

## Department of Planning and Budget

### 2015 Fiscal Impact Statement

**1. Bill Number:** SB 806

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

**2. Patron:** Senator Stanley

**3. Committee:** Education and Health

**4. Title:** Establish a fixed four-year tuition and fees rate at higher education institutions

**5. Summary:** This bill requires the boards of visitors of Virginia's public four-year higher education institutions to prospectively freeze the cost of tuition, room and board, and other mandatory fees for incoming in-state freshman undergraduate students for four consecutive years under the following conditions:

- eligible students shall be enrolled full-time and remain continuously enrolled as full-time students for the period of eligibility;
- a class rate is annually established, in accordance with any requirements set forth in the appropriation act;
- rules are clearly established to address the eligibility of freshman undergraduate students, the eligibility of transfer students, and any unforeseen circumstances that may require eligible students to take a leave of absence from the institution; and
- information is disseminated to all students applying to the relevant institution that clearly and concisely explains program eligibility and costs.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate (see Section 8)

**8. Fiscal Implications:** Due to the uniqueness and diversity among the Commonwealth's public higher education institutions and the ever changing variables used to calculate adjustments to tuition and fees, a measurable fiscal impact for this proposed legislation would be difficult to determine.

With the exception of the College of William and Mary, which introduced a guaranteed tuition model in FY 2014 to have a fixed tuition for its in-state undergraduate students for four years, all of Virginia's other public institutions are charging full-time undergraduate students with either a full-time rate or a per-credit-hour rate. The full-time rate permits students to take 12 or more credits per semester for a flat tuition. In some instances, institutions cap the flat tuition between 15 and 18 credit hours. Students who exceed the cap are expected to pay a per-credit-rate for each credit above that cap. On the other hand, the per-credit hour rate approach sets a tuition rate per credit hour, regardless of a student's course load. Currently, Old Dominion University, Norfolk State University, and Longwood

University employ the per-credit-hour rate. Virginia Commonwealth University implemented a modified per-credit-hour model in fiscal year 2014 that charges students on a sliding per-credit-hour basis with a 50 percent discount for 15 or more credits per semester.

Setting tuition and fees for a four-year period has both advantages and disadvantages. Advantages of this bill include: (1) providing predictable tuition and fees revenue, (2) offering stability and improved budgeting for families planning for college, (3) providing an incentive for students to graduate on time, and (4) permitting institutions the opportunity to adjust tuition and fees so that the net effect resulting from the fixed price approach is the same revenue amount that would be generated over the same four-year period under one of the current methodologies. Disadvantages include: (1) penalizing students who do not graduate on time, (2) discouraging students from transferring among institutions, (3) increasing the risk of detrimental financial consequences during economic downturns or unexpected reductions in state support, and (4) initial unknown administrative costs for institutions associated with the implementation of the fixed price methodology.

This bill would also require students to pay more during the early part of the four-year period than they would otherwise under an annual tuition and fees increase scenario.

**9. Specific Agency or Political Subdivisions Affected:** Virginia's four-year public institutions of higher education

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** Any significant changes to the current tuition and fee pricing model used by Virginia's public four-year higher education institutions should be discussed with the Virginia529 College Savings Plan to ensure that sufficient adjustments are in place for an orderly transition.

SB 1183 is similar in that it establishes a fix in-state tuition rate for four consecutive years. However, it does not freeze fees or room and board charges.

**Date:** 01/28/15 sas

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c: Secretary of Education