

## Department of Planning and Budget 2016 Fiscal Impact Statement

**1. Bill Number:** HB 961

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
<b>Second House</b>	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Delegate Rush

**3. Committee:** Education and Health

**4. Title:** Offer alternative tuition or fee structures for public institutions of higher education

**5. Summary:** This bill permits each public institution of higher education to offer alternative tuition or fee structures to its students. If an institution of higher education offers alternative tuition or fee structures – including discounted tuition, four-year flat tuition rates, discounted student fees, or student fee and student services flexibility – to any Virginia-domiciled, first-time, incoming freshman undergraduate student, who enrolls full-time with the intent to earn a degree in a program that leads to employment in a high-demand field in the region, according to guidelines established by the State Council of Higher Education for Virginia (SCHEV), then each student who receives the benefits of such an alternative tuition or fee structure shall count one and a half times for the purpose of:

- targeted economic and innovation incentives to increase degree completion in a timely or expedited manner,
- the base adequacy funding guidelines adopted and periodically updated by the Joint Subcommittee Studying Higher Education Funding Policies, or
- biennial assessments of institutional performance as set forth in Part 4 of the general appropriation act and consistent with § 23-9.6:1.01, Code of Virginia.

Alternative tuition or fee structures may be renewed annually as long as a recipient maintains continuous full-time enrollment. However, if a recipient fails to maintain continuous full-time enrollment, subsequently enrolls in a non-eligible degree program, or fails to complete the eligible degree program within four years, then the institution will convert the financial benefit received by the student to a financial obligation that is payable by the student to the institution following terms established by the institution and approved by SCHEV.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate (see Section 8)

**8. Fiscal Implications:** The Code of Virginia provides and the Restructuring Act of 2005 reaffirms the Board of Visitors' authority to set and collect tuition and fees for each of the Commonwealth's public institutions of higher education. Currently, all of the public institutions of higher education charge full-time undergraduate students using either a full-time rate or per-credit-hour rate. Some of them cap the full-time rates between 15 and 18 credits. Students who exceed the cap pay a per-credit-hour rate for each credit over the limit.

For those public institutions that employ a per-credit-hour rate, a student's tuition is determined based on the number of credit hours taken, regardless of the course load.

Two of the Commonwealth's public institutions – the College of William and Mary in Virginia (CWM) and the University of Virginia (UVA) – already offer alternative tuition structures. Under the William and Mary Promise, CWM guarantees in-state undergraduate tuition rates for an incoming class for four years. All other amounts - fees, room and board, books, incidentals, etc. - reflect an average of the current year. The UVA Guaranteed Tuition Plan is an optional tuition structure for first-time, full-time Virginia students. Those students who elect to be included in the Guaranteed Tuition Plan have their base tuition rate set for four years. As with the William and Mary Promise, UVA's set tuition plan does not cover fees, school-specific additional tuition amounts, room and board, study abroad program fees, or other components of the overall cost of attendance.

Any other public institutions of higher education, that decide to implement this proposed legislation, would need to establish administrative guidelines and data requirements to identify students who are eligible to receive the benefits of the alternative tuition or fee structures. They would also need to establish a methodology to monitor continuous eligibility, set policies and procedures related to student financial responsibility to reimburse the institution when eligibility ceases, and to address unique situations. The administrative costs vary by institution. Therefore, the fiscal impact is indeterminate. However, any increase should likely be absorbed using existing resources.

While the institutions could experience decreased revenues as a result of lowering or freezing tuition and fee rates, the requirement that students who benefit from lower tuition and fees be counted as 1.5 students for state funding formula considerations could offset the losses in those situations where state funding is available. Consistent with this, though, the cost to the Commonwealth to support these institutions would likely be greater.

Finally, changes in public higher education tuition models that result in tuition increases above the Virginia College Savings Plan's projections could have a negative effect on Virginia529's outstanding long-term prepaid obligations.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia's public institutions of higher education, the State Council of Higher Education for Virginia and the Virginia College Savings Plan
- 10. Technical Amendment Necessary:** Given that this proposed legislation applies to any public institution of higher education, similar language should be added that establishes a penalty for students of the Virginia Community College System and Richard Bland College who fail to complete their degree programs within two years. However, if two-year public institutions of higher education are not meant to be covered by this proposed legislation, then on line 11, after "Any" insert "four-year". Likewise, on line 13, after "a" insert "four-year".

- 11. Other Comments:** None.

**Date:** 02/16/16 sas  
**c:** Secretary of Education