

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB1007

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

2. Patron: Athey

3. Committee: Appropriations

4. Title: **Admission of in-state students at public institutions of higher education**

5. Summary: Provides that the board of visitors or other governing body of each public institution of higher education in Virginia must establish rules and regulations requiring that 80 percent of the undergraduate student population of the institution is Virginia domiciles. State funds must be withheld from any institution that does not fulfill the 80 percent requirement.

6. Fiscal Impact Estimates: Preliminary

7. Budget Amendment Necessary: Yes, if this policy is adopted, the six affected institutions may require additional nongeneral fund appropriations.

8. Fiscal Implications: Currently, six institutions of higher education fall below 80 percent of in-state students in total undergraduate enrollment. See table below.

Institutions with Less Than 80 Percent In-State Undergraduate Enrollment

Institution	Actual Fall 2009 Headcount			
	In-state	Out-of-State	Total	% of In-State
College of William and Mary (CWM)	3,915	1,921	5,836	67.1%
James Madison University (JMU)	12,253	5,028	17,281	70.9%
University of Virginia (UVA)	10,198	5,278	15,476	65.9%
Virginia Tech (VPI)	17,544	6,014	23,558	74.5%
Virginia State University (VSU)	3,288	1,583	4,871	67.5%
Virginia Military Institute (VMI)	881	619	1,500	58.7%

Source: State Council of Higher Education

Per §4-2.01 b.3.b) of Chapter 781, the 2009 Appropriation Act, the state share of educational costs for in-state students should seek to fund 67 percent from the general fund and 33 percent from tuition and fees, while out-of-state students are supported 100 percent from nongeneral funds.

If these six institutions were required to increase in-state student enrollment in order to reach an in-state ratio of 80 percent, charges to out-of-students would have to increase an additional \$113.5 million to cover the loss of out-of-state revenue as noted on the following table.

Estimated Additional Costs to Out-of-State Undergraduate Students

Inst.	2009-10 E&G Tuition and Fees			Revenue Replacement		
	In-state	Out-of-State	Difference	# of Students to Reach 80% Provision	Out-of-State Switch to In-State	Tuition Revenue Loss
CWM	\$6,483	\$26,647	\$20,164	4,669	754	\$15,199,623
JMU	\$3,734	\$15,866	\$12,132	13,825	1,572	\$19,069,078
UVA	\$7,873	\$29,873	\$22,000	12,381	2,183	\$48,021,600
VPI	\$7,240	\$20,513	\$13,273	18,846	1,302	\$17,286,755
VSU	\$3,584	\$23,048	\$19,464	3,897	609	\$11,849,683
VMI	\$5,500	\$11,918	\$6,418	1,200	319	\$2,047,342
TOTAL						\$113,474,081

Source: State Council of Higher Education

Given that institutions are already charging well above 100 percent for the cost of out-of-state tuition, it is possible that institutions will price themselves out of the market and lose more out-of-state students which may further impact the institution's ability to cover its educational costs. The following table shows the percent of the cost of education presently covered by out-of-state students at the six impacted institutions.

Cost of Education - FY 2010 Out-of-State

Institution	Percent of Costs
CWM	146%
JMU	133%
UVA	160%
VPI	124%
VSU	109%
VMI	123%

Source: State Council of Higher Education

The normal tuition increase for out-of-state tuition was 7.2 percent at the University of Virginia and 7.1 percent at William and Mary over the past five years. The additional increase to meet the 80 percent provision would be on top of the normal annual tuition increases approved by the institutions. Also, as a result of losing out-of-state students, it is possible institutions can increase the in-state ratio without adding more in-state students (e.g. it may be cheaper for an institution to decrease out-of-state students and reduce operations, than to add in-state students to the present enrollment mix).

The bill also directs that those institutions falling short of the 80 requirement would have their state financial support withheld. Based on House Bill 30, as introduced, a total of

\$455.6 million in state financial support, including \$43.3 million in financial aid for in-state students would have to be withheld from the six impacted institutions if this provision were enacted today. The following table shows the amounts by affected institution.

State Financial Support for FY 2011

Institution	Instruction	Financial Aid	Research	Total
CWM	\$39,291,864	\$3,527,029	\$75,000	\$42,893,893
JMU	\$63,577,853	\$6,724,848	-	\$70,302,701
UVA	\$120,946,433	\$9,513,569	\$2,821,112	\$133,281,114
VPI	\$144,789,971	\$17,661,198	\$2,388,544	\$164,839,713
VSU	\$30,129,353	\$5,077,406	-	\$35,206,759
VMI	\$8,306,364	\$750,632	-	\$9,056,996
TOTAL	\$407,041,838	\$43,254,642	\$5,284,656	\$455,581,176

Source: House Bill 30, as introduced.

9. Specific Agency or Political Subdivisions Affected:

College of William and Mary
University of Virginia
Virginia State University

James Madison University
Virginia Tech
Virginia Military Institute

10. Technical Amendment Necessary: No

11. Other Comments: The legislation does not specify when the 80 percent provision for in-state students will take effect. In addition, the bill does not specify what would happen to the state funds that would be withheld – would they be redistributed or held until the institution meets the provision.

Date: 2/2/10/aps

Document: g:/aps/legislation/2010sess/HB1007.doc