

Department of Planning and Budget 2006 Fiscal Impact Statement

1. **Bill Number** HB1293

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron** Saxman

3. **Committee** Education

4. **Title** Virginia Early Graduation Incentive Grant Program.

5. **Summary/Purpose:**

The proposed legislation establishes the Virginia Early Graduation Incentive Grant Program. The purpose of this program is to provide grants to Virginia students who complete their undergraduate degrees within three years from enrolling in college, and who subsequently enroll in graduate programs to prepare for careers in professions for which Virginia faces workforce shortages. The students must also agree to work in Virginia for at least three years after receiving their graduate degrees. Students who meet these criteria are eligible for grants for up to two years (or the equivalent number of credits.) The State Council of Higher Education for Virginia (SCHEV) is designated as the administering agency for the program and must promulgate regulations for the disbursement of grants and the administration of the program.

6. **Fiscal Impact Estimates are:** Preliminary. See item 8.

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	\$0	0	0
2006-07	\$107,724	1.0	General or combination
2007-08	\$163,106	1.0	General or combination
2008-09	\$152,028	1.0	General or combination
2009-10	\$146,172	1.0	General or combination
2010-11	\$134,559	1.0	General or combination
2011-12	\$118,693	1.0	General or combination

7. **Budget amendment necessary:** Yes. Although the program may be created with no funding, a budget amendment is necessary to administer the program and award incentive grants.

8. **Fiscal implications:** The proposed legislation does not specify a grant amount, and it may be assumed that grant amounts will vary based on available funding. However, for the purpose of providing an estimate of the fiscal impact, the following assumptions were made to derive the figures in item 6 above:

- a) There will be savings from avoided subsidies to students who graduate from their undergraduate programs in three years. However, the savings will come from students who achieve early graduation as a result of this program, i.e., over and above the baseline number of early graduates. In the short run and for the foreseeable future, the costs of grants for the baseline number of early graduates will outweigh the savings from the additional students who achieve early graduation as a result of this program. Savings are calculated for one year. It is unlikely that students who would otherwise have taken five years to graduate would be able to reduce their time to graduation by 40 percent. However, it is possible that students on the four-year plan would be able to graduate within three years, with adequate planning in high school and the first years of college.
- b) The number of students who graduate in three years will increase by 10 percent per year as a result of this program (80 percent of the growth) and from overall growth in enrollment and in Advanced Placement, Dual Enrollment and other senior year initiatives (20% of the growth). (There were 210 such students in 2004-05.)
- c) The proportion of these students who enroll in graduate programs in shortage fields will increase by 10 percent per year as a result of this program. (The proportion in the current year is about 13 percent.)
- d) The three-year graduates entering eligible programs in Virginia meet the other eligibility criteria, i.e., they maintained a 3.0 GPA in their undergraduate studies, they qualify for Virginia resident status and they plan to work in Virginia after completion of their graduate studies.
- e) The per capita grant award is equivalent to the current Tuition Assistance Grants (TAG) for graduate students, with an escalation of five percent per year. If full funding of graduate program costs is anticipated, the fiscal impact may be much greater.
- f) Students will utilize the grants for two consecutive years for full-time study.
- g) The selected shortage fields for this analysis include specialties in education, health care and biomedical sciences. To implement this program, SCHEV will have to formally establish shortage fields and eligible academic programs.
- h) SCHEV will require one additional position to administer this program.

Any changes in these assumptions will produce corresponding changes in the fiscal impact estimate above.

9. Specific agency or political subdivisions affected: State Council of Higher Education for Virginia (SCHEV).

10. Technical amendment necessary: The language regarding receipt of an undergraduate degree within three years could be interpreted to mean the degree was awarded within the last three years, i.e. the student would be eligible for a grant up to three years from receipt of the undergraduate degree. The intent of the patron is that the degree be awarded within three years from initial enrollment in college. This language could be clarified to avoid the alternative interpretation. In addition, the language does not limit eligibility for grants based on when the undergraduate degree is received. If the intent is to create an incentive for students who are currently in college or who will enter college in the future, the language should be clarified to exclude students who received their degrees prior to enactment of this legislation.

11. Other comments: None.

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cc: Secretary of Education