

WHY WE'RE HERE TO VISIT

Thank you for your time today, and thank you for your support for higher education. We and our fellow business leaders — members of the Virginia Business Higher Education Council (VBHEC) — are visiting state government leaders now for the same reason we launched “Growth4VA” two years ago:

We believe *college affordability* and *Virginia’s talent needs* are top issues facing our Commonwealth today. The key to both challenges—and to Virginia’s economic future—lies in renewed higher education investment, institution-specific reforms, and stronger partnerships between business, our colleges, and the Commonwealth.

OUR GOAL: AFFORDABLE PATHWAYS TO MARKETABLE DEGREES AND GOOD JOBS

The affordability and talent issues both come down to this: *Virginians need affordable access to high-quality degrees and industry-recognized credentials that lead to good first jobs and resilient careers in a dynamic and growing innovation economy.*

As business people, we see this as a key for our future and are urging the General Assembly and Governor to address these challenges now by increasing our higher education investment, enabling institution-specific reforms, and promoting business partnerships that address talent and innovation.

The urgency of improving college affordability in Virginia—a low-state-support/high-tuition state—is compounded by the commitments made to Amazon and other Virginia employers, large and small, who rely on our top-ranked higher education system for the talented workforce they need to compete and grow.

AMAZON’S MESSAGE: HIGHER EDUCATION IS VIRGINIA’S TOP ASSET

Virginia’s top-ranked higher education system is our chief competitive advantage. That was the resounding message delivered by Amazon, which chose Virginia for a headquarters investment that will create at least 25,000 high-paying jobs and generate more than \$3.2 billion in net tax revenue over the next 20 years. Here’s why Virginia won despite greater financial offers from other states:



LANDING AMAZON: VIRGINIA’S EDUCATION INVESTMENTS MADE ITS HQ2 INCENTIVE PACKAGE STAND OUT

... the hallmark of Virginia’s incentive package was a \$1.1 billion investment in higher education during the next 20 years. ... Virginia’s focus on developing a talent pipeline “did make the proposal stand out,” says Holly Sullivan, Amazon’s director of worldwide economic development, who led the company’s site selection team. Sullivan told Virginia Business, “We looked at the talent from day one: what’s here, how to build the talent pipeline and the migration of people moving into the region to see what those skill sets were.”

RECOMMENDATIONS

INVEST IN AFFORDABILITY AND TALENT

PROMOTE INSTITUTIONAL INITIATIVES AND BUSINESS PARTNERSHIPS

1. REINVEST IN AFFORDABLE ACCESS FOR ALL VIRGINIANS

The Governor and General Assembly made forward-looking, bipartisan investments in college affordability, access, and talent development three years ago, but had to reduce the investment by \$88 million due to an unexpected budget shortfall. Now that the state's fiscal condition has rebounded, that crucial investment should be restored to the fullest extent possible. We offer several related strategies to tie these investments to improvements in college affordability for Virginians:

- ✓ **FINANCIAL AID AND TUITION ASSISTANCE GRANTS (TAG):** Increase financial aid funding for Virginia students at public higher education institutions and TAG grant funding for Virginia students at non-profit private colleges and universities in order to enhance social mobility, relieve the middle-class tuition squeeze, and reduce student loan debt.
 - **\$15.5M** in the Governor's proposed 2019-20 budget for **Financial Aid** at public colleges and universities; recommend increasing if possible
 - **\$5.2M** in the Governor's proposed 2019-20 budget for **TAG Grants** at private colleges
- ✓ **INTERNSHIPS AND AFFORDABLE PATHWAYS:** Promote affordable pathways to college, and from college to Virginia-based employment, through significantly expanded internship and work-study opportunities, and through incentives for more alternative degree pathways, including community college transfer and online programs.
 - **SB1628/Dunnavant** (innovation internship fund and pilot program)
 - **Item 143 #4s/Dunnavant** (\$500,000 for Innovative Internship Fund)
- ✓ **TUITION MODERATION INCENTIVE FUNDING:** Provide increased operating support for Virginia's higher education institutions in the form of institution-specific tuition moderation incentives (see *Institutional Partnership Performance Agreement recommendation below*).
- ✓ **HIGHER EDUCATION RESERVE:** Use non-recurring state revenues to provide initial funding for a higher education reserve fund, and establish a mechanism for annual state investments in the fund during periods of economic and revenue growth. The 2001/2008 recessions together caused state support for higher education to plummet by approx. 50% on a per-student, constant-dollar basis, resulting in large tuition increases.
 - *If funded in the near future, a higher education reserve will help stabilize state support to protect Virginians against tuition spikes and enable our colleges and universities to make longer-term affordability plans and commitments.*

2. STRATEGIC TALENT DEVELOPMENT— ALIGN INSTITUTIONAL INITIATIVES WITH STATE PRIORITIES

As Amazon's recent decision shows, Virginia's chief advantage in the competition for new job-creating investments is our higher education system. A core strength of that system is its variety, with entrepreneurial institutions that have varied missions and brands, diverse student populations,

distinctive strengths, and the latitude to innovate and improve. To develop talent needed in areas of strategic growth opportunity for Virginia, our colleges, universities, and community colleges must be full partners that are well aligned with state economic priorities.

- ✓ **INSTITUTIONAL PARTNERSHIP PERFORMANCE AGREEMENTS:** Expand the current six-year planning process to culminate in institution-specific partnership performance agreements that address major initiatives and mutual commitments (state investment and institutional performance) relating to (1) student affordability, access, and outcomes, (2) key state priorities on talent development, research/startups, and economic development, and (3) business partnerships and institutional reforms to improve performance and control costs.
 - **HB 2653/Cox**
 - **SB 1628/Dunnavant**

- ✓ **TECH TALENT PIPELINE INVESTMENTS:** Establish and invest in a new state fund that will support increased bachelor's and master's degree attainment in computer science, information technology, and other high-demand areas that are state priorities for talent development. Provide for institution-specific commitments and funding based on performance, and integrate the program into the Institutional Partnership Performance Agreement process to be created by HB2653 (Cox) and SB1628 (Dunnavant).
 - **SB1617/Ruff**
 - **HB2490/Rush**
 - **\$8.3M** in the Governor's proposed 2019-20 budget (Item 475.U.);
recommend increasing if possible

3. EXPAND BUSINESS PARTNERSHIPS— RESEARCH/STARTUPS AND INTERNSHIPS

University-based research can produce a high return on investment, but Virginia's efforts to promote university-based research and translate discoveries into marketable new products and processes and new business startups require a much more strategic alignment between business, higher education, and state government. Similarly, only through much stronger partnerships with Virginia employers, including internships and similar workplace opportunities, can we reverse the out-migration of college graduates that has been holding our Commonwealth back in recent years.

- ✓ **RESEARCH REORGANIZATION:** Establish a new authority led by a board that includes business representation to expand state support for university-based research and commercialization activities, encourage entrepreneurship, and align the investments with state and regional economic development strategies.
 - **HB2250/Jones-Sickles**
 - **SB1651/Howell**
 - **SB1597/Saslaw**

- ✓ **INNOVATION INTERNSHIP FUND:** Increase pilot program funding for development of Virginia-based internship opportunities, and create a business advisory group to ensure the program is broadly viable for Virginia employers, especially in high-growth sectors.
 - **SB1628 and Item 143 #4s/Dunnavant**

VIRGINIA'S TOP-PERFORMING HIGHER EDUCATION SYSTEM BY THE NUMBERS

#1 - Virginia higher education system's national ranking by "SmartAsset" based on graduation rates and return on investment

\$21 - generated in the Virginia economy by every \$1 of higher education investment

167,000 - jobs the public higher education system supports

\$36 billion - the Virginia higher education system annual contribution to Virginia's economic output

93% - Virginians who say we should be proud of our top-performing higher education system

87% - Virginians who believe higher education is a good investment because it leads to higher incomes and a stronger economy

88% - Virginians who say our colleges and universities "are a valuable public, are well run, and are a sound place to invest public dollars

BOTTOM 14 & TOP 10 - among the 50 states, Virginia now ranks in the bottom 14 for state support of higher education. Virginia relies more heavily on tuition, ranking in the top 10 highest tuition states.

Thanks again! We appreciate your longstanding support for higher education and believe now is a crucial time for Virginia to invest in affordability and talent. We in the business community are ready to be active and contributing partners in this effort.

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Preston White

John O. Wynne

QUESTIONS OR COMMENTS?

Please contact Dr. Don Finley, VBHEC president, at djfinley@vbhec.com / (804) 249-2889.