

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: HB863

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: The proposed legislation provides that the governing board of each public institution of higher education, except for the Virginia Military Institute, Norfolk State University, and Virginia State University, establish rules and regulations requiring that at least 75 percent of students admitted and enrolled at the institution be Virginia domiciles. Any revenue lost by an institution as a result of this legislation shall be recovered by increasing tuition charges to undergraduate out-of-state students. The legislation directs the affected governing boards to take actions to implement these requirements no later than June 30, 2021.

6. Budget Amendment Necessary: Yes, if this policy is adopted, four affected institutions may require additional nongeneral fund appropriations. In addition, if the affected institutions increase in-state enrollment to 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 Undergraduate In-State Enrollment

Institution	Actual Fall 2015 Headcount			
	In-State	Out-of-state	Total	% of In-State
College of William and Mary (CWM)	4,210	2,091	6,301	66.8%
James Madison University (JMU)	14,183	5,213	19,396	73.1%
University of Virginia (UVA)	11,234	5,502	16,736	67.1%
Virginia Tech (VT)	18,179	7,205	25,384	71.6%

Source: State Council of Higher Education

Per §4-2.01 b.3.b) of Chapter 665, the 2015 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 replace out-of-state with in-state student enrollment in order to reach an in-state ratio of 75 percent, charges to undergraduate out-of-state students would have to increase an additional \$69.6 million to cover the loss of tuition revenue resulting from fewer out-of-state students as noted on the following table.

Estimated Additional Cost to Out-of-State Undergraduate Students

Institution	2015-2016 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 UG Students
CWM	\$14,114	\$35,814	\$21,700	516	\$11,197,200	20%
JMU	\$5,724	\$20,858	\$15,134	364	\$5,508,776	5%
UVA	\$12,347	\$41,643	\$29,296	1,318	\$38,612,128	22%
VPI	\$10,628	\$27,272	\$16,644	859	\$14,297,196	8%
TOTAL					\$69,615,300	

Source: State Council of Higher Education

Given that institutions are already charging tuition well above 100 percent for the cost of an out-of-state student, 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 Students
FY 2016**

Institution	Percent of Costs
CWM	149%
JMU	151%
UVA	158%
VPI	158%

Source: State Council of Higher Education

The average annual increase for out-of-state undergraduate student tuition over the past five years was 6.0 percent at the University of Virginia, 5.5 percent at the College of William and Mary, and 5.0 percent at Virginia Tech and 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). In this instance, institutions will have to adjust for the lost revenue from the difference between the tuition charged and the actual cost of out-of-state students.

While it appears the legislation was intended to push the financial impact from the general fund to tuition and fee revenue from out-of-state undergraduate students, 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 final 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: None.