

Department of Planning and Budget

2017 Fiscal Impact Statement

1. Bill Number: HB 351

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: Reid

3. Committee: Education

4. Title: Enrollment at public institutions of higher education; tuition and fees and room and board increases

5. Summary: The proposed legislation requires the tuition charged to Virginia students at each public institution of higher education, over the next four years, to be fixed at the rate currently charged for the first academic term of the 2017-2018 academic year.

The bill permits institutions to increase the rates charged for room and board, on an annual basis, in advance of the first academic term of the academic year. However, the rates are limited to 90 percent of the annual percentage increase in the Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the U.S. Department of Labor, from January 1 through December 31, of the year preceding the relevant academic year.

In addition, the proposed legislation caps the percentage of non-Virginia students enrolled at each public institution of higher education at 25 percent beginning with the first academic term of the 2017-2018 academic year. Increases in tuition, room and board charges to non-Virginia students are not prohibited. The provisions of the legislation sunset on July 1, 2022.

6. Budget Amendment Necessary: Yes, if this policy is implemented in FY 2019, all affected institutions may require additional nongeneral fund appropriations to account for possible increases in tuition for out-of-state students. 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: Current statute allows the boards of visitors to manage the tuition and fee increases of their institutions. The proposed legislation takes that power away from the boards. In essence, this legislation freezes in-state tuition for four years. This and the bill's cap on the number of out-of-state students will also affect the amount of revenues that institutions are able to generate to support the operations of their educational component.

To manage a freeze on tuition, an institution could decide to reduce enrollment to manage operations since the legislation does not address total student enrollment. The legislation requires institutions to set room and board charge increases at 90 percent of the Average Consumer Price Index for all items. Over the past decade, the annual percent change of the Consumer Price Index (CPI-All-Urban) published by the Bureau of Labor Statistics of the U.S. Department of Labor varies from -0.5 percent to 3.8 percent. It would be difficult for institutions to responsibly plan with this level of variability from year to year.

25 Percent Cap for Out-of-State Enrollment

The bill caps the percentage of non-Virginia students enrolled at each public institution of higher education at 25 percent beginning with the 2018-2019 academic year. Tuition and fees are not capped for non-Virginia students. Because this legislation would cap non-Virginia enrollment, at all student levels (undergraduate, graduate, first professional), all institutions of higher education could be impacted. For the 2017-2018 academic year, the College of William and Mary, University of Virginia, Virginia Military Institute, Virginia State University, and Virginia Tech would all have to reduce their out-of-state student enrollments within one year in order to comply with the provisions of the bill. See the table below.

Institutions Above/Just Below 25 Percent of Out-of-State State Enrollment

Institution	In-State Enrollment	Headcount – All Levels 2017-2018		
		Percent In-state	Out-of-State Enrollment	Percent Out-of-State
College of William and Mary (CWM)	5,336	61.1%	3,404	38.9%
University of Virginia (UVA)	14,817	73.3%	9,543	39.2%
Virginia Military Institute (VMI)	1,071	62.2%	651	37.8%
Virginia State University (VSU)	3,454	73.3%	1,259	26.7%
Virginia Tech (VT)	22,732	66.0%	11,708	34%

Source: State Council of Higher Education

The provisions of the Appropriation Act (§ 4-2.01 b. 2.c) delineating exceptions to out-of-state student enrollment would need to be modified to be consistent with this legislation. Otherwise, the language in the Appropriation Act will remain in effect.

Virginia has a funding policy that requires out-of-state students to pay at least 100 percent of their cost of education. Implementing a cap in the number of out-of-state students could have a negative impact on the tuition revenues of the affected institutions. Given that most of these institutions already charge well above 100 percent for the cost of out-of-state tuition, a cap on the number of out-of-state students, along with any increases in tuition to offset the in-state tuition freeze, could make the institutions less attractive to out-of-state students and reduce their revenue generating capability. As examples, the per student cost of education presently covered by out-of-state students at three of the impacted institutions exceed 100

percent: College of William and Mary (149 percent), University of Virginia (155 percent), and Virginia Tech (151 percent).

9. Specific Agency or Political Subdivisions Affected:

Public institutions of higher education
Virginia529

10. Technical Amendment Necessary: No.

11. Other Comments: The proposed legislation does not specify whether the provisions of the bill apply to undergraduate, graduate or first-professional students. By default, it appears to affect all three levels. In addition, the legislation address how the institutions of higher education should proceed related to room and board fees if the CPI is negative.

If the provisions of this legislation are adopted, officials at the Virginia529 program would likely need modify assumptions of the prepaid tuition program, assuming lower costs in the short-term and potentially higher costs in the out-years. Historically, tuition and fees have escalated after a tuition freeze.

House Bill 1512 and Senate Bill 836 are similar to House Bill 351.