February 24, 2003

Memorandum

To: Members of the Virginia Business Higher Education Council

From: Donald J. Finley, Executive Director

Subject: General Assembly's Higher Education Actions

The major higher education policy question for the 2003-04 General Assembly was tuition. As I wrote to you on February 7, the position of the Virginia Business Higher Education Council is that, as provided by the enabling legislation for each institution, governing boards should have absolute flexibility on tuition. That flexibility is in the best interests of students, institutions and Virginia's reputation for excellence in higher education.

In these very difficult financial circumstances, boards are in the best position to maintain an appropriate balance between the absolute necessity of maintaining the quality of instruction and the compelling need to keep higher education as affordable as possible. The long-term best interest of the Commonwealth is served by reaffirming the current authority of the boards of visitors to set the tuition and fees charged to students.

This position was consistently communicated to the members of the General Assembly by our members, members of the boards of visitors and presidents. It has been rejected by the General Assembly, and we will now appeal to the Governor to veto the caps on tuition that the General Assembly has adopted.

At the same time, they are reducing state support by hundreds of millions of dollars, the General Assembly budget restricts the ability of college and university governing boards to turn to the only other major source of revenue they have to maintain their institutions. This is a reversal of the action of the 2002 General Assembly that allowed boards to decide what tuition and fees to charge while expressed the expectation that tuition increases not exceed 9%. Thirteen of the 15 governing boards met this expectation and the overall average increase was 9.8%. This allowed institutions to offset 63% of the first round of reductions in state support. In October, the
Governor announced a second round of reductions in state support for colleges and universities and reaffirmed the authority of each board to make the appropriate decisions on tuition increases.

**General Assembly Tuition Cap:**

Limits tuition increases for next year, 2003-04, to 5 percent above the amount charged for the Spring Semester, 2002-03 times two. This annualizes the spring 2002-03 tuition and fee increases that were the result of the additional reductions in state support announced by the Governor in October.

An example shows how the General Assembly's cap works:

After the Governor announced further budget reductions, the Virginia Tech Board increased tuition by $400 per semester, effective with the spring semester, 2002-03.

Therefore, an in-state Tech undergraduate is paying $1,922 for the spring semester, 2002-03. The General Assembly's 2003-04 tuition cap for Virginia Tech is 5 percent more than $1922 multiplied times two ($1,922 x 2 = $3,844 x 1.05 = $4,036).

For institutions that held mid-year increases below $225, the General Assembly's tuition cap permits them to assume an increase of $225 per semester for 2002-03 and then add 5 percent more. There are eight institutions that are affected by this provision.

All of these calculations establish caps that each institution cannot exceed in the tuition and educational fee charges for undergraduate Virginia students.

**Other Budget Actions:**

The General Assembly approved base budget reductions in state general fund support for public colleges that now total $226 million for 2002-03 and $306 million for 2003-04. This includes the first round of cuts approved by the 2002 General Assembly and the second round announced by the Governor and now approved by the General Assembly.

The General Assembly approved reductions of $25 million a year in state support for the maintenance of facilities. The amount now provided for major repairs to facilities is negligible compared to the need.

The General Assembly also approved reductions of $15 million a year in the Equipment Trust Fund that helps provide technology and other equipment. The General Assembly reduced state support for research and public service centers by $2.3 million and research grant funding by $1.3 million. They did not reduce matching funds for private gifts to retain and attract eminent faculty, as the House had recommended.

The General Assembly House provided a 2.25 percent salary increase for college faculty, staff and other state employees in 2003-04. Colleges and universities have to pay a portion of the
salary increase from tuition revenues. If necessary, they can go beyond the 5 percent tuition increase cap to the extent necessary to pay for their cost of the salary and fringe benefit increase.

The General Assembly provided an additional $4.5 million for student aid.

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**Note:** EPI would like to thank Dr. Don Finley, VBHEC's Executive Director, for making this memorandum available to those individuals who use the Perspectives web site.

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