

Department of Planning and Budget

2007 Fiscal Impact Statement

1. **Bill Number** HB 1844

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Saxman

3. **Committee** Education

4. **Title** Early Graduation Incentive Grant Program Fund; established.

5. **Summary/Purpose:** Establishes the Virginia Early Graduation Incentive Grant Program for the purpose of providing grants to Virginia students who (i) have received an undergraduate degree within three years from an accredited institution of higher education in Virginia, (ii) are enrolled in a graduate program preparing students for careers in professions having workforce shortages, and (iii) have agreed to work in Virginia upon receiving a graduate degree. The State Council of Higher Education for Virginia is designated as the administering agency for the program and must promulgate regulations for the disbursement of grants and the administration of the program. Before grants are awarded, recipients must sign a promissory note under which they agree (i) to begin employment in the Commonwealth within six months of receiving a graduate degree and (ii) to continue such employment in the Commonwealth for at least three years. Only students who maintain 3.0 grade point averages while enrolled as undergraduates are eligible to participate in the program. Eligibility is limited to two academic years or the equivalent number of credit hours.

6. **Fiscal Impact Estimates are:** Preliminary, see Item 8.

7. **Budget amendment necessary:** Yes. Although the program may be created with no funding, a budget amendment is necessary to administer the program and award incentive grants.

8. **Fiscal implications:** The proposed legislation does not specify a grant amount, and it may be assumed that grant amounts will vary based on available funding. However, for the purpose of providing an estimate of the fiscal impact, the following assumptions were made to derive the figures in the table below:

- a) There will be savings from avoided subsidies to students who graduate from their undergraduate programs in three years. However, the savings will come from students who achieve early graduation as a result of this program, over and above the current baseline number of early graduates. In the short term, the costs of grants for the baseline number of early graduates will outweigh the savings from the additional students who achieve early graduation as a result of this program. Savings are calculated for one year. In contrast, it is unlikely that students who would have taken five years to graduate would

be able to reduce their time to graduation by 40 percent and complete their degree requirements in three years. However, it is possible that students on the four-year plan would be able to graduate within three years, with adequate planning in high school and the first years of college.

- b) The number of students who graduate in three years will increase by 10 percent per year as a result of this program (80 percent of the growth) and from overall growth in enrollment and in advanced placement, dual enrollment and other senior year initiatives (20% of the growth). (There were 210 such students in 2004-05.)
- c) The proportion of these students who enroll in graduate programs in shortage fields will increase by 10 percent per year as a result of this program. (The proportion in the current year is about 13 percent.)
- d) The three-year graduates entering eligible programs in Virginia meet the other eligibility criteria, i.e., they maintained a 3.0 GPA in their undergraduate studies, they qualify for Virginia resident status and they plan to work in Virginia after completion of their graduate studies.
- e) The per capita grant award is equivalent to the current Tuition Assistance Grants (TAG) for graduate students, with an escalation of five percent per year. If full funding of graduate program costs is anticipated, the fiscal impact may be much greater.
- f) Students will utilize the grants for two consecutive years for full-time study.
- g) The selected shortage fields for this analysis include specialties in education, health care and biomedical sciences.

To implement this program, SCHEV will have to formally establish shortage fields and eligible academic programs. SCHEV will require one additional position to administer this program. The fiscal impact is estimated at approximately \$80,000 per year for this position.

The following table represents the estimated number of students enrolled through 2012, and the total cost of the program, after the administrative costs and tuition savings are accounted for:

	Projected				
	2007-08	2008-09	2009-10	2010-11	2011-12
Number of Students	254	279	307	338	372
Total Program Cost (after savings)	\$ 163,106	\$ 150,028	\$ 146,172	\$ 134,559	\$ 118,693

9. Specific agency or political subdivisions affected: State Council of Higher Education for Virginia (SCHEV).

10. Technical amendment necessary: The language regarding receipt of an undergraduate degree within three years could be interpreted to mean the degree was awarded within the last three years, i.e. the student would be eligible for a grant up to three years from receipt of the undergraduate degree. This language should be clarified to avoid an alternative interpretation. The language does not limit eligibility for grants based on when the undergraduate degree is

received. If the intent is to create an incentive for students who are currently in college or who will enter college in the future, the language should be clarified to exclude students who received their degrees prior to enactment of this legislation.

11. Other comments: None.

Date: 1/25/07/RSA

C: Secretary of Education