

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: HB1886

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

2. Patron: Hugo

3. Committee: Education

4. Title: Admission of in-state students at public institutions of higher education

5. Summary: This legislation provides that the governing board of each public institution of higher education, except for the Virginia Military Institute, Norfolk State University, and Virginia State University, establish rules and regulations requiring that at least 75 percent of students admitted and enrolled at the institution be Virginia domiciles. Any revenue lost by an institution as a result of this legislation shall be recovered by increasing tuition charges to undergraduate out-of-state students. The legislation directs the affected governing boards to take actions to implement these requirements no later than June 30, 2022.

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: 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 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 | \$27,377,952 | 16% |
| VPI | \$10,941 | \$28,064 | \$17,123 | 636 | \$10,890,228 | 6% |
| TOTAL | | | | | \$51,223,098 | |

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 if 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 will 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:

College of William and Mary
University of Virginia

James Madison University
Virginia Tech

10. Technical Amendment Necessary: No.

11. Other Comments: None.