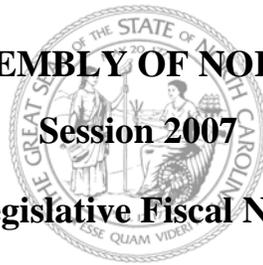


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 205 (Second Edition)

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

SPONSOR(S): Representatives Cleveland and Harrison

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$millions)				
	<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					
UNC Tuition Receipts	\$0	\$8.1	\$10.5	\$10.5	\$10.5
EXPENDITURES					
General Fund	\$0	(\$8.1)	(\$10.5)	(\$10.5)	(\$10.5)
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY: Amends GS 116-143.6(b), 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. This bill limits this special resident status to students on full scholarships based on academic merit. The amended statute does not affect the receipt of in-state tuition in the 2006-07 and 2007-08 academic years for those students originally slated to receive this benefit.

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 2007-08 at a cost of \$8.6 million and 1,046 students will receive the tuition break in academic year 2008-09 at a cost of \$12.4 million. By 2008-09, campuses estimate that 68.1% of the nonresident students receiving the tuition discount will be athletes and 31.9% will be on academic scholarships.

FY 2007-09 Biennium General Fund Impact of GS 116-143.6						
Institution	Projected Number of FTE students, 2007-08	Projected Number of FTE students, 2008-09	2006-07 Undergrad Resident Tuition (amount per FTE)	2006-07 Undergrad Nonresident Tuition (amount per FTE)	Impact to General Fund-Appropriations Difference in Tuition Rates 2007-08	Impact to General Fund-Appropriations Difference in Tuition Rates 2008-09
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
TOTAL	737	1,046			\$8,623,117	\$12,358,413

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 2007-08 tuition rates set by the UNC Board of Governors in February 2007 are used to determine the future revenue loss. Furthermore, the tuition difference between resident and nonresident students in 2007-08 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.

Four Year General Fund Impact of G.S. 116-143.6				
Institution	Estimated Number of FTE Students, 2009-10	2007-08 Undergrad Resident Tuition (amount per FTE)	2007-08 Undergrad Nonresident Tuition (amount per FTE)	Impact to General Fund- Appropriations Difference in Tuition Rates 2009-10
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
TOTAL	1,346			\$16,391,234

HB 205 repeals the in-state tuition awarded to nonresident athletes beginning in FY 2008-09. Based on campus submissions to UNC General Administration, there will be 712 nonresident athletes that qualify for in-state tuition under current law. Assuming the number of qualifying athletes in FY 2009-10 is similar to FY 2008-09, then the number of athletes representing four years (classes) under GS 116-143.6 will be 922 in FY 2009-10. The chart below shows the General Fund savings from eliminating athletes from the in-state tuition benefit. The savings in FY 2008-09 is \$8.1 million. The savings in FY 2009-10 and thereafter is a minimum of \$10.5 million. The loss of General Fund revenue will be replaced with tuition receipts. However, some campuses may experience a reduction in the number of athletic scholarships if the sponsoring foundations are unwilling or unable to pay the higher nonresident tuition rates.

Institution	2007-08 Undergrad Resident Tuition (\$ per FTE)	2007-08 Undergrad Nonresident Tuition (\$ per FTE)	2008-09 Nonresident Athletes	2009-10 Nonresident Athletes	Value of 2008-09 Athletic Scholarships	Value of 2009-10 Athletic Scholarships
ASU	\$2,221	\$11,963	85	115	\$828,070	\$1,120,330
ECU	\$2,431	\$12,945	90	120	\$946,260	\$1,261,680
ECSU	\$1,587	\$10,468	0	0	\$0	\$0
FSU	\$1,826	\$12,008	0	0	\$0	\$0
NCA&T	\$1,994	\$11,436	10	10	\$94,420	\$94,420
NCCU	\$2,218	\$11,962	47	49	\$457,968	\$477,456
NCSA	\$3,224	\$14,654	0	0	\$0	\$0
NCSU	\$3,760	\$15,958	151	203	\$1,841,898	\$2,476,194
UNC-A	\$2,307	\$13,297	24	25	\$263,760	\$274,750
UNC-CH	\$3,705	\$19,353	109	144	\$1,705,632	\$2,253,312
UNC-C	\$2,461	\$12,873	27	37	\$281,124	\$385,244
UNC-G	\$2,458	\$13,726	24	31	\$270,432	\$349,308
UNC-P	\$1,949	\$11,209	0	0	\$0	\$0
UNC-W	\$2,413	\$12,376	84	112	\$836,892	\$1,115,856
WCU	\$2,028	\$11,611	61	76	\$584,563	\$728,308
WSSU	\$1,701	\$10,341	0	0	\$0	\$0
TOTAL			712	922	\$8,111,019	\$10,536,858

SOURCES OF DATA: University of North Carolina General Administration

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Richard Bostic

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division



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Signed Copy Located in the NCGA Principal Clerk's Offices