

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: HB1605

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Hugo

3. Committee: Education

4. Title: Admission of in-state students at public institutions of higher education

5. Summary: Provides that the board of visitors or other governing body of each public institution of higher education, except for the Virginia Military Institute, Norfolk State University, and Virginia State University, establish rules and regulations by the start of the 2018-2019 academic year, to require at least 75 percent of the students admitted and enrolled at the institution be Virginia domiciles.

6. Budget Amendment Necessary: If this policy were implemented today, four institutions would require additional general fund support to meet the 75 percent requirement by the 2018-2019 academic year. The financial cost to the Commonwealth could increase each year until the policy is implemented.

7. Fiscal Impact Estimates: Preliminary. See Line 8.

8. Fiscal Implications: Currently four institutions of higher education, which have not been exempted, fall below 75 percent of in-state students in total enrollment. See table below.

Institutions with Less than 75 Percent of Total In-State Enrollment

Institution	Fall 2012 Headcount Enrollment			
	In-State	Out-of-State	Total	% of In-State
College of William and Mary (CWM)	5,099	3,159	8,258	61.7%
James Madison University (JMU)	14,446	5,481	19,927	72.5%
University of Virginia (UVA)	14,490	9,417	23,907	60.6%
Virginia Tech (VT)	21,479	9,608	31,087	69.1%

Source: State Council of Higher Education

Per §4-2.01 b.3.b) of Chapter 3, the 2012 Appropriation Act, the state share of educational costs for in-state students should seek to fund 67 percent from the general fund and 33 percent from tuition and fees, while out-of-state students are supported 100 percent from nongeneral funds.

If these four institutions are required to increase in-state student enrollment in order to reach an in-state ratio of 75 percent by 2018-2019, it could cost the Commonwealth an additional \$51.1 million to support increased in-state student enrollment. See table below:

Estimated Cost to the Commonwealth If 75% Policy Implemented Today

Institution	Total Student Enrollment Fall 2012	Required In-State Students @ 75% Provision	Actual In-State Students Fall 2012	# of Students to reach 75% Provision	General Fund Support per In-State FTE*	Required Annual General Fund Support	In-State/ Out-of-State Undergraduate Tuition Difference (FY2013)	Tuition Revenue Loss
CWM	8,258	6,194	5,099	1,095	\$7,400	\$8,098,861	\$23,774	\$26,020,643
JMU	19,927	14,945	14,446	499	\$4,746	\$2,369,607	\$13,988	\$6,983,509
UVA	23,907	17,930	14,490	3,440	\$8,389	\$28,860,346	\$26,012	\$89,487,783
VT	31,087	23,315	21,479	1,836	\$6,431	\$11,809,049	\$14,992	\$27,529,060
Total	83,179	62,384	55,514	6,870		\$51,137,863		\$150,020,995

*Source: State Council of Higher Education. Based on FY2014 general fund appropriations in the Governor's introduced 2012-14 budget amendments and projected FY2014 enrollment.

The table also shows that institutions will lose tuition revenue by changing the enrollment mix from out-of-state to in-state students due to the difference between in-state and out-of-state charges. This would occur if in-state was traded for out-of-state students. If new in-state students are added and given that additional general fund appropriations can cover only a portion of the cost under this proposal, it is possible that these institutions would increase their tuition and fees to cover the difference.

Given that the impacted institutions are already charging well above 100 percent for the cost of out-of-state tuition, it is uncertain if institutions could price themselves out of the market and lose more out-of-state students which may further impact the institution's ability to cover its educational costs. The following table shows the percent of the cost of education presently covered by out-of-state students at the four impacted institutions.

**Cost of Education
Out-of-State, FY 2013**

Institution	Percent of Costs
CWM	146%
JMU	154%
UVA	162%
VPI	134%

Source: State Council of Higher Education

Also, institutions could increase their in-state ratio without adding any additional in-state students since it may be more cost beneficial for an institution to decrease out-of-state students and reduce operations, than to add in-state students to the present enrollment mix.

9. Specific Agency or Political Subdivisions Affected:

College of William and Mary
University of Virginia

James Madison University
Virginia Tech

10. Technical Amendment Necessary: No.

11. Other Comments: The legislation does not specify if the 75 percent policy applies only to in-state undergraduates or total in-state enrollment. This analysis assumes that the policy applies to total in-state enrollment.

House Bill 1605 is identical to House Bill 1700.

Date: 1/22/13

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