

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1628

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ in Committee ☐ Substitute ☐ Enrolled

2. Patron: Dunnavant

3. Committee: Finance

4. Title: Institutional partnership performance agreements at public institutions of higher education; and establishment of the Innovative Internship Fund and Innovative Internship Pilot Program

5. Summary: The proposed legislation establishes the Innovative Internship Fund and Innovative Internship Pilot Program, to be administered by the State Council of Higher Education for Virginia (SCHEV), for the purpose of awarding grants on a competitive basis to public institutions of higher education that partner with at least one private sector entity that agrees to provide matching funds to facilitate innovative internship programs for students enrolled at the institution that accomplish one or more enumerated goals related to the workforce.

The Innovative Internship Fund, a special nonreverting fund, is to be created on the books of the Comptroller and any funds appropriated are to be paid into the state treasury and credited to the Fund. Any interest earned on the Fund is to remain in the Fund and carried over at the end of the fiscal year. No funds are to be reverted to the general fund at the end of the fiscal year and moneys in the Fund are to be used only to support grants approved pursuant to the provisions of this bill. Expenditures and disbursements made from the Fund by the State Treasurer on warrants issued by the Comptroller.

The Innovative Internship Pilot Program, to be administered by the SCHEV, is created to award grants on a competitive basis to public institutions of higher education that partner with at least one private sector entity that agrees to provide matching funds to facilitate innovative internship programs for students that accomplish one or more of the following goals: 1) support the strategic objectives of the Commonwealth regarding designated workforce needs; 2) support the strategic plan objectives of the Commonwealth regarding research and research commercialization in sectors and clusters targeted for development; 3) support regional economic growth and diversification plans; 4) enhance the job readiness of students and job access for students by providing a valuable workplace experience as a member of a team that includes addressing real problems and building skills that employers seek; and 5) reduce the amount of educational loan debt that students will incur without lengthening the course of study leading to a degree or industry-recognized credential.

SCHEV is directed to convene a workgroup composed of members it deems appropriate to study and make recommendations to the Chairmen of the Senate Committee on Education and Health, the Senate Committee on Finance, the House Committee on Appropriations, and the House Committee on Education no later than December 1, 2019, on strategies for public institutions of higher education to improve student access to course credit for the successful completion of work-based experiences.

The proposed legislation also permits any public institution of higher education to propose in conjunction with the six-year plan process, and the General Assembly to adopt by reference in the general appropriation act, an institutional partnership performance agreement that advances the objectives of the Virginia Higher Education Opportunity Act of 2011 by aligning the strategies, activities, and investments of the institution, the Commonwealth, and any identified partners concerning (i) college access, affordability, cost predictability, and employment pathways for undergraduate Virginia students and (ii) strategic talent development and other high-priority economic initiatives of the Commonwealth. The bill sets out the mandatory and permissive provisions, the approval process, and the legal effect of any such agreement.

Each agreement includes a college affordability and cost predictability plan and may include other provisions related to student outcomes, strategic economic initiatives, identified public sector or private sector partners, institutional performance and innovation, and the undertakings and commitments of the institution, the Commonwealth, and any identified partners.

The college affordability and cost predictability plan set out in each agreement addresses the institution's plans for: (i) undergraduate Virginia student enrollment, (ii) the net cost of attendance, consisting of tuition and fees less student financial aid, for undergraduate Virginia students at all income levels over the two-year and four-year course of study leading to a degree, (iii) the anticipated aggregate student loan obligations of undergraduate Virginia students upon completion of a degree, (iv) work-study, loan forgiveness, and other work-related opportunities to defray higher education costs, and (v) the corresponding expectations regarding the Commonwealth's policies and financial support.

The institutional performance and innovation provisions of any agreement may address (i) performance measures and performance-based funding for initiatives included in the agreement; (ii) enrollment and revenue management autonomy, subject to specified commitments related to undergraduate Virginia student enrollment; (iii) opportunities for institutional innovation and process improvements; and (iv) collaboration among institutions, business organizations, and other public sector or private sector partners.

As an expression of mutual intention by the institution, the Commonwealth, and, where applicable, identified partners, each agreement will include a memorandum of understanding (MOU) and not become effective unless it is adopted by reference by the General Assembly in the general appropriation act. No agreement creates a legally enforceable obligation on the

part of the institution, the Commonwealth, any party to the agreement, or any partner identified pursuant to the agreement.

No agreement will affect the authority of the governing board of the institution to set tuition and fees or to take other action within its purview under the laws of the Commonwealth, provided, however, that adherence to the terms of the agreement by the institution is a prerequisite for adherence to terms of the agreement by or on behalf of the Commonwealth and adherence to the terms of the agreement by the Commonwealth is a prerequisite for adherence to terms of the agreement by or on behalf of the institution.

Specific enrollment management authority conferred upon an institution pursuant to an agreement shall not be superseded by the general appropriation act or by any subsequent act of assembly unless, and to the extent that, any such act expressly so provides. No agreement supersedes the institution's management agreement or the MOU entered into pursuant to the Restructured Higher Education Financial and Administrative Operations Act (§ 23.1-1000 et seq.) unless, and to the extent that, the terms of the agreement expressly so provide.

Development and approval of any agreement shall proceed in tandem with consideration of the institution's six-year plan, as follows:

- (1) An institution that proposes an agreement will include the proposed agreement with its submission of the preliminary version of its six-year plan.
- (2) The Secretary of Finance, the Secretary of Education, the Director of the Department of Planning and Budget, the Director of the State Council of Higher Education, the Staff Director of the House Committee on Appropriations, and the Staff Director of the Senate Committee on Finance, or their designees, shall review and comment on any proposed agreement in accordance with the six-year plan review and comment process.
- (3) Each agreement shall be adopted by reference in the general appropriation act and may be signed at any time prior to final action by the General Assembly on the general appropriation act.
- (4) Any agreement may be modified by the same process as it is approved.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: The legislation adds institutional partnership performance agreements at public institutions of higher education to the six-year plan process. The intent of the legislation is to strengthen the Commonwealth's relationship with the institutions of higher education and potentially reward institutions for engaging in partnerships with other

institutions or private sector partners, to support economic development initiatives in the Commonwealth. Any fiscal implications pursuant to these agreements are indeterminate.

The cost of the newly created Innovative Internship Pilot Program is indeterminate and dependent on the amount of funding provided by the General Assembly. Within SCHEV, Item 143, paragraph O., Chapter 2, 2018 Acts of Assembly, Special Session I, presently provides \$200,000 per year in general fund support for innovative internship programs.

9. Specific Agency or Political Subdivisions Affected:

Governor
Public institutions of higher education in Virginia
Secretaries of Education and Finance
Director, Department of Planning and Budget
Director, State Council of Higher Education for Virginia
Staff Directors of the House Appropriations and Senate Finance Committees

10. Technical Amendment Necessary: No.

11. Other Comments: House Bill 2653 is similar to Senate Bill 1628.