

Community College Tuition Waivers

March 12, 2010

Fiscal Brief

State Spent \$55 Million on Tuition Waivers in FY 2008-09

Executive Summary

The current economic recession has had a negative impact on State funds, and it appears that the budget situation will not improve for the 2010 Session of the 2009 General Assembly. Legislators will have to make difficult decisions about how to spend limited State resources, and where to make cuts. In making these decisions, it may be helpful for legislators to understand which groups currently may attend community college tuition-free or with reduced tuition and at what cost to the State.

In FY 2008-09, almost \$55 million in tuition was waived (\$54.95 million) in the categories for which tuition waiver information is tracked. The total amount of tuition waived has been growing steadily for the last 10 years, more than doubling between FY 1999-00 and 2008-09. Over half of all tuition waived is for training for emergency personnel workers. The majority of the tuition waived for curriculum courses is for high school students, who are not a part of the statutory purpose of the Community College system.

There are a number of issues the General Assembly may wish to consider, including:

- Charging a minimum fee per course for those with waived tuition instead of eliminating categories of waivers,
- Inconsistencies in the way courses are offered to high school students,
- The Continuation Review of the prison education program, and
- The senior citizen tuition waiver.

Finally, the General Assembly may wish to review the policy reasons behind the existing tuition waivers and examine them in light of the State's current policy priorities.

Introduction

During the current economic recession, the General Assembly has had to make decisions on how to spend limited State funds, and it appears that the budget situation will not improve for the 2010 Session of the 2009 General Assembly. In making these decisions, it may be helpful for legislators to understand which groups currently may attend community college tuition-free or with reduced tuition and at what cost to the State.

This fiscal brief describes the tuition waivers available to community college students and discusses related upcoming issues for the 2010 Session of the 2009 General Assembly.

Community College Student Funding

The State of North Carolina subsidizes community college education for almost all in-state students¹ at its community colleges by sharing the cost of education with the student. For example, in FY 2009-10, in-state tuition for curriculum classes only covered 29% of the cost of a full-time equivalent student (or FTE²).

In addition to this subsidy available to all in-state students, some students also have their tuition waived – either because of a waiver authorized in the General Statutes or in Session Law. Waivers can be for curriculum or continuing education classes, and can be for specific job training or for general education, depending on the waiver.

Because of these waivers, the State actually pays more than its share of the cost of each FTE. For example, in FY 2009-10 the total cost per curriculum FTE was approximately \$5,500. As stated above, curriculum

¹ The exception is for “self-supporting” classes.

² FTE (or Full-Time Equivalent) is an artificial metric used for budgeting purposes. FTE is a more relevant measure than student headcount because most community college students do not enroll on a full-time basis.

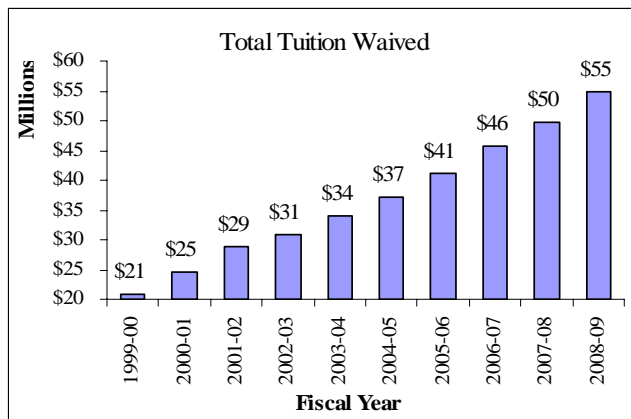
tuition per FTE in FY 2009-10 is \$1,600³. However, because many students are not required to pay tuition, actual curriculum student receipts per FTE are only \$1,300 and State appropriations pay for the remaining \$4,200 per FTE.

History of Waivers

Tuition waivers first appeared in the community college statutes in 1973, with tuition waivers for local law enforcement, volunteer firemen, and prison inmates authorized. Since then, many other groups have been added to this list. Most recently, tuition waivers for elementary and secondary school employees enrolled in first aid or CPR courses were added in 2008. At the end of this report, is a statutory timeline of community college tuition waivers.

Cost of Waivers

In FY 2008-09, almost \$55 million in tuition was waived (\$54.95 million) in the categories for which tuition waiver information is tracked⁴. As shown in the table below, the total amount of tuition waived has been growing steadily for the last 10 years, more than doubling between FY 1999-00 and 2008-09. In the same time period, curriculum tuition increased by 57% while continuing education fees did not change.



Types of Waivers

Tuition is waived both for curriculum courses and for continuing education courses. In FY 2008-09, 36% of the tuition waived (\$20 million) was for curriculum

³ FY 2009-10 curriculum tuition is \$50 per credit hour. At 16 credit hours per semester for 2 semesters, the maximum annual tuition is \$1,600.

⁴ No basic skills students are charged tuition, and therefore it is not possible to calculate their "tuition" waived. Out-of-state students that are permitted to pay the in-state rate are also not included in this total.

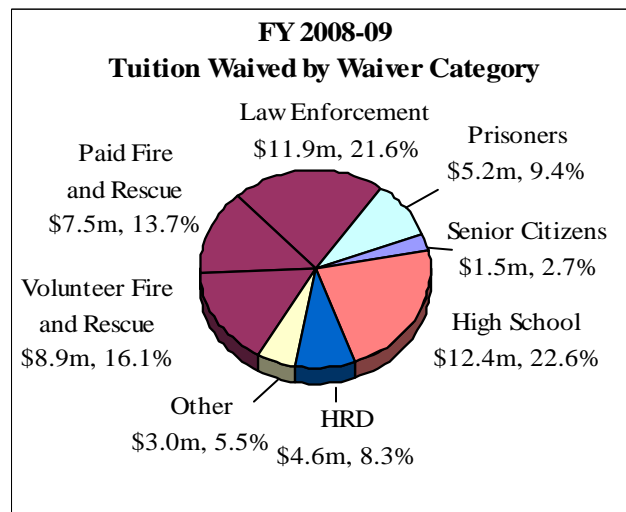
tuition and 64% (\$35 million) was for continuing education tuition.

Not only do continuing education tuition waivers make up a larger portion of total tuition waived, they also account for the vast majority of continuing education tuition receipts. In FY 2008-09, 77% of continuing education tuition incurred was waived.

The largest category of tuition waiver is for emergency personnel, who make up just under 75% of all continuing education waivers. Over half of the tuition waived in North Carolina (51.4%) is waived for emergency personnel, including law enforcement, paid fire and rescue, and volunteer fire and rescue personnel.

High school students make up slightly less than one quarter of all tuition waived (23%), but make up the majority of all curriculum waivers (62%).

The chart below shows the percentage and amount of tuition waived by all tracked categories.



Basic skills courses (not included in the \$55 million total) are waived for all North Carolinians. Additionally, certain non-resident students, for example military personnel, are charged in-state tuition instead of out-of-state tuition. The difference in tuitions is also not included in the \$55 million total.

A summary of each population for whom tuition is waived follows.

Emergency Personnel

G.S. 115D-5(b) permits the State Board of Community Colleges ("State Board") to waive tuition and registration fees for training courses for:

- Volunteer firemen,
- Paid firemen,
- Volunteer rescue and lifesaving department personnel,
- Local rescue and lifesaving department personnel,
- Radio Emergency Associated Citizens Team (REACT) members under contract to a county as an emergency response agency, and
- Local law-enforcement officers.

As stated earlier, this category makes up over one half of all tuition waived. Courses waived in this category need to be directly related to the individual's work as emergency personnel. As a result, 92% of the tuition waived in this category (\$25.9 million) is waived for continuing education courses.

Since 1999, the amount of tuition waived for emergency personnel has gone up by \$15.7 million, a 125% increase. This category has consistently made up the majority of all tuition waived for the past 10 years, but has fallen from 60% in FY 1999-00 to 51% in FY 2008-09. While data are not collected on the number of students receiving tuition waivers, since continuing education fees did not increase during this time period, it is likely that this increase is due to an increase in emergency personnel full-time equivalents (FTE).

High School Students

G.S. 115D-5(b) requires that tuition be waived for all courses taken by high school students at community colleges in accordance with G.S. 115D-20(4). Just under one quarter of all tuition waived is waived for high school students (\$12.4 million or 23%). High school students take community college courses through a number of programs, including:

- Cooperative Innovative High School Programs, including Learn and Earn schools,
- Learn and Earn Online,
- Huskins program, and
- Dual Enrollment (also known as dual credit or concurrent enrollment).

Note: New limitations on the types of courses available in the various high school programs are discussed at the end of this brief, in the "Issues to Consider in 2010" section.

Since 1999, the amount of tuition waived for high school students has almost quadrupled, increasing from \$2.6 million in FY 1999-00 to \$12.4 million in FY 2008-09 (an increase of 381%). This has been the fastest growing category of tuition waiver, increasing from 12% of all tuition waived in FY 1999-00 to 23% of all tuition waived in FY 2008-09. Curriculum tuition waived for high school students now makes up 62% of all curriculum tuition waived.

This increase is primarily due to the increased number of high school students taking community college courses. In FY 1999-00, 3,000 students aged 17 and under were taking curriculum courses at community colleges.⁵ By FY 2008-09, 14,400 students in the same age group were taking curriculum courses⁶.

Prison Inmates

G.S. 115D-5(b) permits the State Board to waive tuition and registration fees for prisoners. The prison system has a large education program, educating 7,000 prisoner FTE in FY 2007-08. The tuition waiver amount included in the tuition waiver totals only includes tuition waived for curriculum and continuing education courses, as basic skills courses do not have tuition. In FY 2007-08 an estimated \$32.9 million in State funding was spent on all prisoner education, including waived tuition and the regular State subsidy per FTE.

The amount of tuition waived for prisoners has doubled in the past 10 years, from \$2.5 million in FY 1999-00 to \$5.2 million in FY 2008-09. As a percentage of all tuition waived, prisoner tuition has decreased slightly, from 12% in FY 1999-00 to 9% in FY 2008-09. This is likely due to large increases in other categories of tuition waivers.

Note: Changes to the prisoner tuition waiver and prisoner education as a whole are discussed at the end of this brief, in the "Issues to Consider in 2010" section.

Human Resources Development

Human Resources Development (HRD) programs provide assessment services, employability training,

⁵ NC Community College System, *1999-2000 Annual Statistical Reports*, Volume 35, Table 6.

⁶ NCCCS, *2008-2009 Annual Statistical Reports*, Volume 44, Table 6.

and career development counseling to unemployed and underemployed individuals.

As authorized in S.L. 2001-424, Section 30.3, in July 2001, the State Board of Community Colleges granted permission to waive tuition and fees for enrollment in classes coded on the Master Course List as Human Resources Development if the individual meets at least one of the following criteria:

- Is unemployed,
- Has received notification of a pending layoff,
- Is working and is eligible for the Federal Earned Income Tax Credit (FEIT), or
- Is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

Individuals for whom tuition and fees are waived must sign a form adopted by the State Board of Community Colleges verifying that they meet one of the required fee waiver criteria.

In FY 2008-09, \$4.6 million (or 8%) of tuition was waived for HRD courses. All HRD courses are continuing education courses.

Since FY 2001-02, tuition waived for HRD courses has almost tripled (295% increase), increasing from \$1.2 million in FY 2001-02 to \$4.6 million in FY 2008-09. As a percentage of overall tuition waived, HRD courses have increased from 4% in FY 2001-02 to 8% in FY 2008-09. Because continuing education fees did not change during this time period, this increase is entirely due to increased FTE.

Senior Citizens

Until FY 2009-10, senior citizens aged 65 and older could attend any community college course tuition-free, with the exception of self-supporting courses. In FY 2008-09, the vast majority of tuition waived was for continuing education courses (\$1.14 million or 77%).

Compared to other tuition waiver categories, tuition waivers for senior citizens have only increased slightly over the last 10 years (34% or \$379,000). This category's percentage of the total tuition waived has decreased slightly over the last 10 years, from 5% in FY 1999-00 to 3% in FY 2008-09. As the number of students over age 65 has fallen during this time period, the increase in tuition waived is likely due to increased curriculum tuition and increased continuing education courses per student.

S.L. 2009-451, as amended by S.L. 2009-575, changed the senior citizen tuition waiver by amending G.S. 115D-5(b) to limit the number of credit or contact hours waived for senior citizens to 6 credit hours or 96 contact hours per semester. The "Issues to Consider in 2010" section includes a discussion of the impact of this change.

Other Waivers

The other waivers category includes a large number of populations, and information is not kept on the amount of tuition waived for each of these groups. Included in this category are:

Authorized under G.S. 115D-5(b)

- Patients in State alcoholic rehabilitation centers,
- Clients of sheltered workshops,
- Juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent jurisdiction,
- Clients of adult developmental activity programs,
- Students in Health and Human Services Development Programs,
- Full-time custodial employees of the Department of Correction (DOC),
- Employees of DOC's Division of Community Corrections and employees of the Department of Juvenile Justice and Delinquency Prevention required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission,
- Trainees enrolled in courses conducted under the Customized Training program,
- Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR),
- Members of the North Carolina State Defense Militia as defined in G.S. 127A-5 and as administered under Article 5 of Chapter 127A of the General Statutes.

Authorized under G.S. 115B-2

- Survivors of an emergency worker killed as a direct result of traumatic injury sustained in the line of duty,
- Spouses of emergency workers permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty,
- Children between 17 and 23 with a parent who is an emergency worker who is permanently and totally disabled as a direct result of a traumatic

injury sustained in the line of duty (with some limitations), and

- Children between 17 and 23 who are wards of the State or who were wards of the State at age 18, are residents of NC, and who are eligible for services under the Chaffee Education and Training Vouchers Program.

The "other" category makes up 6% (or \$3.0 million) of all tuition waived, and is divided relatively evenly between curriculum and continuation education (54% curriculum, 46% continuing education).

Since FY 1999-00, tuition waived in the "Other" category has increased by 39% from \$2.2 million to \$3.0 million. As a percentage of the total tuition waived, this category has decreased, from 10% in FY 1999-00 to 6% of all tuition waived in FY 2008-09.

Basic Skills Education

G.S. 115D-5(b) permits the State Board to waive tuition for persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate, otherwise known as basic education. The amount of tuition waived under this waiver is not included in the totals above because it is impossible to calculate. Since tuition is waived for every Basic Skills student, there is no tuition amount set and therefore no way to calculate the amount of tuition waived.

A total of \$80.3 million was allotted specifically for Basic Skills in FY 2008-09. This equates to classroom funding of \$4,150 per FTE. Of this, federal funding subsidized \$566 and State funding subsidized \$3,584. When non-classroom expenses and base instructional support funding is factored in, the total cost per FTE goes up to \$6,149.

In-State Tuition for Out-of-State Students

Another category of tuition waiver that is not included in the total amount of tuition waived is the tuition foregone when out-of-state students are granted in-state tuition.

G.S. 116-143.3 grants in-state tuition to active duty members of the armed services and their dependent relatives while the member is abiding in North Carolina incident to active military duty in this State, and members may continue to receive in-state tuition if transferred out of state so long as the member remains continuously enrolled in their program.

G.S. 115D-39 directs that when a NC employer pays for an employee to attend community college, that employer is to be charged in-state tuition regardless of the residency of the employee. Additionally, the statute permits community colleges to charge in-state tuition to up to 1% of its out-of-state students to accommodate families transferred by business, families transferred by industry, or civilian families transferred by the military.

The Community College System does not track the amount of tuition waived for out-of-state students paying in-state tuition. However, the difference in cost between in-state and out-of-state tuition for FY 2009-10 is \$191.30 per credit hour⁷, up to a maximum difference of \$3,060.80 per semester for 16 credit hours.

Issues to Consider in 2010

The 2010 Session of the 2009 General Assembly may want to consider the following items.

Minimum Fee in Lieu of Tuition Waiver

It is likely that reductions will be necessary again this year in order to create a balanced budget. The General Assembly will need to consider whether or not they can afford to continue all tuition waivers. From FY 2005-06 to FY 2008-09, the average annual increase in tuition waived has been \$4.5 million.

One option to increase receipts (and thus, reduce State funding) without eliminating waiver categories completely would be to charge a minimum fee per course waived for those with a tuition waiver. Estimates from FY 2008-09 suggest that between \$19 million and \$20 million could be generated by charging a \$25 fee for every course waived. If the General Assembly would like to pursue this option, current estimates could be generated.

High School Courses

In 2009, the General Assembly eliminated funding for non-math and science general education Dual Enrollment and Huskins courses. The dual enrollment program permits high school students to enroll in college-level courses at community colleges, on the campus of the community college. Huskins Program courses are courses typically taken on a high school campus, taught by community college instructors.

⁷ In-state tuition is \$50 per credit hour, while out-of-state tuition is \$241.30 per credit hour.

A third high school program is Learn and Earn Online. This program allows high schools students to earn college credits through online courses. At the same time as the Dual Enrollment and Huskins programs were reduced, the Learn and Earn Online program was permitted to earn budget FTE (S.L. 2009-451, Section 8.6) and no such restrictions were placed on these online courses.

As a result, many of the students who would have taken dual enrollment or Huskins courses are instead taking Learn and Earn Online courses, and the anticipated savings from this reduction may not be realized. The General Assembly may wish to reconcile these differences in 2010.

Prison Education Continuation Review

S.L. 2009-451 included community college prisoner education as one of the Continuation Review projects in Section 6.6E, with additional information required in Section 8.19. As a part of the continuation review process, recurring funding associated with prisoner education (\$32.9 million) was replaced with non-recurring funding in FY 2009-10. Further funding is pending the outcome of the continuation review. Additionally, Section 8.11(e) eliminates the prisoner tuition waiver as of July 1, 2010. If this program has funding restored, this waiver will also need to be addressed. If the General Assembly decides to stop funding education in prisons, additional legislation may still be needed (in addition to ending the prisoner tuition waiver), as prisoners may qualify under other waiver categories (such as basic skills or HRD).

Senior Citizen Tuition Waiver

As stated earlier, before FY 2009-10, tuition was waived for senior citizens with no limit on the number of credit hours. In S.L. 2009-451, as amended by S.L. 2009-575, seniors are now only permitted to take 6 credit hours or 96 contact hours per semester tuition free. No monetary reduction was associated with this change. The limitations on the number of courses taken have created an administrative burden for the Community College System, which has not previously had to waive courses in this way. The System has addressed the credit hour limitation, but continues to struggle in administering the 96 contact hour limit since continuing education courses vary widely in length.

As the 2010 Session of the General Assembly makes its funding decisions, legislators may want to consider

the continuation of this tuition waiver in light of other reductions that are made necessary by the budget situation. At a minimum, the General Assembly should consider amending the 96 contact hour limit to a specific number of non-credit courses. Additionally, the General Assembly may be able to reduce the Community College budget if this change has limited senior enrollment in classes.

Items for Future Consideration

In the future, the General Assembly may wish to review the policy reasons behind the existing tuition waivers and examine them in light of the State's current policy priorities.

Additionally, some of the groups for whom tuition is waived are not part of the statutorily defined purpose of the community colleges. By statute, the major purpose of the community colleges is to provide (1) vocational and technical education and training and (2) basic, high school level, academic education needed for vocational and technical education to students who are high school graduates or who are beyond the compulsory age limit of the public school system and who have left the public schools⁸.

One example is high school students. High school students are clearly excluded from this statute; however, they make up the majority of the curriculum tuition waived and are the fastest growing category of tuition waiver.

Finally, the Human Resource Development waiver is the only tuition waiver that is not codified. For consistency, the General Assembly may want to include this waiver in statute as well.

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⁸ G.S. 115D-1.

Timeline of Community College Tuition Waivers

Year Waived Group

- 1963** Community Colleges laws organized in 115A. (S.L. 1963-448, Section 23)
- 1973** Authorization to grant tuition waivers for **local law enforcement, volunteer firemen, and prison inmates** added to 115A-5. (S.L. 1973-768)
- 1975** **Local fire department personnel and volunteer rescue and lifesaving department personnel** added to list of groups for whom tuition waivers are authorized in G.S. 115A-5. (S.L. 1975-882)
- S.L. 1975-606 authorized a waiver of tuition for **senior citizens** at State-supported institutions of higher education, community colleges, industrial education centers and technical institutes. While the bill did not codify this waiver, the waiver was codified as 115B pursuant to the discretion of the Revisor of the Statutes. (S.L. 1975-606)
- 1977** **Patients in State alcoholic rehabilitation centers** were added to the list of groups for whom tuition waivers are authorized in G.S. 115A-5. (S.L. 1977-1065)
- S.L. 1977-981 changed the senior citizen waiver from an authorization to a requirement to waive tuition for those aged 65 or older. S.L. 1977-981 did not specifically amend G.S. 115B (or any statute), but the Revisor of the Statutes amended 115B and included a note stating that "the conclusion is inescapable that Chapter 981 amended this section". (S.L. 1977-981)
- 1979** Community college laws reorganized as G.S. 115D, moving the tuition waivers section to G.S. 115D-5. At the same time, the G.S. 115B senior citizen waiver was included in G.S. 115D as well as G.S. 115B. (S.L. 1979-462)
- 1981** **Basic skills courses** (persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate) added to the list of authorized tuition waivers in G.S. 115D-5. (S.L. 1981-859, Section 35.1)
- Full-time custodial employees of Department of Corrections** added to the list of authorized tuition waivers in G.S. 115D-5. (S.L. 1981-609)
- Trainees in New and Expanding Industry Program** added to the list of authorized tuition waivers in G.S. 115D-5. (G.S. 1981-897)
- Clients of sheltered workshops and adult developmental activity programs** added to the list of authorized tuition waivers in G.S. 115D-5. (S.L. 1981-1127, Section 43)
- 1984** A new section was added to Chapter 116 of the General Statutes directing that **active-duty member of the armed services and dependent relatives of a member of the armed services** abiding in North Carolina be charged in-state tuition upon qualification for admission to an institution of higher education. (S.L. 1983-1034, Section 57)
- 1989** **Employees of Department of Juvenile Justice and Delinquency Prevention** (formerly, employees of Division of Youth Services of Department of Human Resources) added to the list of authorized tuition waivers in G.S. 115D-5. (S.L. 1989-162)
- In a provision in the 1989 budget bill, **high school students** were exempted from tuition for community college courses taken in accordance with G.S. 115D-20(4), which permits local administrative boards and local school boards to establish cooperative programs. (S.L. 1989-752, Section 88)
- G.S. 115D-39 was amended to provide that **NC employers paying tuition for employees** (regardless of the employee's residency) are to be charged in-state tuition at community colleges. (S.L. 1989-752, Section 85)

Timeline of Community College Tuition Waivers (continued)

- 1990** Members of **Radio Emergency Associated Citizens Teams (REACT)** were added to the list of authorized tuition waivers in G.S. 115D-5. (S.L. 1989-915)
- 1991** High school students taking courses in accordance with G.S. 115D-20(4) were added to the list of required tuition waivers in G.S. 115D-5. (S.L. 1991-689, Section 44)
- Members of the **North Carolina State Defense Militia** were added to the list of authorized tuition waivers in G.S. 115D-5. (S.L. 1991-689, Section 48)
- 1996** G.S. 115D-39 was amended to provide that community colleges may charge in-state tuition to up to 1% of their out-of-state students to accommodate **families transferred out-of-state by business, military, or industry**. (S.L. 1996-18, Section 17.1(a))
- 1997** The following groups were added to the list of mandatory tuition waivers in G.S. 115B:
- 1. Survivors of law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers killed in the line of duty;**
 - 2. Spouses of enforcement officers, firefighters, volunteer firefighters, or rescue squad workers permanently and totally disabled in the line of duty; and**
 - 3. Children (between the ages of 17 and 23) of enforcement officers, firefighters, volunteer firefighters, or rescue squad workers permanently and totally disabled in the line of duty.** (S.L. 1997-505)
- 2001** As part of reorganizing the **Human Resources Development (HRD)** program, the 2001 Budget Bill gave the State Board of Community Colleges permission to waive tuition and fees for enrollment in HRD classes if they met certain criteria. This policy was adopted by the State Board in July 2001, but has never been codified. (S.L. 2001-424, Section 30.3)
- 2003** G.S. 115D-39 was amended to provide that a **person lawfully admitted to the United States who satisfied the qualifications to public school and graduated from the public school** to which the student was assigned shall be eligible for in-state tuition at community colleges. (S.L. 2003-284, Section 8.16(b))
- G.S. 115D-39 was further amended to provide that a **person sponsored by a qualifying NC nonprofit entity** is eligible for in-state tuition at community colleges. (S.L. 2003-284, Section 8.16A)
- 2004** G.S. 116-143.1 was amended to provide that **members of the NC National Guard who are nonresidents** are eligible to be charged the in-State tuition rate at institutions of higher education. (S.L. 2004-130)
- 2005** **Children between 17 and 23 who are wards of the State of North Carolina and eligible for services under the Chaffee Education and Training Vouchers program** were added to the list of mandatory tuition waivers in G.S. 115B. (S.L. 2005-276, Section 9.30(a))
- 2008** **Elementary and secondary school employees enrolled in courses in first aid or CPR** were added to the list of authorized tuition waivers in 115D-5. (S.L. 2008-107, Section 8.17)
- 2009** The mandatory senior citizens waiver was removed from 115B and placed in 115D-5, restricting the waiver to only community college courses. At the same time, the waiver was also limited to 6 credit hours or 96 contact hours per semester. (S.L. 2009-451, Section 8.11(d), as amended by S.L. 2009-575, Section 5)
- As part of a continuation review of prisoner education, the prisoner waiver was eliminated from statutes effective July 1, 2010. (S.L. 2009-451, Section 8.11(e))