

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number HB574

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Hamilton

3. Committee Education

4. Title In-state tuition for spouses and dependents of certain military personnel.

5. Summary/Purpose:

Currently, spouses and dependents of members of the armed forces stationed in Virginia who are legal residents of other states are eligible for in-state tuition charges under the following circumstances:

- i) When the student is a child of a military person, the non-military parent must have worked full time and paid income taxes in Virginia for at least one year, and must claim the student as a dependent for Virginia and federal income tax purposes.
- ii) When the student is a spouse of a military person, he or she must have worked full time and paid income taxes in Virginia for at least one year.
- iii) When the student is a child or spouse of a military person, the student is entitled to in-state tuition charges for a maximum of one year while the parent or spouse is stationed in Virginia. Following this first year of eligibility, the student may retain eligibility under conditions i) or ii). This provision allows students to begin their education at in-state rates while completing the one-year requirements to retain eligibility. [This provision is suspended by the current appropriation act.]

The proposed legislation limits such eligibility to spouses and dependents of *active, enlisted, non-officer* members of the armed forces who are stationed in Virginia. It removes the requirements regarding working and paying income taxes in Virginia, and requires that the non-military parent or spouse be a registered voter in Virginia. The bill specifies that the student, if a child of military personnel, must be claimed as a dependent for income tax purposes by the member of the armed forces, rather than the non-military parent. Finally, the bill removes condition iii) above, which would no longer be necessary given the changes in i) and ii).

6. Fiscal Impact Estimates are: preliminary. See item 8.

7. Budget amendment necessary: No.

8. Fiscal implications: The introduced budget eliminates the suspension of the current § 23-7.4:2 iii., and thus makes military dependents and spouses eligible for in-state tuition and fee rates for one year. The cost of this measure when fully implemented is uncertain as the most recent data on this topic are from the early 1990s. The potential costs comprise lost revenue, due

to the differential between tuition and fee rates for in-state students versus those for out-of-state students, and possible additional costs due to increased numbers of military family members taking advantage of this opportunity. The budget includes \$2 million in general fund support in FY 2005 to begin phasing in funding for this initiative. The intent is to gather data on the actual costs of this program, and consider additional funding, if required, for FY 2006.

The proposed legislation would eliminate the existing one-year provision, and would make most military spouses and dependents eligible for in-state tuition for the duration of their education, as long as the military member is stationed in Virginia. Some military dependents and spouses who would lose their eligibility for in-state tuition and fee rates after one year under the existing rules would maintain that eligibility for four or more years under the proposed legislation. However, it is difficult to predict how many individuals fit this category. Based on the data from the early 1990s, the cost of the proposed legislation could exceed \$8 million. To the extent that the General Assembly does not provide general fund support to offset these costs, the institutions would have to absorb the costs by reducing expenditures, implementing general increases in tuition and fee rates, or performing a combination of these actions.

9. Specific agency or political subdivisions affected: Potentially all public institutions of higher education, with the largest impacts on Christopher Newport University, Old Dominion University, George Mason University, and several community colleges.

10. Technical amendment necessary: No.

11. Other comments: None.

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cc: Secretary of Education