

Rising Costs:

The Driving Force Behind Tuition Increases at UVA

**By James A. Bacon
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An Independent Source of Analysis

Dear Members of the University of Virginia Board of Visitors,

The University of Virginia has embarked upon the process of setting tuition & fees for the 2024-25 and 2025-25 academic years. The temptation will be intense, as in years past, to increase revenue by raising tuition.

University officials have offered two lines of argument to justify past tuition increases: (1) higher tuition was needed to offset state appropriations that failed to keep pace with inflation and growing enrollment; yet even so, (2) tuitions are not out of line because UVA is a bargain compared to other elite universities.

These arguments miss the mark. In the Jefferson Council's analysis, the main driver of tuition increases is higher costs, not insufficient state aid. Making up for cuts in state support accounts for only a third of UVA's tuition increase between 2002 and 2022. Spending increases explain the rest. Instead of raising tuition, the Board should prioritize controlling costs.

The decision of how much to raise tuition & fees ultimately resides with the Board of Visitors. Board members will necessarily rely upon data supplied by the administration. The Jefferson Council has stepped up to provide a source of independent analysis.

We urge you to read this White Paper carefully. It will provide perspectives that you won't get from the administration. Whether you accept our conclusions or not, you'll be better informed to make one of the most important decisions entrusted to the Board.

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Is Stingy State Funding to Blame for Tuition Increases?

Over the past three decades, the General Assembly has fallen into a pattern of slashing state appropriations for higher education during recession-induced rounds of budget belt-tightening and making up only a portion of the cuts during good times. The result has been an incremental but steady erosion in state aid when adjusted for inflation and enrollment.

Between fiscal 2002 and 2022, according to data in UVA's annual reports, the Commonwealth boosted state support to UVA from \$177 million to \$216 million, or 22%. But inflation amounted to 65% and enrollment increased 20%. In other words, inflation-adjusted, per-pupil support from the state declined by about 63%. That's the narrative we usually hear. And it's true, as far as it goes.

But you probably don't know the rest of the story. The 2005 "Restructured Higher Education Financial and Administrative Operations Act" spelled out a new covenant between the state and its universities. The law gave Virginia's public universities more autonomy from state regulations in exchange for greater accountability for meeting state goals such as increasing enrollment and boosting aid to lower-income students. As a tangible benefit, institutions classified as Level III (initially UVA, Virginia Tech and the College of William & Mary) gained more operational flexibility in managing capital outlays, leases, information technology, procurement, and financing/accounting. Freed from many encumbering state regulations, UVA enjoyed an unprecedented opportunity to cut costs.

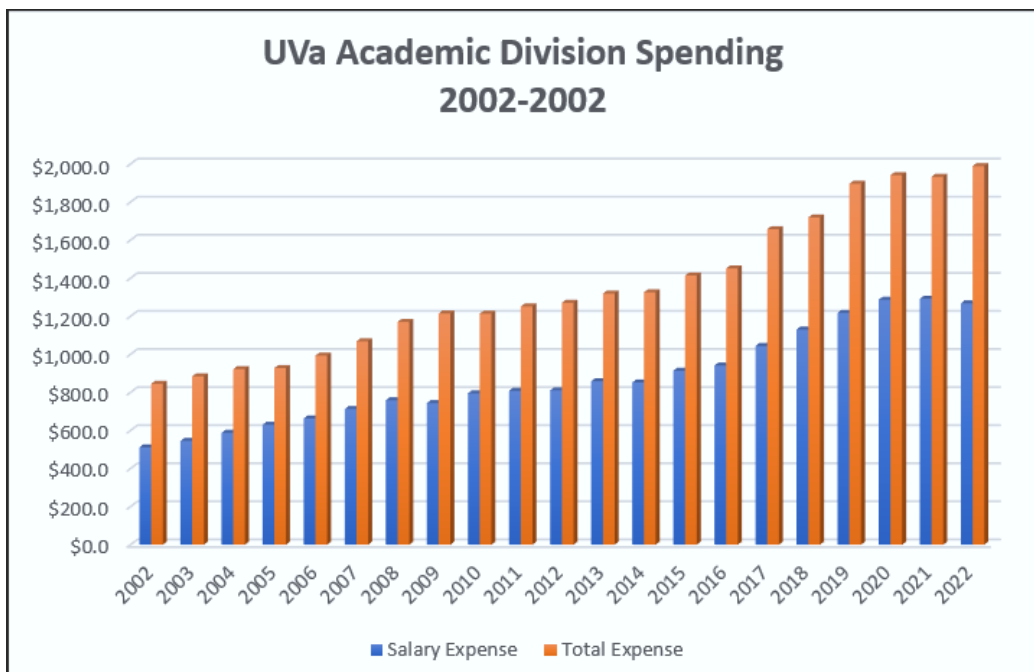
According to a 2017 article in *Bacon's Rebellion*, UVA acknowledged that the Act provided a framework for better long-term planning. At the time the article was written, UVA was implementing a Human Resources initiative, UFirst, designed to eliminate inefficiencies and redundancies such as five different learning-management systems and more than 70 disjointed systems for collecting HR data. The university had downsized its HR staff from 270 to 240 employees and anticipated slimming down by 40 more.

Said then-spokesman Anthony de Bruyn: "We now enjoy a greater degree of autonomy, flexibility, and accountability for our business processes, which has improved the way we work."

To our knowledge, no one has conducted a study to document how UVa (or other institutions) has used its flexibility to reduce spending. UVa’s 2017 HR initiative appears to have been an outlier. The evidence gathered in this white paper suggests that the university has largely neglected cost cutting in favor of rolling out bigger spending initiatives.

The incontrovertible fact is that spending has risen dramatically over the past two decades. If inflation-adjusted spending per pupil had remained constant between 2002 and 2022, it would have risen 85%. In point of fact, according to numbers published in UVa’s annual reports, expenditures increased 135%, suggesting an increase in *real spending per pupil* on the order of 50%.

The graph below shows the increase between fiscal 2002 and 2022 of total expenditures in UVa’s academic division (figures in millions of dollars).



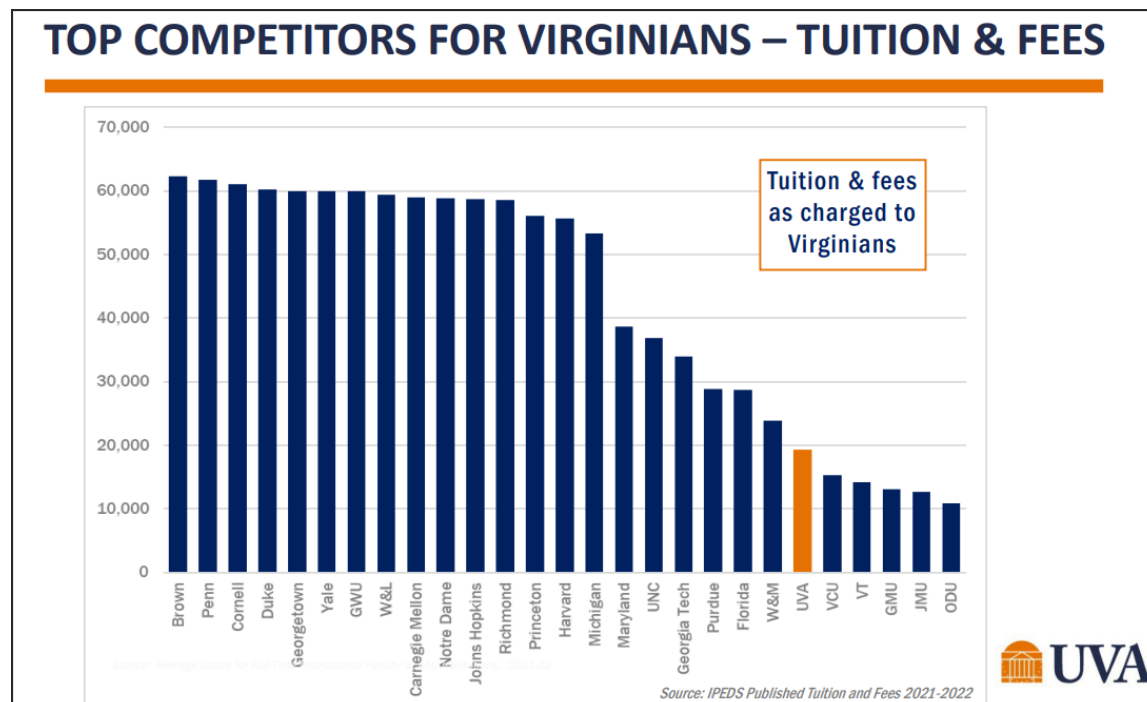
UVa funded most of the increased spending by charging higher tuition, fees, room and board. Total tuition revenue rose from \$178 million in fiscal 2002 to \$669 million in 2022. Had tuition tracked inflation and enrollment, it would have reached only \$339 million. The added revenue amounts to \$330 million.

The decline in state aid was a secondary factor in pushing tuition higher. Had state aid increased in concert with the CPI and enrollment, it would have reached \$327 million. The difference from the actual figure of \$216 million – the state funding gap – can be reckoned at \$111 million.

Thus, the \$111 million state funding gap compares to \$339 million in added tuition revenue. It can be reasonably argued that 33% of tuition increases between 2002 and 2022 was necessary to offset the diminished state support. But the other 67% -- two-thirds -- reflects spending decisions made by successive presidents and Boards of Visitors.

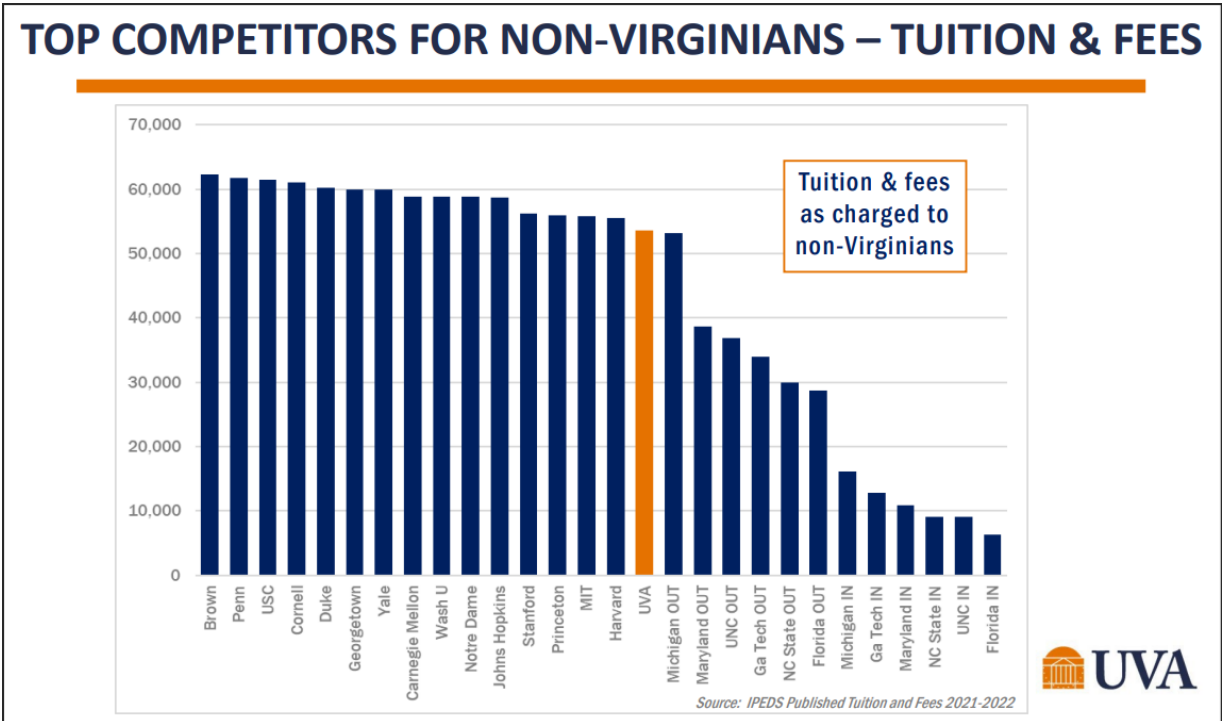
How Does UVa Tuition Compare to Other Universities?

In the October meeting of the Board of Visitors Finance Committee, an hour-and-a-half session devoted to providing “context” for the tuition-setting conversation this fall, administrators presented a graph (displayed below) designed to show that the tuition charged by the University of Virginia is a bargain. The graph compared undergraduate tuition and fees that Virginia residents would have to pay to attend UVa’s top competitors (defined as institutions that applicants are most likely to label as their top alternative to UVa). In this presentation UVa’s in-state tuition compares favorably to most.



But what does this graph really tell us? It compares UVA, which accepts state support, to private universities that get no state support. It compares gross tuition & fees, not net tuition & fees after discounts and financial aid. Private institutions discount tuition heavily for lower-income students; UVA does not. Moreover, it compares UVA's *in-state* tuition with the *out-of-state* tuition charged by other public universities. It may be valid as a measure of how competitive UVA tuition is for Virginia residents, but it says nothing about how well UVA controls its costs.

The following graph shows that UVA fares less well in the competition for out-of-state students. Even here the graph may overstate UVA's competitive position. A comparison of *net* tuition would be a more useful measure.



Graduate School Tuition

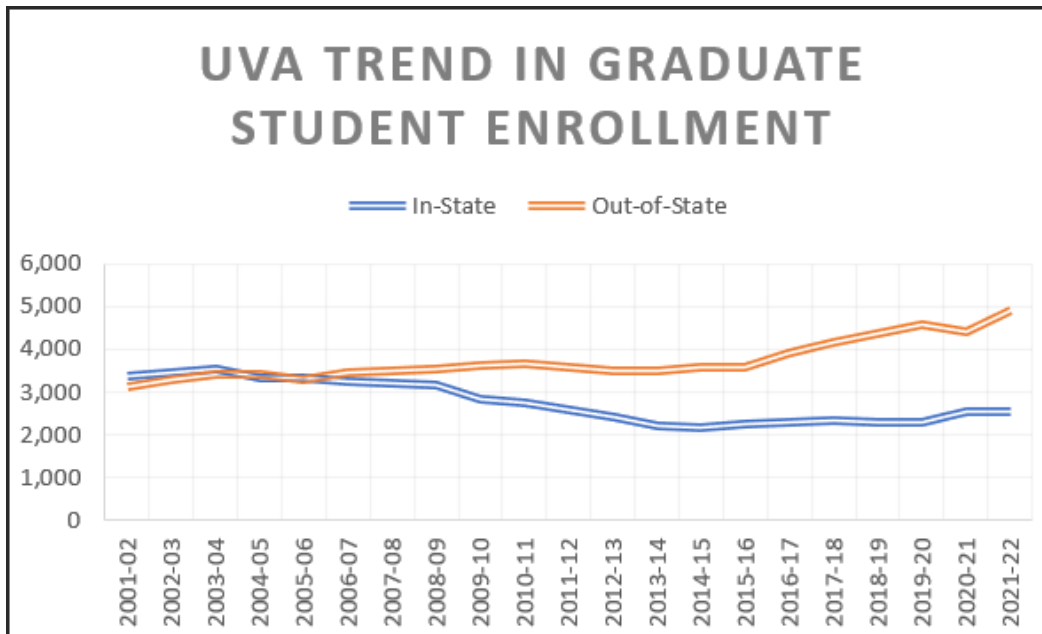
The administration's analysis omits other critical comparisons. What about the graduate students and first-professional students (studying law, business, and medicine) who represent 32% of the student body?

Graduate tuition & fees vary from college to college within UVa, but the price tag for graduate students is substantially higher than for undergraduates; the tuition for out-of-state graduate students is higher than the rate for in-state graduate students.

UVa Graduate School Tuition & Fees, 2023-24			
		Graduate	
School	Undergrad	In-State	Out-of-State
Architecture Master's	\$19,998	\$25,260	\$38,858
Arts & Sciences Master's	\$18,816	\$24,132	\$38,896
Batten graduate programs	\$30,288	\$58,284	\$58,814
Darden MBA		\$75,600	\$78,600
Data Science. M.S.		\$39,842	\$54,436
Education Master's	\$18,828	\$21,804	\$33,386
Engineering Masters	\$28,894	\$23,358	\$37,010
Law J.D.		\$71,200	\$74,200
McIntire M.S. (Commerce)	\$30,336	\$52,880	\$59,944
Medicine MD		\$52,328	\$64,484
Nursing, Master's	\$23,224	\$24,196	\$37,970

With small year-to-year variations, UVa has consistently maintained a two-to-one ratio of in-state to out-of-state undergraduate students for many years. Reducing the percentage of in-state undergraduate students is politically perilous. Virginia lawmakers would hear from constituents if UVa cut the number of undergraduate in-state slots, thus dampening the opportunity to send their offspring to Virginia's flagship university.

By contrast, political blowback from tinkering with in-state/out-of-state ratios for graduate and professional schools has been nil.



In 2002 in-state graduate students at UVa roughly equaled the number of out-of-state graduate students, according to data published by the Institute for Research & Analytics. Around the 2006-07 academic year the ratio began shifting in favor of out-of-state students. Today, the ratio stands at one in-state graduate student for every two out-of-staters.

Presto change-o! A back-door tuition enhancement! Switching from the 1-to-1 in-state/out-of-state ratio that prevailed in 2002 to a 1-to-2 ratio yielded a gain of roughly 1,000 out-of-state students paying, in rough numbers, \$12,000 more on average each year and millions of dollars in added revenue.

(The trend towards out-of-staters has been even more pronounced among “first professional” students. However, because the in-state/out-of-state tuition gap is much smaller, the Jefferson Council does not see the changing mix as having a significant budgetary impact.)

Cost Driver: Payroll

As noted above, academic division spending between 2002 and 2022 increased 50% when adjusted for inflation and enrollment. That spending increase was driven by rising payroll costs. Between 2002 and 2022 the total spending increase for salaries (148%) outpaced the increase in total spending (135%) and was far in excess of inflation + enrollment (85%). This root cause of UVA's soaring costs requires close examination.

Total payroll is a function of two major variables: employee headcount and average compensation per employee. UVA data indicates that headcount increased 19.9% -- in line with the 20.1% increase in enrollment. Thus, soaring payroll costs cannot be attributed to an increased headcount-to-student ratio (unless added hiring was offset by outsourcing, a possibility we will discuss below.) If the headcount-to-student ratio did not increase, the implication is that compensation did.

The increase in payroll did not occur evenly across all categories of employment. I have arranged head-count data published by the university's office of Institutional Research & Analytics, which provides data from the decade from 2012 to 2022:

[Chart found on next page]

Academic division employees						
	2012	2013	2014	2015	2016	2017
Tenured/tenure track faculty	1,511	1,518	1,553	1,575	1,635	1,666
Academic general faculty	912	940	1,019	1,085	1,115	1,177
Admin. Gen. faculty	568	517	468	413	380	353
Total faculty	2,991	2,975	3,040	3,073	3,130	3,196
University staff	200	3,161	3,482	3,776	4,194	4,573
Classified staff	4,879	1,938	1,704	1,427	1,345	1,189
Professional research staff	437	426	410	412	438	446
Total staff	5,516	5,525	5,596	5,606	5,977	6,208
Total employees	8,507	8,500	8,636	8,679	8,107	9,404
	2018	2019	2020	2021	2022	% Change
Tenured/tenure track faculty	1,666	1,681	1,694	1,674	1,690	11.3%
Academic general faculty	1,213	1,265	1,291	1,324	1,355	44.1%
Admin. Gen. faculty	337	319	271	248	213	-58.8%
Total faculty	3,216	3,265	3,256	3,246	3,258	9.5%
University staff	5,059	5,361	5,353	5,404	5,780	82.9%
Classified staff	1,065	931	834	730	600	-69.0%
Professional research staff	528	589	594	559	550	29.1%
Total staff	6,652	6,881	6,781	6,693	6,930	24.4%
Total employees	9,868	10,146	10,037	9,939	10,188	19.9%

Total “staff” increased 25.4% while the number of “faculty” rose only 9.5%. Those numbers may be deceptive, however. UVA has scaled back the number of employees classified as “administrative general faculty” who support or manage the educational mission but generally do not teach. In 2017, the university stopped hiring this type of employee altogether. Consequently, the number has declined sharply, almost 60%, over the decade. Apparently, the responsibilities of these individuals have been transferred to employees classified as “university staff.” Rather than indicating a huge increase in the number of administrators, the surge in the number of staff employees reflects a slow but decades-long transfer of administrative and management authority from the faculty to the staff.

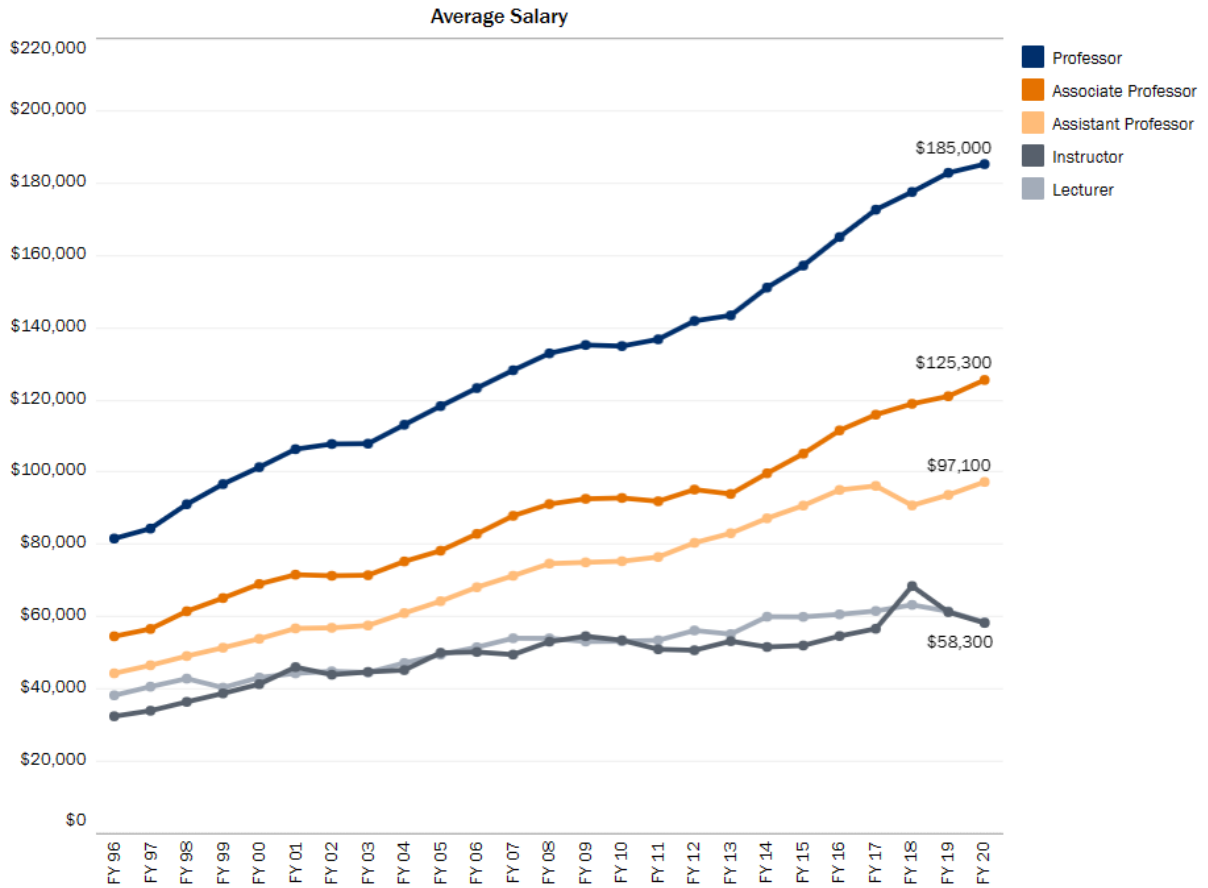
Rather, costs rose because UVA boosted pay for employees. In 2019 the university announced it would pay a minimum “living wage” of \$15 per hour, affecting an estimated 1,400 full-time employees. But the big-ticket expenditure came from increasing pay for tenure-track faculty.

The faculty is a hierarchical organization. Tenure and tenure-track professors represent a caste with higher pay, more job security and better perks than that available to lecturers or instructors in the “general faculty,” most of whom work on short-term contracts. Between 1996 and 2020, according to Institute of Research & Analytics data, there was a close correlation between a professor’s position within the hierarchy – assistant professor, associate professor, and full professor -- and his or her compensation. Tenure-track professors were treated very well over this period, enjoying average salary increases of between 125% to 130%, with only small differences between full, associate and assistant professors. Their pay far exceeded the 64% rise in the Consumer Price Index over that period. By contrast, lowly lecturers and instructors saw salary increases of roughly 50% -- *below* the increase in cost of living.

[Chart found on next page]

Average Salary of Full-Time Faculty

The chart below shows the average salary of full-time instructional faculty from FY 1996-2020.



Figures include faculty who are 50% or more instructional. School of Medicine faculty are excluded. All salaries have been converted to a 9-month basis.

Did tenured faculty deliver greater productivity in exchange for this favorable treatment? Nothing that is visible. As a general rule, lecturers and instructors teach the most classes and the most students, while full professors teach fewer and smaller classes. Academic culture at UVA, as at all elite higher-ed institutions, rewards professors for the quantity and quality of their research as reflected by books and articles published. The end result is that undergraduate students are taught disproportionately by lower-paid faculty members with the least academic prestige.

A critical question for the Board of Visitors is whether or not hiring patterns at UVA exacerbate this disparity. The fact that the number of general faculty increased by 44% between 2012 and 2022 while the number of tenure-track faculty rose only 11% suggests that UVA students are *more* likely today, not less, to take classes taught by junior faculty. It appears that junior faculty are paid less for teaching more, while tenured faculty are paid more for teaching less.

What we don't know – and the Board should demand answers to – is the degree to which the changing mix of tenured vs. non-tenured faculty and the disparate compensation paid to each group fueled growth in UVA payroll costs.

Cost Driver: Mission Creep

The Institute for Research & Analytics website does not publish a comparable graph for administrative employees, so we cannot tell if compensation trends favored senior administrators to the same degree as they favored senior faculty. Inquisitive Board members should consider asking for that information.

However, other data sources shed light on the growth of UVA's bureaucracy. SCHEV publishes data on Education & General expenditures for Virginia's public universities, which excludes auxiliary enterprises, hospitals, and independent operations. According to SCHEV, *inflation-adjusted* Education & General (E&G) expenditures at UVA leaped 29.4% between 2011-12 and 2021-22, far exceeding the 8.8% increase in enrollment over those ten years. In other words, by this measure, real spending per pupil on the academic enterprise rose more than 20% in a decade.

SCHEV breaks down spending into seven broad categories of expenditures. The data shown in the chart below shows that costs increased in administration- and faculty-focused areas such as “institutional support,” “academic support,” and “research” far more rapidly than student-focused endeavors such as “instruction” and “student services.” (For purposes of comparison, the table below includes the comparable change for Virginia’s public four-year institutions as a whole.)

University of Virginia of Virginia E&G Expenditures				
			UVa	Public 4-Year
	2011-12	2021-22	Change	Change
Academic support	\$110.0	\$147.0	33.6%	18.5%
Institutional support	\$47.8	\$71.5	49.6%	44.8%
Instruction	\$295.0	\$345.4	17.1%	20.1%
Public service	\$6.0	\$8.4	40.0%	-9.0%
Research	\$18.5	\$23.9	29.2%	73.2%
Student services	\$37.6	\$43.7	16.2%	22.4%
Operations & Maintenance	\$103.8	\$118.3	14.0%	22.8%
Total	\$618.7	\$800.4	29.4%	25.1%

Academic support. SCHEV defines “academic support” as activities associated with libraries, museums and galleries, audio/visual services, computing support, ancillary support, academic administration, personnel development, and course and curriculum development. Ranked by spending, it is the second largest of the seven categories SCHEV tracks. UVa spending in this category jumped 34% over the decade to \$174 million, significantly faster than the 18.5% rise for Virginia’s 15 public four-year institutions as a whole. The surge was nearly double the state average.

Institutional support. SCHEV defines “institutional support” as activities associated with executive management, fiscal operations, general administrative services, logistical services, and public relations and development. When most people think of “administrative overhead,” they’re thinking of institutional support (although there is plenty of administration embedded in the other categories). UVa spending leaped by 49.6% over the decade to \$71 million, making it the fastest-growing E&G category of all. Spending by Virginia’s other public four-years boomed as well, but by a smaller margin.

Instruction. SCHEV’s definition of “instruction” goes to the heart of the educational mission. Encompassing general academic instruction, remedial instruction, vocational education, and community education, instruction is the largest of the spending categories — \$345 million at UVa. Spending increases in this category (17%) lagged the spending categories focused on faculty and administration, and they lagged the statewide average (20%) as well.

Public service. SCHEV’s definition of “public service” includes a wide array of community services, agricultural extension services, and other community-facing activities. It is also the smallest and least consequential of the spending categories. UVa boosted spending on this category by 40% over the decade, compared to a 9% decline overall, but the sum was only \$8.4 million, thus a minor contributor to escalating costs.

Research. SCHEV defines “research” as activities associated with institutes and research centers, individual or project research, and research relating to agriculture and forestry, coal and energy, environment and water resources, industry and economic development. Research is one of the smaller spending categories, totaling only \$24 million at UVa in 2021-22. Expenditures increased 29% at UVa during the decade, less than half the 73% rate for Virginia’s four-year colleges collectively.

Student services. SCHEV defines “student services” as student-services administration, social and cultural development, counseling and career guidance, student admissions and records, financial aid administration, and student health services. UVa’s student services expenditures totaled \$44 million in 2021-22. Over the 10-year period, spending for these student-facing programs at UVa increased 16%, trailing the 22% increase for four-year-colleges as a whole.

Operations & Maintenance. SCHEV defines “operations & maintenance” as activities associated with the buildings & grounds: administration and supervision, custodial service, building repairs and maintenance, grounds maintenance, energy and utility costs, liability insurance, property rentals, and debt service. At \$118 million, it is UVa’s third-largest E&G budget category. Spending in this category increased 14% over the ten-year period, less than the 23% for Virginia’s four-year colleges as a whole. Spending in this category actually dropped somewhat in recent years.

Board members might inquire whether this decline represents laudatory economies and efficiencies or is attributable to some other factor such as the retirement of debt. Given the building boom currently underway at UVa, they also might ask if the university is adding assets that will jack up future maintenance obligations.

These numbers are a starting point for asking informed questions but tell us only so much. Among other matters, board members should investigate whether changes in the numbers represent a shuffling or reclassification of data from one category to another. They also might ask if the numbers are affected by outsourcing to outside contractors. According to SCHEV data, for instance, UVa’s use of “contractual services” rose from \$126 million to \$136 million during the Sullivan years, and then ballooned to \$209 million under Ryan. The \$73 million jump in outsourcing could explain how the administration has managed to keep employee headcount stable since 2018.

Case Study: Diversity, Equity & Inclusion

Why have expenditures exceeded inflation + enrollment across the board? The answer: mission creep. University leadership is continually adding new missions and expanding old ones.

A major driver of administrative costs in recent years has been the erection of a bureaucracy to administer UVA's Diversity, Equity & Inclusion initiatives. A study by the Virginia Association of Scholars identified 77 University of Virginia employees in 2021 whose positions were explicitly tied to DEI-related programs. Their salaries alone totaled \$7 million. A different study by the Heritage Foundation found 94 DEI employees (including interns). On different occasions, UVA officials have insisted the number is only 40 or 55.

Perhaps the difference can be explained by differing definitions of who counts as a DEI employee. Whatever the precise number, it is only the tip of the proverbial iceberg. In a massive expansion of the university's mission, the Ryan administration has been implementing key recommendations of the Racial Equity Task Force at a cost of tens of millions of dollars.

When the Board formally approved those recommendations in 2020, it asked UVA leadership to assess progress and report to the board on a semi-annual basis. Only one DEI-related presentation has taken place in the past 12 months in which the Jefferson Council has been monitoring Board meetings. Other than a passing reference to the cost of DEI staff salaries, expenditures for DEI and related programs never came up during that meeting. Indeed, despite sharing details with the Faculty Senate late last year and despite a U.S. Supreme Court ruling calling into question the use of racial preferences in college admissions, the administration glossed over multimillion-dollar initiatives to recruit and retain minority graduate students and faculty in its June presentation to the Board with barely a mention.

The Racial Equity Task Force recommendations all remain on the books as Board-approved priorities. But members of the current Board, many of whom have no memory of the 2020 Board action, have no idea how much money UVA is spending on DEI administrators, minority recruitment, minority scholarship programs, and community partnerships training programs geared to racial equity and anti-racism. Nor does the Board have the remotest idea of how these costs have impacted tuition.

Case Study: Student Advising

A more mundane example of mission creep can be seen in the realm of student counseling and advising. The Board addressed the topic in some depth during a presentation in its September 2023 meeting. One key fact was missing from the discussion, however: How have costs increased as the university has expanded the scope of its advising?

Between 2011-12 and 2021-22, according to SCHEV's numbers, inflation-adjusted spending on "student services" increased 16.2%, almost double the 8.8% increase in enrollment over the same period. Student services incorporates a grab-bag of expenditures, including student advising. None of those numbers appeared in the presentation to the Board.

Instead, the administration highlighted what the university is doing to expand student advising. The picture that emerged is that UVA has numerous fragmented initiatives at the school and college level but no coherent university-wide vision. Practices vary widely. The cost of programs was not a consideration significant enough to warrant discussing. With no clear objectives beyond "we want to be the best," officials articulated no logical limit to an endless expansion of programs.

Brie Gertler, vice president for academic affairs, led off the discussion with the observation that UVA has one of the highest retention rates and graduation rates in the country, immediately raising a question: If few UVA students transfer and if the overwhelming majority graduate on time, how is their guidance and counseling deficient?

Rather than express satisfaction, Gertler raised the bar on what should be expected. “We want more,” she said. “We want students to take everything UVa has to offer.” Like what? Well, like internships. And participation in student government and student clubs. UVa should prepare students to “thrive” after they graduate, she said.

Student needs transcend administrative silos, Gertler said. UVa must evolve toward a system of “holistic” advising that encompasses academics, career preparation, belonging and inclusion, and wellbeing, she said. “A struggle in any of these areas affects a student in other areas.”

In 2015 the engineering school embarked upon an initiative to make advising and support services more readily accessible. According to Engineering Dean Jennifer West, first-year engineering students see their advisor twice a week during the first semester. If students don’t get along with their advisor, the engineering school allows them access to two free-floating “student success counselors.” The arrangement was deemed so successful, the school is adding enhancements such as boosting the frequency of contacts with faculty advisors, adding more career development programming, and giving first-year advisors monthly training sessions.

Sounding a rare discordant note, Christa Davis Acompora, dean of the College of Arts & Sciences, said in her presentation that the system for pre-major advising in the College “is not working.” Moreover, she added, the path forward “is not entirely clear.” The problem is not an insufficient number of advisors and counselors -- “a lot of people are dedicated to advising already, she said – but the fact that they are “not very well connected.” The people doing the advising are not well trained, she added, and they aren’t incentivized for success.

How much has the budget for advising and counseling increased? Administrators did not volunteer that information, and no one asked for it.

Other Questions

There are many other topics worth examining but we cannot address them because we know of no public data to draw upon. Only the administration can provide the answers.

- What is the “cost” of providing an education to UVa students? Does that cost vary by discipline? What are the components of that cost? And what is the relationship between cost and tuition? Should students pay only what it costs to educate them, or should their tuition support initiatives that don’t benefit them directly?
- To what extent does the “cost” of education reflect subsidies and cross-subsidies to others than the tuition payer? How much, for example, goes to providing financial aid for lower-income students? How much financial aid supports the recruitment of out-of-state students?
- To what degree, if any, does tuition-generated revenue support the granting of fellowships to graduate students? To what extent are fellowships used as an enticement to support grant-funded research at UVa?
- What impact does the current structure of tuition/financial aid have on socioeconomic diversity? In particular, are middle-class families getting priced out of the market?

These are not questions that preoccupy UVa administrators. But conscientious board members should want to know the answers.

Conclusion

The Board of Visitors Manual explicitly confers upon the Board the authority to fix tuition and fees, approve the annual budget, and formulate long-term plans. In pursuing these duties, it is important to view tuition in the context of the expenditures it is designed to support, and it is necessary to understand the forces – mission creep, spreading bureaucratization, rising payroll costs, teaching productivity of senior faculty, invisible subsidies and cross-subsidies – that drive those expenditures.

Our goal in presenting this white paper is to stimulate robust discussion. We don't know the answers to all the questions we raised. But the UVa administration, which has invested in a state-of-the-art financial information system, can readily find the answers. Neither do we pretend to have a monopoly on insight. We welcome the presentation of other data and alternate interpretations. We hope board members do not see this paper as an attack on the university but an opportunity to engage with the administration in a spirit of rigorous inquiry in one of the most important decisions the Board will make.