

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 1540 (First Edition)

SHORT TITLE: Tuition Waiver/Some Military Family Members.

SPONSOR(S): Representative Vinson

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	(\$Million)				
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES					
UNC Receipts	(6.56)	(7.62)	(8.64)	(9.65)	(10.63)
Comm. Coll. Receipts	(.38)	(.44)	(.47)	(.53)	(.58)
Total Receipts	(6.94)	(8.06)	(9.11)	(10.18)	(11.21)
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Board of Governors of the University of North Carolina; State Board of Community Colleges					
EFFECTIVE DATE: This act is effective when it becomes law, and applies to the 2005-2006 academic year and each subsequent academic year.					

BILL SUMMARY:

The bill waives tuition at a constituent institution of the University of North Carolina or a North Carolina Community College for a survivor of a member of the armed forces killed as a direct result of a traumatic injury sustained in the line of duty, or to a spouse or child of a member of the armed services who is permanently and totally disabled because of such an injury. An eligible child must be at least 17 but not yet 23 years old. The tuition waiver may not exceed 48 months. Armed forces include the US Air Force, Army, Coast Guard, Marine Corps, Navy, the NC National Guard, and any reserve component of these.

BACKGROUND:

VA Education Benefit

The federal Survivors' and Dependents' Educational Assistance Program (DEA) offers educational benefits to the spouse and children of:

- A veteran who died or is permanently and totally disabled as the result of a service-connected disability. The disability must arise out of active service in the Armed Forces.
- A veteran who died from any cause while such service-connected disability was in existence.
- A service member missing in action or captured in line of duty by a hostile force.
- A service member forcibly detained or interned in line of duty by a foreign government or power.

The financial assistance can be used for degree or certificate programs, apprenticeships, or on-the-job training. The amount of assistance is based on the type of program the student is enrolled in, but the maximum for a full time college student is \$803 per month for up to 45 months. An eligible child must be between the ages of 18 and 26. The education benefits for a spouse end 10 years from the date of death of the veteran or 10 years from the date the VA determined eligibility.

VA Dependent Pension Benefit

Dependency and Indemnity Compensation (DIC) is paid monthly to eligible survivors of a:

- Military service member who died while on active duty, or
- Veteran whose death resulted from a service-related injury or disease, or
- Veteran whose death resulted from a non-service injury or disease and was entitled to receive certain benefits.

A surviving child between the age of 18 and 23 that is in school receives \$210 a month.

North Carolina Veterans Scholarships

North Carolina awards scholarships to children of veterans who were legal residents of the state when they entered the armed forces or whose children were born in the state and have resided here continuously. The amount of aid is determined as follows:

- Tuition, fees, room and board per nine month academic year for child of veteran who was either 1) a prisoner of war, 2) missing in action, or 3) killed in wartime service or died as a result of service-connected condition incurred in wartime services.
- Tuition and fees per nine month academic year for child of veteran who is 100% disabled due to wartime service.
- Tuition, fees, room and board per nine month academic year for 100 children of veterans who are between 20% and 100% disabled.
- Tuition, fees, room and board per nine month academic year for 100 children of veterans who were drawing pension for total disability at time of death, or who were honorably discharged, or who served in a combat zone

ASSUMPTIONS AND METHODOLOGY:

The beneficiaries of the tuition waiver proposed in this bill are similar to those that receive payments from the US Department of Veteran Affairs (VA) Survivors' and Dependents' Educational Assistance Program (DEA). In 2003, the U.S. Department of Veterans Affairs reported 2,670 persons in North Carolina taking advantage of DEA benefits. For first time

beneficiaries in 2003 (nationally), 90.8% were pursuing undergraduate or graduate degrees, while 9.2% were enrolled in vocational/technical schools or non-degree college programs. 71.8% of the students were full-time and 29.2% were part-time. Many of these same students also receive the North Carolina Veterans Scholarship. In 2002-03, 519 students attended college and 285 students attended community college with assistance from the Veterans Scholarship program. This number is lower than the federal program due to statutory restrictions on residency and type of disability.

How many tuition waivers can be expected over the next five fiscal years? The Assistant Director of the VA Education Service has projected the number of DEA recipients from 2005 to 2010. Since approximately 5% of the current DEA recipients are in North Carolina, the chart below shows the number of beneficiaries that are projected for this state. This number will serve as the proxy for the number of students that will receive the proposed tuition waiver in HB 1540.

	Projected		Projected
	DEA Recipients	% Growth	DEA Recipients
	<u>US</u>		<u>NC</u>
2005	75,072	8.9%	3,754
2006	80,094	6.7%	4,005
2007	83,937	4.8%	4,197
2008	87,168	3.8%	4,358
2009	89,692	2.9%	4,485
2010	91,429	1.9%	4,571

In the past four years, tuition in the UNC system has grown 79% or 19.75% a year due to campus-initiated increases and General Assembly imposed increases. The UNC campuses requested resident tuition increases ranging from \$200 to \$300 in FY 2005-06, but the UNC Board of Governors denied the increases. The tuition established by the UNC Board of Governors for resident students in FY 2005-06 ranges from \$2,493 at Elizabeth City State University to \$4,515 at UNC-Chapel Hill. The average weighted resident tuition for the 16 campuses is \$2,239 next academic year (this average accounts for student population).

Campuses will continue to petition the UNC Board of Governors for tuition increases for faculty salary increases, infrastructure needs, replacement of General Fund budget cuts, etc. This note assumes the Board of Governors will grant tuition increases beginning in 2006 that will average \$200 per year. See the chart on the following page for future year estimates.

Assuming DEA college admission patterns continue at existing rates, the chart on the following page assumes 90.8% of the tuition waivers will go to students seeking undergraduate or graduate degrees and 71.8% of these students will be full-time students. Since there is no data on how many credit hours part-time students take, it is assumed they carry half the average course load and thus pay half the tuition cost. For the UNC System, the FY 05-06 fiscal impact is anticipated to be \$6.6 million in lost tuition revenue. By FY 2009-10, the loss in tuition revenues to the UNC System will be an estimated \$10.6 million.

	Number of Students	Public College Students	Full-Time College Students	Part-Time College Students	Public College Tuition	Public College Tuition Amount
FY 05-06	3,754	3,409	2,448	961	\$2,239	\$6,556,912
FY 06-07	4,005	3,637	2,611	1,026	\$2,439	\$7,619,436
FY 07-08	4,197	3,811	2,736	1,075	\$2,639	\$8,638,767
FY 08-09	4,358	3,957	2,841	1,116	\$2,839	\$9,649,761
FY 09-10	4,485	4,072	2,924	1,148	\$3,039	\$10,630,422

For community colleges, the current annual tuition for full-time resident students is \$1,216. Tuition has increased each year since 2001 averaging \$84 per year. This fiscal note will assume that tuition will continue to grow at an annual pace of \$84 per year in years 2005 to 2010.

	Public	CC
FY 2005-06	\$2,239	\$1,300
FY 2006-07	\$2,439	\$1,384
FY 2007-08	\$2,639	\$1,468
FY 2008-09	\$2,839	\$1,552
FY 2009-10	\$3,039	\$1,636

Again assuming DEA college admission patterns will continue, the chart below assumes 9.2% of the students will be enrolled in vocational/technical schools or non-degree college programs and 71.8% of these students will be full-time students. Since there is no data on how many credit hours part-time students take, it is assumed they carry half the average course load and thus pay half the tuition cost. For the Community College System, the FY 05-06 fiscal impact is anticipated to be \$385,450 in lost tuition revenue. By FY 2009-10, the loss in tuition revenues to the Community College System will be an estimated \$580,780.

	Number of Students	Community College Students	Full-Time Com.Coll. Students	Part-Time Com.Coll. Students	Community College Tuition	Community College Tuition Amount
FY 05-06	3,754	345	248	97	\$1,300	\$385,450
FY 06-07	4,005	368	264	104	\$1,384	\$437,344
FY 07-08	4,197	386	277	109	\$1,468	\$486,642
FY 08-09	4,358	401	288	113	\$1,552	\$534,664
FY 09-10	4,485	413	297	116	\$1,636	\$580,780

SOURCES OF DATA: Department of Veteran Affairs Survivors' and Dependents' Educational Assistance Program (Chapter 35 of title 38, U.S.C.); Annual Benefits Report Fiscal Year 2003 & Annual Benefits Report Fiscal Year 2002, Veterans Benefits Administration of the U.S.

Department of Veterans Affairs; North Carolina Division of Veteran Affairs; data from Assistant Director of the VA Education Service, U.S. Department of Veterans Affairs

TECHNICAL CONSIDERATIONS: None

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Signed Copy Located in the NCGA Principal Clerk's Offices