

Department of Planning and Budget 2017 Fiscal Impact Statement

1. **Bill Number:** SB1088

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

2. **Patron:** Sturtevant

3. **Committee:** Finance

4. **Title:** Fixed four-year tuition rate

5. **Summary:** The proposed legislation requires the board of visitors of each of Virginia's four-year public institutions of higher education, commencing with the 2018-2019 academic year, to annually establish a four-year, in-state tuition rate for each incoming freshman undergraduate class that cannot be exceeded. This bill also prohibits the cost of in-state tuition from exceeding the class rate cap for an in-state student in the relevant class.

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

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

8. **Fiscal Implications:** The Code of Virginia currently provides and the Restructuring Act of 2005 reaffirms the Board of Visitors' authority to set and collect tuition and fees for each of Virginia's public institutions of higher education. Two of the Commonwealth's public institutions – the College of William and Mary in Virginia (CWM) and the University of Virginia (UVA) – annually establish in-state tuition rate limits for their incoming freshman classes.

Under the William and Mary Promise, CWM annually sets and guarantees an undergraduate four-year tuition rate for all incoming, in-state freshmen. All other amounts – fees, room and board, books, incidentals, etc. – reflect an average of the current year. Unlike CWM's tuition plan, UVA's 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. This optional approach would become mandatory under this proposed legislation. Like the William and Mary Promise, UVA's Guaranteed 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.

Other Virginia public institutions are charging full-time undergraduate students with either a full-time rate or a per-credit-hour rate. The full-time rate allows students to take 12 or more credits per semester for a flat tuition. Some institutions cap the flat tuition between 15 and 18 credits. Students will pay a per-credit-hour rate for each credit in excess of the cap. The

per-credit-hour rate sets a tuition rate per credit hour regardless of the student's course load. Currently Old Dominion University, Norfolk State University, and Longwood University are charging students with the per-credit-hour rate. Virginia Commonwealth University implemented a modified per-credit-hour model in FY 2014 that charged students on a sliding per-credit-hour basis providing a 50 percent discount to students who took 15 or more credits per semester.

As a result of this bill, each of the Commonwealth's public institutions of higher education would have to develop and implement policies and procedures covering such issues as tracking continuous in-state tuition eligibility, students who do not complete their degrees within a four-year period, and students who temporarily withdraw from school for personal reasons. While there could be additional administrative costs associated with implementing an in-state tuition rate class cap, the fiscal impact to each institution would vary; therefore, it is difficult to determine. However, the assumption is that any increased costs could be covered using available resources.

Those public institutions of higher education that under estimate inflationary factors in their annual tuition rate class cap calculations or experience unanticipated events after the rates have been set – such as enrollment declines or reductions in state support – could experience revenue shortfalls relative to the funds needed for operation.

Significant tuition policy changes such as this legislation would need to be discussed thoroughly with Virginia 529 to make sure sufficient adjustments are in place to plan for an orderly transition--otherwise the actuarial funding status of the prepaid program could be negatively impacted.

9. Specific Agency or Political Subdivisions Affected:

Public four-year institutions of higher education
Virginia College Savings Plan

10. Technical Amendment Necessary: No.

11. Other Comments: None.