

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1076 (Third Edition)

SHORT TITLE: Fee Waiver/UNC & Community Colleges.

SPONSOR(S): Representatives Tarleton and Womble

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08*</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES					
Fee Receipts					
Community Colleges	(\$15,067)	(\$31,385)	(\$32,919)	(\$34,573)	(\$36,639)
UNC System	(\$34,967)	(\$82,858)	(\$98,191)	(\$116,385)	(\$137,976)
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina; Community College System					
EFFECTIVE DATE: This act becomes effective January 1, 2008, and applies to classes for any academic semester beginning on or after that date.					

BILL SUMMARY:

For State residents age 65 or older, this bill waives fees for up to six hours of credit or noncredit courses each semester at University of North Carolina institutions and State community colleges.

ASSUMPTIONS AND METHODOLOGY:

For purposes of this note, a senior citizen is defined as an individual age 65 or older.

Community Colleges

Despite an increasing senior citizen population in recent years, senior citizen enrollment in North Carolina's Community Colleges as a percentage of total enrollment has remained steady at 3.4%. This enrollment rate is not expected to change in response to a continued increase in the senior citizen population in the next five years.

Senior citizens who enroll in six hours or fewer of curriculum and non-curriculum courses are currently eligible for a tuition waiver. An average of 0.64% of potential tuition receipts is lost to senior citizen tuition waivers granted for curriculum and non-curriculum courses. An average of 0.17% of potential tuition receipts is lost to senior citizen tuition waivers granted for curriculum courses. It is assumed that the same percentage of potential fee receipts will be forfeited to the proposed fee waiver.

This proposal includes two types of fee waivers: parking fees and student activity fees. Parking and student activity fees are established locally, but are subject to maximums set by the State Board of Community Colleges. Projected receipts for these two fees are calculated based on current receipt levels adjusted for inflation and enrollment growth.

Parking fees are paid by both curriculum and non-curriculum students. It is assumed that 0.64% of potential parking fee receipts will be lost as a result of the proposed fee waiver.

Parking Fee

Fiscal Year	Total Projected Fee Receipts	Growth Rate (CPI)	Growth Rate Enrollment	Total Growth Rate	Total Receipts Lost to Fee Waivers
2007-08	\$1,630,850*	0.02	0.03	0.05	(\$10,438)
2008-09	\$3,424,785	0.021	0.03	0.051	(\$21,919)
2009-10	\$3,599,449	0.021	0.03	0.051	(\$23,036)
2010-11	\$3,783,021	0.022	0.04	0.062	(\$24,211)
2011-12	\$4,017,568	0.023	0.04	0.063	(\$25,712)

* This bill becomes effective January 1, 2008. Total project fee receipts for FY 2007-08 are only those that will accumulate between January 1, 2008 and the end of the fiscal year.

Student activity fees are generally paid only by curriculum students. It is assumed that 0.17% of potential student activity fee receipts will be lost as a result of the proposed fee waiver.

Student Activity Fee

Fiscal Year	Total Projected Fee Receipts	Growth Rate (CPI)	Growth Rate Enrollment	Total Growth Rate	Total Receipts Lost to Fee Waivers
2007-08	\$2,722,905*	0.02	0.0025	0.0225	(\$4,629)
2008-09	\$5,568,340	0.021	0.023	0.044	(\$9,466)
2009-10	\$5,813,347	0.021	0.0275	0.0485	(\$9,883)
2010-11	\$6,095,295	0.022	0.0325	0.0545	(\$10,362)
2011-12	\$6,427,488	0.023	0.04	0.063	(\$10,927)

* This bill becomes effective January 1, 2008. Total project fee receipts for FY 2007-08 are only those that will accumulate between January 1, 2008 and the end of the fiscal year.

Accounting for parking fee waivers and student activity fee waivers, the total loss in community college fee receipts ranges from \$15,067 in FY 2007-08 to \$36,639 in FY 2011-12.

Total Loss in Fee Receipts

Fiscal Year	Total Loss in Parking Fee Receipts	Total Loss in Student Activity Fee Receipts	Total Loss in Combined Fee Receipts
2007-08	(\$10,438)	(\$4,629)	(\$15,067)*
2008-09	(\$21,919)	(\$9,466)	(\$31,385)
2009-10	(\$23,036)	(\$9,883)	(\$32,919)
2010-11	(\$24,211)	(\$10,362)	(\$34,573)
2011-12	(\$25,712)	(\$10,927)	(\$36,639)

* This bill becomes effective January 1, 2008. Total loss in combined fee receipts for FY 2007-08 are only those that will accumulate between January 1, 2008 and the end of the fiscal year.

UNC

The aggregate senior citizen population in counties in which a University is located is on the rise. However, system-wide senior citizen enrollment as a percentage of overall enrollment has remained constant at an average of 0.03%. This enrollment rate is not expected to change in response to a continued increase in the senior citizen population in the next five years. Similar to community colleges, senior citizens enrolled in six credit hours or fewer are currently eligible for tuition waivers. FTE data on senior citizen tuition waivers is used to project FTE levels for senior citizens eligible for the proposed fee waiver. Undergraduate FTE has grown at an average rate of 8.99% across the system and graduate FTE has grown 11.70% on average since FY 2001-02.

Predicted FTE for Students Age 65+

Fiscal Year	UG FTE	Grad FTE
FY 2007-08	19.98	24.47
FY 2008-09	21.78	27.33
FY 2009-10	23.73	30.53
FY 2010-11	25.87	34.10
FY 2011-12	28.19	38.09

In October 2006, the UNC Board of Governors placed a four-year cap of 6.5% on tuition and fee increases for resident undergraduate students, excluding debt service fees. Fees have been set for FY 2007-08, the first year the increase cap applies. Fees at the 16 UNC campuses for FY 2007-08 increased an average of 6.94% over fee levels for FY 2006-07, with fees representing just under 38% of the combined tuition and fee amount. Since it is unclear at what rate fees will increase in the next three years in which the tuition and fee cap is in place, or in the years to follow, it is therefore assumed that fees will continue to increase at a rate of 6.94%.

Projected Revenue Loss in General Fee Receipts for Undergraduate Students

Fiscal Year	UG FTE	General Fees per FTE	Total Revenue Loss
FY 2007-08	9.99*	\$1,340	(\$13,382)
FY 2008-09	21.78	\$1,432	(\$31,195)
FY 2009-10	23.73	\$1,532	(\$36,359)
FY 2010-11	25.87	\$1,638	(\$42,377)
FY 2011-12	28.19	\$1,752	(\$49,392)

*9.99 represents half of the UG FTE for FY 2007-08 to reflect this bill becoming effective on January 1, 2008, in the middle of the fiscal year.

Graduate student fees are not subject to the tuition and fee increase ceiling. With the exception of two campuses, graduate student fees are equal to undergraduate fees. Graduate students pay slightly less on the two exception campuses. It is therefore assumed that graduate student fees will increase at an average rate of 6.94% annually for the next five years.

Projected Revenue Loss in General Fee Receipts for Graduate Students

Fiscal Year	Grad FTE	General Fees per FTE	Total Revenue Loss
FY 2007-08	12.24*	\$1,340	(\$16,388)
FY 2008-09	27.33	\$1,432	(\$39,150)
FY 2009-10	30.53	\$1,532	(\$46,765)
FY 2010-11	34.10	\$1,638	(\$55,862)
FY 2011-12	38.09	\$1,752	(\$66,728)

*12.24 represents half of the Grad FTE for FY 2007-08 to reflect this bill becoming effective on January 1, 2008, in the middle of the fiscal year.

The debt service fee is exempt from the tuition and fee increase cap. The average debt service fee for 2007-08 is 8.97% higher than the debt service fee in 2006-07 due to increases by four of the sixteen institutions. As campus enrollment grows, so will the need for student services such as dining halls, recreation centers, and student unions. Campuses will continue to issue bonds to construct these facilities and repay these bonds with debt service fees charged to students. In the absence of information on the expansion of student service facilities in the next years, it is therefore assumed that debt service fees will continue to increase at an average annual rate of 8.97%.

Projected Revenue Loss in Debt Service Fee Receipts

Fiscal Year	Combined FTE	Debt Service Fee per FTE	Total Revenue Loss
FY 2007-08	22.23*	\$234	(\$5,197)
FY 2008-09	49.11	\$255	(\$12,513)
FY 2009-10	54.26	\$278	(\$15,067)
FY 2010-11	59.97	\$303	(\$18,145)
FY 2011-12	66.28	\$330	(\$21,855)

*22.23 represents half of the Grad FTE for FY 2007-08 to reflect this bill becoming effective on January 1, 2008, in the middle of the fiscal year.

The total loss in revenue to the UNC system from the proposed fee waiver is the combined impact of the three sub-groups described above, and is presented below.

Projected Loss in Revenue from Proposed Fee Waiver

Fiscal Year	Loss in General Fees (Undergrad)	Loss in General Fees (Grad)	Loss in Debt Service Fee	Total Impact
FY 2007-08	\$13,382	\$16,388	\$5,197	(\$34,967)
FY 2008-09	\$31,195	\$39,150	\$12,513	(\$82,858)
FY 2009-10	\$36,359	\$46,765	\$15,067	(\$98,191)
FY 2010-11	\$42,377	\$55,862	\$18,145	(\$116,385)
FY 2011-12	\$49,392	\$66,728	\$21,855	(\$137,976)

SOURCES OF DATA: UNC General Administration, UNC Board of Governors, North Carolina Community College System

TECHNICAL CONSIDERATIONS: None

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