

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 724 (First Edition)

SHORT TITLE: NCNG – Dependents Pay In-State Tuition.

SPONSOR(S): Senator Thomas

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 2005-06 FY 2006-07 FY 2007-08 FY 2008-09 FY 2009-10

REVENUES

UNC & Comm.

Coll. Receipts

Receipts loss - See Assumptions and Methodology

EXPENDITURES

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Board of Governors of the University of North Carolina;
State Board of Community Colleges

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: The bill provides in-state tuition to the dependents of members of the North Carolina National Guard who reside out-of-state. The tuition is for both state universities and community colleges. The dependent must reside with the National Guard member.

ASSUMPTIONS AND METHODOLOGY: There is no data on the number of National Guard dependents that attend public colleges and community colleges in North Carolina. However, it is known that in 2005 there are 652 North Carolina Army and Air National Guard members who reside out-of-state. These non-resident National Guard members have 105 children of college age that could take advantage of in-state tuition. These Guard members also have 75 more children aged 13 to 17 that will be of college age in the next five years. (see following chart)

Not all students that graduate from high school attend college. According to the National Center for Education Statistics, the national college going rate in 2002 was 56.2%. Assuming Guard dependents follow the national average for college attendance, then only 69 of the 122 eligible Guard dependents will likely attend a college or community college in FY 2005-06. Since the bill has no age limit on the in-state tuition paid for public college attendance, those students eligible in 2004-05 are assumed eligible for the 5 years estimated in this fiscal note. (see following chart)

| <u>Fiscal Year</u> | <u>Age</u> | <u>Number</u> | <u>Total Eligible</u> | <u>College Going Rate (56.2%)</u> |
|--------------------|-------------|---------------|-----------------------|-----------------------------------|
| 04-05 | College age | 105 | | |
| 05-06 | 17 | 17 | 122 | 69 |
| 06-07 | 16 | 33 | 155 | 87 |
| 07-08 | 15 | 35 | 190 | 107 |
| 08-09 | 14 | 28 | 218 | 123 |
| 09-10 | 13 | 30 | 248 | 139 |

The non-resident members of the North Carolina National Guard come primarily from neighboring states. It is conceivable that a number of the non-resident National Guard children now attend a North Carolina college or community college. Based on statistics from UNC's Statistical Abstract of Higher Education 03-04, the following enrollment of non-resident students was reported for Fall 2003:

| | | | |
|----------------|-------|-----------|-------|
| Georgia | 1,156 | Tennessee | 436 |
| South Carolina | 1,210 | Virginia | 2,995 |

For community colleges, the Abstract reported the following students from neighboring states:

| | | | |
|----------------|-----|-----------|-----|
| Georgia | 74 | Tennessee | 62 |
| South Carolina | 104 | Virginia | 179 |

What if this legislation motivated 69 nonresident National Guard dependents to attend a North Carolina community college or public university in FY 2005-06?

Scenario 1: If 69 non-resident students were admitted to the UNC system schools and paid the average weighted out-of-state tuition of \$13,144, then the UNC schools would receive \$906,936 in revenue. If the same students were granted in-state tuition by this bill, then their payment of the average weighted tuition of \$2,239 would yield \$154,491 in tuition receipts. The revenue lost in this scenario is \$752,445.

Scenario 2: If 69 non-resident students were admitted to schools in the Community College system and paid the out-of-state tuition of \$6,752 per year, the community colleges would receive \$465,888 in tuition revenue. If the same students were granted in-state tuition by this bill, then their payment of the in-state tuition of \$1,216 would yield \$83,904 in tuition receipts. The revenue lost in this scenario is \$381,984.

Based on the above scenarios, the cost to North Carolina public colleges and community colleges ranges from \$381,984 to \$752,445 in FY 05-06.

Given the number of known Guard dependents what is the future cost of this tuition benefit? Using the difference between out-of-state and in-state tuition shown above, the following chart calculates the range of revenue loss from this bill. By FY 2009-10, this tuition benefit could cost the state \$1.5 million. The fiscal impact will be even greater if non-resident tuition grows at a rate higher than resident tuition, thus increasing the tuition differences.

| <u>Fiscal Year</u> | <u>Estimated # of Students</u> | <u>UNC Tuition Difference \$10,905</u> | <u>CC Tuition Difference \$5,536</u> |
|--------------------|--------------------------------|--|--------------------------------------|
| 05-06 | 69 | \$752,445 | \$381,984 |
| 06-07 | 87 | \$948,735 | \$481,632 |
| 07-08 | 107 | \$1,166,835 | \$592,352 |
| 08-09 | 123 | \$1,341,315 | \$680,928 |
| 09-10 | 139 | \$1,515,795 | \$769,504 |

The unknown factor in this analysis is the future number of nonresident National Guard members. Lengthy foreign deployments have discouraged many from joining the Guard in the past year. A December 17, 2004 CBS/AP news story reported that Guard enlistments had fallen 30% below recruitment goals in the last two months of 2004. However, the North Carolina National Guard reported it had exceeded its recruiting goals for the year ending September 2004. The future cost of this tuition reduction will depend on how successful North Carolina is in maintaining its troop strength using both residents and nonresidents.

SOURCES OF DATA: North Carolina Air National Guard; North Carolina Army National Guard; UNC Statistical Abstract of Higher Education 03-04; National Center for Education Statistics; CBSNEWS.com; North Carolina National Guard news release December 2, 2004.

TECHNICAL CONSIDERATIONS: This bill does not limit the age of the college student. GS 115-2 limits tuition waivers in the UNC and Community College System to 23 years old and under. An age limit of 25 is imposed on Veterans Scholarships in GS 165-20.

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Signed Copy Located in the NCGA Principal Clerk's Offices