

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number SB757

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

2. Patron Houck

3. Committee House Appropriations

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 annually determine procedures the amount necessary to ensure need neutrality.

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

7. Budget amendment necessary: Funding is contingent upon an appropriation to support the program. The substitute bill provides that funding should be included in each institution's appropriation for undergraduate student financial assistance to ensure need neutrality and is subject to funds appropriated for this purpose.

8. Fiscal implications: 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 45.6percent 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

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 02/14/05/aps

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cc: Secretary of Education