

## Department of Planning and Budget 2019 Fiscal Impact Statement

**1. Bill Number:** HB2476

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

**2. Patron:** Reid

**3. Committee:** Appropriations

**4. Title:** Limits tuition and mandatory fees at public institutions of higher education

**5. Summary:** The proposed bill prohibits the governing board of any public institution of higher education from increasing undergraduate tuition and mandatory fees for the subsequent academic year if this institution's average increase of undergraduate tuition and mandatory fees in the most recent 10 years exceeds the average increase of undergraduate tuition and mandatory fees across all public institutions over such a period.

For those institutions that have not exceeded the most recent 10-year average for tuition and mandatory fee increases, this bill permits them to increase undergraduate tuition and mandatory fees by a certain percentage that does not exceed 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 immediately preceding the relevant academic year, multiplied by a certain factor that is based on the size of the increase over the most recent 10-academic-year period.

The multiplier factor begins at 0.500 for the eligible institution with the highest average increase in undergraduate tuition and mandatory fees over the most recent 10-year period and increases by 0.100 for each subsequent eligible institution based on average increases in undergraduate tuition and mandatory fees over the most recent 10-year period from the second highest to lowest increase.

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

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

**8. Fiscal Implications:** 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 varied from -0.4 percent to 3.2 percent. Tuition and mandatory educational and general fee charges ranged from 8.6 percent to 3.9 percent over the same timeframe.

Since the increases in tuition and fees generally exceeded the CPI rates during this period, it is likely that higher education institutions would have had less tuition and fee revenue if the requirements of this legislation had been in place over the last decade. Past increases in

tuition and fees were used to address enrollment growth, general fund budget reductions, and increases in operating and maintenance expenses, such as rising utilities, salary, and benefit costs.

**9. Specific Agency or Political Subdivisions Affected:**

Public institutions of higher education  
State Council of Higher Education for Virginia

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** Section 23.1-303 of the Code of Virginia sets the Commonwealth funding policy for colleges and universities at 67 percent of the institution's cost of education for Virginia students to be funded from the state general fund and 33 percent from funds other than the state general fund. The state's cost-sharing policy is also referenced in the General Provisions section (§4-2.01b.3.b) of the budget bill (HB 1700). Historically, higher tuition increases can be linked, in large part, to years in which the general fund budgets were being reduced. Institutions increased tuition at greater rates to help offset the state budget cuts to minimize the impact on services and quality of education. Consideration will need to be given to how these provisions are to be read together.

Senate Bill 1616 is identical to House Bill 2476.