

Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

8 VAC 40-31 Regulations Governing the Certification of Certain Institutions to Confer Degrees, Diplomas and Certificates
State Council of Higher Education for Virginia
Town Hall Action/Stage: 4821/7937
September 6, 2017

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 298 of the 2017 Acts of Assembly¹, the State Council of Higher Education for Virginia (SCHEV) proposes a number of disclosures to be included in the enrollment agreement signed by the student and by an authorized representative of the school.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Chapter 298 of the 2017 Acts of Assembly requires all postsecondary schools certified by SCHEV to enter into an enrollment agreement with students and directs SCHEV to prescribe disclosures to be included in such an agreement. Accordingly, SCHEV proposes a number of disclosures to be included in such an agreement including transferability of credits to other institutions, right to cancellation, refund policies, and the grievance process.

The proposed regulation will make sure that students are provided with such information and that the school will have evidence that it has provided it to the students. The main benefit of such disclosures is to eliminate information asymmetries between the parties and allow them to make informed decisions.

¹ <http://lis.virginia.gov/cgi-bin/legp604.exe?171+ful+CHAP0298>

The proposed regulation, however, is unlikely to have a significant economic impact upon promulgation for two reasons. First, SCHEV has always encouraged institutions to have enrollment agreements as a best practice. As a result, at least 90% of regulated institutions are estimated to currently have enrollment agreements. Second, those that do not have enrollment agreements are not expected to incur significant costs to provide disclosures because they likely readily have the information to be disclosed. For example, some of the information that is to be disclosed is already disclosed to students by other means (such as in a catalog) or they are already available on other agency websites (such as pass rates for first time test takers for nursing licensure), or the school already has an existing policy on the issue. Therefore, provision of required disclosures should not impose significant costs on the schools.

Businesses and Entities Affected

There are approximately 300 regulated postsecondary institutions in Virginia. In 2015, there were 89,832 new students enrolled in those institutions.

Localities Particularly Affected

The proposed regulation applies statewide.

Projected Impact on Employment

No significant impact on employment is expected.

Effects on the Use and Value of Private Property

No significant impact on the use and value of private property is expected.

Real Estate Development Costs

No impact on real estate development costs is expected.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

Approximately 150 of the 300 regulated postsecondary institutions are considered small business. The proposed regulation is not expected to impose significant costs or other effects on them.

Alternative Method that Minimizes Adverse Impact

No significant adverse impact on small businesses is expected.

Adverse Impacts:

Businesses:

No significant adverse impact on non-small businesses is expected.

Localities:

The proposed regulation is not expected to adversely affect localities.

Other Entities:

The proposed regulation will not adversely affect other entities.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.