

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: HB1887

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

2. Patron: Hugo

3. Committee: Appropriations

4. Title: Tuition assistance to out-of-state students

5. Summary: Prohibits each public institution of higher education from using any proceeds from

state debt or revenues generated from state taxes and fees that are appropriated to such institution to offer any form of tuition assistance to any non-Virginia student. In addition, the legislation requires each public institution of higher education to separately account for state debt proceeds and revenues generated from states taxes and fees and provide a report of expenditures from such account to the House Committee on Appropriations and the Senate Committee on Finance upon the request of such committees.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: Consistent with the requirements of this legislation, the state funding policy on higher education provides general fund, or state tax revenue, to support in-state students only and currently prohibits the use of in-state tuition to support financial assistance to out-of-state students. The Appropriation Act (§4-2.01 b.2.b.) requires that tuition and mandatory educational fee rates for nonresident and graduate students cover at least 100 percent of the average cost of their education and in addition also prohibits institutions of higher education from using in-state tuition revenue to support out-of-state students.

Out-of-state students are presently charged, on average, almost 160 percent of the cost of education. According to the State Council of Higher Education for Virginia, institutions of higher education collected \$117.0 million in tuition and fee revenue from out-of-state-students to support financial aid in FY 2017. Of that total, \$101.2 million has been awarded as financial assistance to out-of-state students (both undergraduate and graduate). The remaining \$15.8 million is currently directed to support in-state financial aid; thus, out-of-state student tuition presently subsidizes in-state student financial aid.

All tuition and fee revenue collected by state public institutions of higher education, including out-of-state student tuition and fee revenue, are considered state revenues and must be appropriated to spend. Because of this, the proposal appears to prevent the use of out-of-state student tuition and fee revenue to provide financial aid to out-of-state students. If

equivalent amount of additional state support is not provided, 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 (medical, dental, veterinary medicine, pharmacy and law students). Placing a cap on the use of out-of-state tuition revenue for financial aid could impact an institution's ability to draw top applicants to help fulfill its research mission or potentially cause a reduction in the number of master's degree programs offered by an institution.

Concerning the reporting aspect of this legislation, Cardinal, the state accounting system, the Performance Budgeting System, used by the Department of Planning and Budget, and internal systems used by higher education institutions, all allow for tracking of appropriations and expenditures of state revenues and debt for institutions of higher education.

9. Specific Agency or Political Subdivisions Affected:

Public institutions of higher education

10. Technical Amendment Necessary: No.

11. Other Comments: There is no effective date stated in the legislation. If this legislation is approved, a phased-in approach to allow for the adjustment to the new policy might be considered.