

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** House Bill 72 (PCS H72-CSRC-2)

**SHORT TITLE:** UNC Tuition/Scholarship/Military

**SPONSOR(S):** Rep. McAllister

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
<b>EXPENDITURES</b>					
<b>Section 1:</b>					
Receipts	(\$14,471,734)	(\$ 15,161,493)	(\$15,925,166)	(\$ 16,718,468)	(\$ 17,609,501)
Gen. Fund App.	\$14,471,734	\$ 15,161,493	\$ 15,925,166	\$ 16,718,468	\$ 17,609,501
<b>Section 2:</b>					
Requirements	\$ (21,750)	\$ (22,294)	\$ (22,851)	\$ (23,422)	\$ (24,008)
Receipts	(\$1,135,371)	(\$1,163,755)	(\$1,192,849)	(\$1,222,670)	(\$1,253,237)
Gen. Fund App.	\$ 1,113,621	\$ 1,141,462	\$ 1,169,998	\$ 1,199,248	\$ 1,229,229
<b>Total Costs</b>					
Requirements	\$ (21,750)	\$ (22,294)	\$ (22,851)	\$ (23,422)	\$ (24,008)
Receipts	\$ (15,607,105)	\$ (16,325,248)	\$ (17,118,016)	\$ (17,941,139)	\$ (18,862,738)
<b>Gen. Fund App.</b>	<b>\$ 15,585,355</b>	<b>\$ 16,302,954</b>	<b>\$ 17,095,165</b>	<b>\$ 17,917,716</b>	<b>\$ 18,838,731</b>
<b>POSITIONS:</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> University of North Carolina campuses, Community Colleges					
<b>EFFECTIVE DATE:</b> July 1, 1999 and August 1, 1999					

**BILL SUMMARY:** To provide that an undergraduate scholarship student who attends a constituent institution of the University of North Carolina shall be treated as a North Carolina resident for tuition purposes and to provide that a member of the military student who attends a constituent institution of the University of North Carolina or a community college shall only be charged the in-state tuition rate. Adds new GS 116-25.1 to allow any nonresident undergraduate

who receives a full scholarship to and attends a constituent school of The University of North Carolina to pay only in-state tuition. Defines “full scholarship” to include amount no less than in-state tuition and fees and on-campus room and board. Rewrites GS 116-143.3(b) to allow nonresident members of the armed services to be charged the in-state tuition rate. Effective July 1, 1999 (Section 1) and August 1, 1999 (Section 2). (Adapted from Bill Digest 2/2/1999).

**ASSUMPTIONS AND METHODOLOGY: Section 1:** Provides that out-of-state students receiving scholarships equal to in-state tuition and fees and on-campus room and board shall pay only in-state tuition rates.

1. The number of out-of-state students who would qualify for this benefit is estimated using the student data file and actual individual financial aid awards for 1997-98. The cost of attendance for 1997-98 was also used as a threshold for qualifying for in-state tuition. Based on 1997-98 data, 1,707 non-resident undergraduates would have been eligible last year.

2. The tuition differential between in-state and out-of-state tuition for 1998-99 was used to establish a baseline cost. Tuition differential is estimated to increase 2.5% annually based on inflation. For each student meeting the limits for the benefit, the cost was calculated by multiplying the difference between in-state and out-of-state tuition at the campus attended.

3. The number of students who qualify will increase as the UNC enrollment increases. The ratio of non-resident to resident enrollment is assumed to remain constant. The number of students qualifying in 1997-98 was 1,707, which was used as a base number.

4. The additional cost to the General Fund results directly from the reduced tuition revenue to each UNC campus. The General Assembly may choose to replace these tuition receipts with additional General Fund appropriations, or the cost will in effect be a budget cut to each campus that has to absorb the loss of receipts.

5. Because the effect of the bill is to reduce the cost of financial aid to “full scholarship” students, the reduction in cost accrues to various groups paying for the financial assistance. These groups include private foundations, athletic departments or foundations, institutional trust funds, and other sources of financial aid, including the federal government. In effect, additional General Fund appropriations would replace funds from these various sources.

6. If the sources providing the financial aid choose to use the aid freed up by the change in law (due to the lower tuition cost) to provide assistance to additional *out-of-state students*, the potential cost could be significantly higher. If all of the “excess” financial aid is used for this purpose, the total potential General Fund cost for the 2000-2001 fiscal year could approach \$38 million, based on the current difference between in-state and out-of-state tuition. Therefore, this cost estimate, resulting from direct tuition revenue reductions, should be considered as the low end of a range of estimates.

**Section 2:** Provides that military personnel stationed in North Carolina shall only be charged the in-state tuition rate. Currently, the out-of-state rate is charged, but the individual is only responsible for an amount up to the in-state rate.

1. The NC Community Colleges and the UNC campuses were surveyed to assess the costs of the proposed legislation. Three community colleges and seven UNC campuses would be affected by the change in law. The majority of the cost will be incurred by the community colleges.
2. The number of military personnel taking courses will not change in substantial numbers. A similar estimate made in 1994-95 had similar costs.
3. The current law was rewritten in 1984 to hold the cost for active military personnel to the in-state tuition rate, while increasing receipts from the military services.
4. The impact of Section 2 will be to reduce the tuition assistance payments of the military services, thereby reducing the tuition revenues of the community colleges and the UNC campuses that enroll significant numbers of military personnel.
5. No attempt has been made to estimate the increased enrollment of military personnel as a result of the proposed change. To the extent that the military services increase the number of service members receiving tuition assistance if SB 19 passes, the increased enrollment will increase the General Fund costs to the community colleges and UNC. Therefore, this cost estimate should be considered as the low end of a range of estimates.
6. Most of the cost is due to a loss of tuition receipts, which will increase the General Fund appropriations requirements. Colleges were asked about administrative savings, and these have been used to offset the loss of tuition.
7. Costs have been inflated at a rate of 2.5% annually, based on potential increases in tuition.

Data sources include survey of UNC and Community College campuses (Section 2) and Student Data Files for 1997-98 maintained by UNC General Administration (Section 1).

**TECHNICAL CONSIDERATIONS:**

The cost of the bill is sensitive to the definitions of “full scholarship” and “full cost assessed by the institution” in proposed GS 116-25.1 (b). The lower the charges included in the “full cost...” definition, the higher the cost of the bill because more students will qualify.

**FISCAL RESEARCH DIVISION 733-4910**  
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**APPROVED BY:** Tom Covington

**DATE:** Thursday, April 22, 1999



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