

**Department of Planning and Budget  
2017 Fiscal Impact Statement**

**1. Bill Number:** HB1410

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

**2. Patron:**    Albo

**3. Committee:** Appropriations

**4. Title:**    Admission of in-state students at public institutions of higher education; use of tuition revenue for financial assistance; and changes board of visitors to board of trustees

**5. Summary:** The proposed legislation renames the boards of visitors for certain educational agencies in the Commonwealth, including baccalaureate public institutions of higher education and other affected agencies as boards of trustees. The bill also prohibits public institutions of higher education from using (i) tuition revenue from any Virginia student to provide financial assistance to any Virginia student or non-Virginia student and (ii) more than five percent of tuition revenue from non-Virginia students to provide financial assistance to non-Virginia students.

In addition, the legislation stipulates that the governing board of each public institution of higher education, except the Virginia Military Institute, Norfolk State University, and Virginia State University, ensure that at least 75 percent of the undergraduate students enrolled at the institution have established domicile in the Commonwealth. The bill requires the governing boards of public institutions that do not meet such 75 percent threshold to submit to the State Council of Higher Education for Virginia a plan to incrementally increase enrolled undergraduate Virginia students each academic year to ensure compliance no later than the 2020-2021 academic year.

**6. Budget Amendment Necessary:** Yes, if this policy is fully or partially implemented in FY 2018, four affected institutions may require additional nongeneral fund appropriations. In addition, if the affected institutions increase in-state enrollment to implement the provisions of this legislation, there is an undetermined general fund impact.

**7. Fiscal Impact Estimates:** Indeterminate. (See Line 8)

**8. Fiscal Implications:**

**CHANGE DESIGNATION OF BOARDS OF VISITORS TO BOARD OF TRUSTEES**

The first change, which requires that all institutions of higher education and selected other agencies change the designation of the boards of visitors to boards of trustees, should not

have significant financial impact. Impacted agencies would need to change stationery letterhead and anything else that may reference "visitors" to "trustees."

**USE OF TUITION TO SUPPORT FINANCIAL ASSISTANCE**

The second change proposed by this legislation prohibits the use of in-state tuition revenue to provide financial assistance to any students--in-state or out-of-state. The legislation further provides that no more than five percent of tuition revenue from out-of-state students can be used to support financial assistance to out-of-state students. At current funding levels, this would result in the loss of \$95.4 million in aid to out-of-state students, including graduate and first professionals (medical, dental, veterinary medicine, pharmacy and law students).

Over several years, institutions have used tuition revenue to support financial aid to mitigate rising tuition increases for low and middle income families. According to the State Council of Higher Education in Virginia (SCHEV), the amount of tuition revenue supporting financial aid, for both in-state and out-of-state students, exceeds \$200 million across the system -- \$86.2 million in in-state tuition supports in-state students while \$117.0 million in out-of-state tuition supports out-of-state students. SCHEV reports a total of 18,168 in-state students received varying degrees of financial aid support from in-state tuition. (See chart below.)

**Full-time In-State Undergraduate Students – FY 2016**

<b>Institution</b>	<b># of Recipients</b>	<b>Average Award (Tuition Revenue)</b>
Christopher Newport University	641	\$2,910
College of William and Mary	1,222	\$12,465
George Mason University	340	\$3,320
James Madison University	798	\$3,627
Longwood University	547	\$3,193
Norfolk State University	1,069	\$2,967
Old Dominion University	3,754	\$2,969
Radford University	420	\$3,661
University of Mary Washington	1,239	\$2,069
University of Virginia	2,414	\$9,744
University of Virginia’s College at Wise	28	\$1,786
Virginia Commonwealth University	267	\$6,628
Virginia Military Institute	176	\$6,636
Virginia State University	1,675	\$1,982
Virginia Tech	70	\$4,132
Richard Bland College	19	\$4,305
Virginia Community College System	3,489	\$933
<b>Total</b>	<b>18,168</b>	

Source: State Council of Higher Education.

If institutions are unable to use tuition revenue to offer financial aid packages, or an equivalent amount of additional state support is not provided, in-state students could borrow from other sources or not attend a public college. Low and middle-income students could be most impacted from this legislation.

In addition, if institutions are unable to use out-of-state tuition revenue to offer financial aid packages beyond the five percent level as provided in this legislation, out-of-state students may not attend public colleges in Virginia. Any significant loss in out-of-state enrollment due to the lack of financial aid could create pressure to increase tuition for all students, including in-state, or pressure for additional state support for higher education institutions. Institutions are unlikely to be able to generate enough revenue from additional in-state students to offset any potential loss of revenue generated from fewer out-of-state students. This would be particularly true at several smaller institutions, such as Virginia Military Institute, University of Mary Washington, Virginia State University and Norfolk State University.

Tuition revenue is also the primary source of funding for financial aid packages for graduate and first professional students. Placing a cap on tuition revenue for financial aid could impact an institution’s ability to attract students to fulfill its research mission and possibly cause a reduction in the number of master’s degree programs offered by an institution.

**ADMISSION OF 75 PERCENT OF IN-STATE STUDENTS**

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 Undergraduate In-State Enrollment**

Institution	Actual Fall 2016 Headcount			
	In-State	Out-of-state	Total	% of In-State
College of William and Mary (CWM)	4,090	2,107	6,197	66.0%
James Madison University (JMU)	14,185	4,831	19,016	74.6%
University of Virginia (UVA)	10,847	4,859	15,706	69.1%
Virginia Tech (VT)	18,623	7,055	25,678	72.5%

Source: State Council of Higher Education.

Per §4-2.01 b.3.b) of Chapter 780, the 2016 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 replace out-of-state with in-state student enrollment in order to reach an in-state ratio of 75 percent, charges to undergraduate, out-of-state

students would have to increase an additional \$51.2 million to cover the loss of tuition revenue resulting from fewer out-of-state students as noted on the following table.

**Estimated Additional Cost to Out-of-State Undergraduate Students**

Institution	2016-2017 E&G Tuition and Fees			# of Students to Reach 75% Provision	Revenue Replacement	
	In-State Tuition and Fees	Out-of-State Tuition & Fees	In-State/ Out-of-State Tuition Difference		Total Tuition Revenue Loss	Required Tuition Increase from Out-of-State UG Students
CWM	\$15,810	\$36,850	\$21,040	558	\$11,740,320	21%
JMU	\$5,896	\$21,670	\$15,774	77	\$1,214,598	1%
UVA	\$13,515	\$42,859	\$29,344	933	\$27,372,952	16%
VPI	\$10,941	\$28,064	\$17,123	636	\$10,890,228	6%
<b>TOTAL</b>					<b>\$51,223,098</b>	

Source: State Council of Higher Education

Given that institutions are already charging tuition well above 100 percent for the cost of an out-of-state student, it is uncertain whether institutions 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 per student cost of education presently covered by out-of-state students at the four impacted institutions.

**Cost of Education  
Out-of-State Students  
FY 2017**

Institution	Percent of Costs
CWM	146%
JMU	157%
UVA	145%
VPI	153%

Source: State Council of Higher Education.

The average annual increase for out-of-state, undergraduate student tuition over the past five years was 8.6 percent at the College of William and Mary, 5.8 percent at the University of Virginia, 4.4 percent at Virginia Tech, and 4.3 percent at James Madison University. The additional out-of-state tuition increase to meet the 75 percent provision would be in addition to the annual tuition increases approved by each of the affected institutions.

It is possible that institutions may increase the in-state ratio without adding any additional in-state students simply by reducing more out-of-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 or to rebalance the mix of in-state and out-of-state students). In this instance, institutions would have to adjust for the lost revenue from the difference between the tuition charged and the actual cost of out-of-state students.

While it appears the legislation was intended to push the financial impact from the general fund to tuition and fee revenue from out-of-state undergraduate students, if the affected institutions increase the number of in-state students to meet the 75 percent requirement, it could create a significant general fund impact. Until final decisions are made by the affected institutions, a final financial impact cannot be determined at this time.

**9. Specific Agency or Political Subdivisions Affected:**

Public institutions of higher education  
Other affected state agencies

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

**11. Other Comments:** None.