

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB144 (REVISED)

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

2. Patron: Hugo

3. Committee: Education

4. Title: Admission of in-state undergraduate 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, must establish rules and regulations by the start of the 2019-2020 academic year to require that at least 75 percent of undergraduate students admitted and enrolled at the institution be Virginia domiciles. Any dollars lost by an institution as a result of this legislation shall be recovered by increasing charges to out-of-state students.

6. Budget Amendment Necessary: Yes, if this policy is adopted, the four affected institutions may require additional nongeneral fund appropriations. In addition, if the affected institutions decide to increase in-state enrollment implement the provisions of this legislation, there is an undetermined general fund impact.

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 In-State Undergraduate Enrollment

| Institution | Actual Fall 2013 Headcount | | | |
|-----------------------------------|----------------------------|--------------|--------|---------------|
| | In-State | Out-of-state | Total | % of In-State |
| College of William and Mary (CWM) | 4,172 | 2,099 | 6,271 | 66.5% |
| James Madison University (JMU) | 13,452 | 4,979 | 18,431 | 73.0% |
| University of Virginia (UVA) | 10,754 | 5,332 | 16,086 | 66.9% |
| Virginia Tech (VT) | 17,528 | 6,506 | 24,034 | 72.9% |

Source: State Council of Higher Education

Per §4-2.01 b.3.b) of Chapter 806, the 2013 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 were required to increase in-state student enrollment in order to reach an undergraduate in-state ratio of 75 percent, charges to out-of-state students would have to increase an additional \$61.3 million to cover the loss of out-of-state revenue as noted on the following table.

Estimated Additional Cost to Out-of-State Students

| Institution | 2013-2014 E&G Tuition and Fees | | | # of Students to Reach 75% Provision | Revenue Replacement | |
|--------------|--------------------------------|-----------------------------|---|--------------------------------------|----------------------------|--|
| | In-State Tuition and Fees | Out-of-State Tuition & Fees | In-State/ Out-of-State Tuition Difference | | Total Tuition Revenue Loss | Required Tuition Increase from Out-of-State Students |
| CWM | \$10,531 | \$33,508 | \$22,977 | 531 | \$12,206,531 | 38% |
| JMU | \$5,104 | \$19,582 | \$14,478 | 371 | \$5,374,958 | 6% |
| UVA | \$10,460 | \$37,846 | \$27,386 | 1,311 | \$35,889,353 | 44% |
| VPI | \$9,704 | \$25,459 | \$15,755 | 498 | \$7,838,113 | 17% |
| TOTAL | | | | | \$61,308,954 | |

Source: State Council of Higher Education

Given that 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 2014**

| Institution | Percent of Costs |
|-------------|------------------|
| CWM | 146% |
| JMU | 156% |
| UVA | 161% |
| VPI | 150% |

Source: State Council of Higher Education

The average annual increase for out-of-state undergraduate student tuition over the past five years was 5.8 percent at the University of Virginia and Virginia Tech, 5.3 percent at the College of William and Mary, and 4.6 percent at James Madison University. The additional out-of-state tuition increase to meet the 75 percent provision would be on top of the annual tuition increases approved by each of the affected institutions.

Also, as a result of losing out-of-state students, it is possible institutions can increase the in-state ratio without adding any additional in-state students (e.g. it may be cheaper for an institution to decrease out-of-state students and reduce operations, than to add in-state students to the present enrollment mix).

While it appears the legislation was intended to push the financial impact from the general fund to tuition and fee revenue, if the affected institutions increase the number of in-state students to meet the 75 percent requirement, it could create a significant general fund impact. Given the uncertainty of decisions by the affected institutions, a financial impact cannot be determined at this time.

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 Fiscal Impact Statement (FIS) has been revised to reflect data on only undergraduate students. The previously issued FIS inadvertently included all students in the calculations.

Date: 1/29/14