

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: SB1379

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: Petersen

3. Committee: Finance

4. Title: Public institutions of higher education tuition

5. Summary: The proposed legislation requires the governing board of a public institution of higher education to implement a plan to reduce in-state tuition over the next five years if the total of any budget surpluses or cash reserves is greater than 150 percent of its cost of education for the total enrollment in actual attendance.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: The cost of education defined by Section 23.1: 303.B. of the Code of Virginia refers to the funding need for the Educational and General (E&G) programs only.

The proposed legislation uses two different factors, budget surplus and cash reserves, to compare with the cost of education. The funds carried forward for Educational and General (E&G) programs average less than one percent of the total annual E&G budget. These balances have decreased over time. It is doubtful that many institution's E&G budget surpluses will exceed the threshold of 150 percent of their cost of education in any given fiscal year.

A reserve fund is established as an investment to meet future funding needs. It is possible the accumulation of a reserve fund could exceed the threshold of 150 percent of the cost of education. Currently, only the University of Virginia (UVA) has established a reserve fund (Strategic Investment Fund) that may meet the requirements of this legislation. Other Virginia public institutions are not likely to have the financial capacity to establish such reserves.

The University of Virginia has stated that the Strategic Investment Fund is being used to strengthen the university's missions by minimizing tuition increases, providing an affordable education for its students, promoting cutting-edge research, offering student scholarships and constructing various capital projects. The board of visitors recently authorized a new initiative that will provide significant cost-of-attendance relief to qualifying middle-income, full-time Virginia undergraduate students. In addition, the university will increase undergraduate enrollment by up to 100 Virginia students for the next academic year.

9. Specific Agency or Political Subdivisions Affected:

Public institutions of higher education

10. Technical Amendment Necessary: No.

11. Other Comments: None.