

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number HB682

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 to provide supplemental funding for state-funded, need-based 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.

6. Fiscal Impact: Preliminary. See Line 8.

7. Budget amendment necessary: Yes, Item 143.

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.

Funding for student financial aid is presently provided in a stand alone program (Higher Education Student Financial Assistance) in the budget. 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 historically been to fund 50 percent of a student's remaining financial need to attend a college or university in the Commonwealth.

The Governor's proposed 2006-2008 budget includes an increase of \$10.9 million each year for need-based financial aid for undergraduate students. This funding is based on a new "Partnership

Model” supported by SCHEV to target aid to the students with the greatest financial need. This also provides funding to allow for a minimum gain of 8 percent and a maximum gain of twenty percent. The average increase is 12.9 percent. This increase is sufficient to cover tuition increases in the next biennium. It should be noted that under the 50 percent of the remaining need or Partnership Model, over \$100 million dollars per year would be needed to fully address the policy goals required under these models. In the proposed 2006-2008 biennial budget, a total of \$95.1 million in general fund support is provided for undergraduate financial assistance.

9. Specific agency or political subdivisions affected: Public colleges and universities, State Council of Higher Education for Virginia, Department of the Treasury/State Comptroller.

10. Technical amendment necessary: No

11. Other comments: Companion bill: SB 94

Date: 2/8/06/rsa

cc: Secretary of Education