

Report to the Governor and the General Assembly of Virginia

# Higher Education Institutional Viability

2024



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# Summary: Higher Education Institutional Viability

## WHAT WE FOUND

### Enrollment is a key revenue source and has been declining at some Virginia institutions

Enrollment is a critical indicator of the appeal of and student demand for a higher education institution and is an essential revenue source. For most institutions, student tuition and fee revenue makes up a substantial portion of their total revenue. If enrollment declines, tuition and fee revenue declines.

In general, large and flagship institutions have increased their enrollment over the past decade, while other institutions have experienced enrollment declines (figure). Two of the state's largest institutions (GMU and Virginia Tech) grew more than the entire student population at seven institutions.

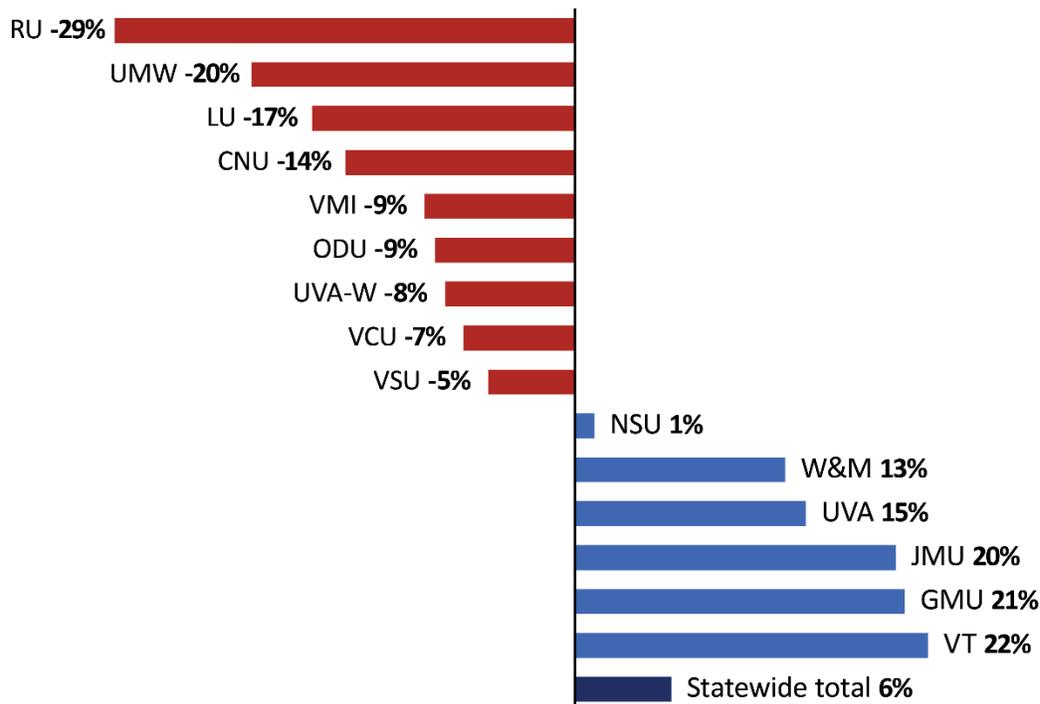
## WHY WE DID THIS STUDY

In 2023, the Joint Legislative Audit and Review Commission (JLARC) directed staff to review public four-year higher education institutions. This report addresses institutional viability and academic program offerings.

## ABOUT VIRGINIA'S PUBLIC FOUR-YEAR HIGHER EDUCATION INSTITUTIONS

Institutions rely on tuition and fee revenue and state general fund appropriations to operate. Collectively, in FY23, institutions received about \$3 billion in tuition and fee revenue and more than \$2 billion in state general funds. In the 2023–24 academic year, the 15 institutions enrolled about 211,000 full-time equivalent students.

### Six schools gained enrollment over the past decade, and the others lost enrollment



SOURCE: SCHEV FTE enrollment data, 2014–2023.

This trend is not unique to Virginia. Large and flagship institutions have generally experienced enrollment growth nationwide, while many smaller, regional institutions have experienced enrollment declines.

### **Demographic and market trends will place further financial pressure on many higher education institutions**

All institutions will be affected to some degree by demographic shifts that will reduce the traditional college age population in the near future—but institutions that have lost market share recently may be especially vulnerable to further declines. Higher education enrollment is expected to begin declining in 2025, according to the U.S. Department of Education. In addition, declining enrollment at two-year higher education institutions may place additional downward pressure on some four-year institutions that rely on transfer students for enrollment.

Some national data and recent surveys indicate that interest in attending a four-year college is declining, which could compound institutions' challenges related to demographics and market consolidation. The cost of higher education and the increasing numbers of highly compensated occupations that do not require a four-year degree have resulted in young adults and their families questioning the return-on-investment of a four-year degree. For example, a Pew Research Center survey found that nearly half of respondents agreed “it’s less important to have a four-year college degree today in order to get a well-paying job than it was 20 years ago.” Despite these trends, data still shows that workers with a four-year degree earn more, on average, than those without one.

### **Virginia institutions face varying degrees of viability risk, but none rates as high risk**

As of summer 2024, none of Virginia’s 15 public four-year institutions are rated at a high level of viability risk (figure, next page), according to a viability risk assessment conducted by JLARC staff (sidebar). Therefore, no immediate or near-term action is necessary to bail out a troubled institution, broker a merger between institutions, or manage the closure of a Virginia public institution.

Eight institutions were rated as having very low viability risk. Therefore, from a viability perspective, these institutions require no action from the state other than its typical higher education analysis and planning processes.

None of the remaining seven higher education institutions has a high viability risk, yet each to varying degrees has risk factors that should be monitored in the coming years. These seven institutions were rated as having either relatively low or some viability risk.

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JLARC’s institutional viability assessment focuses on an institution’s ability to continue operating without needing major changes to survive, such as a merger or financial bailout.

Institutions may not have a viability challenge identified by the assessment but still need to make operational changes (such as reducing spending or closing academic programs).

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**No Virginia public institution faces high viability risk (as of 2024)**

Next steps needed based on viability risk		
Typical analysis & planning	Analysis, planning, & action— <i>with periodic external oversight or assistance</i>	Closure, merger, or “bailout” <i>Planning for possibility</i> → <i>Pending</i>
GMU, JMU, ODU, UVA, VCU, VMI, VT, W&M	CNU, LU, RU, UMW, NSU, VSU UVAW	

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

NOTE: Vertical placement of institutions does not have any meaning in relation to viability risk.

The three Virginia institutions that are rated as having some viability risk are Radford University, University of Mary Washington, and Virginia State University, but each is currently attempting to address its viability risks through various initiatives and efforts.

***Radford faces risk related to its large enrollment decline***

Radford has positive factors such as solid finances, pricing power, state funding levels, and facilities. However, Radford’s total full-time enrollment has declined on a percent-age basis more than any of Virginia’s other public four-year institutions over the past decade (26 percent). Radford’s first-year student enrollment declined even more sharply by 38 percent. This decline was large enough to place it below the 10<sup>th</sup> per-centile nationally in terms of first-year enrollment increases. Radford, though, expects its enrollment to stabilize for the 2024–25 academic year. As of August 2024, Radford reports that based on deposits, its first-year enrollment will likely increase almost 30 percent from 1,100 in 2023 to 1,400 in 2024.

***Mary Washington faces risks related to pricing power, facilities, and financing***

The University of Mary Washington faces several viability risks but also has positive factors including higher-than-predicted graduation rates. Mary Washington has heavily discounted its tuition in recent years, which has reduced its pricing power and led to less tuition revenue. The age and condition of Mary Washington’s campus facilities also complicate the school’s efforts to recruit and retain students. A private consultant recently concluded that Mary Washington’s facilities require substantial maintenance, repair, or renovation. The General Assembly, though, has made recent capital invest-ments, which Mary Washington reports will begin to help improve recruitment of new students.

The institution has also been facing financial risks because of its revenue challenges and relatively higher debt. Its pricing power challenges and enrollment declines have constrained available revenues to meet its ongoing expenditures. Its debt levels have been relatively high, primarily from having to absorb the financial impact of its foun-dation making poor investment decisions. Mary Washington has made several changes

to its foundation in the past two years, which should improve its financial health ratios in the future.

### ***Virginia State faces risk related to its pricing power and facility conditions***

Virginia State has positive factors such as enrollment growth over the past eight years—particularly since the pandemic—and relatively stable retention and graduation rates. However, Virginia State’s inflation-adjusted tuition revenue per student has declined approximately 26 percent since 2015. The greater financial needs of Virginia State’s student population explain—but also compound—its pricing power challenges. Of the state’s public four-year higher education institutions, Virginia State has the highest percentage of students receiving a Pell grant. Virginia State also faces risk related to the relatively poor condition of its facilities and lack of adequate student housing. The state, though, has recently been providing more operating and capital funding, which Virginia State anticipates will begin to help. The university expects to open several new buildings for the fall 2025 academic semester.

### **Viability risks and challenging, changing environment necessitate continued monitoring and additional planning, or action, as needed**

The seven institutions rated at relatively low or some overall viability risk will need to closely monitor the risk factors discussed in this report. The demographic decline, further erosion in the belief that four-year degrees are necessary, and the consolidation of students at larger institutions, combined with the risks identified at each of these institutions, make this ongoing monitoring essential.

Regular monitoring is important given the dynamic higher education environment and the likelihood that the challenges and risk levels institutions face are likely to change. For example, while enrollment appears to be stabilizing for some institutions in the short term, it has fluctuated substantially for many Virginia institutions in recent years. In addition, many institutions have responded to enrollment declines with tuition adjustments that have significant implications for revenue and financial strength.

The state’s OpSix has been monitoring risk through the six-year planning process, and the specific factors related to viability necessitate ongoing monitoring and additional planning, or action, as needed. The additional monitoring and planning specifically related to viability will need to continue through this process.

### **State academic program approval process can be more transparent and streamlined**

The State Council of Higher Education for Virginia (SCHEV) is required to review institutions’ proposals for new academic programs. Its process requires institutions to submit a prospectus fully describing a new program’s purpose, how the program will be operationalized, and demand for the program. SCHEV has approved about 70 percent of proposed programs over the last decade.

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**Statute establishes Op-Six membership** to include the: staff directors of the House Appropriations Committee and the Senate Finance and Appropriations Committee, the director of the Department of Planning and Budget, the director of SCHEV, the secretary of finance, the secretary of education, or their designees.

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Though SCHEV's program approval policy describes components each proposal must include, it lacks criteria to assess the proposals. The process also seems unnecessarily bureaucratic, focusing too much on editorial components of proposals. In addition, SCHEV staff do not consistently document their review and feedback to institutions, which institution staff indicated can lead to misunderstandings about revisions requested.

## **WHAT WE RECOMMEND**

### **Executive action**

- As part of the six-year planning process, monitor the viability risk of: Christopher Newport, Longwood, Norfolk State, Radford, Virginia State, University of Mary Washington, and UVA-Wise.
- Revise the state's academic program approval process to focus on the most essential information needed, discontinue editorial reviews of proposals, and include fillable forms, a checklist, and better documentation of staff reviews.

The complete list of recommendations is available on page vii.



# Recommendations and Policy Options: Higher Education Institutional Viability

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JLARC staff typically make recommendations to address findings during reviews. Staff also sometimes propose policy options rather than recommendations. The three most common reasons staff propose policy options rather than recommendations are: (1) the action proposed is a policy judgment best made by the General Assembly or other elected officials, (2) the evidence indicates that addressing a report finding is not necessarily required, but doing so could be beneficial, or (3) there are multiple ways in which a report finding could be addressed and there is insufficient evidence of a single best way to address the finding.

## Recommendations

### RECOMMENDATION 1

As part of the six-year planning process, OpSix should monitor the viability risk of: Christopher Newport University, Longwood University, Norfolk State University, Radford University, Virginia State University, University of Mary Washington, and the University of Virginia's College at Wise using the eight risk factors related to students, institutional appeal, and financing discussed in this report, with technical support provided by the State Council of Higher Education for Virginia. (Chapter 2)

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### RECOMMENDATION 2

The State Council of Higher Education for Virginia should revise its academic program review policy to include: (i) evaluative criteria for each required element, where possible; and (ii) a method of documenting how subjective assessments were made for elements where it is not possible to set evaluative criteria. (Chapter 3)

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### RECOMMENDATION 3

The State Council of Higher Education for Virginia should revise its academic program review process to eliminate the requirement to submit job advertisements and, instead, rely on appropriate data provided by the Virginia Office of Educational Economics to assess economic and workforce demand for a proposed new academic program. (Chapter 3)

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### RECOMMENDATION 4

The State Council of Higher Education for Virginia should evaluate its policy for reviewing new academic programs to determine whether any of the elements included in its review unnecessarily duplicate elements reviewed by the higher education institutional accrediting agency, and the council should eliminate any unnecessary duplication from its policy. (Chapter 3)

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### **RECOMMENDATION 5**

The State Council of Higher Education for Virginia should direct staff to revise the academic program approval process to focus on the most essential information needed, discontinue editorial reviews of proposals, and include the following: (i) a fillable form for institutions to submit; (ii) a checklist of required proposal elements; and (iii) documentation of proposal evaluations and decisions. (Chapter 3)

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## **Policy Options to Consider**

### **POLICY OPTION 1**

The State Council of Higher Education for Virginia (SCHEV) could consider creating a secondary review appeal process whereby an institution may seek an additional, independent review of a council staff decision by a committee of provosts from Virginia higher education institutions. This provost committee could make a second recommendation to approve or disapprove the proposal to the SCHEV Academic Affairs Committee, which would make the final decision. (Chapter 3)

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# 1 Higher Education Enrollment Trends

In 2023, the Joint Legislative Audit and Review Commission (JLARC) directed staff to review several aspects of the state’s 15 public four-year higher education institutions. This report addresses items in the study resolution related to student trends; the financial sustainability of institutions; and how institutions’ academic degree offerings align with high-demand occupations. Another companion review conducted pursuant to the study resolution addresses higher education costs and efficiencies.

To address the study resolution, JLARC obtained and analyzed Virginia and national data on higher education enrollment and institutions’ revenue, debt, cashflow, and assets. JLARC reviewed existing research literature about higher education institutional viability and collected information about institutions nationwide that had been closed or merged with other institutions. JLARC interviewed higher education institution staff and other relevant higher education stakeholders and surveyed each institution’s board of visitors. JLARC collected information on academic degree programs from institutions and data on high demand occupations from the Virginia Office of Educational Economics to assess whether they were aligned.

## Virginia has 15 public four-year higher education institutions

Virginia has 15 public four-year institutions of higher education with varying missions, sizes, organizations, and degree offerings, and can be organized according to their Carnegie classification for size and type of higher education institution (Table 1-1). This classification allows each Virginia institution to be compared to similar public and private institutions in other states.

**TABLE 1-1**  
Virginia public four-year higher education institution size and classification

Carnegie size category	Carnegie institution type category:		
	Baccalaureate colleges	Master’s colleges	Doctoral universities
<b>Small</b> (Less than 3,000 students)	<ul style="list-style-type: none"> <li>• UVA-W, VMI</li> </ul>		
<b>Medium</b> (3,000 to 9,999 students)	<ul style="list-style-type: none"> <li>• UMW</li> </ul>	<ul style="list-style-type: none"> <li>• CNU, LU, VSU</li> </ul>	<ul style="list-style-type: none"> <li>• NSU, RU, W&amp;M</li> </ul>
<b>Large</b> (10,000 or more students)			<ul style="list-style-type: none"> <li>• GMU, JMU, ODU, UVA, VCU, VT</li> </ul>

SOURCE: Carnegie Classification of Institutions of Higher Education; SCHEV, FY22 and FY23.

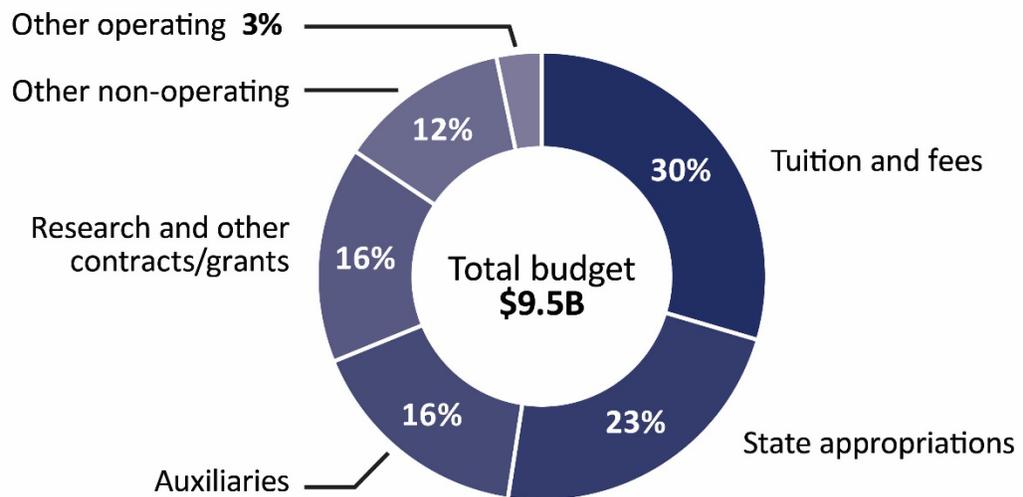
NOTE: Institute size and classification categories determined by the Carnegie Commission on Higher Education.

Each of Virginia’s 15 four-year higher education institutions is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).

Virginia has a decentralized higher education system in which institutions’ boards of visitors have most of the governance authority. The Code of Virginia empowers boards of visitors with direct stewardship of their respective institutions. Among other responsibilities, boards of visitors hire, evaluate, and dismiss presidents; approve budgets; set tuition and fees, admission and graduation requirements, and staffing standards; and provide strategic direction.

Overall, Virginia’s 15 public higher education institutions primarily rely on tuition and fee revenue and state general funding to operate. In FY23, institutions received approximately \$9.5 billion in total revenue, and approximately 53 percent (\$5 billion) of revenue came from tuition and fees or state general fund appropriations (Figure 1-1).

**FIGURE 1-1**  
**Virginia’s public four-year institutions collected \$9.5 billion in revenue in FY23**



SOURCE: Institution financial statement data from Auditor of Public Accounts, FY23.

NOTE: “Other non-operating” revenues may include gifts and capital grants not provided from state, federal, or local sources. Christopher Newport and Norfolk State financial statement were not available at the time of writing, and FY22 financial statements were used for the two institutions.

In FY23, institutions were also funded by approximately \$1.5 billion (16 percent) in various research and other contracts or grants, \$1.6 billion in (16 percent) auxiliary enterprises revenue (e.g., athletics, housing, dining), and \$1.2 billion (12 percent) in other non-operating revenues (e.g., gifts, bonds, etc.). Two institutions—University of Virginia (\$126 million) and Virginia Commonwealth University (\$84 million)—generated a significant amount of “other operating” revenue in FY23, primarily from their university hospital systems, compared with the \$8.2 million generated on average by the other 13 institutions.

## Slowing enrollment growth and enrollment decline at some institutions have raised concerns

Nationally and in Virginia, higher education enrollment growth began to stagnate shortly after the Great Recession. Some of this stagnation was predictable because of demographic trends (e.g., population stagnation and decline in high school age population). The high cost of obtaining a four-year degree and the resurgence in high paying, high skill jobs that do not require a four-year degree may have also contributed to slowing enrollment growth. These trends are all expected to continue into the foreseeable future and will further affect higher education institutions' enrollment.

Enrollment is a critical indicator of the appeal of and student demand for an institution and is also an essential revenue source. For most institutions, student tuition and fee revenue makes up a substantial portion of their total revenue. If enrollment declines, tuition and fee revenue declines. Higher education institutions are generally unable to reduce their expenses proportionately when enrollment and revenues decline because many costs are fixed (e.g., building maintenance, debt service, tenured faculty). Furthermore, reducing spending on academics or campus facilities and amenities may contribute to decreasing interest in and enrollment at these institutions.

### Several Virginia institutions' student enrollment has grown substantially, while enrollment has declined at others

Overall, enrollment across Virginia's 15 public four-year institutions (measured as full-time equivalent students, or FTEs) grew an average of 2 percent annually from 1995 to 2011 (16 years) (Figure 1-2). Enrollment growth slowed between 2012 and 2019 to 1 percent annually. Total enrollment growth was positive statewide in all years between 1995 and 2023, except for a 2 percent decline in 2021 because of the COVID-19 pandemic.

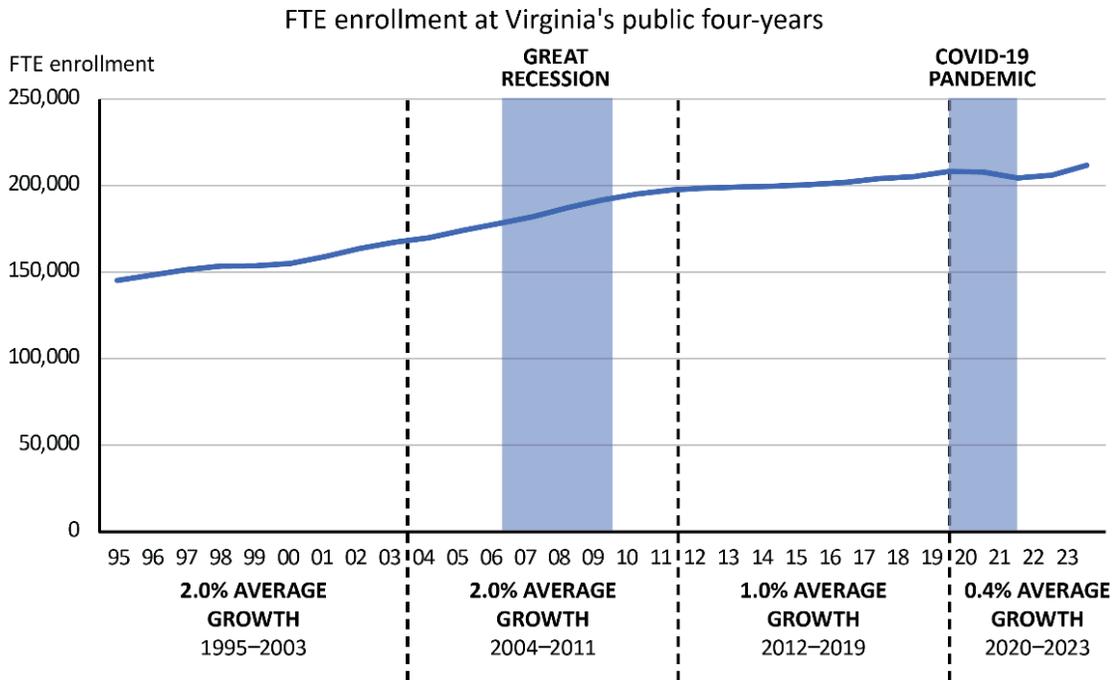
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As of August 2024, some enrollment and financial data was available only through 2022, while some other data was available through 2023. Generally, data available through 2023 was collected and finalized in fall 2023 (e.g., first-year student enrollment, retention rates). Some data for 2023 that required the completion of the 2023–24 school year (e.g., graduation rates, spending per FTE) was not available at the time of this report's writing.

Data used throughout the report is the most recent available as of its writing, which may be 2022 or 2023 data.

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**FIGURE 1-2**  
**Statewide FTE enrollment has grown across Virginia’s public four-year institutions, but growth rate has been slower in recent years**



SOURCE: SCHEV FTE enrollment data for public four-year institutions, 2001–2023.

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**Flagship institutions** can be defined as public universities that are a state’s more selective, rigorous, and well-resourced institutions. Flagship institutions typically benefit from strong name recognition, which allows them to be highly selective when admitting students.

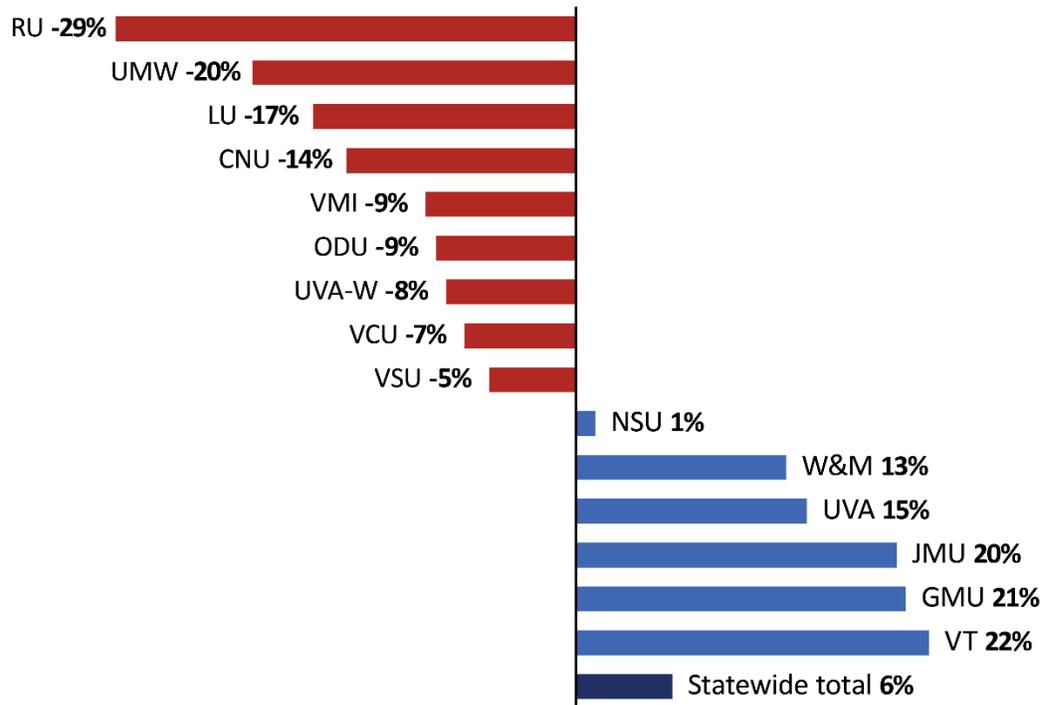
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However, long-term enrollment trends varied significantly at individual schools. Six institutions gained FTE enrollment over the past decade (Virginia Tech, GMU, JMU, UVA, William & Mary, and Norfolk State), while nine institutions lost FTE enrollment to varying degrees (Figure 1-3). GMU and Virginia Tech grew substantially from 2014 to 2023, adding more than 5,700 and 7,100 FTE students, respectively. This enrollment growth at GMU and Virginia Tech was greater than the entire student population at seven institutions: Christopher Newport, Longwood, Norfolk State, Mary Washington, UVA-Wise, Virginia Military Institute, and Virginia State.

This trend is not unique to Virginia. Large and flagship (sidebar) institutions have generally experienced enrollment growth nationwide, while many smaller, regional institutions have experienced enrollment declines.

**FIGURE 1-3**

**Six schools gained enrollment over the past decade, and the others lost enrollment**



SOURCE: SCHEV FTE enrollment data, 2014–2023.

NOTE: 2023 FTE enrollment for Mary Washington is estimated by the institution.

Changes in out-of-state student enrollment, which has a large impact on a school’s revenue, has been uneven across Virginia’s public institutions. Over the past decade, out-of-state student enrollment grew 23 percent overall (+10,800 FTEs). However, over 98 percent of the growth in out-of-state students occurred at Virginia Tech, GMU, UVA, and William & Mary. Four additional schools had slight gains in out-of-state student enrollment (Longwood, Norfolk State, Radford, UVA-Wise), and the remaining schools experienced slight declines in out-of-state student enrollment (Christopher Newport, JMU, ODU, Mary Washington, VCU, Virginia Military Institute, and Virginia State). Out-of-state student enrollment disproportionately affects institutions’ tuition and fee revenue because out-of-state students pay higher tuition rates than in-state students.

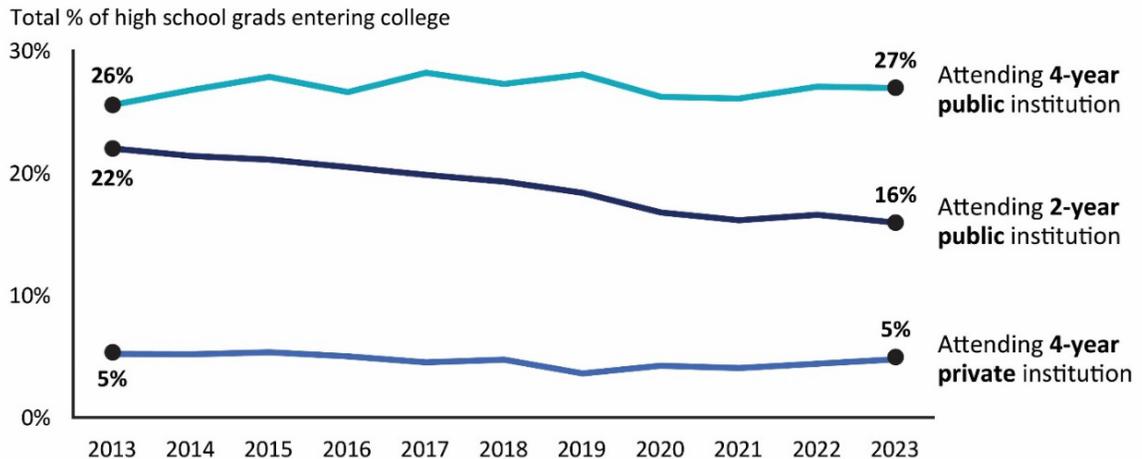
### **Decline in higher education enrollment primarily due to fewer higher school graduates entering two-year institutions**

Fewer Virginia high school students have been entering higher education after they graduate. The number of Virginia high school students entering any higher education institution in Virginia (including public and private four-year institutions and public two-year institutions) declined from approximately 63,900 in fall 2013 to 59,200 in fall 2023, a 7 percent decline. The proportion of Virginia high school graduates attending a Virginia higher education institution within 12 months of graduation fell from 53

percent in 2013 to 48 percent in 2023. This decline in the percentage of high school graduates entering higher education is not unique to Virginia. Nationally, the proportion of 18- to 24-year-olds enrolling in college decreased from 41 percent to 38 percent from 2010 to 2021, according to data from the National Center for Education Statistics.

In Virginia, this decline in the percentage of high school graduates entering higher education was primarily due to lower enrollment at two-year institutions (Figure 1-4). Students entering two-year institutions after graduating high school declined from 22 percent in 2013 to 16 percent in 2023. The proportion of Virginia high school graduates attending four-year institutions (whether public or private) has remained relatively stable as of 2023.

**FIGURE 1-4**  
**Decline in community college enrollment driving decline in higher education enrollment**



SOURCE: SCHEV enrollment data, Western Interstate Commission for Higher Education data on Virginia high school graduates, 2013–2023.

NOTE: Represents high school graduates who enrolled in any in-state higher education institution, including those who enrolled on a part-time basis. In lieu of attending a Virginia higher education institution or getting a job, Virginia high school graduates could be attending an out-of-state institution, joining the military, or attending a private credential/certificate program that does not report to SCHEV.

Considering only four-year institutions in Virginia, enrollment has shifted slightly away from public institutions toward private institutions, which is attributable to enrollment growth at Liberty University. Between 2013 and 2017, about 64 percent of full-time equivalent (FTE) students attended a public institution, and 36 percent attended a private institution. By 2022, public institution enrollment had declined to 60 percent, and private institution enrollment had risen to 40 percent of total four-year enrollment in Virginia. Between 2013 and 2022, Liberty gained 18,400 FTEs. Excluding growth at Liberty, total market share of the private four-year institutions has decreased by about 1 percent over the past decade.

# 2 Assessment of Institutional Viability

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Enrollment declines at some institutions and disruptions to higher education during the pandemic led to legislative and executive interest in JLARC reviewing the viability of Virginia's public, four-year higher education institutions. One of the concerns expressed was the need to address declining enrollment at some institutions and determine whether any institutions are at risk of not being viable in the near future.

JLARC's other current higher education review is addressing issues related to costs and efficiency that institutions need to address, and in some instances these issues coincide with viability risks. For example, institutions typically need to reduce spending, staffing, and space usage over time if enrollment declines.

## **Several demographic and market trends will place pressure on higher education institutions**

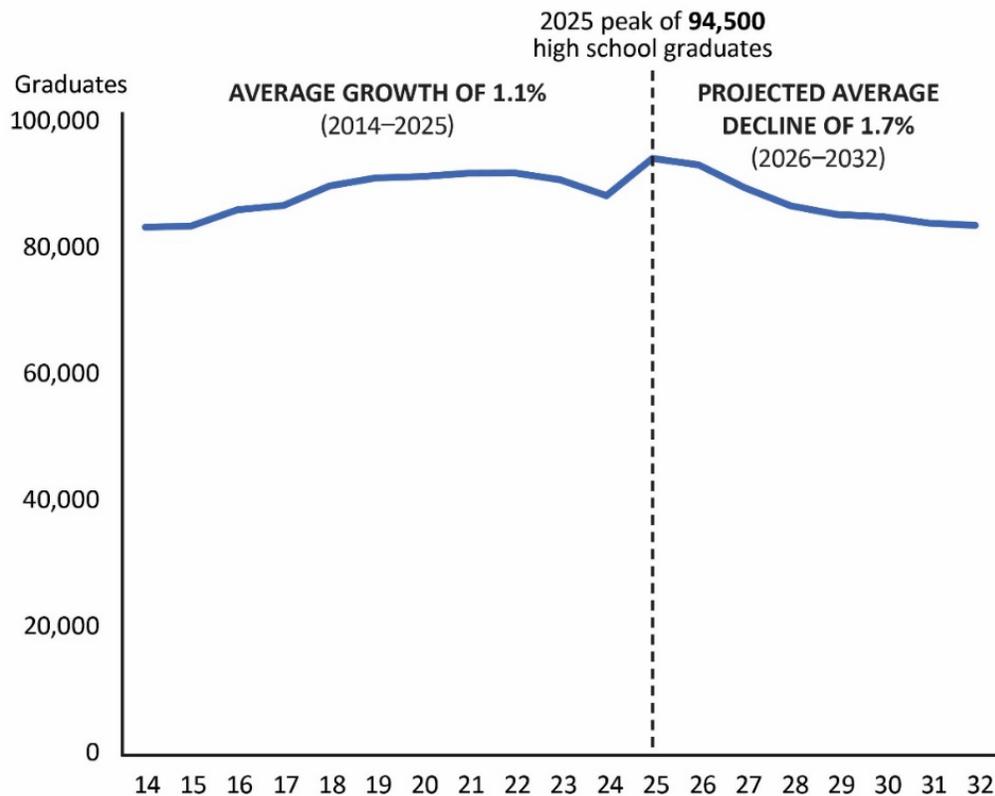
As noted in Chapter 1, most enrollment growth has occurred at large institutions rather than smaller and regional ones. In Virginia, five large institutions (GMU, JMU, UVA, Virginia Tech, William & Mary) gained approximately 21,600 students over the past decade, while the remaining 10 institutions lost approximately 9,500 students in that same timeframe. Statewide, this is a relatively modest shift (7 percent) in market share from Virginia's smaller and regional institutions to its larger institutions. Though modest in percentage terms, this shift represents more students in total than the enrollment of several Virginia institutions.

## **Likely decline in future higher education enrollment could exacerbate trend of market consolidation toward larger institutions**

All institutions will be affected to some degree by demographic shifts that will reduce the traditional college age population in the near future—but institutions that have lost market share recently may be especially vulnerable to further declines. Higher education enrollment is expected to begin declining in 2025, according to the U.S. Department of Education.

This expected decline in traditional college-age students will mean all institutions will be competing for fewer students. Birth rates, both nationally and in Virginia, peaked in 2007 but subsequently declined following the Great Recession. The number of high school graduates is expected to peak in 2025 and decline at least through 2032 (Figure 2-1).

**FIGURE 2-1**  
**High school graduates in Virginia are expected to peak in 2025 and subsequently decline**



SOURCE: 2023 state high school graduate projections, U.S. Department of Education National Center for Education Statistics.

NOTE: Includes regular diploma recipients but excludes students receiving a certificate of attendance and persons receiving a high school equivalency certificate.

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**Flagship institutions** can be defined as public universities that are a state’s more selective, rigorous, and well-resourced institutions. Flagship institutions typically benefit from strong name recognition, which allows them to be highly selective when admitting students.

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The recent trend of market consolidation toward larger institutions is not unique to Virginia. Higher education experts indicate that nationally enrollment is also growing at larger, flagship institutions and declining at smaller and regional institutions (side-bar). It is unknown whether this trend will continue over the long term; however, if it does, it will exacerbate smaller institutions’ challenges competing for a shrinking pool of traditional college-aged adults.

In addition to the expected demographic decline, declining enrollment at two-year higher education institutions (see Chapter 1) may place additional downward pressure on four-year enrollment. Many institutions rely on students who transfer from two-year institutions for enrollment. The proportion of Virginia high school graduates entering two-year institutions has declined (22 percent in 2013 to 16 percent in 2023).

## **Interest in attending a four-year higher education institution may be declining**

Some national data and recent surveys indicate that interest in attending a four-year college may also be declining, which could compound institutions' challenges related to demographics and market consolidation. The combination of rising higher education costs and increasing numbers of highly compensated occupations that do not require a four-year degree have resulted in some young adults and their families questioning the return-on-investment of a four-year degree.

Several recent surveys have found declining public confidence and interest in college. For example,

- only 38 percent of Virginians surveyed indicated the cost of college is “worth it,” down from 47 percent just one year prior (VCU survey); and
- nearly half of survey respondents agreed “it’s less important to have a four-year college degree today in order to get a well-paying job than it was 20 years ago” (Pew Research survey).

Finally, wages for workers without college degrees are increasing, although there is still a gap between wages for workers with and without college degrees. After being nearly flat for the prior 40 years, wages for workers with a high school degree rose 14 percent between 2014 and 2023, according to the Pew Research Center. Despite this increase in wages for individuals with high school degrees, workers with a college degree still made 71 percent more.

## **JLARC viability assessment uses multi-dimensional framework considering eight key factors**

To assess the risk that any of Virginia’s 15 higher education institutions may not be viable in the future, JLARC developed a viability risk assessment framework. To develop this framework, JLARC examined other frameworks created for similar reviews in other states and by academia (sidebar).

JLARC’s framework includes more factors than some other frameworks, primarily to account for public institutions with varying missions. Other frameworks assess the viability of public and private institutions or just private institutions. Public institutions in Virginia are generally more viable than private institutions for at least two key reasons. Public institutions (1) receive state funding, which is typically a significant and consistent revenue source for their continued operation, and (2) were statutorily created by the General Assembly to serve a public mission, which is reflected in each institution’s missions and goals (e.g., providing access to higher education in certain geographic areas, producing a certain number of bachelor’s degrees over time, providing an educated workforce for the state’s economy, providing higher education opportunities for historically underserved populations). By virtue of these two factors, public

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**Other viability frameworks have been developed by:** the U.S. Department of Education, Forbes Magazine, researchers at the universities of Pennsylvania and Utah, Demit and EY-Parthenon (consulting firms), and Massachusetts and Pennsylvania state government agencies.

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Appendix E provides additional information about higher education institution closures and mergers that have occurred since 2016.

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JLARC's institutional viability assessment **focuses on an institution's ability to continue operating without needing major changes to survive**, such as a merger or financial bailout.

Institutions may not have a viability challenge identified by the assessment, but still need to make changes (such as reducing spending or closing academic programs).

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institutions in Virginia are inherently more viable than private institutions and therefore less likely to close or merge with another institution than private institutions (sidebar).

It is important to note that JLARC's assessment of institutional viability focuses on an institution's ability to continue operating without needing major changes to survive, such as significant new funding or a merger with another institution. However, even institutions that have very low viability risk face a dynamic environment that could require them to make operational changes. For example, viable institutions can still experience budget shortfalls and need to raise tuition, downsize administrative staff or faculty, or close specific academic programs based on external conditions.

Prior to applying each factor of its institutional viability risk assessment, JLARC staff considered how selective each institution is when admitting students (sidebar). Research shows that highly selective institutions have high demand for their education services. When an institution can be highly selective, it significantly reduces concerns about its viability.

JLARC's institutional viability risk assessment then used data to assign a rating to eight factors related to students, institutional appeal, and finances. For several factors, both long- and short-term trends could be evaluated and compared to national data about higher education institutions. The ratings for each of the eight factors are aggregated to provide an institution's overall viability risk rating.

The following case illustration briefly explains each risk factor and how each risk factor aggregates to an overall viability risk rating. For more details on JLARC's assessment framework, see Appendix D.

### **Illustrative case study for hypothetical institution**

Commonwealth University (CU) is a medium-sized institution with a liberal arts focus. CU's mission is to provide higher education opportunity for a wide variety of students; it admits about 90% of its applicants (and therefore is not considered highly selective).

Student factors – CU's graduation is lower than might be expected (Factor #1). Its enrollment levels have remained stable over the last decade (#2). It has, though, struggled to retain some students after their first year of enrollment (#3).

Institutional appeal factors – Because of CU's successful athletics program and name recognition, CU has been able to raise tuition at about the rate of inflation (#4), which allows it to increase its faculty and staff salaries over time. CU has a mix of new and older buildings (#5), most of which are well maintained.

Financing factors - CU has relatively strong financing but has slightly more debt than similar institutions because of recent new building construction (#6). It received about the average amount per student in state funding (#7), and its endowment value per student is slightly above similar institutions nationally (#8).

**FIGURE 2-2**  
**Illustrative example of viability risk assessment for a hypothetical institution**

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
CU	--	●	○	●	○	○	○	○	○	Low

● = Factor rated at *substantial* or *extreme* risk level  
 ● = Factor rated at *moderate* risk level  
 ○ = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention  
**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition  
**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

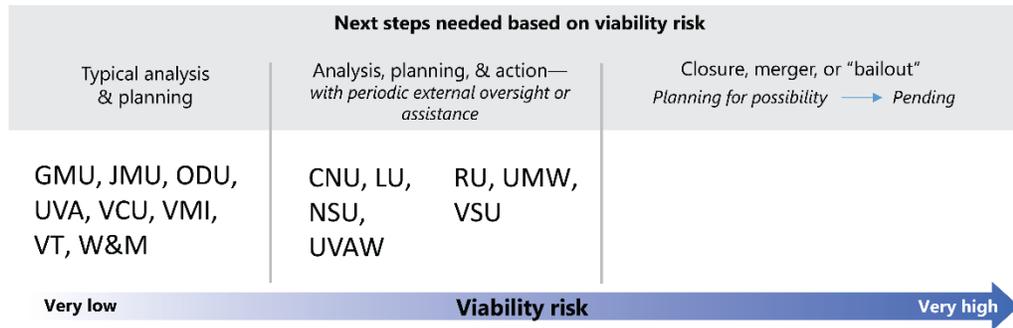
## Virginia institutions face varying degrees of viability risk, but none are at very high or high risk

As of summer 2024, *none* of Virginia’s 15 public four-year institutions are rated at a high level of viability risk (Figure 2-3). Therefore, no immediate or near-term action is necessary to bail out a troubled institution, broker a merger between institutions, or manage the closure of a Virginia public institution.

These viability risk ratings are as of a recent point in time, and with the dynamic higher education environment, individual risk factors at each institution may improve or worsen in the future. As a result, each institution’s risk profile is likely to change somewhat over time, even in the short term, depending on events (e.g., recession necessitating lower general fund appropriations).

The risk assessment framework and its results for each institution are discussed in more detail throughout this chapter and in Appendix D.

**FIGURE 2-3**  
**No Virginia public institution faces high viability risk (as of 2024)**



SOURCE: JLARC summary of viability risk assessment framework results, 2024.

NOTE: Vertical placement of institutions does not have any meaning in relation to viability risk.

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JLARC staff developed a statistical model to **predict six-year graduation rates** for each institution. The model predicted graduation rates based on (a) percentage of students who are full time, (ii) SAT scores, (iii) student financial aid status, and (iv) average teaching salary adjusted for cost-of-living. This model is similar to other models developed by researchers and academics to predict graduation rates. Appendix B provides additional details about the methodology used to develop this model.

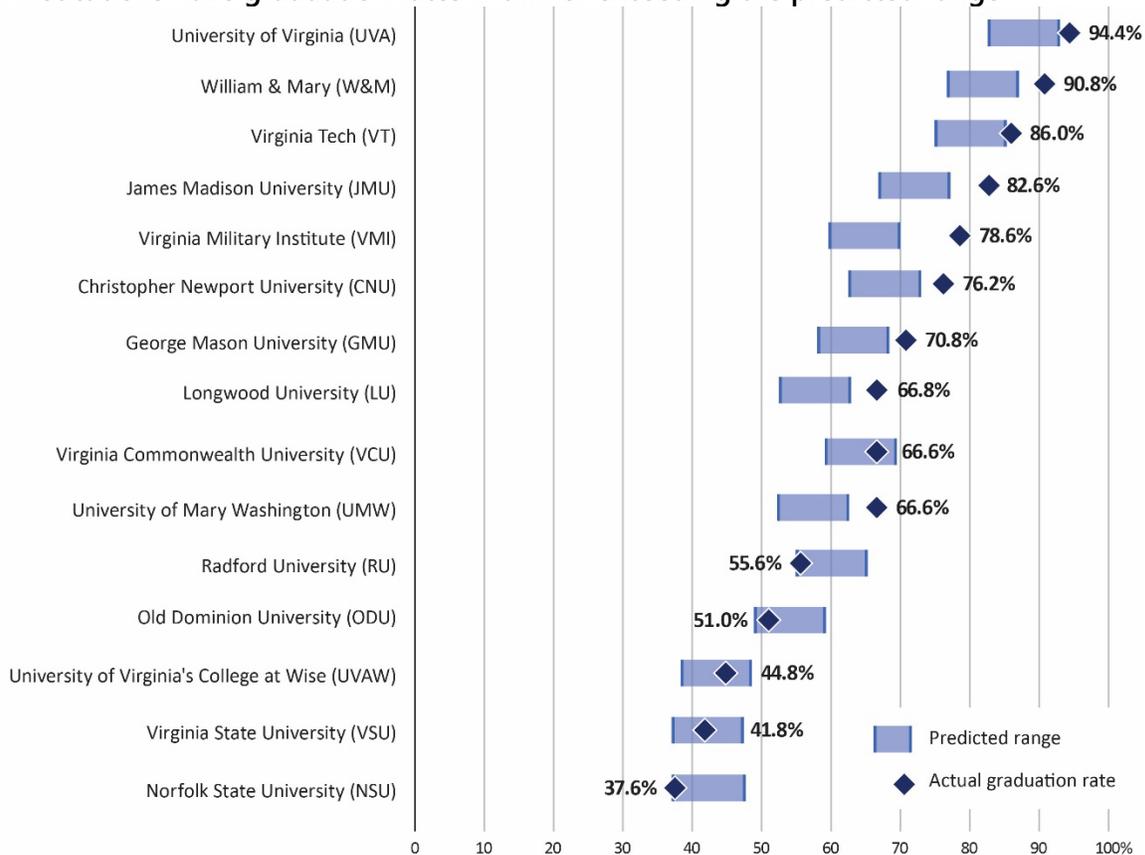
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JLARC staff’s viability risk assessment framework includes graduation rates as one of its factors, because producing higher education graduates is an important goal of the commonwealth and the most important goal of each institution. The Code of Virginia specifically cites increased undergraduate degree attainment as a key goal for higher education. Graduation rates provide insight into the extent to which an institution is meeting the state’s goal of increasing college degree attainment.

A notable result from JLARC’s assessment is that all of Virginia’s public, four-year higher education institutions have graduation rates at or above where they are predicted to be based on their characteristics (sidebar). Though graduation rates vary widely across institutions, all 15 have student graduation rates at or above those predicted by a statistical model (Figure 2-4). Several institutions with very high ranges of predicted graduation rates exceed even those very high statistical predictions.

**FIGURE 2-4**

**All institutions have graduation rates within or exceeding the predicted range**



SOURCE: JLARC staff analysis of U.S. DOE, NCES IPEDS data on 6-year graduation rates, 2018–2022.

## **Eight institutions have very low viability risk; no special analysis or planning needed as of 2024**

Eight institutions were rated as having very low overall viability risk (Figure 2-5). Therefore, from a viability perspective, these institutions require nothing in addition to the state’s typical higher education analysis and planning processes. Six of these institutions—JMU, UVA, VCU, Virginia Military Institute, Virginia Tech, and William & Mary—have higher than predicted graduation rates, stable or growing enrollment and retention, relatively high pricing power, campuses in relatively good condition, and strong finances. William & Mary has a moderate level of risk on pricing power, but this is mitigated by its high level of selectivity.

Another two institutions—GMU and ODU—were also rated as having very low viability risk. These institutions have negligible or minimal risks on seven of the eight factors, no factors with substantial or extreme risk, and mitigating circumstances for the factor with moderate risk.

GMU has experienced some decline in its pricing power, as reflected in its inflation-adjusted tuition revenue per FTE student. Between 2015 and 2022, GMU’s pricing

power declined approximately 11 percent. However, this reduction in per student tuition revenue has been mitigated by its enrollment growth over the past eight years. Between 2016 and 2023, first-year student enrollment grew more than 40 percent; consequently, GMU’s total tuition revenue has grown, even though its per student tuition revenue has fallen.

ODU has experienced a decline in first-year student enrollment over the past eight years and more recently decided to admit fewer students. ODU found that some of its students were not academically prepared for college-level work and had difficulty persisting to the second year and ultimately graduating. To address this, ODU has begun admitting fewer first-year students and developed agreements with local community colleges to facilitate transfers once students have completed certain coursework.

**FIGURE 2-5**  
**Eight Virginia public institutions face very low overall viability risk**

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
GMU	--	○	○	○	◐	○	○	○	○	Very low
JMU	--	○	○	○	○	○	○	○	○	Very low
ODU	--	○	◐	○	○	○	○	○	○	Very low
VCU	--	○	○	○	○	○	○	○	○	Very low
VMI	--	○	○	○	○	○	○	○	○	Very low
VT	--	○	○	○	○	○	○	○	○	Very low
W&M	✓	○	○	○	◐	○	○	○	○	Very low
UVA	✓	○	○	○	○	○	○	○	○	Very low

- = Factor rated at *substantial* or *extreme* risk level
- ◐ = Factor rated at *moderate* risk level
- = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention  
**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition  
**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

## Seven institutions have relatively low or some viability risk

None of the remaining seven higher education institutions are at high or very high viability risk, yet each to varying degrees has certain risk factors. These seven institutions were rated as having either relatively low or some viability risk. The expected demographic decline, a trending market shift toward larger institutions, and declining interest in four-year education will place continued pressure on these institutions, to varying degrees. Moreover, history demonstrates that higher education typically faces substantial reductions in general fund appropriations during recessions, which would further challenge these institutions, especially those that have recently or are currently experiencing financial challenges.

### Four institutions have relatively low viability risk but have at least one risk factor that should be monitored

Four institutions—Christopher Newport, Longwood, Norfolk State, and UVA-Wise—are rated as low viability risk, and each have at least one risk factor that should be monitored going forward (Figure 2-6). Three out of four of these institutions received a moderate risk score on the pricing power assessment factor.

**FIGURE 2-6**  
Four Virginia public institutions face low overall viability risk

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
CNU	--	○	◐	○	○	○	◐	○	○	Low
LU	--	○	○	○	◐	○	○	○	○	Low
NSU	--	○	○	○	◐	○	○	○	○	Low
UVA-W	--	○	○	○	◐	--	--	○	○	Low

- = Factor rated at *substantial* or *extreme* risk level
- ◐ = Factor rated at *moderate* risk level
- = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention

**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition

**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

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“Tuition discounting” is when an institution in effect reduces its published tuition price by offering institutional grant aid.

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Institutions in the “most trouble are those that have declining enrollments and **declining market prices**,” according to *The College Stress Test* (Zemsky, Shaman, and Baldrige; 2020). The authors further elaborate that “when those price reductions do not yield increased enrollments, the institution is saddled with unsustainable pricing practices, even in the short run.”

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This pricing power risk is reflective of the broader, national concern about the cost of higher education relative to current family incomes and expected student income. Pricing power describes an institution’s ability to charge enough tuition to support the institution’s operations and enroll enough students willing and able to pay that tuition. Schools with weakened pricing power will often “discount” tuition rates to enroll more students (sidebars), while schools with strong pricing power can enroll students without needing to heavily discount tuition. (Higher education affordability is addressed more thoroughly in JLARC’s companion report on higher education costs and efficiencies.)

Institutions regularly assess and seek to increase their pricing power and revenue levels. About half of the board of visitor members at Virginia public institutions were either somewhat concerned (32 percent) or concerned (17 percent) about revenue levels, according to a June 2024 JLARC survey.

Longwood, Norfolk State, and UVA-Wise each have moderate pricing power risk because of declines in inflation-adjusted tuition revenue per FTE student. Between 2015 and 2022, Norfolk State experienced a 20 percent decrease in tuition revenue per student, UVA-Wise experienced a 17 percent decrease, and Longwood experienced an 8 percent decrease. None of these decreases was substantial enough to warrant a rating of substantial or extreme risk, but continued reductions in tuition revenue could result in substantial or extreme risk to their pricing power.

Christopher Newport has a moderate enrollment level of risk because of declines in first-year student enrollment. Between 2016 and 2023, Christopher Newport’s first-year student enrollment decreased more than 5 percent. In the most recent year (2023), first-year student enrollment decreased slightly, by 1 percent. Further, Christopher Newport experienced a 12 percent decline in full-time equivalent (FTE) students between 2016 and 2023. FTE student enrollment has declined at Christopher Newport in seven out of the past eight years. These decreases were below the thresholds for substantial or extreme risk ratings.

Christopher Newport also had some financial risk. The institution was rated as having a moderate risk on its financial ratios because of its

- relatively high debt load associated with its newer campus facilities relative to assets that could—if needed—be converted quickly to cash (debt management ratio); and
- recent decline in ability to pay for expenses with current revenue—primarily related to lower tuition revenue from flat tuition and fee rates for several years and declining enrollment (net operating revenue ratio).

These four institutions with relatively low viability risk all have endowment levels that are above the national median for public four-year institutions. Endowment funds can significantly strengthen an institution’s viability, because an endowment can be a source of support to an institution. UVA-Wise had an endowment of around \$106,500 per

FTE student, which was higher than endowment levels of 96 percent of public four-year institutions nationally. Longwood had an endowment of around \$24,900 per FTE, which was higher than 82 percent of public four-year institutions nationally. Norfolk State’s endowment was around \$16,600, and Christopher Newport’s endowment was around \$11,800, both above the national median (\$8,559).

**Remaining three institutions have some viability risk but for varying reasons**

The remaining three institutions—Mary Washington, Radford, and Virginia State—have some viability risk, although their viability risk profiles differ to some extent. All three face risks related to their tuition revenue stream. Mary Washington and Radford have experienced enrollment declines that have resulted in decreased tuition revenue. Virginia State faces difficulty charging enough in tuition to fund its operations while still meeting its mission to serve students with high financial needs.

**Virginia State University has some overall viability risk but is receiving additional funding to help**

Virginia State, one of the state’s two public historically black colleges and universities (HBCUs), faces substantial risk related to its pricing power and facility conditions (Figure 2-7). The university has experienced positive enrollment growth over the past eight years, particularly since the pandemic. It has also had relatively stable retention and graduation rates.

**FIGURE 2-7**  
**Virginia State University faces some viability risk overall because of pricing power and facilities**

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
VSU	--	○	○	○	●	●	○	○	○	Some

- = Factor rated at *substantial* or *extreme* risk level
- ◐ = Factor rated at *moderate* risk level
- = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention  
**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition  
**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

Over the past eight years, Virginia State’s inflation-adjusted tuition revenue per student has declined approximately 26 percent. More recently (between 2021 and 2022), tuition revenue per student declined almost 15 percent. Only the University of Mary Washington has experienced a larger decline in pricing power than Virginia State during these time periods. The magnitude of Virginia State’s decline in inflation-adjusted tuition revenue per student places it below the 20<sup>th</sup> percentile (but above the 10<sup>th</sup> percentile) of all public institutions nationally in terms of increased tuition per student.

The greater financial needs of Virginia State’s student population explain—and also compound—its pricing power challenges. Virginia State has the highest percentage of students receiving a Pell grant (a commonly used proxy for financial need because only students with low household incomes qualify) of the state’s public four-year higher education institutions. About 70 percent of Virginia State students received a Pell grant over the past five years. (Norfolk State has the next highest percentage of students, 66 percent, receiving Pell grants.) No other Virginia institution has more than 40 percent of students receiving Pell grants.

Because of Virginia State students’ high levels of financial need, and the university’s commitment to serve a historically underserved community that typically has lower household incomes than average (sidebar), Virginia State’s challenges with pricing power are unlikely to change. As a result, Virginia State has pursued additional state appropriation funding and other funding sources, such as a recent \$30 million donation from MacKenzie Scott (a multi-billionaire philanthropist). Virginia State has also found some creative solutions to reduce expenses, such as using surplus residential furniture from GMU to furnish new residential spaces in 2023.

Virginia State also faces substantial risk related to the relatively poor condition of its facilities and lack of adequate student housing. Virginia State’s facilities are the oldest of the state’s 15 public institutions, with an average building age of 23 years in 2022 (most recently available data). Additionally, Virginia State staff indicated in the most recent academic year, they housed some students at a hotel in Petersburg and dorms on the Richard Bland College campus (at least a 15-minute bus ride from the Virginia State campus) because of lack of usable campus housing.

Facility conditions affect potential students’ decisions on where to attend, and they can also affect the educational quality for students. A recent survey of college students found that 21 percent factored campus facilities “a great deal” into their decision about where to enroll, and two-thirds of respondents said that campus facilities factored “some” into their decision about where to enroll.

To address these risks, the state has recently made additional investments in Virginia State overall and into its campus. Virginia State’s state appropriations have increased in recent years, and Virginia State now receives among the highest general fund appropriations per student. Virginia State’s students receiving any form of financial aid also pay the lowest net price, on average, across the state’s 15 public institutions. Moreover,

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**Virginia State is an HBCU.** HBCUs were founded prior to the Civil Rights Act of 1964 and were intended to provide quality higher education for Black students. Although HBCUs were originally founded to educate Black students, today they enroll students of all races, but their students remain predominantly Black.

**Virginia State enrolls only 3 percent of all students enrolled at Virginia public four-year institutions, but it enrolls 18 percent of all Black students enrolled at Virginia’s public four-year institutions.**

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Virginia State has been appropriated substantial funding to improve its campus in recent budgets (\$53 million in FY21–22, \$59 million in FY23–24, and more than \$100 million in FY 25–26). Virginia State anticipates this funding will begin to help and says that several new buildings will be open for the fall 2025 academic semester.

**Radford has some overall viability risk related to substantial enrollment decline**

Radford University, one of three public four-year higher education institutions located west of Roanoke, also has some overall viability risk. Though enrollment has declined substantially over the past eight years, Radford has maintained graduation rates within a predicted range, and solid finances, pricing power, state funding levels, and facilities.

However, Radford faces substantial viability risk related to enrollment (Figure 2-8). Radford’s enrollment has declined on a percentage basis more than any of Virginia’s other public four-year institutions. Radford’s FTE student enrollment has declined from about 9,200 in 2016 to about 6,800 in 2023 (26 percent). Radford has experienced an even sharper decline in first-year students, with a decrease from 1,800 in 2016 to 1,100 in 2023 (38 percent). (JLARC’s framework uses first-year student enrollment to assess enrollment trends for four-year public institutions because it most directly gauges whether students are interested in attending the school, and first-year student enrollment affects the school’s overall enrollment for the next four years as those students progress through college.) Radford’s first-year enrollment decline was large enough to place it at or below the 10<sup>th</sup> percentile nationally in terms of increased first-year student enrollment.

**FIGURE 2-8**  
**Radford is rated as having some viability risk because of substantial enrollment decline**

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
RU	--	○	●	○	○	○	○	○	○	Some

- = Factor rated at *substantial* or *extreme* risk level
- ◐ = Factor rated at *moderate* risk level
- = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention  
**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition  
**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

Radford has been able to weather this enrollment decline because of its relatively strong financial position. This is partially attributable to the state not adhering to a per-student funding formula. As a result, state funds have not commensurately declined as enrollment declined. In addition, Radford has made prudent financial decisions over time that have helped it survive the substantial enrollment decline and related revenue drop. (Higher education spending and funding is addressed more in-depth in JLARC’s companion report under this study resolution.)

Radford’s strong ratings on financial ratios and state funding per student contrast with its relatively low endowment value per student, compared to other Virginia institutions. As a relatively smaller school that serves many first-generation college students in a rural area, Radford’s endowment value per student of \$8,556 is about the same as the national median. However, Radford’s endowment value per student is low relative to other Virginia schools and is less than half the statewide median. This creates some financial risk because Radford is not able to generate as much revenue from its investments as schools with larger endowments. Radford has recently introduced a “promise” program that may result in more dependence on endowment-generated revenue as tuition revenue per student decreases with introduction of this program (sidebar).

Radford has begun to take action that is intended to, among other factors, stabilize enrollment and prevent further erosion. Radford hired a new president in 2022. Radford has also revised its recruitment and enrollment management practices to attempt to attract and enroll more students. Additionally, the institution has begun introducing some incentives to draw more potential students, such as the “promise” program.

Radford expects its enrollment to stabilize for the 2024–25 academic year, yet enrollment this year at all institutions may be affected by problems with the federal financial aid process (sidebar). As of August 2024, Radford reports based on deposits that its first-year enrollment was likely to increase by almost 30 percent from 1,100 in 2023 to 1,400 in 2024.

***Mary Washington has some overall viability risk related to its enrollment, pricing power, facility conditions, and finances***

The University of Mary Washington, a relatively small institution located in Fredericksburg that primarily offers undergraduate programs, is also rated as having some viability risk overall. Mary Washington’s rating comes from substantial risk related to its pricing power, facility conditions, and financial health ratios, and moderate risk related to its enrollment trends (Figure 2-9). Collectively, these substantial and moderate risk factors would make Mary Washington especially vulnerable if there were to be sudden, further reductions in enrollment or funding.

Mary Washington’s substantial risks in pricing power, facility conditions, and financial health are heavily rooted in declining enrollment. Between 2016 and 2023, first-year

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**Radford has recently implemented a “promise” program** that offers to cover 100 percent of a student’s outstanding financial need for tuition for Virginia resident students from households with incomes below \$100,000. This program may increase enrollment at Radford, but the institution should monitor the program’s impact on its finances.

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**Problems with the U.S. Department of Education’s introduction of a new Free Application for Federal Student Aid (FAFSA) process** has created enrollment uncertainty for institutions. The new form had many technical flaws and delays, and some flaws were still creating problems as of August 2024. As a result of these issues, some students were still uncertain of their financial aid award for the 2024–25 school year in August 2024. This has created a higher level of uncertainty around 2024–25 enrollment projections.

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student enrollment declined from 979 to 762 (22 percent). First-year enrollment stabilized in 2023, dropping only 1 percent from 2022. Total enrollment has mirrored first-year student enrollment, declining from about 4,300 to 3,300 (23 percent).

**FIGURE 2-9**  
**Mary Washington has some viability risk overall**

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
UMW	--	○	◐	○	●	●	●	○	○	Some

- = Factor rated at *substantial* or *extreme* risk level
- ◐ = Factor rated at *moderate* risk level
- = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention  
**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition  
**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

In hopes of mitigating its enrollment decline, Mary Washington heavily discounted tuition and fees for several years (sidebar). This heavy discounting weakened the institution’s pricing power in the higher education market for students. Mary Washington believed that if not enough students were willing to pay its tuition and fees, it needed to reduce them to entice more students to enroll.

Though the discounting strategy may have helped stem enrollment loss, it reduced Mary Washington’s total revenue. To accommodate this revenue decline, Mary Washington concurrently used several human resources strategies to reduce its staffing costs. Mary Washington has reduced staffing 20 percent since 2017, primarily through attrition.

However, after several years, Mary Washington determined that it could not fully offset the lost revenue through only cost reductions. Even though Mary Washington was successful in slowing its enrollment decline, and more recently, stabilizing enrollment, Mary Washington did not experience proportional tuition revenue growth because of the tuition discounting offered to students. Unaudited financial statements and estimated full-time equivalent student enrollment suggest that tuition discounting continued through FY23 (which covers July 2022 through June 2023). However, because of its impact on total revenue, Mary Washington indicated in its most recent six-year plan submitted in fall 2023 and in interviews with JLARC staff in early 2024 that it is stopping this discounting going forward.

According to Mary Washington’s six-year plan, the average tuition discount rate was 24 percent in 2022–23, which was the highest rate of all public Virginia four-year institutions.

The age and condition of Mary Washington's campus facilities also complicate the school's efforts to recruit and retain students. Mary Washington has the second oldest campus facilities of the state's public four-year institutions. Older facilities are not inherently problematic but create recruiting and retention challenges if older facilities are not well maintained or updated. Mary Washington recently hired a private consultant to assess its facility maintenance needs. The consultant concluded that there is a substantial amount of need to be addressed through maintenance, repair, or renovation.

The General Assembly has made recent investments in Mary Washington's campus for construction of a new building and renovation of several others. Mary Washington has nearly \$200 million in capital funding approved to build a new theatre building, renovate three academic buildings, and undertake various accessibility and maintenance projects.

The University of Mary Washington has also been facing substantial risk with its financial ratios. Mary Washington's pricing power challenges and enrollment declines have constrained available revenues to meet its ongoing expenditures. Mary Washington also has had high debt, primarily from having to absorb the financial impact of its foundation making poor investment decisions.

It should be noted that Mary Washington would have less financial risk if its foundation's liabilities and expenses were not included when calculating financial ratios. Without these liabilities in the financial ratio calculations, the school would have had a moderate, instead of substantial, risk rating on its financial strength metric.

Mary Washington has made several changes to its foundation and its governance in the past two years, which should improve its financial health ratios in the future. In particular, the institution has purchased a student housing development from its foundation that was directing student housing revenue to the foundation instead of the institution. Although the purchase increased Mary Washington's debt, it will improve the school's cash flow and liquidity. The institution also directed the foundation to liquidate all remaining commercial real estate holdings, pay off any remaining debts, and restructure its staffing and governance to better align with the institution's goals and interests. The foundation has begun to refocus on fundraising, which Mary Washington hopes will improve the financial health of the school going forward.

## **Institutions need targeted annual monitoring; those at some risk may need to develop plan**

The seven institutions rated at relatively low or some overall viability risk will need to closely monitor the risk factors discussed in this report. The demographic decline, further erosion in belief that four-year degrees are necessary, and the consolidation of students at larger institutions, combined with the risks identified at each of these institutions, make this ongoing monitoring essential.

Each Virginia public four-year institution has several entities that play a role in monitoring viability. As noted in Chapter 1, primary responsibility for each institution is vested in its board of visitors. The General Assembly appropriates funding, and the governor, education and finance secretariats, Department of Planning and Budget, and the State Council of Higher Education for Virginia (SCHEV), each play a key role in planning and monitoring public higher education institutions. The Auditor of Public Accounts reviews institutional financing and periodically updates the financial ratios used as part of JLARC’s viability risk assessment framework.

Information compiled as part of the longstanding higher education six-year planning process formed the basis of some of the factors assessed in this report. Recently, OpSix (sidebar) has considered institutional viability as it reviewed institutions’ six-year plans (sidebar). Additionally, in 2023, the administration (through the secretary of education, secretary of finance, and SCHEV) contracted with a consultant to create “fact packs,” which helped inform the six-year planning process and included data about enrollment, graduation, workforce alignment, and financial data for each of the institutions.

Given concerns about the viability of at least some institutions, the existing six-year planning process could be augmented to more fully assess viability for the subset of institutions facing relatively low or some viability risk. Statute sets forth the specific topics to be addressed in six-year plans broadly relating to academics, financing, and enrollment. Several of the specific existing requirements for six-year plans are related to an institution’s viability:

- Financial planning reflecting the institution’s anticipated level of general fund, tuition, and other non-general fund support for each year of the next biennium;
- Identification of (i) new programs or initiatives, including quality improvements, and (ii) institution-specific funding based on particular state policies or institution-specific programs, or both;
- Plans for optimal use of the institution’s facilities and instructional resources; and
- Plans for the development of a resource-sharing program with other public institutions of higher education and private institutions of higher education.

### RECOMMENDATION 1

As part of the six-year planning process, OpSix should monitor the viability risk of: Christopher Newport University, Longwood University, Norfolk State University, Radford University, Virginia State University, University of Mary Washington, and the University of Virginia’s College at Wise using the eight risk factors related to students, institutional appeal, and financing discussed in this report, with technical support provided by the State Council of Higher Education for Virginia.

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Statute requires each institution’s board to **develop and submit a six-year plan**. The six-year plan is to be developed and updated biennially in odd-numbered years and amended or affirmed in even-numbered years. Institutions are to submit a preliminary plan by July 1. The membership of OpSix is required to review and comment on each plan by September 1, and each institution is required to respond by October 1 and submit a final plan no later than December 1 (§ 23.1-306).

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**Statute establishes OpSix membership** to include the: staff directors of the House Appropriations Committee and the Senate Finance and Appropriations Committee, the director of the Department of Planning and Budget, the director of SCHEV, the secretary of finance, and the secretary of education.

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OpSix can then determine which institutions, if any, need to develop specific plans to address risks based on the results of the viability risk assessment. The plans should describe actions the schools have already implemented to help address viability challenges identified through the reviews, and what, if any, impact these actions have had. Depending on the specific risks identified, plans could address competing with other institutions for enrollment, changing academic offerings to better address regional workforce needs, maintaining or improving educational quality and graduation rates, and maintaining or improving financial strength. Subsequent plans and updated plans may be necessary until the viability challenges have been resolved.

The three institutions with some viability risk—Mary Washington, Radford, and Virginia State—face near-term challenges related to enrollment, pricing power, or facilities. Problems and delays in the federal financial aid process make it difficult to currently determine whether enrollment at these schools is improving or worsening for the current academic year. It is also unclear what, if any, actions or assistance may be proposed by the governor in his December budget proposal to the General Assembly to address the challenges these schools face.

It may be useful for these three institutions to anticipate next year's six-year planning process and proactively develop plans and take actions to address their specific viability risks. This could include actions such as adding or eliminating academic programs, reducing spending in specific areas, or developing new community or regional partnerships.

# 3 Ensuring Degree Offerings Meet Student and Employer Needs

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The study resolution directs staff to assess the alignment of degree offerings with workforce needs. Evaluating this alignment between degree offerings and workforce needs is complex and requires connecting graduation, employment, job retention, job posting, and other data sets from various sources. Additionally, determining which degrees align to which occupations requires making a variety of assumptions to “cross-walk” (i.e., connect) an academic program to an occupation. JLARC staff used data from the Virginia Office of Education Economics (VOEE) to analyze alignment of academic programs with workforce needs (sidebar).

State and state funding underscores the importance of aligning higher education degree attainment with workforce needs. For example, as part of the Virginia Higher Education Opportunity Act of 2011, the General Assembly prioritized college degree attainment in high-demand, high-income fields. The legislature also approved \$28.4 million to increase degree awards in STEM fields in each year from 2018 to 2024.

Understanding alignment of degrees with occupations is important as employers demand more highly trained and educated employees for high skill occupations. A recent report by the Georgetown University Center on Education and the Workforce estimates that by 2031, approximately 42 percent of jobs in Virginia will require at least a bachelor’s degree. In addition, the state will require more people with some level of postsecondary education to fill workforce demand.

Statute requires the State Council of Higher Education for Virginia (SCHEV) to “review and approve or disapprove” new academic program proposals at Virginia’s public four-year institutions (sidebar). SCHEV reviews all new academic programs (including certificates) and modifications to academic programs (e.g., change in credits required, required coursework, program name).

## Most graduates earned degree aligned with existing occupations; majority are STEM and high demand

Setting standards to evaluate alignment of academic programs with workforce needs is challenging. Virginia’s public institutions vary widely in mission and focus. For example, some institutions focus heavily on STEM or other technical academic programs, while others focus more on traditional “liberal arts” degree programs. Because of this wide variation, it is difficult to determine how well aligned institutions’ programs should be collectively, and individually at each institution, with workforce needs and high demand occupations.

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**Alignment** is an assessment of how skills acquired by graduates of degree programs match with the skills required for an occupation.

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The statutory requirement (§ 23.1-203) for SCHEV to “review and approve or disapprove” new academic proposals pre-dates recent legislative efforts to prioritize programs in high-demand and STEM-related fields. Statutory language does not indicate the purpose of the review requirement.

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**Colorado** has produced three reports examining higher education and workforce alignment and found the state needed an additional 79,000 adults with some postsecondary education to fill workforce needs by 2031.

**Tennessee** has produced reports on workforce alignment and found that half of postsecondary credentials earned by students in the state were linked to a high-demand occupation.

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JLARC staff defined **high demand jobs** as those with:

- Minimum entry-level education of a bachelor's degree,
- Increase of at least 1% in occupational employment, statewide, projected over next 5 years;
- At least 100 new job openings, statewide, projected over next 5 years.

JLARC's definition is a version of VOEE's high demand criteria modified to better fit four-year higher education institutions.

SCHEV and VOEE staff are currently working on developing a more relevant definition of "high demand jobs."

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**SCHEV staff** make a final recommendation at the end of a review. Staff can recommend a proposal for approval or disapproval to the SCHEV Academic Affairs Committee.

When SCHEV staff recommend disapproval to council, the institution is told why and given the option to withdraw its proposal or bring the proposal directly to the Academic Affairs Committee for a final decision. In all cases, the Academic Affairs Committee does not review the full proposal, but has SCHEV staff summaries and testimony from the institution.

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A few other states have attempted to assess the alignment of their programs with workforce needs. Some of these states have been unable to effectively conduct the analysis, while others have completed the analysis but produced results that are difficult to interpret (sidebar, previous page).

The challenge in creating academic degree alignment standards (e.g., should all programs align, or most?), along with limited information from other states, means there is no clear benchmark or standard against which to measure Virginia's results. However, using the latest data available (2022), it appears degrees earned at Virginia's public four-year institutions align to varying degrees with current occupations, STEM-related occupations, and "high demand" occupations. JLARC's analysis found:

- 87 percent of graduates earned a degree aligned with an occupation that required a bachelor's degree;
- 60 percent of graduates earned a degree aligned with at least one STEM-related occupation; and
- 52 percent of graduates earned a bachelor's degree in a program aligned with at least one high demand occupation (sidebar).

JLARC's full analysis of degree and occupation alignment is detailed in Appendix F.

## Academic program approval process needs to be improved

Higher education institutions develop new academic programs and change existing academic programs to help ensure that graduates can fill roles in high-demand and emerging fields and meet workforce needs. These workforce and economic needs are evolving, and higher education institutions must develop new or modify existing programs to keep pace with those changes. Institutions also need to compete for students who are increasingly interested in how their degrees will translate into well-paying jobs.

While SCHEV's academic program review process is required by the Code of Virginia, SCHEV has considerable authority to determine how to implement its reviews. SCHEV's policy for its review of new academic programs requires institutions to submit certain information in their proposals for new programs. The policy also describes some general parameters for how that information will be assessed. SCHEV staff have discretion in reviewing the proposals and determining whether to recommend approval for proposed new academic programs. After SCHEV staff review a program proposal, they provide feedback to the institutions. Feedback can include requesting substantive revisions, typographical and technical revisions, or requesting that the institution withdraw the proposal because it will not be recommended for council approval (sometimes called a "desk denial" by institutions) (sidebar). Once SCHEV staff's review is completed, the proposal (if not withdrawn) is presented to council with staff's recommendation to approve or deny.

From 2013 to 2024, SCHEV approved 69 percent of new program proposals institutions submitted (sidebar).

Other states—even states with similarly decentralized higher education systems—have academic program review processes. The program review policies reviewed by JLARC staff in 11 other states vary in rigor and design. Additionally, some states conduct an in-depth review of new programs three to five years after they begin.

The region’s major higher education accrediting body, and accreditor for all of Virginia’s public four-year higher education institutions, SACS-COC, also reviews many new academic program proposals. SACS-COC reviews “substantively new” academic programs proposed by institutions (sidebar). SACS-COC reviews tend to focus on the educational quality of proposed programs.

### **SCHEV’s policy for new academic program review lacks clear criteria for assessing proposal elements**

SCHEV policy for new academic programs requires that institutions submit a prospectus fully describing a new program’s purpose, how the program will be operationalized, and demand for the program. Among the elements that are required to be included in proposals are: program purpose; how the program supports the institution’s mission; admissions criteria; program curriculum (e.g., credit hour requirements, coursework options, new courses offered, capstone requirements); faculty resources (e.g., faculty experience and accomplishments, use of adjunct faculty and graduate assistants); employment skills and competencies gained; employment demand; student demand; projected enrollment; and projected resource needs.

SCHEV policy describes each element that must be included in a new academic program proposal but does not include specific criteria for how each element will be assessed. SCHEV policy provides some descriptive guidance to institutions about “components of an effective response,” but this guidance does not generally contain specific evaluative criteria. For example, two components of an effective response in regard to faculty resources are described as:

Faculty complement dedicated to the program and core required coursework is sufficient given the program student enrollment projections.

Faculty experience and accomplishments are commensurate with the degree level and type of program—e.g., years of teaching experience in the discipline, publications record, or in the case of a doctoral program proposal, faculty have major research grants.

While this description can help an institution understand the descriptive information to include in a proposal, it does not adequately describe SCHEV’s expectations for faculty resources. For example, a “sufficient” student-faculty ratio is not defined in the components described above. Further, it is unclear how “faculty experience and accomplishments” would be evaluated to determine whether they are “commensurate” with the types and levels of degrees being proposed.

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JLARC staff reviewed the new program proposal review process for the 15 public four-year higher education institutions. Staff did not review how the process operates for each individual institution.

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SACS-COC only reviews new academic programs if they include a “**substantive change**,” which it defines as a program with 50 percent new content that the institution has not previously offered. Institutions must submit a prospectus with curriculum, staffing, and other items.

SACS-COC requires institutions to send a notification if a new program contains between 25 and 49 percent new content and no notification if below 25 percent.

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Some elements required in program proposals could be evaluated with objective criteria. For example, SCHEV could indicate that all proposals must demonstrate a specified level of student demand (e.g., at least 10 percent of surveyed students indicate that they would be interested in obtaining a proposed certificate), a specified level of projected student enrollment (e.g., at least 10 students will enroll in the program in year one, at least six students will graduate from the program by year five), and minimum student-faculty ratios (e.g., at least one faculty member for every 20 students projected to enroll in the program). Establishing more objective evaluative criteria should help institutions better design their proposed programs to meet SCHEV's expectations, reduce some of the evaluation's subjectivity, and increase institutions' understanding of the basis for SCHEV decisions.

For some elements required in programs proposals, setting objective evaluative criteria may not be possible, and SCHEV staff will still need to make subjective assessments about whether the element meets expectations. For example, setting objective, across-the-board criteria for faculty qualifications required for every program may be difficult because of the diversity of academic disciplines. With these elements, SCHEV staff should clearly document how they are evaluating each one, and the extent to which the proposal meets or does not meet expectations.

## RECOMMENDATION 2

The State Council of Higher Education for Virginia should revise its academic program review policy to include: (i) evaluative criteria for each required element, where possible; and (ii) a method of documenting how subjective assessments were made for elements where it is not possible to set evaluative criteria.

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Michigan utilizes a **committee of academic affairs officers from institutions to review new academic program proposals**. The committee consists of subject matter experts (rather than generalist, central office staff) who review a new proposal using their expertise from the field.

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SCHEV could consider adopting a secondary review process, similar to an appeal, that institutions can pursue when SCHEV staff recommend disapproving a proposed new academic program. The appeal body could be a collection of provosts from Virginia's higher education institutions that would review the academic program proposal. Through the secondary appeal process, an additional recommendation could be developed to supplement SCHEV staff's recommendation. This secondary review would not serve as a final decision on a program proposal but would provide additional expert input for SCHEV's Academic Affairs Committee to consider as it determines whether to approve a proposed new academic program. Other states have established such processes (sidebar). If Recommendation 2 is fully implemented, there may be less need to implement this option.

## **POLICY OPTION 1**

The State Council of Higher Education for Virginia (SCHEV) could consider creating a secondary review appeal process whereby an institution may seek an additional, independent review of a council staff decision by a committee of provosts from Virginia higher education institutions. This provost committee could make a second recommendation to approve or disapprove the proposal to the SCHEV Academic Affairs Committee, which would make the final decision.

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### **SCHEV's review of new academic programs includes an impracticable requirement and duplicates some of external accreditor's review**

SCHEV's new academic program review policy requires institutions to submit at least one impracticable element, and several of the required elements are duplicative of those reviewed by the higher education institution accreditor, SACS-COC. SCHEV's requirement that institutions submit at least 10 job ads listing the degree as a requirement is impracticable, especially since the state now has access to better data resources on workforce needs through VOEE. SCHEV also reviews several elements that are also reviewed by SACS-COC.

#### ***Requirement to submit current job ads related to proposed academic program is unrealistic and impracticable in some cases***

As part of establishing employment demand, SCHEV policy requires institutions to provide at least 10 job advertisements demonstrating workforce demand for a new degree program, in addition to state workforce data from the Virginia Employment Commission and U.S. Bureau of Labor Statistics (BLS). However, job ads reflect demand at one point in time and may not always reflect broader current or potential future demand for graduates from particular degree programs. This is particularly problematic for emerging fields (e.g., artificial intelligence, robotics, environmental engineering, cybersecurity, fintech), which may be limited or not yet exist yet in Virginia.

Policies for 11 other states reviewed by JLARC staff do not require job advertisements. Additionally, staff from two states interviewed, Georgia and Tennessee, stated that job advertisements were unnecessary to demonstrate workforce demand for an academic program because workforce data can be used instead. Staff from these states indicated that job ads would not exist for emerging fields that the state may want to encourage.

Specific, real-time workforce data now exists that can be used instead of job advertisements. SCHEV should eliminate the job advertisement requirement and instead analyze the workforce and economic needs for programs using data from VOEE, which was created by 2021 legislation to better use data to guide educational policy and workforce partnerships in Virginia. VOEE has access to a variety of data sources and analytic resources that institutions should use to develop their new program proposals, and SCHEV should use these to analyze the workforce and economic demands for programs.

### **RECOMMENDATION 3**

The State Council of Higher Education for Virginia should revise its academic program review process to eliminate the requirement to submit job advertisements and, instead, rely on appropriate data provided by the Virginia Office of Educational Economics to assess economic and workforce demand for a proposed new academic program.

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#### ***Some academic program proposals undergo review by the accreditor after they are submitted to SCHEV***

Proposals for approximately half of new academic programs approved by SCHEV are also reviewed and approved by SACS-COC because they involve substantive changes. The remaining half were either required only to notify SACS-COC of the changes or did not require informing the accreditor. SACS-COC requires that institutions submit proposals for any new academic programs that would contain at least 50 percent new content that the institution does not already teach. SACS-COC reviews several of the same items reviewed under the SCHEV new academic program policy, including: background and context for the program; curriculum for the program; student learning assessments; faculty qualifications; and projected resources needed for the new program.

SCHEV should examine opportunities to eliminate required elements of the new academic program policy that unnecessarily duplicate the SACS-COC review. For example, both SCHEV and SACS-COC policies require review of curriculum requirements, new courses to be offered, faculty qualifications, and student learning assessments. SCHEV should review whether continuing to duplicate review of certain elements of new policy programs is necessary.

### **RECOMMENDATION 4**

The State Council of Higher Education for Virginia should evaluate its policy for reviewing new academic programs to determine whether any of the elements included in its review unnecessarily duplicate elements reviewed by the higher education institutional accrediting agency, and the council should eliminate any unnecessary duplication from its policy.

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#### **SCHEV's academic program review process seems unnecessarily bureaucratic**

SCHEV staff implement the new academic program review process in a way that seems unnecessarily bureaucratic. For example, SCHEV conducts an editorial review of proposals that can be administratively burdensome for institutions. Academic affairs staff at 10 out of the 11 institutions interviewed expressed frustration with the “cumbersome” program proposal process, which consisted of hours-long meetings via phone and virtual platforms to discuss line-by-line technical and typographical revisions (e.g., grammar, spelling, word choice). Institutional staff cite a significant

amount of back-and-forth between SCHEV staff and institution staff over issues such as word choice, spelling, writing style, and grammar.

Other states appear to be eliminating editorial review components of their new academic program review processes. While review processes differ, many states are trying to make these processes less burdensome and focused on the merits of the proposal rather than editorial details. For example, some states are allowing online submission of information and focusing less on grammar and typos in proposals. Tennessee staff described purposefully moving away from focusing on minor details and formatting in reviews, because this unnecessarily extended the process and took away from the “holistic review...of what’s needed to make a quality program.”

The region’s major higher education accrediting body also seeks to focus on the quality of proposed programs in its academic review process, rather than small editorial details. SACS-COC staff that work with new program proposals interviewed for this study indicated that SACS-COC “frequently tells institutions that the prospectus just needs to be good enough...Don’t let this [prospectus] be a roadblock to the institution moving on.” The region’s major higher education accrediting body also appears to deemphasize editorial review as part of its review process.

In addition, the reasons for program disapproval are often unclear to the institutions or not documented. Academic affairs staff at 10 out of the 11 institutions interviewed indicated that SCHEV staff feedback on their proposals was often unclear or undocumented. Additionally, academic affairs staff from these 10 institutions stated that their proposals often contained the elements that SCHEV cites as missing.

JLARC staff reviewed a sample of seven denied program proposals from 2019–2023. (See Appendix B for a description of program proposal materials provided by SCHEV.) For three proposals, SCHEV staff did not provide to institutions any written explanation of why it denied the proposals. SCHEV provided written feedback for the remaining four; however, the feedback was unclear. For example, SCHEV staff indicated that:

- Employment demand for a program was not demonstrated, despite data submitted by the institution that appeared to demonstrate employment demand.
- Program curriculum did not align with standard curricular design for similar programs, despite a proposed curriculum in the proposal appearing to align with similar programs at other Virginia institutions.

More broadly, SCHEV staff do not consistently document their review and feedback to institutions. Provosts and academic affairs staff at institutions indicated that feedback is almost always provided verbally, which can lead to misunderstandings about the revisions requested.

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JLARC staff reviewed documentation for a sample of proposals, but because this technical and typographical feedback is not documented, the magnitude and nature of the revisions being requested at this stage cannot be independently verified.

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To address these issues, SCHEV should revise its academic program review process (for both proposed new programs and changes to existing programs) to be less burdensome, to document clearly the reasons for staff decisions, and to be easier to use. SCHEV should discontinue editorial reviews of proposals for word choice, grammatical errors, and typos. In addition, the process should be strengthened to include the following elements that should make the process easier to use for both institutions and SCHEV staff:

- Fillable forms for program submissions – Currently, institutions submit a free-form written prospectus describing the proposed new academic program. Other states use fillable forms (sometimes through online applications) that ask institutions to respond to specific questions and prompts. A fillable form helps ensure that the institution responds to and addresses all policy requirements, and it also ensures that SCHEV staff know exactly where to find the institution’s response to each specific element within the submission.
- Checklist of required elements – SCHEV should develop a simple one-page checklist that institutions can use to ensure that program proposals contain all required elements.
- Documentation of proposal evaluation and decision – Currently, SCHEV staff frequently provide feedback on proposal shortcomings verbally, and written feedback on shortcomings is vague. SCHEV staff should begin providing institutions with proposal evaluation forms that document any shortcomings in proposals.

#### **RECOMMENDATION 5**

The State Council of Higher Education for Virginia should direct staff to revise the academic program approval process to focus on the most essential information needed, discontinue editorial reviews of proposals, and include the following: (i) a fillable form for institutions to submit; (ii) a checklist of required proposal elements; and (iii) documentation of proposal evaluations and decisions.

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Institutions need the ability to introduce new programs and revise existing academic programs relatively quickly to address regional and statewide workforce needs, and this is especially important for institutions with viability challenges. Three institutions currently have some level of viability risk (Mary Washington, Radford, and Virginia State; see Chapter 2) primarily related to enrollment and revenue declines. One way these institutions could seek to improve their long-term viability is by shifting toward offering programs that are specifically designed to meet regional workforce needs, such as health sciences and cybersecurity fields. These types of degree offerings could allow these institutions to attract more students. These institutions will also likely need to consider eliminating or merging academic programs that do not have sufficient student interest and enrollment.

Each of these actions—introducing a new academic program, making changes to an existing academic program, and eliminating or merging an existing academic program—requires SCHEV approval. A more streamlined and transparent approval process would likely substantially benefit institutions seeking to make program changes.



## Appendix A: Study resolution

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### Higher education cost efficiency

Authorized by the Commission on December 11, 2023

WHEREAS, the Virginia Higher Education Opportunity Act of 2011 set a goal to confer 100,000 more under-graduate degrees by 2025; and

WHEREAS, the State Council of Higher Education for Virginia reported that Virginia public four year institutions charge more than the national average as a percentage of per-capita disposable income; and

WHEREAS, JLARC's 2022 Higher Education and Financial Aid Grant Programs and Awards found that a majority of in-state students had an average debt of nearly \$30,000; and

WHEREAS, the increasing cost of attendance and growing student debt burden may limit access to educational opportunities, and hinder growth in other sectors of the economy; and

WHEREAS, as evidenced by the latest six-year planning process, Virginia's higher education institutions have widely varying recent and projected student enrollment trends which may affect institutional revenue and cost structures; now, therefore, be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to study the cost efficiency of public higher education institutions. In conducting its study, the Joint Legislative Audit and Review Commission shall (i) identify recent trends in student application, admittance, acceptance, enrollment, retention, and graduation rates; (ii) assess the alignment of degree offerings and attainment with current and projected skills needed to obtain employment and fulfill workforce needs in the Commonwealth's critical industry sectors; (iii) identify factors contributing to changes in institutional revenue levels and composition; (iv) identify factors contributing to changes in academic, research, academic support, administrative, facility, and auxiliary costs; (v) estimate institutional costs to educate an undergraduate student; (vi) identify current and projected institutional debt and debt service; (vii) identify major factors contributing to changes in institutional costs and students' cost of attendance; (viii) assess financial sustainability based on recent and projected enrollment, revenue, and cost trends; and (ix) identify opportunities to reduce the cost of public higher education.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the State Council for Higher Education in Virginia and all public higher education institutions, shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.



## Appendix B: Research activities and methods

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Key research activities performed by JLARC staff for this study included:

- collecting and analyzing data on enrollment, revenue, financial health, and graduation;
- collecting and analyzing data on alignment of degree awards with the state's workforce needs;
- interviews with leadership and staff at Virginia's public four-year higher education institutions;
- reviews of literature and documents regarding higher education institutions' viability;
- reviews of new academic program proposals submitted to SCHEV for approval; and
- survey of boards of visitors members.

### Data collection and analysis

JLARC staff collected several types of data from state agencies and national databases to assess higher education institutions' viability and alignment of degree awards from the state's four-year higher education institutions with the state's workforce needs.

#### *Higher education institutions' enrollment and financial data*

JLARC staff used summary-level data from the U.S. National Center for Education Statistics Integrated Postsecondary Education Data System (IPEDS) and State Council of Higher Education for Virginia (SCHEV) for most enrollment and financial figures and trends throughout the report. In addition, audited financial statement data and financial health ratios collected by the Auditor of Public Accounts (APA) were used throughout the report.

To assess higher education institution's viability, key metrics and trends were assessed for each institution and many of those trends were also compared against national trends.

- First-year student enrollment trends – SCHEV data on first-year student enrollment for each institution was assessed over the past eight years, and the slope was calculated for this enrollment data for each institution. Institutions were assessed on whether the slope over the eight-year period (2016 to 2023) was positive, stable, or negative. This data was also used to assess the direction (positive, stable, or negative) of first-year student enrollment over just the past year period (2022 to 2023). Finally, IPEDS data for all public four-year higher education institutions in the U.S. was used to calculate the change in first-year student enrollment over the past eight-year period (2015 to 2022; IPEDS data did not include data for 2023 as of this report's writing) for each public four-year institution in the U.S. The percent change in first-year student enrollment for each Virginia school was compared against the distribution for all public four-year institutions in the U.S. to identify whether any Virginia schools fell in the 20<sup>th</sup> or 10<sup>th</sup> percentile.
- Retention trends – SCHEV data on retention was used to assess whether any institutions had a high average retention rate, defined as 90 percent or higher, over the past eight years (2016 to 2023). Virginia institutions with high retention rates were excluded from any

other assessments on retention rates because their retention rates were not considered to be risky. For all other Virginia institutions, SCHEV retention data for each institution was assessed over the past eight years, and the slope was calculated for this retention data for each institution. Institutions were assessed on whether the slope over the eight-year period (2016 to 2023) was positive, stable, or negative. This data was also used to assess the direction (positive, stable, or negative) of retention over just the past year period (2022 to 2023). Finally, IPEDS data for all public four-year higher education institutions in the U.S. was used to calculate the change in retention rate over the past eight-year period (2015 to 2022; IPEDS data did not include data for 2023 as of this report's writing) for each public four-year institution in the United States. The percent change in retention rate for each Virginia school (that did not have a high retention rate) was compared against the distribution for all public four-year institutions in the U.S. to identify whether any Virginia schools fell in the 20<sup>th</sup> or 10<sup>th</sup> percentile.

- Pricing power trends – Tuition and fee revenue per FTE was computed based on tuition and fees revenue reported on each institution's annual financial statements for 2015 through 2022 (adjusted for inflation) divided by FTE students reported to SCHEV for 2015 through 2022. Tuition and fee revenue per FTE (adjusted for inflation) for each institution was assessed over the past eight years, and the slope was calculated for this data for each institution. Institutions were assessed on whether the slope over the eight-year period (2015 to 2022; as of this report's writing, data was not yet available for 2023) was positive, stable, or negative. This data was also used to assess the direction (positive, stable, or negative) of tuition revenue per FTE student over just the past year period (2021 to 2022). Finally, IPEDS data for all public four-year higher education institutions in the United States was used to calculate the change in tuition revenue per FTE student (adjusted for inflation) over the past eight-year period (2015 to 2022; IPEDS data did not include data for 2023 as of this report's writing) for each public four-year institution in the U.S. The percent change for each Virginia school was compared against the distribution for all public four-year institutions in the U.S. to identify whether any Virginia schools fell in the 20<sup>th</sup> or 10<sup>th</sup> percentile.
- Facility condition trends – APA data on average facility ages from 2015 through 2022 was assessed for whether the average facility age over the eight-year period was older, about the same, or newer than the statewide building average age of 13.5 years. This data was also assessed to determine whether the buildings on each campus were becoming older or newer over the time period.
- Financial health ratios trends – APA data on primary reserve ratio, viability ratio, return on net position ratio, and net operating revenues ratio from 2017 through 2022 was assessed for whether the school met the benchmark for each ratio on average over the five-period, whether the school met the benchmark for each ratio in the most recent year (2022), and whether each institution's ratio was trending positively toward the benchmark or negatively away from the benchmark over the five-year period. The ratio calculations that included component units were used for this analysis.

- State funding trends – IPEDS data on state appropriation per FTE student (adjusted for inflation) for each institution was assessed over the past eight years, and the slope was calculated for this data for each institution. Institutions were assessed on whether the slope over the eight-year period (2015 to 2022; as of this report’s writing, data was not yet available for 2023) was positive, stable, or negative. This data was also used to assess the direction (positive, stable, or negative) of state appropriation per FTE student over just the past year period (2021 to 2022). Finally, IPEDS data for all public four-year higher education institutions in the U.S. was used to calculate the change in state appropriation per FTE student (adjusted for inflation) over the past eight-year period (2015 to 2022; IPEDS data did not include data for 2023 as of this report’s writing) for each public four-year institution in the United States. The percent change for each Virginia school was compared against the distribution for all public four-year institutions in the U.S. to identify whether any Virginia schools fell in the 20<sup>th</sup> or 10<sup>th</sup> percentile.
- Endowment trends – IPEDS data on endowment value per FTE student (adjusted for inflation) for each institution was assessed over the past eight years to determine whether the endowment value per FTE was growing, stable, or declining. Then, endowment values per FTE student were compared against all public four-year higher education institutions in the U.S. to determine whether any Virginia schools fell below the 80<sup>th</sup> percentile or national median value.

Enrollment and financial data used in this report is either for the 2015 through 2022 timeframe or the 2016 through 2023 timeframe, and the most recent data was used whenever it was available. For some data, such as full-time equivalent students, graduation rates, and some financial data, data was only available through 2022 because the data depends on the completion of a full academic year. The 2023 academic year did not conclude until summer 2024. As a result, any data that required the completion of the academic year would only be available through 2022. However, some data, such as first-year student enrollment or retention rates, were available for 2023 because those figures were known in the fall 2023.

In some limited cases, JLARC staff requested updated data from individual schools on their estimated full-time equivalent student (FTE) enrollment for 2023 (the 2023–24 academic year), which concluded in the summer 2024, but these figures are estimates at the writing of this report. Additionally, in some cases, JLARC staff requested updated data on the number of first-year student deposits as of August 1, 2024, to calculate an estimate of first-year enrollment for 2024.

### ***Graduation rates***

JLARC staff developed a statistical model to predict a range for six-year graduation rates for each of the state’s 15 four-year higher education institutions. Staff used data from the U.S. National Center for Education Statistics Integrated Postsecondary Education Data System (IPEDS) to develop the model. Staff used IPEDS data and a fixed-effects panel regression model to develop a national model (including all public four-year institutions in the U.S.) to predict graduation rates using four variables:

- percentage of students who attend full-time,

- student financial status (percentage of undergraduate students receiving Pell grants),
- freshman class average entering SAT score, and
- average teaching salary (adjusted for cost of living).

Each of these variables had a strong correlation with six-year graduation rates. The fixed effects in these models were the institutions and year. Additionally, separate models were developed for institutions based on their Carnegie classification as a doctoral, master's, or baccalaureate institution. Collectively, the four variables yielded models that were predictive of the graduation rate for a given institution nationally (doctoral model  $r^2 = 0.77$ ; master's model  $r^2 = 0.67$ ; baccalaureate model  $r^2 = 0.68$ ). Five years of IPEDS data was used to develop the model (2018 through 2022).

For the 15 Virginia public four-year higher education institutions, there was general consistency using models in the difference between predicted and actual graduation rates across those five years. Staff then compared institutions' actual graduation rates with their expected graduation rates based on the models. Schools were considered to have a graduation rate below the expected graduation rate if it was more than 5 percentage points lower than the predicted graduation rate, schools were considered to have a graduation rate within the expected range if the actual graduation rate was within 5 percentage points above or below the predicted graduation rate, and schools were considered to have exceeded the predicted graduation rate if the actual graduation rate was more than 5 percentage points above the predicted graduation rate.

### ***Degree alignment and workforce needs***

JLARC staff requested workforce data and higher education degree awards data for the 15 public institutions from the Virginia Office of Education Economics (VOEE). Workforce data covered 2019–2023 at the state and by GO Virginia region, based on a 2018 Standard Occupational Code (SOC) framework from Lightcast, a proprietary labor market data provider, and described:

- job openings,
- whether the job was a STEM position (based on VOEE's 2022 STEM classification report), and
- the typical entry-level education for that position (e.g. associate's, bachelor's, etc.).

JLARC staff modified VOEE's "high demand" jobs criteria to determine the highest need occupations that could be filled by graduates of the four-year public higher education institutions. JLARC's criteria for "high demand" jobs are:

- minimum entry-level education of a bachelor's degree,
- 5-year projected occupational employment change of at least 1 percent statewide, and
- 5-year projected average annual openings of at least 100 statewide.

Projected employment change and annual openings were calculated using 2024–2027 data included by VOEE. JLARC staff determined that occupations with a typical entry level less than a bachelor's degree could not be considered high demand to analyze workforce alignment of degrees awarded from the four-year public institutions. After filtering for high demand occupations, JLARC staff determined that some remaining occupations should be removed because jobs were either impracticable for a new graduate to fill (e.g., chief executive officers, legislators), had been previously studied by

JLARC (e.g., K–12 teaching positions, such as a middle school teacher), or were too broadly matched to be useful in analysis (e.g., postsecondary educators). Analysis identified 133 high demand occupations in FY23, 17 percent of all occupations statewide.

VOEE provided degree award data for each of the 15 public higher education institutions by Classification of Instructional Programs (CIP) code for 2016 through 2023. VOEE received degree award data from SCHEV and provided the cleaned data file to JLARC by request.

To determine general degree alignment, JLARC staff used a crosswalk of the U.S. Bureau of Labor Statistics (BLS) Standard Occupational Classification (SOC) codes to National Center for Education Statistics (NCES) Classification of Instructional Programs (CIP) codes modified by VOEE. JLARC staff used STATA, a statistical software, to match occupations by SOC code to academic programs by CIP code for each four-year public institution for FY23. This method matched 2022 degree awards to occupations matched to them by the SOC to CIP crosswalk that would have openings at the time students entered the workforce in the summer of 2022 and beginning of FY23. Staff determined ‘high demand’ degree alignment by generating the statewide ‘high demand’ jobs list and then following the same merge procedure as the general degree alignment analysis. In total, 23 high demand occupations matched degrees awarded by the four-year public institutions in FY23, 17 percent of all high demand jobs and 3 percent of all occupations.

After matching degree awards to matching occupations, staff calculated a general and ‘high demand’ alignment percentage for each institution for FY23. Staff calculated institutional alignment percentage as the total number of degrees awarded that aligned to openings in matched occupations.

$$\text{Institutional Alignment percentage} = \frac{\text{Institution Degrees Awarded}}{\text{Total Aligned Occupation Openings}}$$

Staff also calculated a statewide occupational alignment percentage as the total number of degree awards statewide over the total number of openings for each matched high demand occupation.

$$\text{Occupation Alignment Percentage} = \frac{\text{Total Aligned Degrees Awarded}}{\text{Occupation Openings}}$$

### ***New academic program proposals***

SCHEV provided JLARC staff with a report of new degree program proposal submission decisions for proposals submitted from January 1, 2014, to May 30, 2024. The report provided the name of the program proposed, degree designation (bachelor’s, master’s, doctoral), the date SCHEV received the full proposal and the date of SCHEV staff’s final decision on the proposal (approved, disapproved, facilitated staff approval, inactive, not accepted, or withdrawn).

### **Site visits and interviews**

Site visits and interviews were key research methods JLARC staff used to conduct research for this report. JLARC staff conducted site visits to six public four-year Virginia institutions, interviews with academic affairs staff and provosts at 10 institutions, interviews with state agency staff at SCHEV, VOEE, and APA, and interviews with state agency staff in other states’ higher education oversight entities and accrediting agency staff.

### ***Leadership staff at Virginia's four-year public higher education institutions***

Site visits at six institutions and interviews were conducted with leadership staff to obtain broad information about enrollment, revenue, and spending trends. Interviews focused on enrollment issues in particular, including the trends over the past decade, trends since resolution of the COVID-19 pandemic, changes in the interests of potential and current students, changes institutions have been making or plan to make to respond to student interest and demographic changes, and perceptions of how their institution will be affected by future demographic trends and how they are planning to respond. Each site visit included the president of the institution and vice presidents for academic affairs (provost), admissions, finance and administration, and institutional effectiveness. JLARC staff conducted site visits at:

- Christopher Newport University,
- Longwood University,
- Norfolk State University,
- Radford University,
- University of Mary Washington, and
- Virginia State University.

JLARC staff also conducted a virtual interview with admissions and enrollment staff at James Madison University to learn about similar topics to those addressed in the site visits.

### ***State agency staff***

Interviews with SCHEV and VOEE staff focused on policy and data related to new academic programs and workforce data, respectively. JLARC staff interviewed SCHEV Academic Affairs staff about the new academic program proposal policy, staff procedures, and other topics related to academic planning at institutions. Interviews with VOEE staff involved discussion of available labor market data, current and planned VOEE work related to workforce alignment, and the theoretical foundations of higher education academic program-workforce alignment.

### ***Provosts and academic affairs staff at Virginia's public four-year higher education institutions***

JLARC staff interviewed provosts and academic affairs staff at 10 institutions about the new academic program proposal process. Interviews with five institutions occurred during site visits, and JLARC staff interviewed the remaining five virtually. JLARC staff asked provosts and academic affairs staff about their experiences with the program proposal process, interactions with SCHEV Academic Affairs staff, and possible opportunities to improve the process from the institutions' perspective.

### ***Other states and accrediting agency staff***

JLARC interviewed staff from state agencies responsible for new academic program proposal reviews in Tennessee and Georgia and staff from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). Interviews with Tennessee and Georgia included discussions of state policy and procedures for new program reviews, any current or previous legislation to adjust their state processes, and professional perspectives on portions of Virginia's new program approval policy. JLARC staff asked SACSCOC about the substantive change policy for academic programs,

accreditation requirements for institutions, other state policies related to new academic programs, and perspectives on portions of Virginia's procedures for new academic programs.

### **Document and literature review**

JLARC staff reviewed numerous other documents and literature pertaining to higher education in Virginia and nationwide, such as:

- practitioner literature and trade publications about assessing the viability of higher education institutions;
- trade publication articles, white papers, and government documents about higher education institution closures and mergers;
- peer-reviewed academic research on degree alignment and workforce needs;
- other states' research about the alignment between higher education and workforce needs; and
- SCHEV and 11 other states' policies on reviewing proposed new academic programs at public higher education institutions.

JLARC staff also systematically reviewed a sample of new academic program proposals submitted to SCHEV.

### ***Higher education viability and institutional mergers and closures***

JLARC staff reviewed practitioner literature and trade publications regarding assessing the viability of higher education institutions, including four books written by academics and former higher education institution presidents. The four major books reviewed were: *The College Stress Test: Tracking Institutional Futures across a Crowded Market* (Robert Zemsky, Susan Shaman, and Susan Campbell Baldrige; 2020); *The Market Imperative: Segmentation and Change in Higher Education* (Robert Zemsky and Susan Shaman; 2017); *Colleges on the Brink: The Case for Financial Exigency* (Charles M. Ambrose and Michael T. Nietzel; 2023); and *The Great Upheaval: Higher Education's Past, Present, and Uncertain Future* (Arthur Levine and Scott J. Van Pelt; 2021). Other practitioner literature reviewed for this study included white papers on higher education institution viability authored by consulting groups (e.g., EY-Parthenon, Edmit, Hanover Research), government agencies (e.g., U.S. Government Accountability Office [GAO], Pennsylvania State System of Higher Education [PASSHE], Massachusetts Department of Higher Education, state-appointed monitor for New Jersey City University, Vermont State Colleges System), and think tanks (e.g., Sorenson Impact Center at the University of Utah, New England Board of Higher Education). Articles in trade publications (e.g., Chronicle of Higher Education, Inside Higher Ed, Higher Ed Dive) about higher education institutional viability were also reviewed.

JLARC staff also reviewed trade publication articles, white papers, and government documents about higher education institution closures and mergers that have occurred since 2016. Staff reviewed government agency documents detailing rationales and plans for two mergers of six public four-year higher education institutions in Pennsylvania, academic white papers about nine mergers of 18 public

institutions in Georgia, and government agency documents detailing rationales and plans for the merger of four institutions in Vermont. Staff also reviewed articles in trade publications about institutional closures and mergers.

### ***Degree alignment and workforce needs***

JLARC staff reviewed peer-reviewed academic research on degree alignment and workforce needs and research published by government agencies. JLARC staff reviewed academic literature published in *Education and Training*, *The Handbook on the Politics of Higher Education*, *Perspectives in Health Information Management*, *Education Economics*, *the Oxford Review of Education*, *Industry and Higher Education*, and the *American Educational Research Journal*. Staff reviewed reports written by VOEE and the Congressional Research Service.

JLARC staff also reviewed research from other sources, such as other states' government agencies and advocacy groups. JLARC staff reviewed research on the return on investment of a college education across the nation by the Foundation for Research on Equal Opportunity Education Data Initiative. Staff reviewed specific state research about the alignment between higher education and workforce needs in Colorado, Texas, and Tennessee, and an additional report written by the Colorado Department of Higher Education about higher education return on investment.

### ***New academic program review processes***

JLARC staff reviewed SCHEV's 2023 *Academic Programs at Public Institutions: Policies and Procedures for Approvals and Changes* to understand the new academic program proposal process and required items institutions must submit. Staff compared SCHEV's policy to the documented policies and procedures of 11 other states: Kentucky, Maryland, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Tennessee, West Virginia, California (California State system), and Georgia.

### ***New academic program proposals submitted to SCHEV***

JLARC staff requested a convenience sample of new academic program proposal packets from SCHEV for review. In total, SCHEV provided 10 program proposal packets. All packets included the full program proposal and a letter from either SCHEV or the institution with a declaration of final intent, that is if SCHEV was disapproving, approving, or recommending a proposal to be withdrawn, or if the institution was withdrawing the proposal. Three proposal packets, all for programs SCHEV staff recommended for approval, contained additional communications between SCHEV and institution staff, responses from other institutions related to program duplication, and other communications. All other proposals did not contain similar documentation or communication and came only with a final declaration letter and the full proposal.

### **Survey**

For this study, JLARC conducted a survey of members of boards of visitors for the state's four-year higher education institutions. The survey was distributed electronically to the 211 appointees to the 14 boards of visitors, as of June 1, 2024. (The board of visitors of the University of Virginia acts as

the governing body for the University of Virginia-Wise.) Members were asked to give their perspectives on enrollment, revenue, and spending trends. Members were also asked about their satisfaction with the amount and type of information institution staff provide to the board. JLARC received 114 responses from board of visitors members, a 54 percent response rate. Response rates by school varied from 12 percent (VMI) to 85 percent (NSU) (Table B-1).

**TABLE B-1**  
**Response rate to board of visitors survey by institution**

	Total number of board members	Responding board members	Response rate
NSU	13	11	85%
VSU	15	12	80%
JMU	15	11	73%
VT	14	10	71%
RU	15	10	67%
VCU	16	10	63%
LU	13	8	62%
CNU	14	8	57%
GMU	16	8	50%
W&M	17	8	47%
UMW	12	5	42%
ODU	17	6	35%
UVA	17	5	29%
VMI	17	2	12%

SOURCE: JLARC board of visitors survey (2024).



## **Appendix C: Agency responses**

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As part of an extensive validation process, the state agencies and other entities that are subject to a JLARC assessment are given the opportunity to comment on an exposure draft of the report. JLARC staff sent an exposure draft of the full report to the secretary of education, secretary of finance, and State Council of Higher Education for Virginia (SCHEV). JLARC staff sent relevant sections of the exposure draft of this report to each of the state's 15 public higher education institutions and the Virginia Office of Education Economics.

Appropriate corrections resulting from technical and substantive comments are incorporated in this version of the report. This appendix includes response letters from the secretary of education, secretary of finance, SCHEV, the University of Mary Washington, and Radford University.





# COMMONWEALTH of VIRGINIA

## Office of the Governor

September 16, 2024

Hal E. Greer  
Director  
Joint Legislative Audit and Review Commission  
919 East Main Street, Suite 2101  
Richmond, Virginia 23219

Dear Director Greer:

On behalf of the Youngkin Administration, we write in response to the statements and recommendations made in the Joint Legislative Audit and Review Commission (JLARC) draft report, *Higher Education Institutional Viability*.

Thank you for meeting with us on August 28, 2024, to discuss the exposure draft report. We value your team's openness to our initial feedback on the exposure draft and their efforts to adjust the report accordingly. We are grateful for the chance to provide written comments on the revised draft.

Virginia's higher education institutions stand among the world's best, reflecting a profound commitment to academic excellence and innovation. Governor Youngkin has further enhanced this reputation through historic investments in our public colleges and universities and fostered vibrant learning environments that equip students with the skills, knowledge, and abilities needed to thrive as productive members of our great Commonwealth.

Since taking office, Governor Youngkin has championed significant increases in funding for our public schools, driven initiatives to integrate K-12 and higher education through expanded dual enrollment opportunities and the creation of cutting-edge lab schools, and emphasized transparency in institutional and student outcomes. These efforts ensure that Virginia's educational landscape remains dynamic and responsive, preparing students to meet and exceed the demands of the modern workforce. However, as higher education undergoes a period of significant disruption, we must remain vigilant and proactive in addressing the ongoing challenges and preparing our institutions to adapt and thrive.

The Youngkin Administration, along with OpSix, share many of the concerns highlighted in the report. These concerns have been pivotal in driving the recent enhancement of Virginia's six-year planning process.

Last year, our Administration took significant steps to focus more intently on data-driven, transparent decision-making, aiming to understand better institutional and student outcomes related to enrollment, completion rates, workforce alignment, and financial health. We are grateful to JLARC for recognizing these improvements in the six-year planning process. This enhanced focus allows us to make more informed decisions and better support institutions and the Commonwealth in adapting to the changing educational landscape. The institutional data Fact Packs that have been created are comprehensive and crucial for helping all stakeholders understand each institution's unique attributes, strengths, and challenges. Future enhancements to this process will include efforts to automate this critical data so that all Virginians can stay informed about trends and outcomes.

Given demographic shifts, changing perceptions of higher education, the rising cost of four-year degrees, and the increased prevalence of online learning, we agree with the report's assessment that higher education is experiencing significant disruption. We remain concerned about the already challenging enrollment environment for many of our institutions and the continued increase in spending well above inflation.

The report aptly notes that some Virginia institutions require additional and careful focus and support. While acknowledging the need for targeted interventions for some institutions, it is essential to emphasize that each institution must take responsibility for developing action plans to address the risks identified in the six-year planning process and the JLARC report. This should not be merely a compliance exercise. As we move forward, it is vital that we not only ensure the financial stability of our public higher education institutions but also that they effectively serve students and families, delivering opportunities that enhance economic mobility and meet workforce demands. This may necessitate making difficult decisions and considering substantial changes within our higher education system to better align it with evolving needs and challenges.

In light of these challenges, we propose the following action items for JLARC's consideration:

1. Evaluation of Institutional Performance: Governing boards should evaluate the performance of their institutions against strategic plans using common data sourced directly from the State Council of Higher Education for Virginia (SCHEV) Fact Packs. It is crucial that SCHEV Fact Packs are recognized as the primary, authoritative data source rather than relying on institution-filtered information. This evaluation should focus on both front-end student metrics and back-end student outcomes to ensure comprehensive performance assessment.
2. Review of Action Plans: Action plans developed by institutions to address identified risks and challenges should be reviewed by governing boards. This oversight will not only ensure that these plans are robust and aligned with institutional and state-level goals but also help maintain accountability on key performance metrics provided by SCHEV, a neutral third-party. Governing board involvement in this review process will facilitate greater transparency and ensure performance metrics are effectively tracked.
3. Participation in the OpSix Process: We recommend JLARC's participation in the OpSix process, even if not required by statute. Your involvement would be particularly valuable given the extensive research JLARC has conducted on higher education issues over the past

several years. This deep expertise would provide valuable insights and strengthen the alignment of our planning efforts with legislative oversight and recommendations.

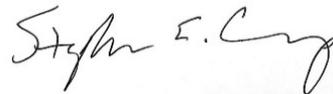
Finally, we concur with the report's recommendation that SCHEV should streamline its program approval process. We recognize that the current bureaucratic nature of this process can be a barrier to timely program development, particularly for high-demand fields. Even before the JLARC study, the Secretary of Education had been working with SCHEV staff to revamp the program approval and program discontinuation processes. Our focus has been on implementing high-demand programs swiftly while maintaining the integrity of the approval process. Additionally, the Secretary of Education continues to reinforce the importance of institutions' and SCHEV's review of existing programs to ensure they meet student and workforce needs. It is crucial that we place greater emphasis on discontinuing underperforming programs rather than maintaining the status quo when it no longer serves students and taxpayers effectively.

Once again, thank you to JLARC for your diligent work and thoughtful recommendations. Your efforts contribute to guiding Virginia's higher education system toward greater effectiveness and alignment with current and future needs. We look forward to working collaboratively with the General Assembly to address the report's findings and continue enhancing the educational opportunities available to Virginians.

Sincerely,



Aimee R. Guidera  
Secretary of Education



Stephen E. Cummings  
Secretary of Finance



## COMMONWEALTH of VIRGINIA

STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA

James Monroe Building, 101 North Fourteenth Street, Richmond, VA 23219

A. Scott Fleming  
Director

(804) 225-2600  
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September 9, 2024

Mr. Hal E Greer, Director  
Joint Legislative Audit and Review Commission (JLARC)  
919 East Main Street  
Suite 2101  
Richmond, VA 23219

Dear Mr. Greer:

This letter comes to acknowledge receipt of the exposure draft of the JLARC report, "Higher Education Institutional Viability," as well as modified text of specific portions of the draft received on September 4.

One of my first actions as SCHEV Director in June of this year was to ask staff to develop a plan for reforming the degree program approval process, with the aim of both lowering the traditional standards or threshold to initial approval of new degree programs and raising the threshold of SCHEV's productivity review of existing degree programs to ensure that existing programs continue serving the needs of Virginia. I was pleased to learn that staff were already engaged in that work and had been collaborating with the Virginia Office of Education Economics (VOEE) since 2023 to create an innovative set of higher education-specific labor market indicators. It is my intention that SCHEV's reformed program approval process will be a significant improvement both in terms of efficiency and in terms of ensuring beneficial economic value to Virginia's students. My desire is to ensure a program approval process that is nimble, focused on student outcomes, and relevant to the needs of the Commonwealth's continued economic success.

As noted in our discussion, there are several instances where I believe the SCHEV process may have been mischaracterized and important details omitted or obscured, but I appreciate that several of our prior misgivings have been addressed.

Thank you for the opportunity to review the JLARC report.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Scott Fleming".

A. Scott Fleming

## MEMORANDUM

**TO:** Stefanie Papps, JLARC  
Hal Greer, JLARC  
Justin Brown, JLARC

**FROM:** Troy D. Paino, President   
University of Mary Washington

**DATE:** September 18, 2024

**RE:** University of Mary Washington's Response to JLARC's Report

The University of Mary Washington (UMW) is grateful to JLARC for its assessment of the viability of Virginia's four-year higher education institutions. Since the inception of this study, UMW leadership has had multiple conversations with JLARC staff about UMW's challenges and opportunities. We found these discussions collegial and productive.

The JLARC report characterized UMW, along with a few other schools, as an institution with some viability risks that requires monitoring. UMW acknowledges its challenges, but it is important to understand that JLARC's report is a retrospective snapshot of financial health. The full viability of an institution must consider context and all the trendlines which document progress amid challenge. Looking at indicators from the past, even the relatively recent past (FY22), might leave one with the impression that UMW has done little to meet these challenges. Nothing could be further from the truth. While there is much to do, there is also much progress to report.

### *Enrollment*

There is no debate that the pandemic disrupted enrollment patterns, particularly for smaller, more regional institutions. However, it is important to understand UMW's current enrollment in the context of a pre-pandemic strategic enrollment plan. This plan focused on UMW's distinctiveness in stark contrast to previous plans that called for growth. Instead of becoming more like other Virginia institutions of higher education, UMW would partner with larger schools to create degree pathways for its students into graduate and professional programs, maintaining UMW's distinctiveness as a smaller, high-quality, primarily undergraduate institution. In short, UMW came to understand that it best serves the interests of the Commonwealth when it focuses on what it does well and partners with other schools to increase educational opportunities for its students.

UMW's current enrollment can only be understood in this context. UMW's fall 2024 enrollment is the same as it was twenty-five years ago when, by many measures, Mary Washington College was at its zenith. First-year enrollment has stabilized over the last three years, and transfer student enrollment has increased. More importantly, UMW continues to improve its first-to-second-year retention rate, a predictor of future improvement of an already strong graduation rate.

This is not to discount the challenges UMW and similarly situated schools face amid a competitive and contracting market, but UMW's current enrollment picture is not as dire as the report suggests.

#### *Pricing Power*

UMW implemented a financial aid optimization strategy in 2013 upon the advice of a financial aid consultant. As a result, over the last decade institutional aid spending has increased from approximately \$2 million/year in 2013 to just under \$9.1 million/year in the 2022-2023 recruitment cycle (for the fall cohort of 2023). This is obviously unsustainable and as stated in our Six-Year Plan adopted by the Board of Visitors in November 2023, we are focused on reducing this figure.

In the 2023-24 recruitment cycle (for the fall 2024 class), in addition to exercising greater prudence in awarding, we have two concrete steps which we anticipate will reduce institutional aid spending:

(1) Eliminated the out-of-state award. Every out-of-state student has received an automatic \$4,000 scholarship designed to address the significant escalation in out-of-state costs given across-the-board percentage-based tuition increases. This change reduced institutional aid spending by approximately \$1 million.

(2) Reduced out-of-state top-dollar awards. For several years, UMW provided high-achieving students with generous merit awards of approximately \$10,000 (for a total of \$608,000 in 2022-2023). These have been reduced with an anticipated reduction of institutional aid spending by approximately \$100,000 in 2023-2024.

Recent large gifts to UMW will present future opportunities to shift some of the cost of student financial aid to endowed funds.

In sum, we are decreasing institutional aid spending, and we project further declines in the years to come. Starting this fall, the University has contracted with a new financial aid optimization consultant to further refine awarding strategies and reduce costs. Finally, it should

also be remembered that Virginia's funding formula for state aid still benefits schools that do not serve as many Pell-eligible students as UMW. Recently, UMW has received additional state support, but the original formula remains. Increases continue to be the same across the board at all institutions, which will continue to challenge those who have been increasing their Pell population.

### *Facilities*

Several members of the General Assembly are aware of UMW's deferred maintenance challenges. As the report details, UMW has nearly \$200 million of capital improvement funds in the queue thanks to the General Assembly's recognition of this need. Due to UMW's improved liquidity in recent years, it has also been able to invest approximately \$10 million of institutional funds on a variety of maintenance projects. These recent investments are not considered in JLARC's methodology that calculates the age of facilities.

### *Financial Health*

UMW's past financial ratios, incomplete indicators of an institution's financial health at best, are negatively impacted by its historic relationship with its foundation, the only school for which that is the case.

For several years, UMW embarked on a plan to grow a larger footprint and the UMW Foundation aligned their work to support this vision through the acquisition and development of real estate surrounding the campus. To do this, the University and the Foundation utilized private financing. At the time, these types of public-private partnerships were not only approved by the Commonwealth's Administration and General Assembly, but they were also encouraged.

As explained earlier, UMW is now leaning into its distinction as a high-quality undergraduate university serving about 4,000 students. In conjunction with that change, UMW initiated two key purchases of Foundation-owned property, and the Foundation has diligently worked to further liquidate other real estate holdings and eliminate their privately held debt.

With these changes related to the Foundation's real estate portfolio, the Foundation is entering a new chapter of evolution. Beginning in July 2023, the Foundation board initiated a strategic restructuring to refocus their efforts on strengthening the University's financial position and help to grow its philanthropic resources. The culmination of that work is the elimination of their private debt, an endowment which will cross the \$100M mark, and even greater strategic alignment with the University.

Papps, Greer, and Brown  
Page 4  
September 18, 2024

*Conclusion*

There are many things that could be done to support Virginia's public universities that go beyond funding. These include establishing competitive pricing for institutions with capacity to attract more out-of-state students to Virginia, looking at the regulatory environment that inflates institutional costs and reduces the impact of public dollars, and considering ways to support institutions in meeting Virginia's workforce needs amid a rapidly changing global economy. UMW looks forward to working with the General Assembly toward these goals.



September 10, 2024

Hal E. Greer, Director  
Joint Legislative Audit and Review Commission  
919 East Main Street, Suite 2101  
Richmond, VA 23219

Dear Director Greer,

Thank you for the opportunity to review and respond to the JLARC report on Higher Education Institutional Viability. Radford University values JLARC's analysis of our institution and its commitment to ensuring that Virginians have access to best-in-class educational opportunities. At Radford University, we strive to deliver high-quality and affordable degree pathways that will prepare all kinds of students for life and career success. After careful review of your findings, my staff and I have identified several areas that I would like to address. We believe that assessment as a "Low Risk" institution by JLARC would be more appropriate to describe Radford University's status and future trajectory, instead of recognition as an institution with "Some Risk."

As JLARC's report accurately acknowledged, Radford University experienced a sharp overall enrollment decrease and decline in new students since 2015. Within a year of assuming the presidency in July of 2022 (submitted as a technical correction to the report), I established enrollment stabilization as Radford's top strategic priority. Our actions included the hiring of a new vice president for enrollment management and strategic communications in 2023, leading to re-built enrollment, admissions and financial aid offices. When establishing goals for fall 2024, we expected overall enrollment figures that, compared to fall 2023, would plateau or decline by 1.5 to 3%. However, we have exceeded those projections and have enrolled 7,686 students, a total increase of 2% over fall 2023 totals.

The primary reason for the overall enrollment increase is growth among new, in-person students on our main campus, including a 28% increase in new freshmen and a 42% increase in new transfer students. A total of 2,013 new in-person students enrolled at the university's main campus and Radford University Carilion in Roanoke, 454 more new students than fall 2023 census totals. While the federal financial aid process created difficulties for students and staff, our fall enrollment totals were not meaningfully impacted by the troubled FAFSA relaunch.

We believe that JLARC's enrollment methodology regarding new students can be improved upon, as it only considers First Time in College (FTIC) students and does not include new transfer students. Like other four-year public institutions across the commonwealth, transfers have represented a significant portion of Radford University's student population for decades. In 2024, nine Virginia Community College System (VCCS) institutions joined in collaboration with Radford University to draft a transfer agreement that simplifies enrollment by lowering barriers to advance from a two-year college to Radford. Enrollment of new transfer students grew by 153 with most of that growth from applicants in the immediate region.

The Radford Tuition Promise, referred to as the “promise,” is funded by a combination of federal, state and institutional aid to ensure that undergraduate Virginia residents with an adjusted gross income of \$100,000 or less can attend Radford University and have their tuition covered. The Radford Tuition Promise is one tactic for new student recruitment but is not the sole factor driving our increase. A new direct admission program allowed well-qualified FTIC and new transfer students to receive automatic entry. Substantial community outreach, including a 60% increase in visitors to the university, influenced prospective students. A 35% yield rate of applicants within 89 miles of the university included, in some cases, 100-200% growth in enrollment from high schools in neighboring counties and cities.

Radford has made considerable gains by focusing on the recruitment and enrollment of new in-state students and 90% of students are Virginians. One potential action by the General Assembly to assist Radford and other regional institutions with capacity to enroll additional out-of-state students is a recruitment tool to attract students to Virginia at no cost to the commonwealth. In recent years the General Assembly has authorized several public institutions to charge a reduced rate tuition to out-of-state students – less than the higher amount charged to out-of-state students but no less than the tuition charged to in-state students. Receiving this authority would allow Radford to offset recent enrollment declines, utilize available capacity on campus, and increase Virginia’s talent pipeline.

A notable cohort of student growth was in Radford’s nursing programs, which are experiencing a 30% increase this fall. Already having one of the largest nursing programs in the state, we anticipate further growth in nursing students over the next five years and intend to pursue additional state investments to ensure Radford University’s ability to address the commonwealth’s healthcare workforce needs. Radford has been a leading educator of nurses for more than fifty years and despite a smaller relative enrollment size to large public institutions with Bachelor of Nursing degrees, the Virginia Board of Nursing reported that 229 Radford University graduates sat for the NCLEX-RN licensure exam in 2023, more than any institution in the commonwealth, public or private. Radford’s 2024 to-date NCLEX-RN pass rate is 95%, higher than the current national rate of 93% among first time, U.S. test-takers.

As the report indicates, Radford University is well positioned to fulfill its mission due to its strengths: careful budgeting, graduation rates, affordability and facilities. Though we acknowledge the challenges posed by new student enrollment trends over the last decade, strategic planning and focused resource commitments are reversing those trends.

Thank you for your analysis and commitment to ensuring the success of Virginia’s higher education institutions.

Sincerely,

A handwritten signature in cursive script that reads "Bret Danilowicz". The signature is written in black ink and is positioned below the word "Sincerely,".

Bret Danilowicz, Ph.D.

## Appendix D: Higher education viability assessment

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To determine the level of risk to the viability of each of Virginia's 15 public four-year higher education institutions, JLARC developed its own assessment framework. JLARC developed this framework by assessing frameworks created for similar reviews in other states and for use by academia to understand the factors associated with risks to institutional viability.

The goal of this assessment was to determine what level of viability risk each public four-year institution was experiencing. Viability risk was defined as the risk of an institution being unable to continue operations without receiving a large infusion of funding or ceasing to exist as an independent institution (which could be accomplished through closure or a merger with or acquisition by another higher education institution). Closure, merger, acquisition, or a major financial bailout are extreme outcomes for any higher education institution, especially for public institutions, and they typically result after an institution has faced several years of enrollment declines and weakening finances as the institution's revenue sources become more constrained over time. (See Appendix E for more detail about higher education institution closures and mergers.) As a result, the threshold for concluding that an institution has at least some risk of not maintaining its viability is considerably higher than the threshold for concluding that an institution may be at risk of needing to make changes to maintain its financial, operational, and academic strength. For example, institutions sometimes face budget shortfalls, need to raise tuition, downsize administration, or close academic programs; needing to make these types of changes does not necessarily mean that an institution has a significant risk of not remaining viable, at least in the near term. However, failing to make necessary changes over a long period of time can eventually lead to more serious viability concerns.

JLARC's framework to assess risks to institutional viability uses a two-step process:

- Assess institutions for selectivity
- Assess eight viability metrics which are:
  - enrollment, retention, and graduation (student metrics);
  - ability to maintain or increase tuition and campus facility conditions (institutional appeal metrics); and
  - financial ratios, state funding, and endowment (financial strength metrics).

Most of the metrics in JLARC's framework were used in two separate assessment tools. Two of the student metrics (retention and first-year student enrollment), one of the metrics under institutional appeal (pricing power), and one of the finance metrics (state appropriation levels) come from *The College Stress Test*, a book written by higher education experts at the University of Pennsylvania, which develops a framework for assessing higher education institution viability. Financial ratios used in the finance metrics come from the Virginia Auditor of Public Accounts (APA) Higher Education Comparative Report. These same financial health ratios are also recommended by *Strategic Financial Analysis for Higher Education*, which is a handbook describing approaches to assessing higher education institutions' financial health that was written by higher education consultants.

## Selectivity assessment

Higher education is a market, where consumers (students and their families) make choices about what product to purchase (which institution to attend) based on the product's benefits and costs. A subset of higher education institutions offer what consumers perceive to be much higher benefit levels. These benefits include high graduation rates, high retention rates, extensive alumni networks and employer connections, high employment rates, high graduate/law/medical school acceptance rates, and high average salaries after graduation. These institutions can be highly selective about potential students because they have many more interested potential students than the number of available slots in their student body. These highly selective institutions do not experience much risk of not remaining viable because of the high demand for their educational services. As a result, they can count on steady or increasing enrollment, and the ability to maintain or increase their tuition as needed.

Selectivity was assessed by reviewing applicant pool size and acceptance rate relative to all other public four-year higher education institutions nationally. Applicant pool size was calculated based on the number of applications received relative to the number of students who were accepted and attended the institution. The acceptance rate was determined based on the number of students accepted to the institution relative to the number of students who applied. Taken together, applicant pool size and acceptance rate demonstrate the extent to which the institution is desirable to students and the extent to which the institution can be selective about which students they accept. Institutions were characterized as "highly selective" if both their applicant pool size and acceptance rate were at or above the top 10 percentile of all public four-year institutions nationally (Table D-1).

Institutions that were defined as highly selective were considered to have "negligible" overall risk because of their selectivity and ability to attract and recruit students. Two Virginia schools, UVA and William & Mary, are highly selective institutions based on these criteria.

Although schools that were determined to be highly selective were considered to have very low overall risk, JLARC staff still measured these schools across all viability metrics. With one exception, UVA and William & Mary were determined to have low risk on all viability metrics. William & Mary had moderate risk related to pricing power (which indicates that it had experienced decreases in inflation-adjusted tuition revenue per student over the long-term and recently). However, William & Mary's risk for this metric is mitigated because of its selectivity; the college accepts one out of every three potential students who apply, and it has 11 potential students who would like to attend the school for every student who enrolls. In other words, if William & Mary needed to raise its tuition price, it has a large pool of students who would likely still want to attend the school.

Assessments for William & Mary and UVA for each metric will appear throughout this appendix for informational purposes, but these assessments will not be displayed in the body of the report because the highly selective designation for these two institutions preempts the rest of the viability assessment.

**TABLE D-1**  
**Assessment of selectivity**

	Applicant pool size <sup>a</sup>	Acceptance rate	Applicant pool size in top 10 <sup>th</sup> percentile? <sup>b</sup>	Acceptance rate in top 10 <sup>th</sup> percentile? <sup>c</sup>	Ranking selectivity
UVA	12.7	19%	Yes	Yes	Highly selective
W&M	11.0	33	Yes	Yes	Highly selective
RU	9.3	93	No	No	--
LU	7.6	88	No	No	--
NSU	6.8	89	No	No	--
CNU	6.4	85	No	No	--
VT	6.3	57	No	No	--
JMU	6.3	78	No	No	--
UMW	6.3	86	No	No	--
VSU	5.6	90	No	No	--
GMU	4.8	90	No	No	--
ODU	4.7	95	No	No	--
VCU	4.4	91	No	No	--
VMI	3.3	71	No	No	--
UVA-W	3.3	76	No	No	--

SOURCE: JLARC staff analysis of IPEDS data on applications and acceptance rates, 2022.

NOTE: <sup>a</sup> Applicant pool size is reported as the number of applications received relative to the number of first-year students who were enrolled in the institution. <sup>b</sup> Schools at or above the top 10<sup>th</sup> percentile in terms of applicant pool size had at least 9.6 applications per first-year students that enrolled. <sup>c</sup> Schools at or above the top 10<sup>th</sup> percentile in terms of acceptance rates had acceptance rates of 51.7 percent or lower.

## Student metrics

The first component of the viability assessment reviews student-level metrics. These metrics evaluate the extent to which students enroll in the school (first-year student enrollment), remain enrolled in the school (retention), and ultimately graduate from the school (graduation).

### *Graduation rates*

Graduation is important for the student, the institution, and the Commonwealth. In fact, Virginia's goal for higher education achievement is to become highly educated and increase college degree attainment (§ 23.1-301). Because graduation rates provide insight into the extent to which an institution is meeting the state's goal of increasing college degree attainment, one of the JLARC viability risk assessment framework's factors is graduation rates.

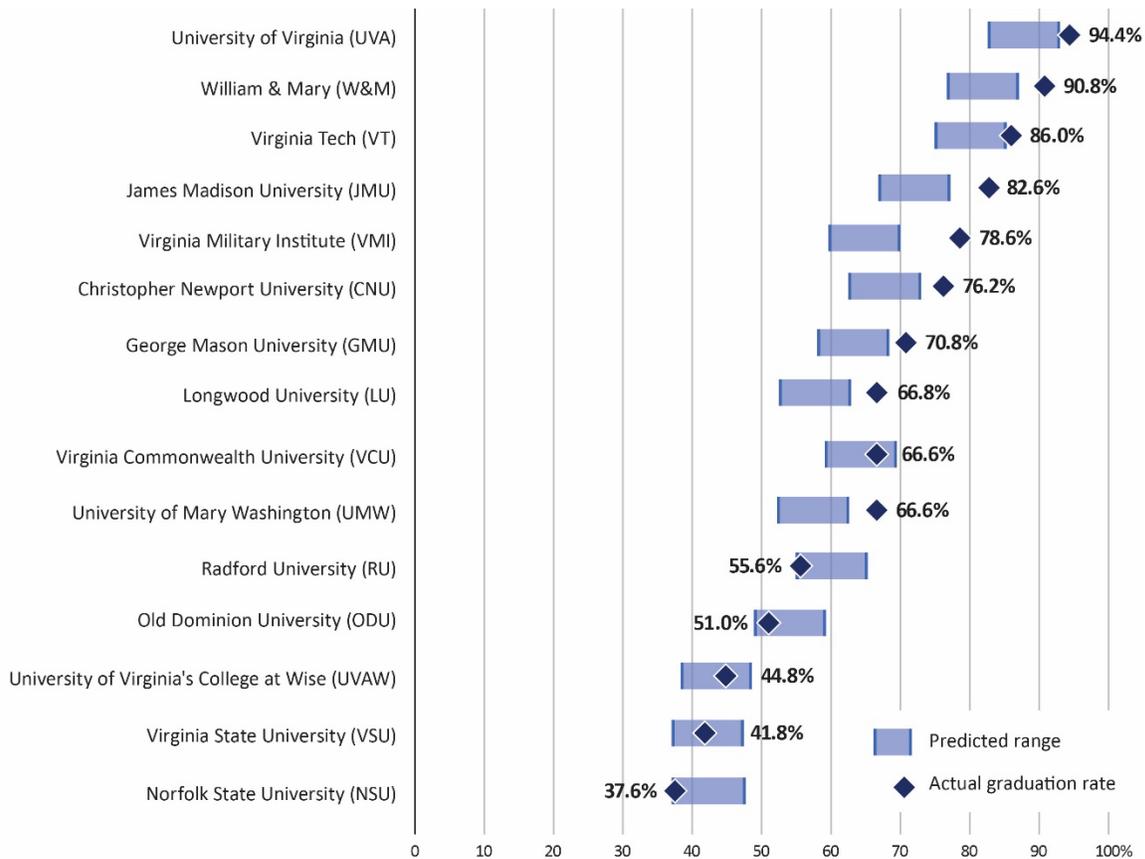
Several factors are associated with whether an enrolled student obtains a degree—chief among these factors are two factors related to the students an institution admits (financial aid status and SAT score) and two factors related to the institution itself (average teaching salary adjusted for cost of living and the percentage of students who are full-time). JLARC staff developed a statistical model controlling for these four factors to predict a range of graduation rates for each of the state's 15 higher education institutions. Other researchers commonly use similar statistical approaches to assess graduation rates.

Though graduation rates vary widely across institutions, all 15 are graduating students at or above what a statistical model predicts (Figure D-1). Several institutions with very high ranges of predicted

graduation rates exceed even those very high statistical predictions. Even institutions with student populations statistically predicted to not graduate at a high rate are within the predicted ranges.

When assessing viability risk based on graduation rate, institutions that exceeded their predicted graduation rate were rated as having “negligible” risk on graduation rates and institutions that had a graduate rate falling within the range of predicted graduation rates were rated as having “minimal” risk on this metric.

**FIGURE D-1**  
**All institutions have graduation rates within or exceeding the range that would be predicted**



SOURCE: JLARC staff analysis of U.S. DOE, NCES IPEDS data on 6-year graduation rates, 2018-2022.

NOTE: Diamonds show the actual average six-year graduation rate for each school compared to the predicted six-year graduation rate for each school based on its characteristics. Several factors are associated with whether a student who enrolls obtains a degree—chief among these factors are two factors related to the students an institution admits (financial aid status and SAT score) and two factors related to the institution itself (average teaching salary adjusted for cost of living and the percentage of students who are full-time).

**Enrollment**

First-year student enrollment data was evaluated in three ways to determine the viability risk level a school may be experiencing in relation to its enrollment (Table D-2). First, first-year enrollment was assessed to determine the trend in first-year student enrollment over the past eight years, 2016 through 2023. Second, first-year student enrollment was assessed to determine the trend in enrollment in the

most recent year, from 2022 to 2023. Next, the percent change in first-year student enrollment over the past eight years (2016 to 2023) was compared against all public four-year higher education institutions nationally to determine where each school's change placed relative to other public four-year institutions. Institutions with a first-year student enrollment decrease that placed it at or below the 20th percentile in terms of increased enrollment (and was actually a decrease in enrollment) were assessed as having higher viability risk levels on enrollment.

**TABLE D-2**  
**Assessment of first-year student enrollment trends**

	Long-term trend (2016 to 2023)	Recent trend (2022 to 2023)	At or below 20 <sup>th</sup> percentile?	At or below 10 <sup>th</sup> percentile?	Ranking enrollment
RU	Negative	Negative	Yes	Yes	Substantial
CNU	Negative	Negative	No	No	Moderate
ODU	Negative	Negative	No	No	Moderate
UMW	Negative	Negative	No	No	Moderate
LU	Negative	Positive	No	No	Minimal
VMI	Negative	Positive	No	No	Minimal
W&M	Positive	Negative	No	No	Minimal
VSU	Positive	Negative	No	No	Minimal
UVA-W	Stable	Negative	No	No	Minimal
GMU	Positive	Positive	No	No	Negligible
JMU	Positive	Positive	No	No	Negligible
NSU	Positive	Positive	No	No	Negligible
UVA	Positive	Positive	No	No	Negligible
VCU	Positive	Positive	No	No	Negligible
VT	Positive	Positive	No	No	Negligible

SOURCE: JLARC staff analysis of U.S. DOE, NCES IPEDS data on first-year student enrollment, 2016-2022, and SCHEV data on first-year student enrollment, 2023.

NOTE: Schools at or below the 20<sup>th</sup> percentile had a percent decrease in first-year student enrollment between 2016 and 2023 that exceeded -28.4 percent. Schools at or below the 10<sup>th</sup> percentile had a percent decrease that exceeded -38.1 percent.

When assessing viability risk based on first-year student enrollment trends, schools were considered to have “minimal” risk if only one of the two trends were negative; schools where both trends were negative were considered to have “moderate” risk; schools where both trends were negative and the percentage increase (and in this case a decrease) over the past eight years was at or below the 20<sup>th</sup> percentile but above the 10<sup>th</sup> percentile were considered to have “substantial” risk; and schools where both trends were negative and the percentage increase (and in this case a decrease) over the past eight years was at or below the 10<sup>th</sup> percentile were considered to have “extreme” risk.

Radford was the only school that met the criteria for “extreme” risk, but this risk was mitigated to some extent by recent trends. Between 2016 and 2023, the number of first-year students at Radford dropped from almost 1,800 in 2016 to approximately 1,100 in 2023, a 38 percent decline. With this magnitude of decline over the eight-year period, Radford fell below the 10<sup>th</sup> percentile of public institutions nationally for first-year student enrollment. While some Virginia institutions had a positive

enrollment trend between 2022 and 2023, Radford still had a decline between these two years. However, deposits for fall 2024 show almost a 30 percent increase in first-year students. As a result, the risk rating for Radford was lowered to “substantial.”

Christopher Newport, Old Dominion, and Mary Washington met the criteria for “moderate” risk. These three schools had negative trends over the past eight years with Christopher Newport’s first-year enrollment declining 5 percent over the past eight years, Old Dominion’s first-year student enrollment declining 3 percent over the past eight years, and Mary Washington’s first-year student enrollment declining 21 percent over the past eight years. Although Mary Washington’s first-year student enrollment decline is substantially larger than the declines at Christopher Newport and Old Dominion, it did not fall at or below the 20<sup>th</sup> percentile nationally (which begins at -28 percent). These three schools also experienced an enrollment decline between 2022 and 2023, the most recent years. For Christopher Newport and Mary Washington, the enrollment decline in the most recent years was very small, -1 percent and -0.5 percent respectively. Old Dominion’s enrollment decline in the most recent year was larger, -12 percent. However, Old Dominion has intentionally increased its selectivity in recent years and admitted fewer first-year students to improve its graduation rates, which contributed to its decrease in enrollment in the most recent year.

## **Retention**

Retention data was evaluated four ways to determine the viability risk level a school may experience in relation to its ability to retain students between their first year and second year of study (Table D-3). First, retention for each school was reviewed to determine if any institutions had consistently high retention rates, which was defined as an average retention rate over the past eight years (2016 to 2023) of 90 percent or higher. Four institutions met this criterion: UVA, VT, JMU, and William & Mary.

Institutions with consistently high retention rates were rated as having negligible risk relating to retention, and no additional metrics were evaluated related to these institutions’ retention rates. For institutions that did not consistently have retention rates at or above 90 percent, three other factors related to retention were assessed: (1) retention rates were assessed to determine the trend over the past eight years, 2016 through 2023; (2) retention rates were assessed to determine the trend between 2022 and 2023; and, (3) percent change in retention rates over the past eight years (2016 to 2023) was compared against all public four-year higher education institutions to determine where each school’s change placed relative to other public four-year institutions. Remaining institutions had either a stable or positive retention trend either over the long-term or recently, and no school had a long-term retention rate change that resulted in it falling at or below the 20th or 10th percentiles nationally. As a result, all Virginia institutions had either a negligible or minimal risk rating for retention trends.

**TABLE D-3**  
**Assessment of retention trends**

	Retention at or above 90%	Long-term trend (2016 to 2023)	Recent trend (2022 to 2023)	At or below 20 <sup>th</sup> percentile?	At or below 10 <sup>th</sup> percentile?	Ranking retention
LU	No	Negative	Positive	No	No	Minimal
NSU	No	Negative	Positive	No	No	Minimal
ODU	No	Negative	Positive	No	No	Minimal
RU	No	Negative	Positive	No	No	Minimal
CNU	No	Stable	Negative	No	No	Minimal
UMW	No	Stable	Negative	No	No	Minimal
VSU	No	Stable	Negative	No	No	Minimal
GMU	No	Stable	Positive	No	No	Negligible
VCU	No	Stable	Positive	No	No	Negligible
VMI	No	Stable	Positive	No	No	Negligible
UVA-W	No	Positive	Positive	No	No	Negligible
W&M	Yes	--	--	--	--	Negligible
JMU	Yes	--	--	--	--	Negligible
UVA	Yes	--	--	--	--	Negligible
VT	Yes	--	--	--	--	Negligible

SOURCE: JLARC staff analysis of U.S. DOE, NCES IPEDS data on retention, 2016-2022, and SCHEV data on retention, 2023.  
 NOTE: Schools at or below the 20th percentile had a percent decrease in retention between 2016 and 2023 that exceeded -8.4 percent.  
 Schools at or below the 10th percentile had a percent decrease that exceeded -14.1 percent.

### **Institutional appeal metrics**

The second component of the viability assessment reviews institutions' appeal. These metrics evaluate the extent to which institutions are able to generate revenue through tuition (pricing power), and the extent to which the school's facilities are appealing to prospective and current students based on the age and condition of facilities. The condition of institutions' facilities provides insight into viability because it can influence student decisions about where to attend college. A recent survey of college students found that 21 percent factored campus facilities "a great deal" into their decision about where to enroll, and two-thirds of respondents said that campus facilities factored "some" into their decision about where to enroll.

#### ***Pricing power***

Pricing power was assessed by reviewing inflation-adjusted tuition revenue per full-time equivalent (FTE) student data over the past eight years (2015 to 2022 data was used because 2023 data was not yet available as of July 2024) (Table D-4). This data was evaluated similarly to enrollment and retention data, reviewing the long-term trend over the past eight years, reviewing the recent trend over the past year, and reviewing the percent change in relation to all other public four-year higher education institutions nationally.

Mary Washington and Virginia State both have a substantial risk related to their pricing power because the percent increase (and in this case a decrease) in tuition revenue per student fell at or below the 20th percentile (but above the 10<sup>th</sup> percentile). Schools that fell at or below the 20th percentile had a

decline in tuition revenue that exceeded 26 percent—Virginia State’s tuition revenue declined just over 26 percent, and Mary Washington’s tuition revenue declined 34 percent. With a 34 percent decline, Mary Washington was very near the 10<sup>th</sup> percentile which was 35 percent.

Five other schools (William & Mary, GMU, Longwood, Norfolk State, and UVA-Wise) had a moderate viability risk in relation to their pricing power. These schools had declining tuition revenue per student over the prior eight years, as well as in the past year; however, the long-term declines experienced by these schools did not fall at or below the 20th percentile for all public institutions nationally. In the case of George Mason, although it has experienced decreases in tuition revenue per FTE student, it has also experienced large increases in enrollment, which mitigate the impact of the tuition revenue per student decreases.

**TABLE D-4**  
**Assessment of pricing power**

	Long-term trend (2015 to 2022)	Recent trend (2021 to 2022)	At or below 20 <sup>th</sup> percentile?	At or below 10 <sup>th</sup> percentile?	Ranking pricing power
UMW	Negative	Negative	Yes	No	Substantial
VSU	Negative	Negative	Yes	No	Substantial
W&M	Negative	Negative	No	No	Moderate
GMU	Negative	Negative	No	No	Moderate
LU	Negative	Negative	No	No	Moderate
NSU	Negative	Negative	No	No	Moderate
UVA-W	Negative	Negative	No	No	Moderate
CNU	Stable	Negative	No	No	Minimal
JMU	Stable	Negative	No	No	Minimal
ODU	Stable	Negative	No	No	Minimal
UVA	Stable	Negative	No	No	Minimal
VCU	Stable	Negative	No	No	Minimal
VT	Stable	Negative	No	No	Minimal
RU	Positive	Negative	No	No	Minimal
VMI	Positive	Negative	No	No	Minimal

SOURCE: JLARC staff analysis of institution’s annual financial reports, 2015-2022.

NOTE: Schools at or below the 20th percentile had a percent decrease in inflation-adjusted tuition revenue per FTE between 2015 and 2022 that exceeded -26.0 percent. Schools at or below the 10th percentile had a percent decrease that exceeded -34.7 percent.

### ***Facility conditions***

Facility conditions were assessed using data that the Auditor of Public Accounts (APA) collects annually on the average age of buildings on each campus (Table D-5). For each campus, the average annual age of the buildings was averaged over the past eight years to determine if the average building was above, below, or at the state building age average, which was 13.5 years. Second, the trend in annual building age at each institution over the past eight years was assessed to determine whether buildings were becoming older or newer over the time period. Institutions where the average building age was above the state average, and the building age trend was older, were rated with substantial risk related to facility conditions.

Virginia State and Mary Washington, which have the oldest and second oldest campus buildings in the state respectively, both have substantial viability risk related to their facility conditions. Other institutions across the state have buildings that are either newer than the state average or buildings that are trending newer (which indicates that building and renovation is taking place on those campuses).

**TABLE D-5**  
**Assessment of facility conditions**

	Average building age (2022)	Age relative to state average? <sup>a</sup>	Age trend? <sup>b</sup>	Ranking facilities
VSU	22.8	Above	Older	Substantial
UMW	14.1	Above	Older	Substantial
LU	13.9	Above	Newer	Minimal
VCU	13.8	At	Older	Minimal
ODU	13.6	Above	Newer	Minimal
UVA	13.1	At	Older	Minimal
W&M	12.4	At	Older	Minimal
GMU	12.3	Below	Older	Minimal
VT	12.1	At	Older	Minimal
JMU	11.8	Below	Older	Minimal
CNU	8.5	Below	Older	Minimal
NSU	13.8	At	Newer	Negligible
RU	12.3	At	Newer	Negligible
VMI	12.1	Below	Newer	Negligible
UVA-W <sup>c</sup>	--	--	--	--

SOURCE: JLARC staff analysis of Virginia APA data on higher education institution facility ages, 2015–2022.

NOTE: Average building age across Virginia's 15 higher education institutions between 2015 and 2022 was 13.5 years.

<sup>a</sup> Reflects average age of buildings at each respective institution between 2015 and 2022. This average age frequently differs from the age of each institution's buildings in 2022. <sup>b</sup> Reflects whether building ages were becoming older or newer between 2015 and 2022.

<sup>c</sup> APA did not consistently report building ages for UVA-W for all years evaluated, so UVA-W was not evaluated on risk related to facility conditions.

## Financial metrics

The final component of the viability assessment reviews three broad financial metrics. First, the assessment reviews financial health for each institution through a ratio analysis that considers liquidity, debt management, operational efficiency, and profitability. Second, the assessment reviews the extent to which state appropriations are growing or stable to support operations and enrollment for in-state students. Finally, the assessment reviews the magnitude of the endowment amount per student, which can play an important role in providing ongoing revenue to institutions.

### *Financial health ratios*

The Auditor of Public Accounts computes several metrics using institutional financial statements to assess each institution's financial strength (Table D-6). The metrics APA uses are based on a handbook published by higher education consultants to describe how to assess the financial strength of higher education institutions, *Strategic Financial Analysis for Higher Education*.

Other states also assess these same ratios for their higher education institutions to determine their financial health, including Illinois, Indiana, Maine, Mississippi, Ohio, Pennsylvania, and Texas.

For each of the four ratios, institutions were assessed on whether

- the ratio met the benchmark on average over the past five years (2017 to 2022);
- the ratio met the benchmark in the most recent year for which data was available (2022); and
- the ratio was trending positively toward the benchmark or negatively away from the benchmark.

If an institution failed to meet two out of the three conditions for a ratio, that ratio was considered a risk for the institution's financial health. Institutions with three or more ratios with a risk were considered to have a substantial risk in their financial health ratios, those with two ratios with a risk were considered to have a moderate risk to their financial health, and those with one ratio with a risk were considered to have minimal risk to their financial health.

Financial ratios that included component units were used for this assessment. Component units are foundations that are established to benefit the institution. Foundations may hold endowments and other assets for the institution, and the institution may make strategic financial decisions based on the assets held by their foundations.

**TABLE D-6**  
**Financial health ratios measured by the Auditor of Public Accounts**

<b>Ratio<sup>a</sup></b>	<b>Description</b>	<b>Interpretation</b>
Liquidity (Primary reserve ratio)	Compares resources that the institution can access quickly to total pay for expenses	A higher ratio indicates that institution has a larger financial cushion to sustain operations during a revenue shortfall
Debt management (Viability ratio)	Compares resources that the institution can access quickly if needed to its long-term debt	A higher ratio indicates better ability to meet long-term obligations and lower financial risk
Revenue vs. expenses (Net operating revenue ratio)	Compares net income to total revenues; determines whether an institution is operating within its available resources	A positive ratio indicates the institution is generating surplus revenue over its expenses
Profitability (Return on net position)	Compares change in net position to total net position; determines whether an institution is achieving a positive economic return on its resources	A higher position indicates the institution is using its resources to generate growth and improve its financial condition

SOURCE: Prager, Sealy & Co., LLC, *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks*, Seventh Edition, 2010. Virginia Auditor of Public Accounts (APA), *Higher Education Comparative Report*, Fiscal Year 2020.

NOTE: <sup>a</sup> Each ratio was renamed to better describe what the ratio indicates (e.g., "Liquidity"), the formal name of each ratio below the informal name in parentheses.

One institution, Mary Washington, had substantial risk related to its financial health ratios with three of the four ratios having some level of risk associated with them (Table D-7). Much of Mary Washington’s risk is related to declining enrollment and discounting efforts intended to mitigate the declining enrollment. Declining enrollment combined with tuition discounting policies have resulted in a situation where Mary Washington has limited revenues relative to its debt, which is relatively high, and its expenses.

One institution, Christopher Newport, had moderate risk related to its financial health ratios with two of the four ratios having some level of risk associated with them. Christopher Newport’s risks are primarily related to relatively high debt levels associated with its newer campus facilities. These higher debt levels also create more debt service, which increases expenses for the institution. Additionally, Christopher Newport has had declines in its revenue—primarily related to lower tuition revenue from flat tuition and fee rates for several years and declining enrollment (net operating revenue ratio)

All other institutions have minimal or negligible risk related to their financial health ratios.

**TABLE D-7**  
**Most institutions had relatively strong financial health based on ratio analysis**

Institution	Liquidity (Primary reserve ratio) <sup>a</sup>	Debt mgmt. (Viability ratio) <sup>b</sup>	Rev vs expenses (Net operating revenues) <sup>c</sup>	Profitability (Return on net position ratio) <sup>d</sup>	Ranking financial health ratios
UMW	●	●	○	●	Substantial
CNU	●	●	●	●	Moderate
LU	●	●	●	●	Minimal
JMU	●	●	●	●	Minimal
UVA	●	●	●	●	Minimal
VCU	●	●	●	●	Minimal
VMI	●	●	●	●	Minimal
W&M	●	●	●	●	Minimal
GMU	●	●	●	●	Negligible
NSU	●	●	●	●	Negligible
ODU	●	●	●	●	Negligible
RU	●	●	●	●	Negligible
VSU	●	●	●	●	Negligible
VT	●	●	●	●	Negligible

- = Meets two or three conditions for given ratio
- = Meets one condition for given ratio
- = Meets zero conditions for given ratio

SOURCE: JLARC analysis of APA Comparative Report on Higher Education Institutions, 2017 to 2022.

NOTE: Ratios that included component units were used for this assessment. <sup>a</sup> Benchmark for primary reserve ratio is 0.4, which indicates that an institution can cover 40 percent of its annual operating expenses with accessible resources (approximately 5 months of expenses). <sup>b</sup> Benchmark for viability ratio is 1.0, which indicates that an institution can cover 100 percent of its long-term debt with accessible resources. <sup>c</sup> Benchmark for net operating revenues is 0.0, which indicates that an institution can pay for its annual operating expenses with annual operating revenue. <sup>d</sup> Benchmark for return on net position is 0.0, which indicates that an institution can generate overall return against all net resources.

### State appropriation

State appropriations received by institutions were assessed using data on state appropriations value per in-state FTE students (adjusted for inflation). State appropriations were reviewed based on the long-term trend over the past eight years (2015 to 2022), recent trend in the last year (2021 to 2022), and how the change in state appropriation per in-state FTE compared against all other public institutions nationally.

Virginia public four-year higher institutions have largely experienced positive gains or stability in state appropriations over the past eight years (Table D-8). Only one school, Virginia State, experienced a decline in state appropriation per in-state FTE students in the most recent period, and that outlier was because the school had larger in-state enrollment in 2022 than had been expected.

**TABLE D-8**  
**Assessment of state appropriation per FTE student**

	Appropriation per in-state FTE (2022)	Long-term trend	Recent trend	At or below 20 <sup>th</sup> percentile?	At or below 10 <sup>th</sup> percentile?	Ranking state \$ per student
VSU	\$23,600	Positive	Negative	No	No	Minimal
GMU	\$8,600	Positive	Positive	No	No	Negligible
JMU	\$8,900	Positive	Positive	No	No	Negligible
CNU	\$12,500	Positive	Positive	No	No	Negligible
LU	\$12,600	Positive	Positive	No	No	Negligible
UVA	\$12,600	Stable	Positive	No	No	Negligible
VCU	\$12,800	Positive	Positive	No	No	Negligible
ODU	\$13,300	Positive	Positive	No	No	Negligible
RU	\$14,500	Positive	Positive	No	No	Negligible
VT	\$14,900	Stable	Positive	No	No	Negligible
UMW	\$15,400	Positive	Positive	No	No	Negligible
W&M	\$16,800	Positive	Positive	No	No	Negligible
VMI	\$22,200	Positive	Positive	No	No	Negligible
UVA-W	\$23,700	Positive	Positive	No	No	Negligible
NSU	\$25,900	Positive	Positive	No	No	Negligible

SOURCE: JLARC staff analysis of U.S. DOE, NCES IPEDS data on state appropriation and in-state FTE students, 2015–2022.

NOTE: Appropriation amounts are adjusted for inflation. Appropriation amounts are represented per in-state, full-time equivalent (FTE) student. Schools at or below the 20th percentile had a percent decrease in inflation-adjusted state appropriation per in-state FTE between 2015 and 2022 that exceeded -7.3 percent. Schools at or below the 10th percentile had a percent decrease that exceeded -15.9 percent.

### Endowment value

Endowment values were assessed for each institution because institutions can raise revenue through returns on endowment investments; the larger the endowment, the greater the potential returns. Endowment values were assessed by reviewing the endowment value per full-time equivalent (FTE) student. Endowments were reviewed for whether the endowment value grew over the past eight years, whether the endowment value was at or below the 20<sup>th</sup> percentile of endowment per student values

of all public institutions nationally, and whether the endowment value was at or below the 10<sup>th</sup> percentile of endowment per student values of all public institutions nationally.

The approach used for assessing endowment values varied some from the approach used for other metrics in JLARC's framework. One reason for the difference is that short-term changes in endowment values per student appeared to be more strongly related to enrollment changes rather than changes in the endowment. Change in the endowment value over the long-term appeared to be a more relevant measure than how the endowment was changing over a single year.

Virginia institutions, as a group, have high endowment values relative to other public institutions throughout the U.S. This could be for several reasons: Virginia public institutions tend to be older and more established than schools in other states; Virginia schools have relatively high graduation rates; and Virginia has high household incomes relative to other states. The national median for endowment value per student was \$8,556, and the median for Virginia institutions endowment value per student was \$19,866, more than double the national median.

**TABLE D-9**  
**Assessment of endowment per FTE student**

	Endowment per FTE (2022)	Long-term trend (2015 to 2022)	At or below 20 <sup>th</sup> percentile?	At or below 10 <sup>th</sup> percentile?	Ranking endowment \$ per student
GMU	\$4,400	Positive	No	No	Negligible
JMU	\$5,800	Positive	No	No	Negligible
RU	\$8,550	Positive	No	No	Negligible
CNU	\$11,800	Positive	No	No	Negligible
ODU	\$16,500	Positive	No	No	Negligible
NSU	\$16,600	Positive	No	No	Negligible
UMW	\$17,500	Positive	No	No	Negligible
VSU	\$19,900	Positive	No	No	Negligible
LU	\$24,900	Positive	No	No	Negligible
VT	\$44,200	Positive	No	No	Negligible
VCU	\$91,700	Positive	No	No	Negligible
UVA-W	\$106,500	Positive	No	No	Negligible
W&M	\$142,700	Positive	No	No	Negligible
VMI	\$361,500	Positive	No	No	Negligible
UVA	\$364,500	Positive	No	No	Negligible

SOURCE: JLARC staff analysis of U.S. DOE, NCES IPEDS data on endowment per FTE students, 2015–2022.

NOTE: Endowment figures are rounded to the nearest hundred. Adjusted for inflation. Schools at or below the 20<sup>th</sup> percentile for endowment value per FTE student had endowment values of \$3,086 per FTE student or lower. Schools at or below the 10<sup>th</sup> percentile had endowment values of \$1,733 per FTE student or lower.

All Virginia institutions had endowment values that were growing over the eight-year period and had endowment values that place them all above the 20<sup>th</sup> percentile of endowment per student values nationally for all public institutions nationally.

### Overall viability assessment

Considering all metrics included in the viability assessment, no school has high overall viability risk. Institutions would have been identified as having a high overall viability risk if over half of the factors (at least 5 out of 8 factors) had a substantial or extreme risk. Three schools—Mary Washington, Radford, and Virginia State—have some level of viability risk because they have substantial or extreme risk in at least one metric (Table D-10). Four institutions— Christopher Newport, Longwood, Norfolk State, and UVA-Wise—had low overall viability risk because each school had at least one factor

**TABLE D-10**  
**Assessment of Virginia institutions across all metrics in viability assessment**

	Highly selective?	Viability risk factors								Overall viability risk
		Students			Institutional appeal		Finances			
		#1	#2	#3	#4	#5	#6	#7	#8	
UMW	✘	○	◐	○	●	●	●	○	○	Some
RU	✘	○	●	○	○	○	○	○	○	Some
VSU	✘	○	○	○	●	●	○	○	○	Some
CNU	✘	○	◐	○	○	○	◐	○	○	Low
LU	✘	○	○	○	◐	○	○	○	○	Low
NSU	✘	○	○	○	◐	○	○	○	○	Low
UVA-W	✘	○	○	○	◐	--	--	○	○	Low
GMU	✘	○	○	○	◐	○	○	○	○	Very low
JMU	✘	○	○	○	○	○	○	○	○	Very low
ODU	✘	○	◐	○	○	○	○	○	○	Very low
VCU	✘	○	○	○	○	○	○	○	○	Very low
VMI	✘	○	○	○	○	○	○	○	○	Very low
VT	✘	○	○	○	○	○	○	○	○	Very low
W&M	✓	○	○	○	◐	○	○	○	○	Very low
UVA	✓	○	○	○	○	○	○	○	○	Very low

- = Factor rated at *substantial* or *extreme* risk level
- ◐ = Factor rated at *moderate* risk level
- = Factor rated at *minimal* or *negligible* risk level

**Student risk factors:** #1 – Graduation; #2 – Enrollment; #3 – Retention  
**Institutional appeal risk factors:** #4 – Pricing power; #5 – Facility age/condition  
**Finance risk factors:** #6 – Financial ratios; #7 – State funds per student; #8 – Endowment

SOURCE: JLARC summary of viability risk assessment framework results, 2024.

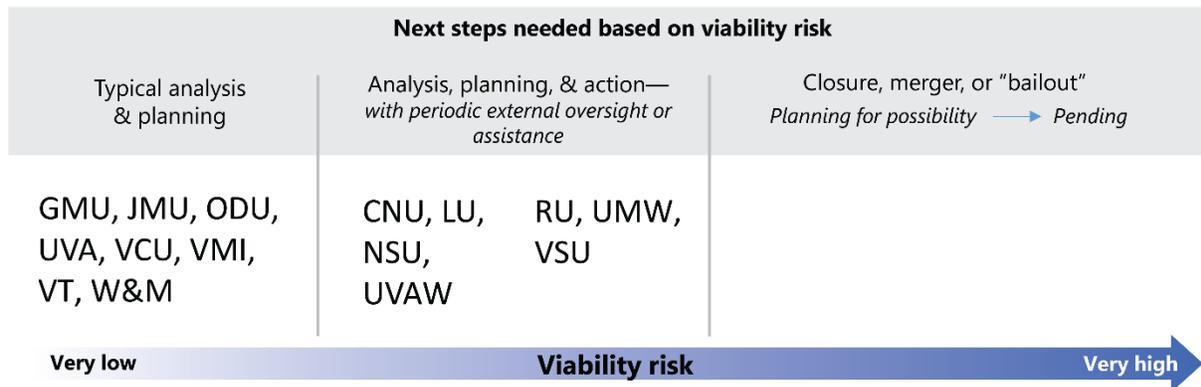
with a moderate viability risk, they were not highly selective, and they did not have circumstances that mitigated the moderate risk. In the case of these four schools, changes in enrollment and revenue or other factors could move them relatively quickly to a more or less risky position, depending on the

nature of the change. The remaining eight institutions—GMU, JMU, ODU, UVA, VCU, Virginia Military Institute, Virginia Tech, and William & Mary—have a very low viability risk rating and appear to be in a relatively stable position despite the dynamic higher education environment.

Schools were rated as having very low viability risk if: (1) they were rated as being highly selective, at least seven out of eight viability risk factors were rated as a minimal or negligible risk, and no risk factor was determined to be substantial or extreme. (UVA, William & Mary); (2) all of the viability risk factors were rated as minimal or negligible (JMU, VCU, VMI, Virginia Tech); or, (3) at least seven out of eight viability risk factors were rated as minimal or negligible, no risk factor has a substantial or extreme risk rating, and the school had circumstances that mitigated the risk identified in the one factor with a moderate risk rating (GMU, ODU).

As of summer 2024, none of Virginia’s 15 public four-year institutions are rated at a high level of viability risk (Figure D-2). Therefore, no immediate or even near-term action is necessary to bail-out a troubled institution, broker a merger between institutions, or manage the closure of a Virginia public institution.

**FIGURE D-2**  
**No Virginia public institution faces high viability risk (as of 2024)**



SOURCE: JLARC summary of viability risk assessment framework results, 2024.



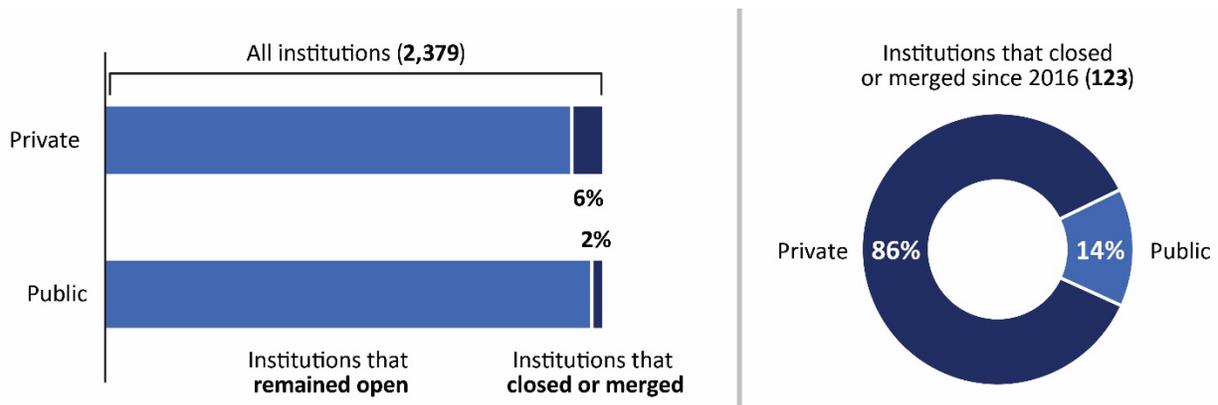
## Appendix E: Higher education institutions closures and mergers

Since 2016, at least 123 four-year higher education institutions have closed or merged with another institution. These closed or merged institutions accounted for approximately 5 percent of all public and private four-year higher education institutions in the U.S. (Closures and mergers discussed in this appendix include only public and private non-profit four-year higher education institutions. The data excludes private for-profit institutions, two-year institutions, and professional/career institutions.)

### Most institutions that closed or merged were private, located in the Northeast or Great Lakes, and small

Private four-year higher education institutions were more likely to close or merge than public four-year institutions. Of the institutions that have closed or merged since 2016, 86 percent (106) were private institutions. Closed or merged private institutions represent 6 percent of all private four-year higher education institutions in the U.S. Public institutions that have closed or merged represent 2 percent of all public institutions in the U.S. (Figure E-1). Private institutions are more reliant on tuition and fees revenue than public institutions, which typically receive some state fund appropriations to support the institution’s operations.

**FIGURE E-1**  
**Small percentage of institutions closed or merged since 2016, but most were private**



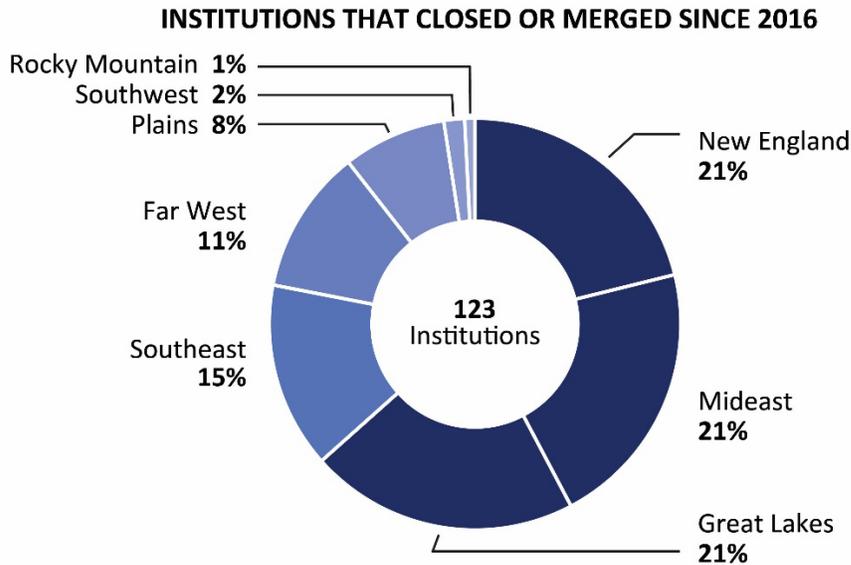
SOURCE: JLARC analysis of IPEDS data.

NOTE: Includes only private non-profit and public four-year institutions. Excludes private for-profit institutions, two-year institutions, professional/career institutions (e.g., allied health schools), and service academies (e.g., U.S. Air Force Academy).

Most institutions (approximately 63 percent) that closed or merged were located in three regions with declining populations—New England (Connecticut, Massachusetts, Maine, New Hampshire, Vermont), Great Lakes (Illinois, Indiana, Michigan, Ohio, Wisconsin), and Mideast (Delaware, Maryland, New Jersey, New York, Pennsylvania). Each of those three regions were home to 21 percent of schools that closed or merged (Figure E-2). By comparison, 15 percent of schools that closed or

merged were located in the Southeast region (Alabama, Florida, Georgia, Kentucky, North Carolina, Tennessee, Virginia, West Virginia). However, most schools in the Southeast that closed or merged were located in Alabama (3), Georgia (3), and Tennessee (5). Virginia has had one institution close or merge since 2016, and that institution was a private non-profit institution. (Regions are ones used by the U.S. Department of Commerce, Bureau of Economic Analysis.)

**FIGURE E-2**  
**Most institutions that closed were located in the Northeast or Great Lakes regions**

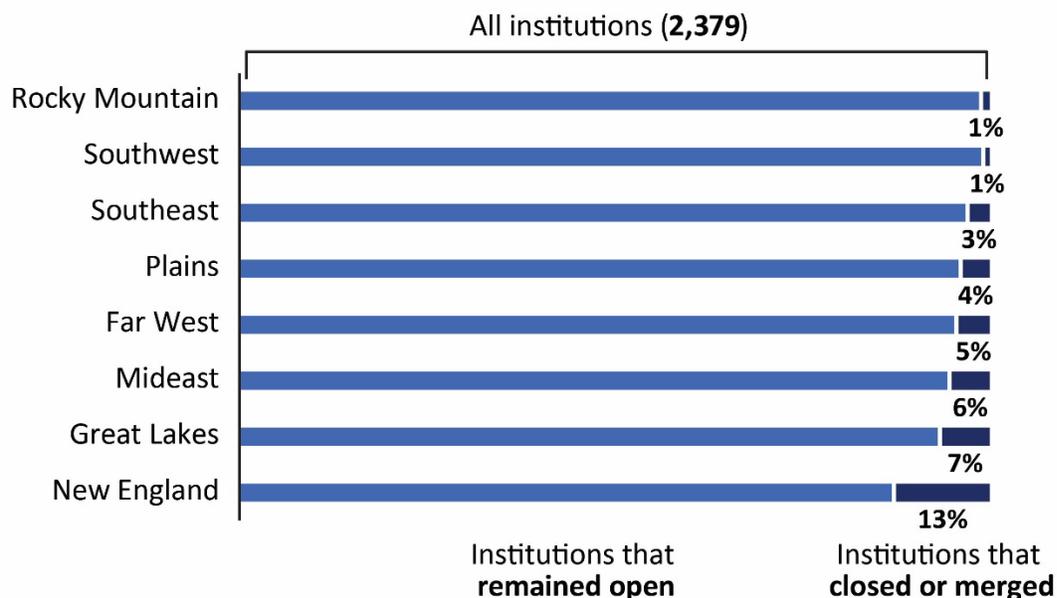


SOURCE: JLARC analysis of IPEDS data.

NOTE: Includes only private non-profit and public four-year institutions. Excludes private for-profit institutions, two-year institutions, professional/career institutions (e.g., allied health schools), and service academies (e.g., U.S. Air Force Academy).

The New England, Great Lakes, and Midwest regions also had a higher proportion of total institutions close or merge than other regions. Approximately 13 percent of institutions in the New England region, 7 percent of institutions in the Great Lakes region, and 6 percent of schools in the Midwest region closed or merged since 2016 (Figure E-3). By comparison, approximately 3 percent of institutions in the Southeast region merged or closed since 2016.

**FIGURE E-3**  
**Northeast and Great Lakes had the largest percentage of institutions close or merge**



SOURCE: JLARC analysis of IPEDS data.

NOTE: Includes only private non-profit and public four-year institutions. Excludes private for-profit institutions, two-year institutions, professional/career institutions (e.g., allied health schools), and service academies (e.g., U.S. Air Force Academy).

Most higher education institutions that closed or merged had relatively small student enrollments. The median enrollment for institutions that closed or merged was 702 students (compared to a median enrollment of 1,868 students for all public and private non-profit four-year institutions in 2022), and approximately 57 percent of these institutions that closed or merged had enrollments of fewer than 1,000 students. Public institutions that closed or merged were larger—the median enrollment was 2,900 students at public institutions in the group (compared to a median enrollment of 6,781 students for all public four-year institutions in 2022).

Enrollment declines contributed to many mergers and closures, especially at public institutions that merged. Over 81 percent of institutions that merged or closed were experiencing declines in enrollment of first-year students in the five years leading up to their closure or merger, including 15 out of the 17 public institutions. At all institutions that closed or merged, the median change in first-year student enrollment over the five years leading up to closure was -25 percent—for just public institutions in the group, the median change was -36 percent.

**Public institutions typically merged rather than closed, but these mergers did not necessarily result in rebounding enrollment and may yield limited cost savings**

Public institutions typically merged; they did not close altogether. Since 2016, all public institutions were involved in one of two types of mergers: (1) merging two or more institutions to create a new institution, or (2) absorbing one institution into an existing institution (Table E-1). In each of the

public institution mergers, the original campuses typically remain open and operating, and the institution theoretically gains operating efficiencies by having only one administration for all campuses, offering some programs on only one campus, and making other changes to the institution’s operations.

**TABLE E-1**  
**Public four-year higher education institutions that merged since 2016**

<b>Institution (state)</b>	<b>Year of Merger</b>	<b>Total enrollment in last year</b>	<b>Description</b>
<b>Merged to create new institution</b>			
Purdue University – Calumet Campus (IN)	2016	9,194	Created Purdue University Northwest
Purdue University – North Central Campus (IN)	2016	6,092	
Johnson State University (VT)	2017	1,552	Created Northern Vermont University
Lyndon State University (VT)	2017	1,147	
Clarion University of Pennsylvania (PA)	2022	3,992	Created Pennsylvania Western University
Edinboro University of Pennsylvania (PA)	2022	4,043	
California University of Pennsylvania (PA)	2022	6,509	Created Commonwealth University of Pennsylvania
Bloomsburg University of Pennsylvania (PA)	2022	7,739	
Mansfield University of Pennsylvania (PA)	2022	1,796	Created Vermont State University
Lock Haven University (PA)	2022	2,920	
Northern Vermont University (VT)	2023	1,779	Created Vermont State University
Castleton University (VT)	2023	2,363	
Vermont Technical College (VT)	2023	1,414	
<b>Merged with existing institution</b>			
Dartmouth State University (GA)	2017	4,120	Merged with Albany State University
Armstrong State University (GA)	2018	7,041	Merged with Georgia Southern University
Bainbridge State College (GA)	2018	1,746	Merged with Abraham Baldwin Ag College
University of Maine at Machias (ME)	2020	762	Merged with University of Maine

SOURCE: JLARC analysis of IPEDS data and state higher education information.

NOTE: This list includes only public four-year institutions that merged in the timeframe. This list excludes any mergers between medical and professional schools with four-year institutions.

Mergers do not necessarily stem long-running enrollment declines. In addition, mergers can cause existing and potential students to question the quality of the institution and its future, which can result in continued or further enrollment erosion. A few examples of merged institutions with continued or accelerated enrollment declines include:

- Northern Vermont University had a 34 percent decline in total enrollment between the start of its merger with two predecessor institutions in 2017 and 2022 (most recent year); it also experienced a 40 percent decline in first-year student enrollment in that timeframe.
- In the five years leading up to merging, Dartmouth State University experienced a 7 percent decline in enrollment, and Albany State University experienced a 27 percent decline in enrollment. By 2022, enrollment at the merged Albany State University had declined 75 percent from the total combined enrollment of its two predecessor institutions in their last year.

- In their first year, Pennsylvania Western University and Commonwealth University of Pennsylvania experienced total enrollment declines of 12 percent and 3 percent, respectively. This continued long-running enrollment declines at each university's three predecessor institutions.

Some evidence also suggests that mergers may yield limited cost savings, and they may result in additional costs initially. Between 2013 and 2018, Georgia merged 18 institutions into nine institutions (including the six institutions that merged since 2016 shown in Table E-1). Georgia officials indicated that most mergers resulted in limited savings to the institutions because all campuses continued to operate. For example, one of the largest mergers saved \$6.6 million out of a \$1 billion annual budget, under 1 percent savings. Additionally, some of Georgia's mergers resulted in additional start-up costs, such as rebranding and marketing expenses, bringing employees at one campus to pay parity with employees at the other campus, or technical assistance navigating the accreditation process for the newly combined institutions. According to implementation plans for the merger that created Pennsylvania Western University, most cost savings were expected to accrue from management and administrative staffing efficiencies, which would result in approximately \$3 million in savings out of an approximately \$350 million budget, under 1 percent savings.

### **Mergers may create stable institutions better able to address student needs, which can improve student outcomes**

The common goal among public institution mergers is to create more stable institutions that better serve student needs. In the cases of Vermont and Pennsylvania, the predecessor institutions all faced financial pressures that were resulting in increased tuition and fees for students, while student services and supports were being eroded (to provide cost savings). Although the Georgia schools were not financially unstable at the time of the mergers, enrollment and demographic trends concerned state policymakers that the predecessor institutions could potentially become financially unstable over time, leading to services and supports erosions. The theory behind mergers is that by consolidating administrative functions and creating cost savings (even if limited), funds can be reinvested in student services and supports.

Most merged institutions have not existed long enough to determine whether the mergers have had any impact on student outcomes, particularly retention and graduation rates, but some early data appears positive. Merged institutions in Georgia have experienced improvements in both retention rates and graduation rates since consolidation, but correlations between mergers and the improvements in student success cannot be drawn because other student success efforts were implemented at the same time as the mergers.

### **Mergers require resolving many policy and logistical issues**

Merging two or more institutions requires integrating two complex organizations and resolving many policy and logistical issues (Table E-2). These issues include generic issues that would arise in any public agency consolidation, such as establishing a unified governance and leadership structures, developing administrative staffing models, and aligning administrative functions (e.g., financial management, human resources, and information technology). Additionally, these issues include specialized

issues specific to higher education, such as determining how endowments will be handled, determining academic offerings, maintaining accreditation status, and determining tuition and financial aid policies. Mergers in other states typically require at least two years (and sometimes longer) to complete because of the many policy and logistical issues that must be resolved.

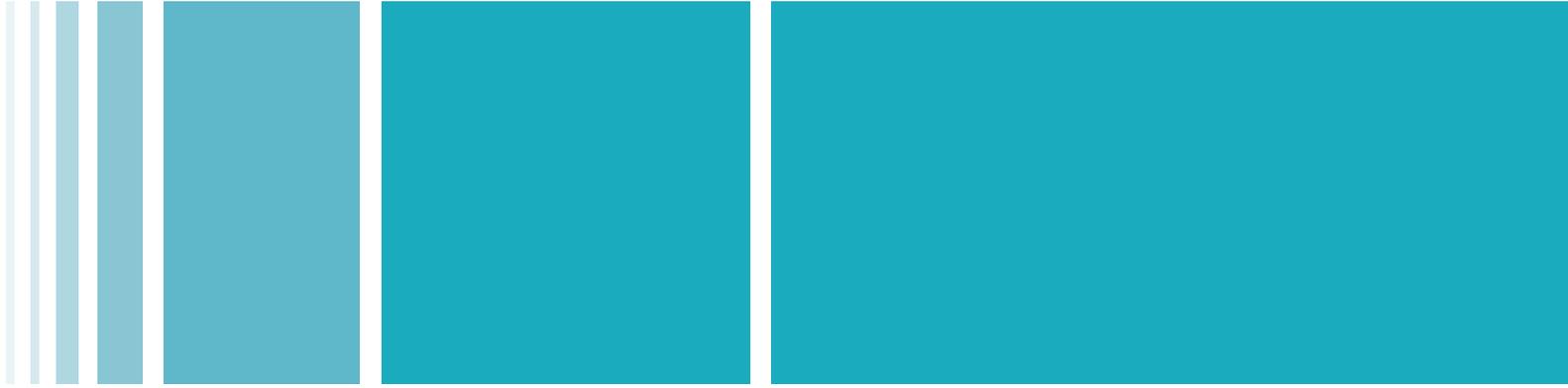
**TABLE E-2**  
**Potential policy and logistical issues in a merger**

Identify institutions to be merged
Establish unified governance structure
Determine how debt and endowments will be handled
Maintain accreditation status
Define leadership structure
Determine academic offerings
Integrate faculty employment contracts across merged institutions
Develop administrative staffing model for merged institutions
Determine tuition and financial aid structure and policies
Align financial management, human resources, and information technology functions
Integrating enrollment management and student-facing services and supports
Communicate with local community, alumni, students, faculty, staff, donors, and other stakeholders

SOURCE: JLARC analysis of news reports, academic articles, and other state documents about higher education institution mergers.

NOTE: This list is not exhaustive.





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