as an underlying goal for public institutions. In the HEPC master plan for baccalaureate institutions, “*Charting the Future: A Master Plan for West Virginia Higher Education*,” a legislative goal of higher education is referenced as “*containing costs and maintaining affordability of higher education*.” **However, the 2006 master plan notes that “...higher education institutions have become increasingly dependent on tuition revenues, and tuitions have increased...” as a consequence of a decline in state budget allocations since 2000.** The master plan addresses solutions to the rising cost of delivering higher education by noting that “...*keeping the cost to students and families down will require institutional innovation to secure alternative funding sources and to control delivery costs*.” In addition, the HEPC recommends structural changes within the education and legislative systems to align finance policy, K-12 and college curricula and to educate prospective students about financial aid and the net costs of college. While the HEPC has accomplished some of the changes recommended in the 2006 master plan, it is still working on others.

One barrier to affordability at the four-year institutions lies in the Higher Education Policy Commission’s failure during the previous decade to establish a tuition and fee policy for the baccalaureate institutions.

The community college master plan, “*Target: 2010, A Compact For the Future of West Virginia*,” states as the first of five goals “*Provide access to affordable comprehensive community and technical college education in all regions of West Virginia*.” The strategy proposed to achieve affordability is to reduce the ratio of community college tuition/ baccalaureate tuition from 72 percent in 2004 to 60 percent in 2010. For AY 2009-10, the community colleges met this goal with community college tuition being 55 percent of baccalaureate tuition ¹ **Still, tying the community college tuition rate to a percentage of the baccalaureate tuition rate means that as the four-year college tuition rises, the community college tuition will also rise. This strategy does not ensure affordability for community college students.**

One barrier to affordability at the four-year institutions lies in the Higher Education Policy Commission’s failure during the previous decade to establish a tuition and fee policy for the baccalaureate institutions. **According to the HEPC chancellor, the baccalaureate institutions have**

¹ Based on the AY 2009-10 average tuition rates in Tables 5 and 6 in this report.

been reluctant to agree on a tuition and fee policy. While this inaction prompted the Legislature to set November 1, 2010 as the date when this rule is to be promulgated, a tuition and fee policy had not been created as of this date. The Legislative Auditor concludes that a tuition and fee policy rule is necessary for the baccalaureate system of colleges and universities, and should have been established earlier in the decade. Such a policy rule should incorporate and reinforce the requirement of institutions to control costs.

Tuitions and Fees Constitute a Fraction of the Cost to Attend College

College affordability is the ability of the student and his or her family to pay for college. Contributing to affordability are: 1) institutional price (tuition, fees, room and board); 2) the State's efforts to respond to students' financial need; and 3) the students' personal or family income. The Legislative Auditor estimates the annual cost of college at a public post-secondary institution in West Virginia is between \$13,075 (community college) and \$15,710 (four-year institution). In addition to tuition and fees, the cost for room and board, books, supplies and other education-related expenses must be paid for by the student. While the HEPC and the CCTCE approve or deny annual tuition and fee increases at most colleges, tuition and fees are a small portion of the cost associated with attending a postsecondary program.² The HEPC and the CCTCE do not approve the cost of room and board. Therefore these two governing authorities cannot exert control over all of the elements contributing to the institutional price to attend college.

The annual cost of college at a public post-secondary institution in West Virginia is between \$13,075 (community college) and \$15,711 (four-year institution).

- **Four-year college costs for a student living on campus.** The tuition and fees at public baccalaureate institutions in West Virginia for AY 2009-10 average \$4,796. The Legislative Auditor calculated that the average total cost of attendance for a student living on campus is \$15,710. The tuition and fees at most baccalaureate institutions are slightly under one-third of the total cost of attendance.
- **Two-year community college costs for a student living off campus.** The tuition and fees at public community and technical colleges in West Virginia for AY 2009-10 average \$2,730. The Legislative Auditor calculated

² Marshall University and West Virginia University tuition and fees are exempted from the approval of the Higher Education Policy Commission.

that the average total cost of attendance for a student living off campus is \$13,075. The tuition and fees are about one-fifth of the total cost of attendance.

- **Costs for community college students living with family.** The average total cost of attendance for community college students living with family is \$7,068. Tuition and fees are about 38 percent of the total cost of attendance.

West Virginia Students Have Fewer Financial Resources

West Virginia students have fewer financial resources than students in most other states. In 2008, the median household income in West Virginia was \$37,989 according to an estimate by the United States Census Bureau. Thus, half of all West Virginia households had this amount or less to support the higher education of students in their families. West Virginia's 2008 median household income is \$14,040 below the 2008 national median household income of \$52,029. The lack of resources combined with cost may cause low-income students not to attend college.³ Seventy-nine (79) percent of West Virginia low-income students do not attend college compared to 76 percent that do not attend nationally.⁴ In addition, fewer low-income West Virginia students attended college in 2007 than in 1998. In 1998, 23.1 percent of low-income students attended college in West Virginia. However in 2007, which is the most recent year for which these data are available, 20.6 percent of low-income students attended college. In addition, in 2007 the percentage of low-income students that attended college in West Virginia was lower than the percentage of low-income students attending college in 12 of the 16 Southern Regional Education Board (SREB) states.⁵

The lack of financial resources combined with rising costs exerts a heavy burden on students and their families. The National Center for Higher Education Management Systems (NCHEMS) calculates that the poorest West Virginia families enrolling a student in a four-year college

In 2007 the percentage of low-income students that attended college in West Virginia was lower than the percentage of low-income students attending college in 12 of the 16 Southern Regional Education Board (SREB) states.

³The low-income student measure is derived from dividing the number of students in a state who are attending college with a Pell grant by the number of 4th to 9th graders approved for free or reduced school lunches nine years before.

⁴Higher Education Policy Commission and Community and Technical College System Report Card 2009. The college-going rate for West Virginia is from 2007-08 while the college-going rate nationally is from 2006.

⁵The 16 states in the SREB are: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

for the school term of 2008 found the net price (tuition, room and board less federal, state and institutional aid) of attending college was about 35 percent of the household income. The poorest West Virginia families enrolling a student in a community college for the school term of 2008 found the net price (tuition, room and board less federal, state and institutional aid) of attending college was about 55 percent of the household income. The NCHEMS estimate for families at the median income is that families sending a student to a four-year college will spend about 28 percent of their income on higher education. Families at the median income level sending a student to community college will spend about 27 percent of their income. While these are estimates for 2008, tuitions and fees have risen by 14 percent for baccalaureate colleges and 9 percent for community colleges since these calculations were made.

The poorest West Virginia families enrolling a student in a community college for the school term of 2008 found the net price (tuition, room and board less federal, state and institutional aid) of attending college was about 55 percent of the household income.

Given the cost to attend college when living expenses, books and other expenses are considered, how do West Virginia students pay for college? The two primary sources of assistance outside the family are the federal Pell grant and state financial aid. Pell grants and state financial aid do not require repayment and students do not incur debt. However, Pell grants have declined in their ability to provide significant assistance in covering college costs (see Table 1).

| Table 1 | |
|---|--|
| Decline in Maximum Pell Grant Coverage Of Average Annual Cost of Attendance At a Public University | |
| AY 1978-79 | AY 2008-09 |
| Maximum Pell Grant covers 65 % of average annual costs. | Maximum Pell Grant covers 28% of average annual costs. |
| <i>Source: SREB Fact Book 2009.</i> | |

West Virginia’s Financial Aid Is Declining in Value

State financial aid awarded to West Virginia students each year assists only with the costs of tuition and fees for eight semesters (or fouryears) of post-secondary education. **This limits financial aid since only 15 percent of students entering public four-year colleges in West Virginia graduate in four years.** College officials now report graduation rates in six-year intervals. Appendix B lists tables which contain four-

year and six-year graduation rates for the baccalaureate institutions within the state, and Appendix C lists factors that seem to be increasing the time that it takes for a student to graduate.

In addition to being limited to a four-year time period, state financial aid programs are not keeping pace with rising tuition and fees. Tuitions and fees were raised at all four-year colleges each year throughout the period between 2000 and 2009. Although AY 2010-11 tuitions and fees are remaining at AY 2009-10 rates for all colleges except Marshall and West Virginia universities, this benefits only in-state undergraduate students for the current academic year.⁶ The forecast by financial aid officials is a possible maximum increase of 15.5 percent for baccalaureate colleges in the next academic year 2011-12, and 7 percent annual increases thereafter.

West Virginia full-time students entering college in 2010 receive less help from some of the state financial aid programs than they did in 2008. The PROMISE scholarship, once able to cover full tuition and fees at public institutions, was unable to continue covering full tuition and fees and in spring of 2009 established a “floor” of \$4,750 per year. This floor amount can rise if more funds become available in the future. The Underwood-Smith and the Engineering, Science and Technology scholarship award maximums of \$5,000 and \$3,000 respectively, have not changed since AY 2006-07. The Higher Education Grant once valued at 75 percent of the tuition and fees of the institution attended by the recipient, now is set at a maximum amount of \$2,100 for AY 2010-11. This award is based on the financial need of the student. This award can amount to a lesser or greater percentage of tuition depending on the tuition charged by the institution. However, as a set amount it will have less benefit as tuition and fees rise.

Since 2003, over 20,000 students each year have received state financial aid. The need-based Higher Education Grant is the largest program administered by the HEPC. Table 2 shows the number of students receiving financial aid awards for each of the five scholarship programs.

Although AY 2010-11 tuitions and fees are remaining at AY 2009-10 rates for all colleges except Marshall and West Virginia universities, this benefits only in-state undergraduate students for the current academic year.

⁶Marshall University tuition and fees increased by .94 percent for AY 2010-11, and West Virginia University tuition and fees increased by 1.92 percent from AY 2009-10 for resident undergraduates.

| Program | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| HEG | 10,577 | 10,248 | 10,141 | 10,030 | 11,028 | 11,407 | 16,270 | 16,391 |
| ESTSP | 232 | 206 | 183 | 198 | 197 | 193 | 225 | 292 |
| Underwood-Smith | 54 | 46 | 51 | 58 | 58 | 47 | 50 | 58 |
| HEAPS | 2,738 | 3,507 | 3,432 | 4,093 | 4,639 | 4,298 | 5,508* | 3,890 |
| PROMISE | 3,552 | 6,599 | 8,692 | 10,123 | 9,699 | 9,387 | 9,190 | 9,206 |
| Total | 17,153 | 20,606 | 22,499 | 24,502 | 25,621 | 25,332 | 31,243 | 29,837 |

*Source: Higher Education Policy Commission data provided to the Legislative Auditor.
* In 2008-09 carry-over funds were expended for HEAPS that were not available in the same amount in 2009-10.*

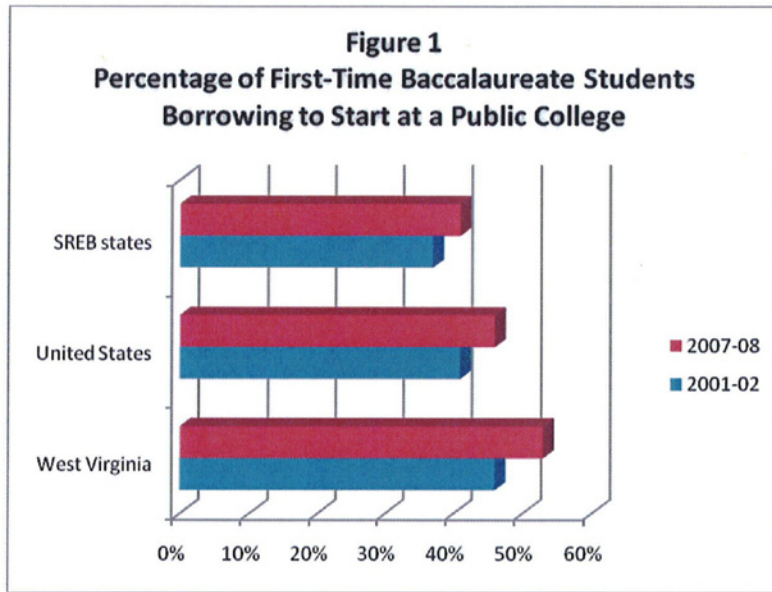
See Appendix E for an overview of the five state financial aid programs administered by the Financial Aid Programs Division of the Higher Education Policy Commission for all undergraduate in-state students enrolling in baccalaureate institutions and community colleges.

West Virginia Students Have to Borrow More to Start and Continue College

College students nationally and in West Virginia are now assuming large amounts of debt in student loans in order to attend college. These student loans must be repaid, whether or not a student graduates from college. This indebtedness can have a significant impact on the student's future financial stability. It is an area of special concern of the Legislature noted in West Virginia Code §18B-1D-3 that tuition and fees for in-state students not inhibit access to public education nor cause students to incur excessive debt. **However, almost 53 percent of students entering four-year colleges and 46 percent of students entering community colleges borrow to start college in West Virginia. The average amount borrowed by West Virginia students entering the baccalaureate system to start college is \$4,228. Students entering the community college system borrow \$3,874.⁷** The percentage of entering students borrowing to start college in both college systems in West Virginia is higher than the percentage of students borrowing to start college nationally (see Figure 1).

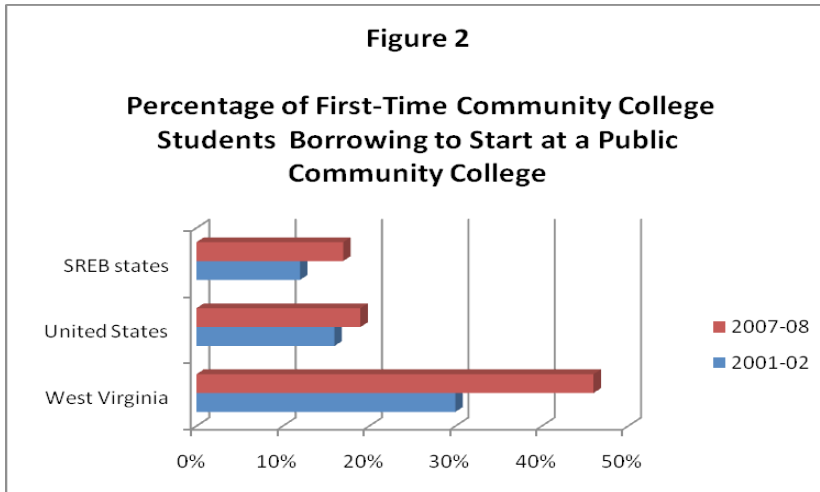
Student loans must be repaid, whether or not a student graduates from college. This indebtedness can have a significant impact on the student's future financial stability.

⁷This information is from the SREB Fact Book 2009, Tables 58 and 59, issued June 2010 and refers to AY 2007-08, the most recent year available.



Source: SREB 2009 analysis of National Center for Education Statistics student financial aid surveys.

West Virginia also has the highest percentage of beginning students borrowing in community colleges (see Figure 2).



Source: SREB 2009 analysis of National Center for Education Statistics student financial aid surveys.

West Virginia college students continue borrowing throughout their college years. By the time college students graduate from a four-year college in West Virginia, at least 68 percent have borrowed. **The percentage of baccalaureate students in West Virginia who borrow during college is 10 percent higher than the national average**

and 15 percent higher than students in other SREB states.⁸ The Higher Education Policy Commission's Director of Policy and Planning states that the percentage of students borrowing is under-reported by the SREB because the SREB only reports on institutions who participate in a national survey and not all West Virginia institutions participate. In addition, the SREB figures do not include certain types of loans and do not track transfer students. Therefore, the HEPC reports that the average loan debt of West Virginia graduates in 2008 was \$24,297.

Student borrowers in West Virginia, whether they have received a degree or dropped out of college, have difficulty repaying student loans. **The most recent West Virginia default rates average 7.5 percent for public four-year institutions and 15.3 percent for community and technical colleges compared to the most recent national student loan default rate of 7 percent.⁹** In West Virginia, two institutions have default rates over 10 percent. They are:

- Bluefield State College and
- West Virginia State University.

Concord University and Glenville State College have student loan default rates above 9 percent. Fairmont State University is above 7 percent while Marshall and West Virginia University are both above 5 percent. Shepherd University is slightly above 4 percent.

Community colleges have generally higher rates. The available information for West Virginia shows that Northern has a default rate of 21.3 percent; Southern and Eastern have default rates of 17.9 percent while New River has a default rate of 17.5 percent. These default rates are calculated on loans that came due between October 2007 and October 2008 and were defaulted on before September 30, 2009.

Student borrowing is driven by unmet need. Unmet need is the cost of attending college after the student has received financial aid and the student's family has paid the expected family contribution.¹⁰ Tables 3 and 4 below, based on AY 2007-08, show the unmet need of West Virginia baccalaureate and community college students.¹¹

The average loan debt of West Virginia graduates in 2008 was \$24,297.

⁸SREB Fact Book 2009, Table 61.

⁹ Student loan default rate information from U.S. Department of Education provided to the Legislative Auditor by the Director of State Financial Aid Programs.

¹⁰Expected family contribution is a term used in the financial aid process. It is an estimate of the parent's/and or student's ability to contribute to college expenses.

¹¹The AY 2007-08 is the most recent year with all information available.

Since unmet need varies from student to student, it is only an estimate based on averages. The Legislative Auditor concludes that rising need to borrow and the higher amounts are indicative of a less affordable college education.

After subtracting financial aid from the total cost of attendance, the average four-year student still faced a shortfall of \$8,765.

Baccalaureate Students

The average total cost to attend a public baccalaureate college in West Virginia in AY 2007-08 was \$14,197, while the average student attending in that year received a total of \$5,432 in federal and state financial aid. After subtracting financial aid from the total cost of attendance, the average four-year student still faced a shortfall of \$8,765. To help pay for one year of college, the average student borrowed \$4,221 in student loans in AY 2007-08 (see Table 3).

| Institution | Total Cost AY 2007-08 | Average State and Federal Financial Aid | Average Unmet Need After Financial Aid | Average Student Loan | Average Amount Still Needed After Aid and Loans |
|-----------------------------|----------------------------------|--|---|-------------------------------------|--|
| Bluefield State College | \$14,242 | \$4,282 | \$9,960 | \$1,729 | \$8,231 |
| Concord University | \$13,994 | \$5,882 | \$8,112 | \$3,211 | \$4,901 |
| Fairmont State University | \$14,776 | \$4,166 | \$10,610 | \$4,318 | \$6,292 |
| Glenville State College | \$15,080 | \$8,057 | \$7,023 | \$4,321 | \$2,702 |
| Marshall University | \$14,718 | \$5,618 | \$9,100 | \$5,696 | \$3,404 |
| Potomac State College | \$11,930 | \$3,535 | \$8,395 | \$3,800 | \$4,595 |
| Shepherd University | \$14,878 | \$4,776 | \$10,102 | \$5,013 | \$5,089 |
| West Liberty University | \$13,906 | \$8,432 | \$5,474 | \$4,029 | \$1,445 |
| WV State University | \$13,441 | \$4,710 | \$8,731 | \$6,010 | \$2,721 |
| WVU-Morgantown | \$14,608 | \$5,228 | \$9,380 | \$4,010 | \$5,370 |
| WVU Institute of Technology | \$14,598 | \$5,065 | \$9,533 | \$4,291 | \$5,242 |
| State Average | \$14,197 | \$5,432 | \$8,765 | \$4,221 | \$4,545 |

Source: National Center for Education Statistics; Calculations by Performance Evaluation and Research Division of the Legislative Auditor's Office.

After subtracting financial aid and assuming a student loan, the average student and his or her family still needed an additional \$4,545 in AY 2007-08 to meet the total costs of attending college. Some students may have to work part-time to help pay for college. Working part-time may be a factor in students needing more time to finish college.

Community College Students

Community college students in West Virginia face similar costs but their average state and federal financial aid is about 41 percent less than the amount received on average by baccalaureate college students, and the average amount they need after taking out a student loan is slightly higher than the average baccalaureate student. Table 4 shows the average amounts of student financial aid, and loans.

| Table 4 AY 2007-08 Community College Student Unmet Need | | | | | |
|--|----------------------------------|--|---|--|--|
| Institution | Total Cost AY 2007-08 | Average State and Federal Financial Aid | Average Unmet Need After Financial Aid | Average Loans Taken By Students | Average Amount Still Needed After Aid and Loans |
| Blue Ridge | \$14,504 | \$3,056 | \$11,448 | \$2,085 | \$9,363 |
| Bridgemont | \$14,766 | \$4,212 | \$10,554 | \$4,802 | \$5,752 |
| Eastern WV | \$11,651 | Not Available | Not Available | Not Available | Not Available |
| Mountwest | \$13,256 | \$4,158 | \$9,098 | \$5,078 | \$4,020 |
| New River | \$13,088 | \$2,938 | \$10,150 | \$1,646 | \$8,504 |
| Pierpont | \$13,374 | \$3,321 | \$10,053 | \$4,513 | \$5,540 |
| Southern WV | \$6,676 | \$2,554 | \$4,122 | \$2,195 | \$1,927 |
| WV Northern | \$10,547 | \$3,277 | \$7,270 | \$3,945 | \$3,325 |
| Kanawha Valley | \$12,429 | \$2,799 | \$9,630 | \$5,093 | \$4,537 |
| WVU Parkersburg | \$11,225 | \$2,385 | \$8,840 | \$4,356 | \$4,484 |
| State Average* | \$12,207 | \$3,189 | \$9,018 | \$3,746 | \$5,272 |

Source: National Center for Education Statistics; Calculations by Performance Evaluation and Research Division of the Legislative Auditor's Office.

**State average does not include Eastern WV Community and Technical College.*

Although in-state community college students received an average financial aid package of \$3,189 in AY 2007-08, West Virginia students and their families faced an average cost of \$9,018 after financial aid. After subtracting the average loan amount of \$3,746, the average student still needed \$5,272 to cover the cost of attending community college in AY 2007-08. This amount will have increased because the average tuition and fees at community colleges increased by nine percent between AY 2007-08 and AY 2009-10.

Baccalaureate In-State Tuition and Fees Have Risen Substantially in the Past Three Years

The Legislative Auditor examined the in-state undergraduate tuition and fees charged at West Virginia baccalaureate institutions over the past three years. Tuition and fees have risen over the past decade, and increased by an average of 14 percent over the past three years. The lowest increase in tuition over this three-year period was seven percent at Fairmont State University. The highest increase was 20 percent at Marshall University (see Table 5).

| Table 5 West Virginia Baccalaureate Institutions Three-Year State Resident Tuition and Fee Increase Per Student AY 2007-08 Through AY 2009-10 | | | | | |
|--|------------------|------------------|------------------|---------------------------------------|--------------------------------------|
| Institution | 2007-2008 | 2008-2009 | 2009-2010 | Monetary Increase From 2007-08 | Percent Increase From 2007-08 |
| Fairmont University | \$4,614 | \$4,804 | \$4,952 | \$338 | 7% |
| Potomac State College | \$2,596 | \$2,726 | \$2,886 | \$290 | 11% |
| WVU Institute of Technology | \$4,598 | \$4,964 | \$5,164 | \$566 | 12% |
| WVU-Morgantown | \$4,722 | \$5,100 | \$5,304 | \$582 | 12% |
| WV State University | \$4,156 | \$4,466 | \$4,644 | \$488 | 12% |
| Concord University | \$4,414 | \$4,578 | \$4,974 | \$560 | 13% |
| Shepherd University | \$4,564 | \$4,898 | \$5,234 | \$670 | 15% |
| Bluefield State College | \$3,984 | \$4,272 | \$4,596 | \$612 | 15% |
| West Liberty University | \$4,172 | \$4,464 | \$4,880 | \$708 | 17% |
| Glenville State College | \$4,174 | \$4,486 | \$4,888 | \$714 | 17% |
| Marshall University | \$4,360 | \$4,898 | \$5,236 | \$876 | 20% |
| Average Tuition & Fees | \$4,214 | \$4,514 | \$4,796 | \$582 | 14% |
| <i>Source: Higher Education Policy Commission; State average and percentage increase calculated by the Performance Evaluation and Research Division of the Legislative Auditor's Office.</i> | | | | | |

Community College In-State Tuitions and Fees Have Also Risen

The Legislative Auditor also examined the in-state tuition and fees at the community and technical colleges. Over the past three years, the cost of tuition at West Virginia’s community colleges increased an average of nine percent. The highest increase was 23 percent at West Virginia Northern Community and Technical College. However, the tuition declined slightly at Mountwest Community and Technical College (see Table 6).

Table 6
Community and Technical Colleges
Three-Year State Resident Tuition and Fee Change Per Student
AY 2007-08 Through AY 2009-10

| Institution | 2007-2008 | 2008-2009 | 2009-2010 | Change in Dollars | Percentage Change |
|----------------------------|----------------|----------------|----------------|-------------------|-------------------|
| Mountwest | \$2,898 | \$2,856 | \$2,856 | -\$42 | -1% |
| Blue Ridge | \$2,944 | \$3,060 | \$3,072 | \$128 | 4% |
| New River | \$2,748 | \$2,748 | \$2,878 | \$130 | 5% |
| Bridgemont | \$3,266 | \$3,410 | \$3,504 | \$238 | 7% |
| Pierpont | \$3,212 | \$3,312 | \$3,432 | \$220 | 7% |
| Kanawha Valley | \$2,766 | \$2,898 | \$2,956 | \$190 | 7% |
| W V Northern | \$1,916 | \$2,198 | \$2,358 | \$442 | 23% |
| WVU Parkersburg | \$1,825 | \$1,912 | \$2,076 | \$251 | 14% |
| Eastern W V | \$1,776 | \$1,920 | \$2,064 | \$288 | 16% |
| Southern WV | \$1,776 | \$1,920 | \$2,102 | \$326 | 18% |
| Average Per Student | \$2,513 | \$2,623 | \$2,730 | \$217 | 9% |

Source: Council for Community and Technical College Education; State average and percentage increase calculated by the Performance Evaluation and Research Division of the Legislative Auditor's Office.

Caps on Tuition and Fee Increases Have Been Required Since 2004

Tuition and fee increases for most of the public higher education institutions require the approval of the Higher Education Policy Commission and the Council for Community and Technical College Education. These approvals are subject to legislative limitations on tuition and general fee increases. In 2004, the Legislature established a 9.5 percent annual tuition cap on baccalaureate institutions and a 4.75 percent cap for two-year institutions. In 2006, the Legislature created a 7.5 percent tuition cap for in-state undergraduate tuition and fees charged by four-year colleges. This cap can rise *up to* 9.5 percent as long as in-state undergraduate tuition and fee raises *average* 7.5 percent in a four-year fiscal period, beginning with fiscal year 2008. Therefore, a college can raise in-state undergraduate tuition and fees by more than 7.5 percent in one or two of the fiscal years, so long as the total percentage rise within the four fiscal years averages 7.5 percent per year. **This allows in-state undergraduate tuitions and fees at four-year colleges to rise up to 30 percent over a four-year period.** In addition, the cap can be removed for any institution if the State's financial appropriation for the institution's operating budget declines below the appropriation for the preceding fiscal year. A legislative cap that applied to the community colleges has been modified. An existing 4.75 percent annual tuition cap was modified in

A college can raise in-state undergraduate tuition and fees by more than 7.5 percent in one or two of the fiscal years, so long as the total percentage rise within the four fiscal years averages 7.5 percent per year.

2008 to apply *only* to community colleges whose tuition and required fees exceed the state average.

Legislative caps cover fees charged for all students but program fees and other special fees that do not apply to all students are not restricted. The HEPC reviewed these special fees and concluded that the average annual special fee is about \$205 per student. The Commission chairman recently noted in a board meeting that special fees may be used by some institutions to increase operating funds and asked that each institution examine its fee structure to determine if some special fees can be reduced or eliminated.

Legislative caps on tuition and fee raises further demonstrate the legislative concern that post-secondary education remains affordable for in-state residents. However, when the maximum allowed by legislative caps is approved by the HEPC and the CCTCE, a substantial raise in tuitions and fees can occur over time. The cap of a 7.5 percent average for four-year colleges, applied for the first time in 2007, would allow for a significant raise of 75 percent over a 10-year period. However, this is lower than the tuition and fee rise of over 121 percent enacted by some baccalaureate colleges between 2000 and 2010, prior to the establishment of caps to tuition and fee raises (see Table 7).

An existing 4.75 percent annual tuition cap was modified in 2008 to apply only to community colleges whose tuition and required fees exceed the state average.

Table 7
Public Higher Education Institutions
10-Year Rise in State Resident Tuition and Fees

| Baccalaureate Institutions | 1999-2000 | 2005-2006 | 2009-2010 | 10 Yr Increase | 10 Yr Change |
|-----------------------------------|------------------|------------------|------------------|-----------------------|---------------------|
| Potomac State College | \$2,124 | \$2,328 | \$2,886 | \$762 | 36% |
| WVU-Morgantown | \$2,748 | \$4,164 | \$5,304 | \$2,556 | 93% |
| WV State University | \$2,386 | \$3,548 | \$4,644 | \$2,258 | 95% |
| Concord University | \$2,538 | \$3,912 | \$4,974 | \$2,436 | 96% |
| WVU Institute of Technology | \$2,600 | \$4,078 | \$5,164 | \$2,564 | 99% |
| West Liberty University | \$2,320 | \$3,686 | \$4,880 | \$2,560 | 110% |
| Bluefield State College | \$2,178 | \$3,410 | \$4,596 | \$2,418 | 111% |
| Marshall University | \$2,440 | \$3,932 | \$5,236 | \$2,796 | 115% |
| Shepherd University | \$2,430 | \$4,046 | \$5,234 | \$2,804 | 115% |
| Glenville State College | \$2,208 | \$3,628 | \$4,888 | \$2,680 | 121% |
| Fairmont State University | \$2,244 | \$4,030 | \$4,952 | \$2,708 | 121% |
| State Average | \$2,383 | \$3,706 | \$4,796 | \$2,413 | 101% |
| | | | | | |
| Community Colleges | 1999-2000 | 2005-2006 | 2009-2010 | 10 Yr Increase | 10 Yr Change |
| Eastern | 0 | \$1,634 | \$2,064 | N/A | N/A |
| Mountwest | \$2,440 | \$2,814 | \$2,856 | \$416 | 17% |
| Kanawha Valley | \$2,386 | \$2,642 | \$2,956 | \$570 | 24% |
| Blue Ridge | \$2,430 | \$2,944 | \$3,072 | \$642 | 26% |
| New River | \$2,178 | \$2,624 | \$2,878 | \$700 | 32% |
| Bridgemont | \$2,600 | \$3,118 | \$3,504 | \$904 | 35% |
| WV Northern | \$1,582 | \$1,752 | \$2,358 | \$776 | 49% |
| WVU Parkersburg | \$1,392 | \$1,668 | \$2,076 | \$684 | 49% |
| Pierpont | \$2,244 | \$3,090 | \$3,432 | \$1,188 | 53% |
| Southern | \$1,340 | \$1,634 | \$2,102 | \$762 | 57% |
| State Average | \$2,066 | \$2,392 | \$2,730 | \$738 | 38% |

Source: Higher Education Policy Commission, Council for Community and Technical College Education. The Legislative Auditor calculated the amounts of increase and the 10 year change for the community colleges. All percentages are rounded up.

Affordability Standards and Benchmarks Need to Be Established

It is the opinion of the Legislative Auditor that these increases have created tuitions and fees that do not adhere to the concept of affordability. However, there is no definition of affordability or a state affordability benchmark that can be used to substantiate this conclusion. The Higher Education Policy Commission established a rule for performance indicators in April 2002. Within the rule there are only two performance indicators for affordability: 1) to track institutional compliance with a tuition and fee policy (which does not presently exist), and 2) that the

“Net cost to students will measure the cost of education for students and parents after federal, state and institutional aid has been subtracted.” This information is not presented in the 2009 Higher Education Report Card. If such information were presented, an affordability standard such as the amount that the State considers affordable for the student to share (25, 50 or 75 percent) is necessary for this to be a measure of affordability. For example, undergraduate students at four-year colleges in West Virginia are now paying 49 percent of the direct cost to educate them and community college students are paying 36 percent of the cost after they have received financial aid.¹²

The Higher Education Policy Commission provides extensive amounts of data on tuition and fees, college costs, loan debt and low-income students in its annual Higher Education Report Card. However, the HEPC has not established affordability standards or benchmarks for higher education. Affordability standards can be used to measure how well the state is progressing toward achieving affordability. Such benchmarks need to be developed in the affordability areas that the HEPC currently tracks. Both the HEPC and the CCTCE should establish an affordability benchmark cap for annual tuition and fee raises that may be different than the maximum allowable raises and can function as an affordability standard.

Tuitions and Fees May Be Rising Because of Stagnant Legislative Appropriations

West Virginia public colleges and universities receive state financial support, with between 57 and 81 percent directed specifically to the institutions in the State’s budget bill. In addition, the institutions generate income through tuition and fees, alumni donations, money from sports and cultural events, and they receive revenue from sources such as federal grants. Traditionally the State’s financial appropriation provided the largest portion of funding for public colleges and universities in West Virginia. Since 2002 the State’s overall total financial appropriation to higher education has increased by 3.22 percent while the Higher Education Price Index for the same period shows an inflation rate of 27.2 percent. In FY 2002, the State appropriated \$422,344,036 to higher education. By FY 2010, this amount increased to \$436,409,666. However, during the past decade the portion of the State’s direct financial support to institutions has stagnated for four-year colleges while community and

Undergraduate students at four-year colleges in West Virginia are now paying 49 percent of the direct cost to educate them and community college students are paying 36 percent of the cost after they have received financial aid.

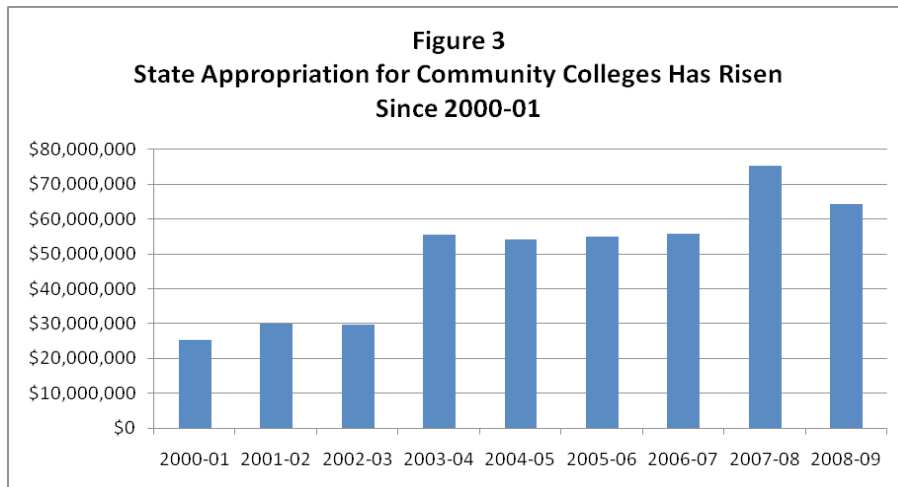
During the past decade the portion of the State’s direct financial support to institutions has stagnated for four-year colleges while community and technical colleges have received more direct support.

¹² According to the Delta Project on Postsecondary Education Costs.

technical colleges have received more direct support. Both community colleges and baccalaureate institutions have been required to find more revenue from other sources in order to operate at existing cost levels. Consequently, there have been significant increases in the tuition and fees in order to cover the cost of delivering educational programs at the various public colleges and universities.

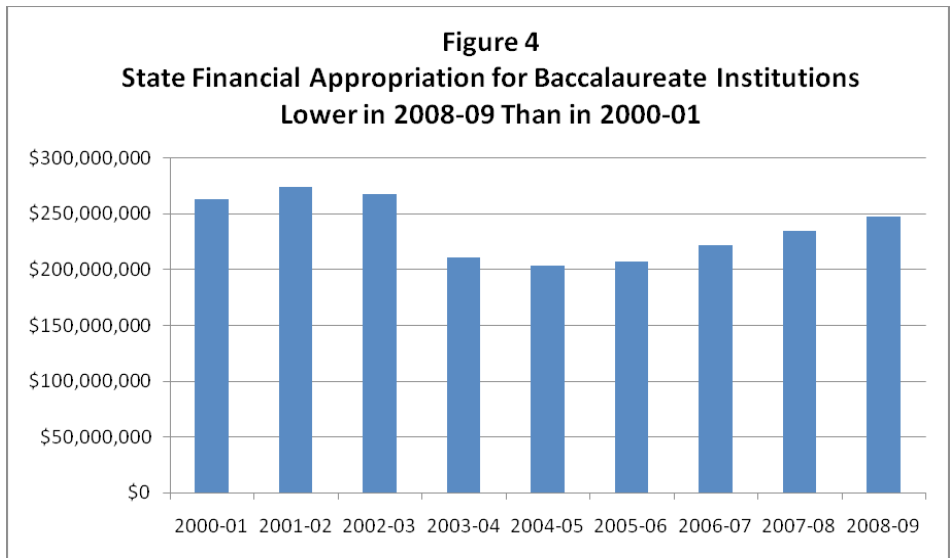
The baccalaureate and the community college systems have been treated differently in terms of the amount of state appropriations to institutions over the past 10 years. Between 2000 and 2010, the State created the community college system as independent from the baccalaureate institutions and increased the level of financial support to community colleges through annual appropriations. During this same period, the four-year institutions experienced a decline in their portion of the State’s financial support in relation to the cost to operate the colleges and universities.

Both community colleges and baccalaureate institutions have been required to find more revenue from other sources in order to operate at existing cost levels.



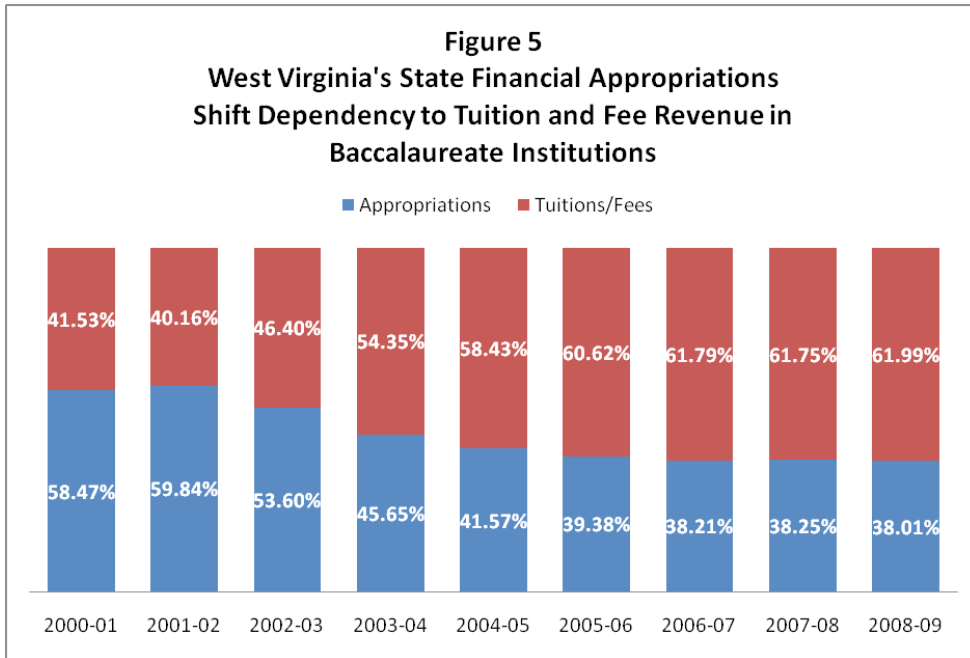
Source: SREB State Data Exchange 2009.

The state appropriation directed to baccalaureate institutions in 2009 was lower than it was nine years ago (see Figure 4).



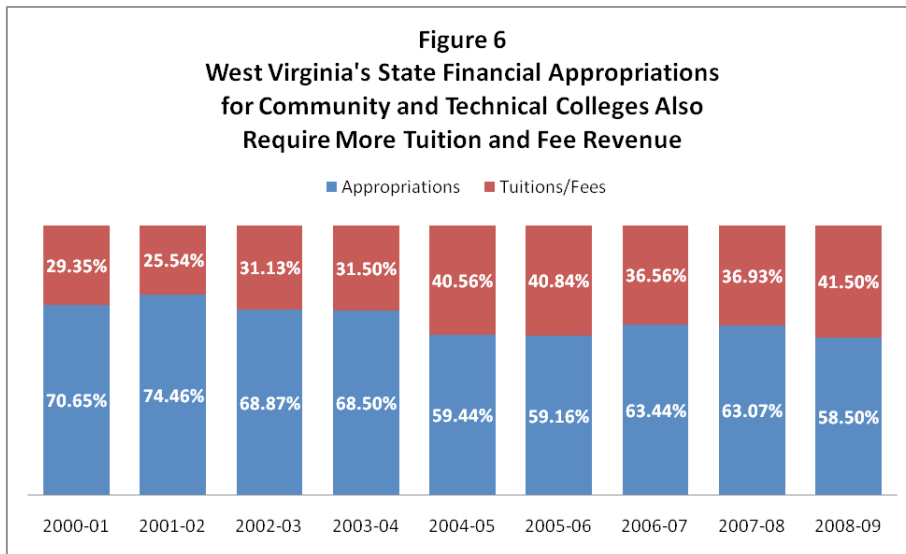
Source: SREB State Data Exchange 2009.

Since 2000, higher education funding across the nation has shifted *from state appropriations* providing the larger portion of the cost to operate higher education institutions *to tuition and fees* providing the larger proportion of revenue to operate public colleges and universities. In West Virginia for AY 2000-01, state appropriations for the baccalaureate colleges accounted for 58 percent of higher education revenue while tuitions accounted for 42 percent of higher education revenue. By AY 2008-09 these numbers more than reversed and tuitions and fees accounted for 62 percent of total higher education revenue for baccalaureate institutions while state appropriations accounted for 38 percent (see Figure 5). The effect is that the higher tuition and fees are paid by the student.



Source: SREB Data Exchange 2009.

State appropriations to institutions have also covered a smaller portion of the operating costs for the community and technical college system, but the change has not been so severe. Tuition and fee revenue has hovered between 25 and 42 percent since AY 2000-01, while the state support through appropriations from general and special revenue funds has declined in proportion to operating expenses from 70 percent to about 58 percent (see Figure 6).



Source: SREB Data Exchange 2009.

State appropriations to the public higher education institutions may continue to decline if state revenues decline. For FY 2011, West Virginia colleges and universities received a state appropriation that represented a 3.2 percent decrease from the preceding year. Federal stimulus funds are being used to fill this deficit. However, next year’s state appropriation will not be assisted by federal stimulus money.

Cost Management for Higher Education Is Not Emphasized

West Virginia institutions of higher education have experienced rising costs to operate during the past decade, while the overall state appropriation to higher education has remained relatively flat. Because higher education is labor-intensive, personnel costs are a significant portion of the costs at state institutions. Other cost drivers vary among institutions but include the types of degree programs, changing technology and the need for upgrades, student support and remediation, decaying infrastructure and deferred maintenance in addition to costly regulatory and compliance requirements, and the increase in the cost of living. Personnel accounted for between 43 and 62.9 percent of the expenses at baccalaureate institutions in 2009. Community colleges spent between 28.3 percent and 71.4 percent on personnel in 2009. See Appendix F for the percentages spent on higher education personnel in 2009 by each institution. Between 2006 and 2009, the number of personnel employed in all capacities (full and part-time faculty, full and part-time classified

Personnel accounted for between 50 and 62.9 percent of the expenses at baccalaureate institutions in 2009. Community colleges spent between 28.3 percent and 71.4 percent on personnel in 2009.

and non-classified positions) rose by 952 (640 for four-year institutions and 312 for community and technical colleges). Faculty positions during this time period increased by 506; classified positions by 76; and non-classified positions by 370. In an effort to determine if the student enrollment contributed to the increased cost of personnel, the Legislative Auditor reviewed the enrollment at higher education institutions. The total number of employees in both systems in 2009 was 14,222. During this period, the undergraduate full-time student enrollment across West Virginia public institutions increased by 4,642 students (from 69,239 in 2006 to 73,881 in 2009). However, several institutions experienced a decline in student enrollment between 2005 and 2009. The following baccalaureate institutions declined in enrollment:

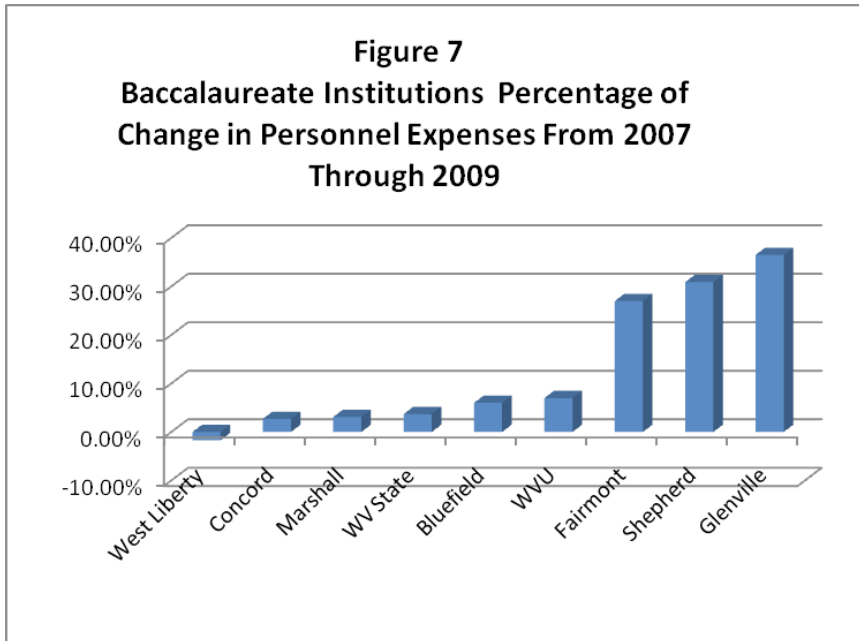
- WVU Institute of Technology declined by 7.2 percent;
- Fairmont State University declined by 6.6 percent;
- Concord University declined by 2.3 percent; and
- Marshall University declined by 1.9 percent.

The following community colleges declined in enrollment:

- Pierpont declined by 4.2 percent;
- Kanawha Valley declined by 3.5 percent.

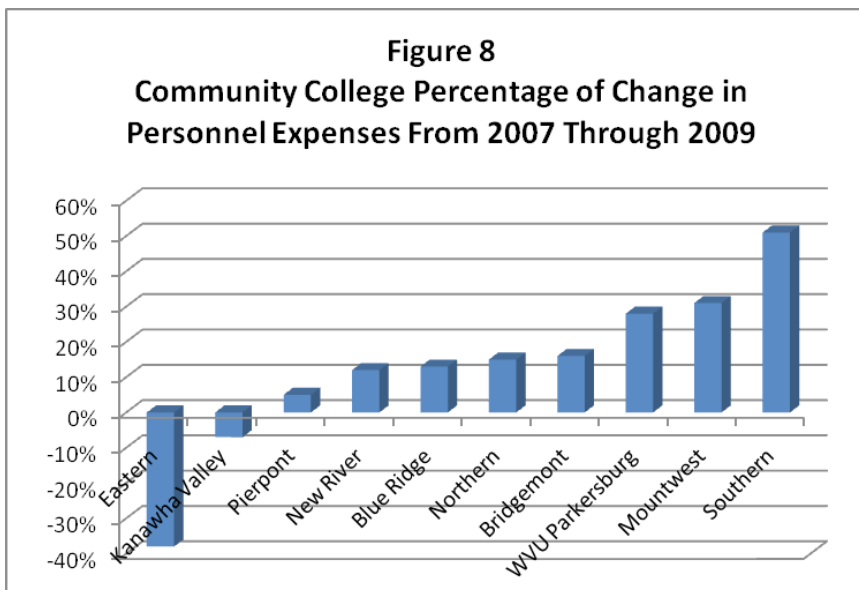
The Legislative Auditor calculated the percentage increase in personnel costs between fiscal years 2007 and 2009. Only one baccalaureate institution, West Liberty, showed a slight decrease in personnel costs (see Figure 7).

Between 2006 and 2009, the number of personnel employed in all capacities rose by 952 while the undergraduate full-time student enrollment across West Virginia public institutions increased by 4,642 students.



Source: Budget Division of the Legislative Auditor

Two community colleges showed decreases in personnel costs over the three year period (see Figure 8.)



Source: Budget Division of the Legislative Auditor

Given the rising costs for students to attend college, it is not surprising that the Governor called upon all of the public colleges and universities to freeze tuition and fees for AY 2010-11. The Governor also asked these institutions to eliminate redundancies and find more efficient ways to operate. While there is an ongoing effort by the Efficiencies Task Force directed by the Higher Education Policy Commission to make recommendations on institutional efficiencies, the Efficiencies Task Force has not issued a report since it began meeting in July 2009. It stopped keeping meeting minutes after September 2009. The Vice-Chancellor for Administration notes “*The meetings have taken a more informal path.*” The Task Force’s first report is scheduled for December, 2010.

In addition, the Higher Education Policy Commission does not require cost management planning by the baccalaureate institutions. Instead, institutions can choose to develop cost management plans as part of their annual report to the Higher Education Policy Commission in the institution’s Compact. This report does require planning for 14 core elements and then allows the institutions to choose planning areas from elective elements. Cost and affordability is an elective element with two areas of choice; the institution’s plan to increase external funding, or an institutional efficiencies section with a five-year cost management plan. **None of the baccalaureate institutions have chosen to report on institutional efficiencies and to develop a five-year plan for cost management.** The Council for Community and Technical College Education also does not require a cost management plan from the community colleges.

It is the opinion of the Legislative Auditor that both the Higher Education Policy Commission and the Council for Community and Technical College Education should require cost management planning based on a detailed examination of spending. The Legislature, the Higher Education Policy Commission, the Council for Community and Technical College Education and the institutions should study operating costs to identify ways to streamline operations, share services, resources and facilities to operate more cost-effectively.

Conclusion

An affordable post-secondary education is a state concern and a state responsibility. Affordability should create access to a post-secondary education for all of the state’s citizens. A public college education is not affordable for all state residents when almost 80 percent of low-income students in West Virginia do not attend college. Of those residents who

The Higher Education Policy Commission does not require cost management planning by the baccalaureate institutions. The Council for Community and Technical College Education also does not require a cost management plan from the community colleges.

attend college, many must borrow to start or to remain through graduation. The average baccalaureate tuition and fees have increased by \$582 over the past three years while the community colleges have sustained an average \$217 increase. Special fees not capped legislatively can rise by any percentage amount at any institution on a yearly basis. In addition, state financial aid for full-time students is not available beyond four years and does not increase when tuition and fees are raised. Most students take longer than four years to graduate.

The Legislature, the governing systems of the HEPC and the CCTCE and the institutions all have an important role to play in creating affordability for West Virginia students. The Legislature has identified capital fees as a significant factor in increasing costs to students, and has passed legislation to relieve students of this burden. The Legislature has also capped the amount that tuitions and required fees can raise annually and over a four-year period. The Higher Education Policy Commission and the Council for Community and Technical College Education need to emphasize cost management and cost efficiencies in the most robust manner possible, identifying cost efficiencies and reporting to the Legislature on a regular basis. The institutions should be required to develop cost management plans as part of the Compact process. Institutional adherence to such cost-management measures should be incorporated in performance funding incentive payments.

The State and the institutional governing systems have not defined affordability. The Higher Education Policy Commission has not created any benchmarks or measures of affordability. The Council for Community and Technical College Education has one measure that ties community college affordability to the tuitions and fees charged by four-year institutions. **Without a definition of affordability, and benchmarks that set target goals for affordability, the State and the governing systems of HEPC and CCTCE do not know when the cost to attend college is no longer affordable for West Virginia students.** Once established, the affordability measure should be utilized during all aspects of the higher education governance process including the approval of tuition and fee increases, the approval of institutional Compacts and the awarding of performance-based incentive funding to institutions.

The Higher Education Policy Commission and the Council for Community and Technical College Education need to emphasize cost management and cost efficiencies in the most robust manner possible, identifying cost efficiencies and reporting to the Legislature on a regular basis.

Recommendations

1. *The Higher Education Policy Commission and the Council for Community and Technical College Education should establish a definition of affordability, perhaps based on the portion of the educational cost that the State considers affordable for students to share.*
2. *The Higher Education Policy Commission and the Council for Community and Technical College Education should develop specific affordability measures that comprise an affordable percentage increase in tuition and fees; annual and projected target goals to increase the number of low-income students attending college; and annual and projected target goals to decrease the percentage of students borrowing to start college and continue college.*
3. *The Higher Education Policy Commission, the Council for Community and Technical College Education and the educational institutions should identify ways to operate more cost effectively through the required development of cost-management plans for each institution.*
4. *The Higher Education Policy Commission should establish a tuition and fee policy as required by the 2010 legislative session. Such a policy should incorporate and reinforce the requirement of institutions to control costs.*
5. *The Higher Education Policy Commission should examine financial aid policies in order to determine whether the extension of financial aid to students completing their eighth semester with 98 credits or more who meet other prescribed requirements might allow for degree completion prior to six years.*

Appendix A: Transmittal Letters

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

October 28, 2010

Dr. Brian E. Noland, Chancellor
Higher Education Policy Commission
1018 Kanawha Boulevard, East
Charleston, WV 25301-2827

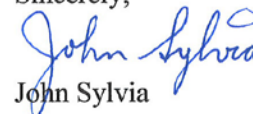
Dear Chancellor Noland:

This is to transmit a draft copy of the third issue of the Departmental Review of the Higher Education Policy Commission. This report is scheduled to be presented during the November 2010 interim meetings of the Joint Committee on Government Operations and the Joint Committee on Government Organizations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by November 1, 2010. We need your written response by noon on November 5, 2010, in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Wednesday, November 10, 2010 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,


John Sylvia

Joint Committee on Government and Finance

WEST VIRGINIA LEGISLATURE
Performance Evaluation and Research Division

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

October 28, 2010

James Skidmore, Chancellor
West Virginia Council for Community and Technical Education
1018 Kanawha Boulevard, East
Charleston, WV 25301-2827

Dear Chancellor Skidmore:

This is to transmit a draft copy of the third issue of the Departmental Review of the Higher Education Policy Commission. This report is scheduled to be presented during the November 2010 interim meetings of the Joint Committee on Government Operations and the Joint Committee on Government Organizations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

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We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "John Sylvia".

John Sylvia

Joint Committee on Government and Finance

Appendix B: Baccalaureate College Graduation Rates

| Institution | Cohorts | | | | | | |
|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1997-03 | 1998-04 | 1999-05 | 2000-06 | 2001-07 | 2002-08 | 2003-09 |
| Bluefield | 40.74 | 26.47 | 34.48 | 35.00 | 12.82 | 24.14 | 22.22 |
| Concord | 39.66 | 40.00 | 35.42 | 37.75 | 40.00 | 36.64 | 34.98 |
| Fairmont | 45.74 | 39.89 | 40.00 | 40.31 | 38.22 | 41.12 | 40.00 |
| Glenville | 30.98 | 36.04 | 37.45 | 32.74 | 29.55 | 31.94 | 37.90 |
| Marshall | 40.27 | 40.36 | 44.01 | 48.17 | 42.28 | 46.03 | 46.65 |
| Shepherd | 44.80 | 43.30 | 42.65 | 45.42 | 38.21 | 40.36 | 46.90 |
| West Liberty | 44.47 | 41.49 | 44.81 | 44.27 | 44.99 | 42.61 | 35.86 |
| WV State | 25.68 | 30.87 | 26.36 | 22.70 | 23.68 | 28.08 | 20.74 |
| WVU | 57.99 | 56.29 | 55.86 | 56.27 | 55.58 | 57.65 | 59.11 |
| WVU Tech | 37.21 | 37.65 | 34.11 | 34.25 | 40.25 | 42.56 | 32.64 |
| WVU Parkersburg | 25.56 | 19.86 | 23.85 | 26.67 | 25.49 | 19.05 | 23.39 |
| Overall | 47.04 | 45.88 | 46.73 | 47.71 | 45.69 | 47.91 | 48.57 |

Source: Higher Education Policy Commission presentation to LOCEA.

| Institution | 1999-03 | 2000-04 | 2001-05 | 2002-06 | 2003-07 |
|--|---------------|---------------|---------------|---------------|---------------|
| Bluefield State College | 25% | 18.4% | 24.2% | 16.3% | 7.9% |
| Concord University | 23.5% | 13.6% | 15% | 12.5% | 30.8% |
| Fairmont State University | 21.3% | 16.8% | 14.4% | 14.8% | 11.3% |
| Glenville State College | 9.8% | 12.2% | 12% | 10% | 14.3%* |
| Marshall University | 13.1% | 13.6% | 16.5% | 17.3% | 16.4% |
| Shepherd University | 19.9% | 17.8% | 16.1% | 18.1% | 13.5% |
| West Liberty State College | 15.9% | 19.8% | 19.6% | 18% | 19.5% |
| West Virginia State University | 8% | 7.5% | 7.8% | 4.9% | 4.2% |
| West Virginia University | 25.8% | 24.5% | 25.4% | 25.8% | 26.1% |
| West Virginia University at Parkersburg | 2.7%* | 2.3%* | 3.4%* | 0.8%* | 3.2% |
| West Virginia University Institute of Technology | 10.2%* | 15.1% | 18.8% | 18.1% | 21.9% |
| Average Graduation Rate | 15.93% | 14.69% | 15.75% | 14.24% | 15.37% |

*Source: The Education Trust. Average graduation rate calculated by PERD Staff.
Calculated by PERD staff from information supplied by the Higher Education Policy Commission.

Appendix C: Possible Factors Influencing Time to Graduate

The Legislative Auditor has identified several factors that seem to be increasing time to graduation. These factors are in level of importance and perceived effect on graduation rates:

- ***Financial aid for most baccalaureate students ends after four years.*** Most financial aid for full-time undergraduate students in West Virginia does not continue beyond four years or eight semesters. The Underwood-Smith Scholarship is an exception and is available for upper-level undergraduates and graduate students up to six years. Part-time students can receive financial aid through Higher Education Adult Part-time Student grant (HEAPS) for up to nine years if they maintain part-time enrollment. For a full-time student who has not graduated in four years and is not planning on becoming a teacher, State financial aid is not available. Several other states have scholarships that continue past eight semesters. The scholarships are merit-based and the states are Florida, Georgia, Tennessee and Missouri. These states allow extended financial aid by either allowing the scholarship to be renewed up to five years or by making credit hours attempted the basis for renewal instead of semesters enrolled. In addition most forms of State financial aid do not cover summer school. Starting this year, some PROMISE eligible students will be able to use PROMISE funds to attend summer school, but the award will count as a semester of utilization.
- ***Earned credits at one institution may not transfer to another institution.*** Although the Legislative Auditor is unable to determine the effect that credits not transferring has upon West Virginia students, it has been shown to be a problem nationally. A student may transfer up to 32 credit hours of undergraduate coursework between West Virginia baccalaureate institutions while eight states in the Southern Regional Education Board (SREB) guarantee at least 60 credit hours transfer from institution to institution. Credit hour transfers in West Virginia are only for general studies requirements and there is no system-wide transfer agreement concerning courses in specific degree programs. To combat transfer issues, some states within the SREB have implemented statewide common course numbering systems. All states within the SREB have created a transfer guide to provide guidance to transfer students but West Virginia does not have a transfer guide online. Although 10 SREB States guarantee that students who earn an associate's degree at a two-year college will be considered juniors at four-year colleges, West Virginia does not have this requirement.
- ***Entering freshmen may be required to take remedial courses in English or Mathematics to bring their skills up to a college level.*** Each year for the past 10 years, West Virginia public institutions have required over 2,000 first-time freshmen enrolling in college to complete at least one remedial course. The four-year graduation rate for students who were required to take remedial courses was under 10 percent for all cohorts reviewed in this audit. Please see Appendix B for a table showing four-year graduation rates.
- ***Working while attending college has been shown to have a negative effect on degree completion.*** The United States Department of Education has found that working more than 15 to 20 hours per week has a negative effect on degree completion. A study by the American Council on Education found that 23 percent of full-time students work 35 or more hours a week while enrolled in college. The Higher Education Policy Commission does not collect information about student work activities.

- ***Failure to earn credit in one course can set a student back a semester.*** If a student does not receive credit for a course for any reason (due to a failing grade, withdrawing from a course, etc.) it can be difficult to graduate in four years.
- ***Carrying a “full time” course load of 12 hours will not earn students enough credits to graduate in four years.*** A student enrolled in 12 hours of credit courses is considered a “full time” student. However, earning 12 credit hours for each semester for four years yields only 96 credit hours and a student needs 128 credit hours to graduate from most degree programs. Earning 12 credit hours in one semester will reduce the chances of graduating in four years, unless the student takes a heavier course load for at least three semesters. Please see Appendix D for a table that demonstrates how adverse situations can affect time to graduation.
- ***Scheduling conflicts relating to required courses may occur.*** Another factor adversely affecting graduation rates can be a conflict in scheduling. Occasionally, two courses required for a either a specific degree, or general education will be offered at the same time or some courses will only be offered every few semesters. The Higher Education Policy Commission does not collect data on course conflicts or hard-to-get courses. The HEPC Director of Academic Affairs believes that the institutions are “*cognizant of the need to schedule courses with sufficient frequency to allow degree completion in a timely fashion.*” HEPC staff indicated that they are not aware of any institutions that collect information on course conflicts.

Information needs to be collected on possible factors influencing the length of time to degree completion including degrees which require more than the standard 128 credit hours, and degrees delayed due to credit hours that do not transfer.

Appendix D: Credits Needed Per Semester for Graduation Within Four Years

| Credits Needed Per Semester for Graduation Within Four Years | | | | | | | |
|---|-------------------------------------|---|---|-----------------------------|------------------------------|---|--|
| Semester | Credits Earned Each Semester | | | | | | |
| | Credits Needed to Graduate | Two Remedial Courses, 3 Hours Each | Did Not Earn Credit in One Course* | One 12 Hour Semester | Two 12 Hour Semesters | Remediation in Two Courses, One 12 Hour Semester, and Failure to Earn Credit | Remediation in Two Courses, Two 12 Hour Semesters, Failure to Earn Credit |
| 1 | 15 | 9 | 15 | 12 | 12 | 9 | 9 |
| 2 | 15 | 15 | 15 | 15 | 12 | 12* | 12 |
| 3 | 15 | 15 | 15 | 15 | 15 | 12 | 12 |
| 4 | 15 | 15 | 15 | 15 | 15 | 15 | 12* |
| 5 | 15 | 15 | 12* | 15 | 15 | 15 | 15 |
| 6 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| 7 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| 8 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Total Earned | 128 | 122 | 125 | 125 | 122 | 116 | 113 |
| Credits Needed | 0 | 6 | 3 | 3 | 6 | 12 | 15 |

- **Providing Real Opportunities for Maximizing In-State Student Excellence Scholarship**

Appendix E: Financial Aid Programs

(PROMISE). This scholarship, initiated in 2002 is merit-based. It previously covered full tuition and fees each year (available for four years) at any public institution of higher education in the state and was worth a comparable amount at private institutions. The award amount was recently capped at \$4,750 for new recipients but this change will not affect students already receiving the scholarship. Recipients must maintain a 3.0 grade point average (GPA) after successful completion of their first semester.

- **Higher Education Grant Program (HEG).** This scholarship is need-based. It provides a maximum amount of \$2,100 for AY 2010-11 to an eligible student based upon financial need. The student must maintain a 2.0 GPA.
- **Higher Education Adult Part-time Student Grant (HEAPS).** This is a need-based scholarship for part-time students with a GPA requirement of 2.0. The amount of the award varies and is based upon the number of credit hours taken. Renewal is allowed for up to nine years, as long as the part-time student remains enrolled.
- **Underwood-Smith Teacher Scholarship Program (Underwood-Smith).** This scholarship is merit-based and is designed to encourage undergraduate and graduate students to pursue degrees in teaching. It provides up to \$5,000 per year. The undergraduate recipient must maintain a 3.25 cumulative GPA, and graduate students must have a 3.5 GPA. Recipients must work in the state as a teacher for two years for each year of scholarship money received, or repay the scholarship plus interest.¹³ This scholarship is presently limited to juniors, seniors and graduate students.
- **West Virginia Engineering, Science and Technology Scholarship Program (ESTSP).** This scholarship is merit-based and requires enrollment in a science, engineering or technology degree program. Recipients receive up to \$3,000 per year, available for four years. Recipients must maintain a cumulative GPA of 3.0. Recipients must work in the state in their field, or provide community service in their field for each year of scholarship money received, or repay the scholarship with interest.

The HEPC also administers the federally funded Robert C. Byrd Honors Scholarship Program. The program provides \$1,500 per year to students who earn the scholarship. Twelve scholarships are awarded each year for each of West Virginia's three Congressional Districts. For the 2008-09 academic year 144 students received the scholarship. This recipient pool averaged a 37 ACT composite score, a 1460 SAT combined score, and a 3.98 cumulative grade point average.

¹³Students teaching in certain underserved programs or areas of the State may be eligible to have this requirement waived.

Appendix F: Percent of Budget Spent on Personnel in FY 2009

| Percent of Budget Spent on Personnel in FY 2009 | | | |
|--|--------|---------------------------|--------|
| Baccalaureate Institutions | | Community Colleges | |
| Marshall University | 62.92% | WVU Parkersburg | 71.40% |
| West Virginia University | 60.79% | Southern WV CTC | 69.91% |
| Bluefield State College | 58.72% | WV Northern CTC | 69.09% |
| WV State University | 55.43% | Blue Ridge CTC | 64.78% |
| Shepherd University | 54.06% | New River CTC | 51.50% |
| Glenville State College | 51.95% | Mountwest CTC | 47.01% |
| Fairmont State University | 51.55% | Bridgemont CTC | 44.51% |
| West Liberty University | 50.17% | Kanawha Valley CTC | 40.82% |
| Concord University | 43.09% | Pierpont CTC | 37.12% |
| | | Eastern WV CTC | 28.31% |
| <i>Source: Legislative Budget Office</i> | | | |

Appendix G: Agency Response

David K. Hendrickson
Chair

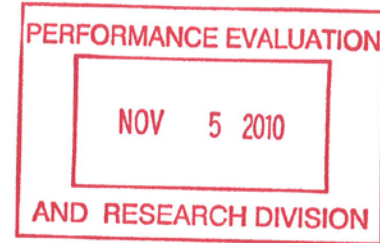


Brian Noland
Chancellor

West Virginia Higher Education Policy Commission
1018 Kanawha Boulevard East, Suite 700
Charleston, WV 25301
(304) 558-0699
www.hepc.wvnet.edu

November 4, 2010

Ms. Gail Higgins
Senior Research Analyst
West Virginia Legislature
Performance Evaluation and Research Division
Capitol Building 1, Room W-314
Charleston, WV 25305-0610



Dear Ms. Higgins:

I would like to thank you and your staff for providing us the opportunity to review the draft copy of the third issue of the Departmental Review of the Higher Education Policy Commission. I applaud your staff for the recognition of the manner in which required capital fees and stagnant state appropriations have impacted tuition and fees. The report recognizes the tension between these two revenue streams, duly noting the impact on student affordability.

As noted on page four of the draft report, the Commission has yet to formally adopt a tuition and fee rule. However, we are working actively to meet our legislative mandate through the work of the Efficiencies Task Force. The rule will be ready for the Commission's consideration in the near future.

Through separate correspondence, Commission staff will provide you with the information that aims to clarify some data anomalies noted during our discussion.

Thank you again for the opportunity to review the draft report and for meeting with us on November 1, 2010.

Sincerely,

A handwritten signature in blue ink that reads "B. Noland".

Brian Noland
Chancellor

cc: John Sylvia

West Virginia Council for Community and Technical Education
opted not to submit a response.



WEST VIRGINIA LEGISLATIVE AUDITOR

PERFORMANCE EVALUATION & RESEARCH DIVISION

Building 1, Room W-314, State Capitol Complex, Charleston, West Virginia 25305

telephone: 1-304-347-4890 | www.legis.state.wv.us/Joint/PERD/perd.cfm | fax: 1-304-347-4939