

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB28

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Comstock

3. Committee: Education

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, establish rules and regulations by the start of the 2019-2020 academic year, to require at least 75 percent of the students admitted and enrolled at the institution be Virginia domiciles.

6. Budget Amendment Necessary: Yes, if this policy were implemented today, four institutions would require additional general fund support to meet the 75 percent requirement by the 2019-2020 academic year. The financial cost to the Commonwealth could increase each year until the policy is implemented. The cost could be higher than shown below if the affected institutions chose to meet the requirements of this legislation through only increasing the number of in-state students to reach the 75 percent goal.

7. Fiscal Impact Estimates: Preliminary. See Line 8.

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

Institution	Fall 2013 Headcount Enrollment			
	In-State	Out-of-State	Total	% of In-State
College of William and Mary	5,134	3,242	8,376	61.3%
James Madison University	14,751	5,430	20,181	73.1%
University of Virginia	14,043	9,421	23,464	59.8%
Virginia Tech	21,319	9,886	31,205	68.3%

Source: State Council of Higher Education

Per §4-2.01 b.3.b) of Chapter 806, the 2013 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 are required to switch in-state students for out-of-state students in order to reach an in-state ratio of 75 percent by 2019-2020, it could cost the Commonwealth an additional \$55.5 million to support increased in-state student enrollment. See table below:

Estimated Cost to the Commonwealth If 75% Policy Implemented Today

Inst.	Total Student Enrollment Fall 2013	Required In-State Students @ 75% Provision	Actual In-State Students Fall 2013	# of Students to reach 75% Provision	General Fund Support per In-State FTE*	Required Annual General Fund Support	In-State/Out-of-State Undergraduate Tuition Difference (FY2014)	Tuition Revenue Loss
CWM	8,376	6,282	5,134	1,148	\$7,713	\$8,855,016	\$22,977	\$26,377,596
JMU	20,181	15,136	14,751	385	\$4,904	\$1,886,825	\$14,478	\$5,570,411
UVA	23,464	17,598	14,043	3,555	\$8,717	\$30,987,963	\$27,386	\$97,357,230
VT	31,205	23,404	21,319	2,085	\$6,584	\$13,726,358	\$15,755	\$32,845,236
Total	83,226	62,420	55,247	7,173		\$55,456,161		\$162,150,473

*Source: State Council of Higher Education, based on FY 2014 general fund appropriations in Chapter 806 (2013) and projected FY 2014 enrollment

The table also shows that institutions will lose tuition revenue by changing the enrollment mix from out-of-state to in-state students due to the difference between in-state and out-of-state charges. This would occur if in-state was traded for out-of-state students. Given that additional general fund appropriations can cover only a portion of the cost for additional in-state students, it is possible that these institutions would have to increase their tuition and fees to cover the difference.

Given that the affected institutions are already charging well above 100 percent for the cost of out-of-state tuition, it is uncertain if institutions raised tuition if they would 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
Out-of-State, FY 2014**

Institution	Percent of Costs
CWM	146%
JMU	156%
UVA	161%
VPI	150%

Source: State Council of Higher Education

Institutions could also increase their in-state ratio without adding any additional in-state students since it may be more cost beneficial for an institution to decrease out-of-state students and reduce operations, than to add in-state students to the present enrollment mix.

In addition, institutions could choose to increase the number of in-state students to meet the provisions of the 75 percent requirement. If this option is chosen to reach the 75 percent goal for in-state students, it could create a significant general fund impact beyond what is shown above. However, given the uncertainty of decisions by the affected institutions, a financial impact cannot be determined at this time.

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: The legislation does not specify if the 75 percent policy applies only to in-state undergraduates or total in-state enrollment. This analysis assumes that the policy applies to total in-state enrollment.

House Bill 28, House Bill 137 and House Bill 144 are similar.

Date: 1/21/14