

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB1026

House of Origin X Introduced Substitute Engrossed
 Second House In Committee Substitute Enrolled

2. Patron: Hugo

3. Committee: Appropriations

4. Title: Admission of in-state students at public institutions of higher education

5. Summary: Provides that the board of visitors or other governing body of each public institution of higher education, except for the Virginia Military Institute, Norfolk State University, and Virginia State University, must establish rules and regulations requiring that at least 75 percent of students admitted and enrolled at the institution be Virginia domiciles. Any dollars lost by an institution as a result of this legislation shall be recovered by increasing charges to out-of-state students.

6. Fiscal Impact Estimates: Preliminary

7. Budget Amendment Necessary: Yes, if this policy is adopted, the four affected institutions may require additional nongeneral fund appropriations. No additional general fund support is required to implement the provisions of the legislation.

8. Fiscal Implications: Currently four institutions of higher education, that 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 In-State Enrollment

Institution	Actual Fall 2009 Headcount			
	In-State	Out-of-State	Total	% of In-State
College of William and Mary (CWM)	4,969	2,905	7,874	63.1%
James Madison University (JMU)	13,528	5,443	18,971	71.3%
University of Virginia (UVA)	15,058	9,297	24,355	61.8%
Virginia Tech (VPI)	21,557	9,313	30,870	69.8%

Source: State Council of Higher Education

Per §4-2.01 b.3.b) of Chapter 781, the 2009 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.

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If these four institutions were required to increase in-state student enrollment in order to reach an in-state ratio of 75 percent, charges to out-of-students would have to increase an additional \$119.1 million to cover the loss of out-of-state revenue as noted on the following table.

Estimated Additional Costs to Out-of-State Students

Institution	2009-10 E&G Tuition and Fees			Revenue Replacement			
	In-State Tuition and Fees	Out-of-State Tuition & Fees	In-State/ Out-of-State Tuition Difference	# of Students to Reach 75% Provision	Out-of-State switch to In-State	Total Tuition Revenue Loss	Required Tuition Increase from Out-of-State Students
CWM	\$6,483	\$26,647	\$20,164	5,906	937	\$18,883,586	36%
JMU	\$3,734	\$15,866	\$12,132	14,228	700	\$8,495,433	11%
UVA	\$7,873	\$29,873	\$22,000	18,266	3,208	\$70,581,500	39%
VPI	\$7,240	\$20,513	\$13,273	23,153	1,596	\$21,177,072	13%
TOTAL						\$119,137,591	

Source: State Council of Higher Education

Given that institutions are already charging well above 100 percent for the cost of out-of-state tuition, it is possible that 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 - FY 2010 Out-of-State

Institution	Percent of Costs
CWM	146%
JMU	133%
UVA	160%
VPI	124%

Source: State Council of Higher Education

The normal tuition increase for out-of-state tuition was 7.2 percent at the University of Virginia and 7.1 percent at William and Mary over the past five years. The additional out-of-state tuition increase to meet the 75 percent provision would be on top of the normal annual tuition increases approved by the 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).

9. Specific Agency or Political Subdivisions Affected:

College of William and Mary
University of Virginia

James Madison University
Virginia Tech

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10. Technical Amendment Necessary: No

11. Other Comments: The legislation does not specify when the 75 percent provision for in-state students will take effect.

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Document: g:/aps/legislation/2010sess/HB1026.doc