

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number HB2222

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 Rust

3. Committee Education

4. Title Student Financial Security Program.

5. Summary/Purpose: Creates the Student Financial Security Program and Fund to provide supplemental funding for need-based, state-funded financial aid at two- and four-year public institutions of higher education in the Commonwealth. The funding is designed to ensure that resources for student financial aid programs based in whole or in part on need are available to offset tuition increases at the various public institutions.

The bill directs the State Council of Higher Education (SCHEV) to establish guidelines and procedures for (i) determining the amount of Fund moneys necessary to ensure offsetting of financial needs, and (ii) the disbursement of fund to the various public institutions of higher education.

6. Fiscal Impact Estimates are: Preliminary. See Line 8.

7. Budget amendment necessary: Yes (to meet 50 percent of remaining financial need for students).

8. Fiscal implications: The proposed legislation creates a special non-reverting fund, the Student Financial Security Fund, to supplement existing funds and to offset any unmet financial need created by tuition increases at the public institutions of higher education. The Fund is to be established on the books of the State Comptroller and any funds remaining at the end of the fiscal year shall not revert to the general fund, but remain in the Fund. In addition, any interest generated on the account shall remain in the Fund.

At present, funding for student financial aid is provided in a stand alone program (Higher Education Student Financial Assistance – Program 108) in the appropriation act. This funding can be carried forward between fiscal years if not fully expended, and has never been subject to budget cuts during revenue downturns. Based on a formula calculated by SCHEV, state policy has been to fund 50 percent of a student's remaining financial need to attend a college or university in the Commonwealth. Currently, funding for student financial aid enables colleges to cover about 32 percent, on average, of remaining need. However, five schools fall below 30 percent of need (Christopher Newport, George Mason, Longwood, University of Virginia's College at Wise and the Community College System). The current

percent of need met ranges from 27.8 percent at the Community College System to 45.6 percent at Virginia Military Institute.

The Governor's budget, as introduced, provides \$6.7 million in additional funding to cover a seven percent tuition increase to maintain the current level of need met and ensure that all institutions meet a minimum of 30 percent of remaining need in 2006. The State Council of Higher Education estimates that \$70.0 million would be required, if phased-in over three years, to meet 50 percent of remaining need at all institutions of higher education. This figure assumes an average of seven percent tuition increases each year.

9. Specific agency or political subdivisions affected:

Institutions of higher education
State Council of Higher Education
Department of the Treasury/State Comptroller

10. Technical amendment necessary: No.

11. Other comments: House Bill 2222 is identical to Senate Bill 757.

Date: 01/27/05/aps

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cc: Secretary of Education