

## Department of Planning and Budget 2010 Fiscal Impact Statement

**1. Bill Number:** HB899

**House of Origin**      X   Introduced               Substitute               Engrossed

**Second House**               In Committee           Substitute               Enrolled

**2. Patron:** Comstock

**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 to increase the number of Virginia domiciles admitted at the institution over five years, beginning in the 2011-2012 academic year, until the number of enrolled Virginia domiciles reaches 80 percent. Any dollars lost by an institution as a result of this requirement must 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.

**8. Fiscal Implications:** Currently, four institutions of higher education, that have not been exempted, fall below 80 percent of in-state students in total enrollment. See table below.

**Institutions with Less Than 80 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.

If these four institutions were required to increase in-state student enrollment in order to reach an in-state ratio of 80 percent, charges to out-of-students would have to increase an

additional \$185.9 million to cover the loss of out-of-state revenue as noted on the following table.

#### Estimated Additional Costs to Out-of-State Students

| Inst.        | 2009-10 E&G Tuition and Fees |                               |          | Revenue Replacement      |                                 |                              |                             |   |                            |
|--------------|------------------------------|-------------------------------|----------|--------------------------|---------------------------------|------------------------------|-----------------------------|---|----------------------------|
|              | In-State Tuition and Fees    | Out-of-State Tuition and Fees | Diff.    | In-State Provision @ 80% | Out-of-State Switch to In-State | Annual Switch (5-Year Phase) | Annual Tuition Revenue Loss | Required Annual Out-of-State Tuition Increase | Total Tuition Revenue Loss |
| CWM          | \$6,483                      | \$26,647                      | \$20,164 | 6,299                    | 1,330                           | 266                          | \$5,364,431                 | 8%  | \$26,822,153               |
| JMU          | \$3,734                      | \$15,866                      | \$12,132 | 15,177                   | 1,649                           | 330                          | \$4,000,648                 | 5%  | \$20,003,242               |
| UVA          | \$7,873                      | \$29,873                      | \$22,000 | 19,484                   | 4,426                           | 885                          | \$19,474,400                | 8%  | \$97,372,000               |
| VPI          | \$7,240                      | \$20,513                      | \$13,273 | 24,696                   | 3,139                           | 628                          | \$8,332,789                 | 5%  | \$41,663,947               |
| <b>TOTAL</b> |                              |                               |          |                          |                                 |                              |                             |   | <b>\$185,861,341</b>       |

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 will 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 increase to meet the 80 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 more 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

#### 10. Technical Amendment Necessary: No

**11. Other Comments:** None

**Date:** 2/2/10/aps

**Document:** g:/aps/legislation/2010sess/HB899.doc