

Department of Planning and Budget 2017 Fiscal Impact Statement

1. **Bill Number:** HB1410

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

2. **Patron:** Albo

3. **Committee:** Education and Health

4. **Title:** Annual enrollment of non-resident students at institutions of higher education

5. **Summary:** Effective, July 1, 2018, the governing board of each public institution of higher education, except the Virginia Military Institute, Norfolk State University, and Virginia State University, shall adopt policies to prohibit the annual enrollment of full-time equivalent out-of-state undergraduate students from exceeding 30 percent pursuant to the State Council of Higher Education in Virginia's E5C report, unless the board, after covering the cost to educate each full-time equivalent out-of-state undergraduate student that exceeds such 30 percent cap with tuition revenue from such students, uses any remaining tuition revenue to lower in equal amounts the rate of tuition and fees charged to each in-state undergraduate student. The legislation also prohibits increases in undergraduate out-of-state student enrollment to the percentage currently in effect under § 4-2.01, Chapter 780, 2016 Acts of Assembly.

In addition, the Joint Subcommittee on the Future Competitiveness of Virginia Higher Education shall evaluate the use of in-state and out-of-state student tuition revenue as student financial aid at public institutions of higher education and shall consider, as necessary, appropriate limits on such practice and national best practices.

6. **Budget Amendment Necessary:** No new funding is required in the current biennium, since the effective date of the legislation is for 2018-2020 biennium,

7. **Fiscal Impact Estimates:** Indeterminate. (See Line 8)

8. **Fiscal Implications:** Currently, two institutions of higher education, which have not been exempted, exceed the 30 percent threshold for out-of-state students in total enrollment as indicated in the following table.

Institutions Over 30 Percent of Out-of-State Enrollment

Institution	Actual 2016 FTE			
	In-State	Out-of-state	Total	% Out-of-State
College of William and Mary (CWM)	4,156	2,080	6,236	33.4%
University of Virginia (UVA)	11,002	5,836	16,838	34.7%

Source: State Council of Higher Education.

There are multiple options that would allow the College of William and Mary and the University of Virginia to meet the threshold of 70 percent in-state students and 30 percent for out-of-state students. However, all come with revenue consequences and until final decisions are made by the affected institutions, a final financial impact cannot be determined. The following are some options available to the affected institutions to meet the 70 percent threshold for in-state students:

- 1) **Swap out-of-state for in-state student students:** Under this option, both William and Mary and the University of Virginia lose out-of-state student tuition revenue, estimated at \$4.3 million and \$22.5 million, respectively. In addition, the Higher Education Opportunity Act of 2011 provides that incremental in-state enrollment be funded at an amount equal to the Tuition Assistance Grant (TAG) Award. Currently, the TAG award is \$3,300 in FY 2018. Given this, the annual state support needed to address additional in-state student enrollment equals \$693,000 for William and Mary and \$2.6 million for the University of Virginia.
- 2) **Keep the same mix of students and redirect out-of-state tuition revenue to reduce in-state student tuition charges:** Under this scenario, both William and Mary and the University of Virginia would be subject to the requirements of the legislation to reduce tuition and fees for in-state students. This would result in an annual estimated loss of in-state tuition revenue for both the College of William and Mary and the University of Virginia of \$3.5 million and \$20.7 million, respectively.
- 3) **Increase the number of in-state students and keep out-of-state enrollment as it currently stands:** Despite incremental Educational and General (E&G) revenue that may be available, in-state enrollment growth at this level could place pressures on existing academic infrastructure, student housing and dining facilities, and other support services which, in many cases, are already stretched to capacity according to William and Mary and University of Virginia. The cost to address such issues is indeterminate but would likely require additional funding. In addition, it could be possible for other Virginia public institutions to see enrollment losses if these two institutions were to grow their respective in-state populations.

The institutions estimate growth of almost 700 in-state students at William and Mary and just over 2,600 in-state students at University of Virginia would be needed to increase in-state enrollment to meet the 70 percent threshold. Using the same TAG grant assumptions as in Option 1, the additional annual state support needed to address the increase in in-state students equals \$2.3 million for William and Mary and \$8.6 million for the University of Virginia.
- 4) **Combination of any of the above options could be used to meet the 70 percent in-state student threshold:** The fiscal implications would be a combination of the revenue and cost figures noted in Options 1-3.

9. Specific Agency or Political Subdivisions Affected:

University of Virginia
College of William and Mary

10. Technical Amendment Necessary: No.

11. Other Comments: None.