

**GENERAL ASSEMBLY OF NORTH CAROLINA**



**Session 2007**

**Legislative Fiscal Note**

**BILL NUMBER:** House Bill 205 (First Edition)

**SHORT TITLE:** Repeal Out-of-State Tuition Exemption.

**SPONSOR(S):** Representatives Cleveland and Harrison

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b>(\$millions)</b>				
	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>
<b>REVENUES</b>					
<b>UNC Tuition Receipts</b>	\$0	\$3.7	\$7.8	\$13.0	\$16.4
<b>EXPENDITURES</b>					
<b>General Fund</b>	\$0	(\$3.7)	(\$7.8)	(\$13.0)	(\$16.4)
<b>POSITIONS (cumulative):</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> University of North Carolina					
<b>EFFECTIVE DATE:</b> This act is effective when it becomes law.					

**BILL SUMMARY:** Repeals GS 116-143.6, which authorizes the Board of Trustees of a constituent institution of the University of North Carolina to consider as residents of North Carolina all students who receive full scholarships to the institution from entities recognized by the institution and attend the institution as undergraduate students. Provides that the repeal of the statute does not affect the receipt of full scholarships for the 2006-07 and 2007-08 academic years by students who received the scholarships before the repeal  
*Source: Bill Digest H.B. 205 (02/14/2007).*

**ASSUMPTIONS AND METHODOLOGY:** The 2006-07 academic year is the first year nonresidents on full scholarships were considered in-state residents for tuition purposes. Foundations paying for 456 students at 14 UNC institutions benefited from this statutory provision in the first year. Of these students, 70.4% (321) were on athletic scholarships and 29.6% (135) were on academic scholarships. Campuses that lost tuition revenue from the conversion from nonresident to resident status received an increase of \$5,182,609 in their General Fund budget through the enrollment growth funding model.

The Governor's Recommended Operating Budget for 2007-2009 included funding in the continuation budget for the second and third years of the nonresident scholarship provision.

The chart below shows that 737 students will receive the tuition discount in academic year 07-08 at a cost of \$8.6 million and 1,046 students will receive the tuition break in academic year 08-09 at a cost of \$12.4 million. By 08-09, campuses estimate that 68.1% of the nonresident students receiving the tuition discount will be athletes and 31.9% will be on academic scholarships.

<b>FY 2007-09 Biennium General Fund Impact of GS 116-143.6</b>						
<b>Institution</b>	<b>Projected Number of FTE students, 2007-08</b>	<b>Projected Number of FTE students, 2008-09</b>	<b>2006-07 Undergrad In-State Tuition (amount per FTE)</b>	<b>2006-07 Undergrad Out-of-State Tuition (amount per FTE)</b>	<b>Impact to General Fund-Appropriations Difference in Tuition Rates 2007-08</b>	<b>Impact to General Fund-Appropriations Difference in Tuition Rates 2008-09</b>
ASU	55	85	\$2,221	\$11,963	\$535,810	\$828,070
ECU	60	90	\$2,335	\$12,849	\$630,840	\$946,260
ECSU	0	0	\$1,490	\$9,829	\$0	\$0
FSU	2	2	\$1,546	\$11,282	\$19,472	\$19,472
NCA&T	29	29	\$1,994	\$11,436	\$273,818	\$273,818
NCCU	50	52	\$1,878	\$11,622	\$487,200	\$506,688
NCSA	12	17	\$2,755	\$14,035	\$135,360	\$191,760
NCSU	149	229	\$3,205	\$15,403	\$1,817,502	\$2,793,342
UNCA	23	24	\$2,172	\$12,297	\$232,975	\$243,000
UNC-CH	191	287	\$3,445	\$18,103	\$2,799,678	\$4,206,846
UNCC	17	27	\$2,344	\$12,756	\$177,004	\$281,124
UNCG	40	50	\$2,308	\$13,576	\$450,720	\$563,400
UNCP	0	0	\$1,869	\$11,129	\$0	\$0
UNCW	60	90	\$2,221	\$12,156	\$596,100	\$894,150
WCU	46	61	\$1,904	\$11,487	\$440,818	\$584,563
WSSU	3	3	\$1,651	\$10,291	\$25,920	\$25,920
<b>TOTAL</b>	<b>737</b>	<b>1,046</b>			<b>\$8,623,117</b>	<b>\$12,358,413</b>

The fourth class receiving the tuition benefit will enter UNC schools in academic year 2009-10. Based on an average of 300 new students a year receiving the benefit during the 07-09 biennium, it is assumed that the 2009-10 class will also equal 300 and be distributed in the same proportion among the campuses. The 07-08 tuition rates set by the UNC Board of Governors in February 2007 are used to determine the revenue loss. Furthermore, the tuition difference between resident and nonresident students in 07-08 will be used in the following years of this fiscal note since most

schools tend to increase the tuition rates on both groups of students by the same amount. For example, in 2006-07, twelve of the sixteen UNC campuses raised resident and nonresident tuition by the same amount. In 2007-08, eight campuses raised tuition the same amount for residents and nonresidents, while two schools did not raise tuition at all.

<b>Four Year General Fund Impact of G.S. 116-143.6</b>				
<b>Institution</b>	<b>Estimated Number of FTE Students, 2009-10</b>	<b>2007-08 Undergrad In-State Tuition (amount per FTE)</b>	<b>2007-08 Undergrad Out-of-State Tuition (amount per FTE)</b>	<b>Impact to General Fund-Appropriations Difference in Tuition Rates 2009-10</b>
ASU	115	\$2,221	\$11,963	\$1,120,330
ECU	120	\$2,431	\$12,945	\$1,261,680
ECSU	0	\$1,587	\$10,468	\$0
FSU	2	\$1,826	\$12,008	\$20,364
NCA&T	29	\$1,994	\$11,436	\$273,818
NCCU	52	\$2,218	\$11,962	\$506,688
NCSA	23	\$3,224	\$14,654	\$262,890
NCSU	302	\$3,760	\$15,958	\$3,683,796
UNC-A	24	\$2,307	\$13,297	\$263,760
UNC-CH	382	\$3,705	\$19,353	\$5,977,536
UNC-C	37	\$2,461	\$12,873	\$385,244
UNC-G	60	\$2,458	\$13,726	\$676,080
UNC-P	1	\$1,949	\$11,209	\$9,260
UNC-W	120	\$2,413	\$12,376	\$1,195,560
WCU	76	\$2,028	\$11,611	\$728,308
WSSU	3	\$1,701	\$10,341	\$25,920
<b>TOTAL</b>	<b>1,346</b>			<b>\$16,391,234</b>

The four year cost of the tuition discount in GS 116-143.6 will cost the General Fund a minimum of \$16.4 million a year from FY 2009-10 onward. HB 205 ends the benefit with the entering class of 2007-08. The chart below shows the savings resulting from this legislation. The loss of General Fund revenue will be replaced with tuition receipts. However, some campuses may experience a reduction in the number of academic and athletic scholarships if the sponsoring foundations are unwilling or unable to pay the higher nonresident tuition rates.

	<u>GS 116-143.6</u>		<u>HB 205</u>		<u>Savings</u>
FY 2006-07	\$5,182,609		\$5,182,609		\$0
FY 2007-08	\$8,623,117		\$8,623,117		\$0
FY 2008-09	\$12,358,413		\$8,623,117		\$3,735,296
FY 2009-10	\$16,391,234		\$8,623,117		\$7,768,117
FY 2010-11	\$16,391,234		\$3,440,508		\$12,950,726
FY 2011-12	\$16,391,234		\$0		\$16,391,234

**SOURCES OF DATA:** University of North Carolina General Administration

**TECHNICAL CONSIDERATIONS:** None

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