

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: HB2268

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: Hugo

3. Committee: Education

4. Title: Prepaid tuition contracts; differential tuition.

5. Summary: Relieves the qualified beneficiary of a prepaid tuition contract offered by the Virginia College Savings Plan from the obligation to pay differential tuition at a public institution of higher education. The bill defines differential tuition as the difference between the higher quarter, semester, or term charge imposed for undergraduate tuition in a particular academic program by any two-year or four-year public institution of higher education in the Commonwealth and the standard quarter, semester, or term charge imposed for undergraduate tuition by such institution.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Fiscal impact is indeterminate. See Item 8.

8. Fiscal Implications: The state fiscal impact is indeterminate. The bill provides that beneficiaries of Virginia College Savings Plan (VA529) prepaid tuition contracts shall not be obligated to pay differential tuition at public higher education institutions. The VA529 prePAID Program provides prepaid tuition contracts to prepay future tuition costs. These contracts cover the costs of tuition and mandatory fees that are assessed to all students; however, contracts do not cover the cost of differential tuition or other types of fees which are not charged to all students.

With the beneficiary not obligated for differential tuition costs, language in the bill is unclear what other party, if any, would be responsible for paying differential tuition. If schools must forego charging differential tuition to prePAID beneficiaries, two Virginia higher education institutions, James Madison University (JMU) and the University of Virginia (UVA), are expected to be affected. JMU would experience an estimated revenue loss of \$331,200 per year and an estimate from UVA has not yet been received. Alternatively, if the prePAID Program becomes responsible for differential tuition, such costs may negatively affect the actuarially funded status of the program. Actuarial assumptions would likely be modified to account for the additional obligations imposed by differential tuition. Increases in estimated obligations would likely result in increased contract costs for new purchasers, which are determined by the program's actuarially funded status.

Only two Virginia higher education institutions, James Madison University (JMU) and the University of Virginia (UVA), currently assess additional charges for specific academic programs under the term “differential tuition.” According to JMU, differential tuition charges applied to 312 students in academic year 2014-2015 who were beneficiaries of the prePAID program. For the 312 students, total differential tuition charges amounted to \$196,200. A new tuition differential for the JMU nursing program is scheduled to be implemented for the fall of 2015, which is estimated to affect approximately 50 prePAID beneficiaries, for which \$135,000 total differential charges would be assessed. An estimate from the University of Virginia has not yet been received.

Other institutions charge additional fees for specific academic programs which may not be considered differential tuition under the bill’s definition. Depending on whether the prePAID program is responsible for differential tuition costs, institutions may adjust programmatic fees and differential tuition charges to either fall under or outside of the differential tuition definition strategically according to what would be most beneficial to the institution.

9. Specific Agency or Political Subdivisions Affected: Virginia College Savings Plan, higher education institutions

10. Technical Amendment Necessary: No

11. Other Comments: None.

Date: 1/27/2015

Document: H:\GENERAL ASSEMBLY\2015 Session\DGS\SB835\SB835.doc