

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: HB 961

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

2. Patron: Delegate Rush

3. Committee: Passed Both Houses

4. Title: Offer alternative tuition or fee structures for public institutions of higher education

5. Summary: This bill permits any public institution of higher education in the Commonwealth to offer alternative tuition or fee structures - including discounted tuition, four-year flat tuition rates, discounted student fees, or student fee and student services flexibility – to its students that result in lower costs of attendance. These options may be offered to any legally Virginia-domiciled, first-time, incoming freshman undergraduate student, who enrolls full-time with the intent to earn a degree in a program that leads to employment in a high-demand field in the region. Alternative tuition or fee structures may be renewed annually as long as a recipient maintains eligibility for the alternative tuition and fee structure.

The State Council of Higher Education for Virginia (SCHEV) will provide guidance to any public institution of higher education interested in establishing an alternative tuition or fee structure. It will also develop recommendations regarding financial incentives and benefits related to targeted economic and innovation incentives, base adequacy funding, or biennial assessments of institutional performance, as provided in the Code of Virginia or the Appropriation Act. Finally, SCHEV will report its recommendations to the Joint Subcommittee on the Future Competitiveness of Virginia Higher Education by November 1, 2016.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final (see Section 8)

8. Fiscal Implications: The Code of Virginia provides and the Restructuring Act of 2005 reaffirms the Board of Visitors' authority to set and collect tuition and fees for each of the Commonwealth's public institutions of higher education. Currently, all of the public institutions of higher education charge full-time undergraduate students using either a full-time rate or per-credit-hour rate. Some of them cap the full-time rates between 15 and 18 credits. Students who exceed the cap pay a per-credit-hour rate for each credit over the limit. For those public institutions that employ a per-credit-hour rate, a student's tuition is determined based on the number of credit hours taken, regardless of the course load.

Two of the Commonwealth's public institutions – the College of William and Mary in Virginia (CWM) and the University of Virginia (UVA) – already offer alternative tuition structures. Under the William and Mary Promise, CWM guarantees in-state undergraduate tuition rates for an incoming class for four years. All other amounts - fees, room and board, books, incidentals, etc. - reflect an average of the current year. The UVA Guaranteed Tuition Plan is an optional tuition structure for first-time, full-time Virginia students. Those students who elect to be included in the Guaranteed Tuition Plan have their base tuition rate set for four years. As with the William and Mary Promise, UVA's set tuition plan does not cover fees, school-specific additional tuition amounts, room and board, study abroad program fees, or other components of the overall cost of attendance.

Any other public institutions of higher education, that decide to implement this proposed legislation, would need to establish administrative guidelines and data requirements to identify students who are eligible to receive the benefits of the alternative tuition or fee structures. They would also need to establish a methodology to monitor continuous eligibility.

Those institutions that elect to lower or freeze tuition and fee rates could experience decreased revenues. Furthermore, the administrative costs would vary by institution. Therefore, the fiscal impact resulting from this bill is indeterminate. However, the institutions and SCHEV should be able to absorb any costs associated with implementing this bill using existing resources.

Finally, changes in public higher education tuition models that result in tuition increases above the Virginia College Savings Plan's projections could have a negative effect on Virginia529's outstanding long-term prepaid obligations.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia's public institutions of higher education, the State Council of Higher Education for Virginia, and the Virginia College Savings Plan

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 03/09/16 sas
c: Secretary of Education