



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Allow In-State Tuition/Athletic Scholarships.  
**Bill Number:** Senate Bill 144 (Third Edition)  
**Sponsor(s):**

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B. 144, V.3 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund Revenue	(16.1)	(16.1)	(16.1)	(16.1)	(16.1)
<u>Less Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>General Fund Impact</b>	<b>(16.1)</b>	<b>(16.1)</b>	<b>(16.1)</b>	<b>(16.1)</b>	<b>(16.1)</b>
<b>NET STATE IMPACT</b>	<b>(\$16.1)</b>	<b>(\$16.1)</b>	<b>(\$16.1)</b>	<b>(\$16.1)</b>	<b>(\$16.1)</b>

**TECHNICAL CONSIDERATIONS:** See Technical Considerations Section

### FISCAL IMPACT SUMMARY

The bill would amend G.S. 116-143.6 to allow constituent institutions of the University of North Carolina to consider out-of-state students on full athletic scholarships as in-state residents for tuition purposes.

There are essentially two component pieces in the cost of higher education in North Carolina: the tuition and fees paid by a student, and the State appropriation. These two components together cover the cost (or requirements) of educating students who attend UNC's institutions. Nonresident students' tuition is calculated to cover these requirements, whereas resident students' costs are subsidized by the State.

Consequently, there are two ways in which this bill may have a fiscal impact on the State: through an increase in the number of resident students in the enrollment funding model, and through a decrease in tuition receipts to the State. In the first case, if these students are counted as resident students in the enrollment funding model, they will each receive more State support in appropriations than non-resident students do. If the students are excluded from the enrollment funding model, there is still an impact to the State because the tuition paid on their behalf will be less, thus reducing receipts to the State. If all campuses chose to re-classify their out-of-State

students as resident for tuition purposes, the cost to the State would be approximately \$16.1 million dollars in reduced tuition receipts.

## FISCAL ANALYSIS

Currently, students on full athletic scholarships are funded by the athletic program budget, which is primarily supported through various non-General Fund sources, including gifts and donations, student fees, ticket sales, trademark rights and licensing, and proceeds from radio and TV. The athletic budgets at each institution pay the tuition for athletes on scholarship. If this bill became law, the athletic budgets would have to pay the much lower, in-state tuition for each of these students.

Essentially, nonresident tuition rates are set so that they fully cover the cost of instruction (requirements). For resident students, State appropriations cover the difference between tuition and requirements and is requested as part of UNC’s enrollment funding. Under this bill, if nonresident full athletic scholarship students were eligible for in-state tuition rates, the cost to educate these students would no longer be supported by their tuition. A change to the residency status of a student in the enrollment model does incur a cost to the State.

Since all students are incorporated into UNC’s enrollment funding formula, whenever the mix of students change (resident/nonresident, undergraduate/graduate), there is an impact through the enrollment model. The model has a number of variables, making it difficult to isolate the impact of S.B. 144 on enrollment funding requests in any given year. The chart below shows resident and nonresident tuition costs, and the number of out-of-state full scholarship athletes, by institution, during 2017-18:

Institution	Resident Tuition	Nonresident Tuition	Difference	Out-of-state athletes	Estimated Impact
UNC-CHAPEL HILL	\$7,019	\$32,602	\$25,583	199	\$5,091,017
NC STATE	\$6,535	\$24,833	\$18,298	133	\$2,433,634
UNC-GREENSBORO	\$4,422	\$19,581	\$15,159	55	\$833,745
UNC-CHARLOTTE	\$3,812	\$17,246	\$13,434	84	\$1,128,456
UNC-ASHEVILLE	\$4,122	\$20,845	\$16,723	22	\$367,906
UNC-WILMINGTON	\$4,443	\$18,508	\$14,065	31	\$436,015
EAST CAROLINA	\$4,452	\$20,729	\$16,277	128	\$2,083,456
NC A&T	\$3,540	\$16,430	\$12,890	74	\$953,860
WESTERN CAROLINA	\$3,971	\$14,364	\$10,393	66	\$685,938
APPALACHIAN STATE	\$4,242	\$19,049	\$14,807	90	\$1,332,630
UNC-PEMBROKE	\$3,602	\$15,193	\$11,591	2	\$23,182
WINSTON SALEM STATE	\$3,401	\$13,648	\$10,247	1	\$10,247
ELIZABETH CITY STATE	\$2,856	\$16,000	\$13,144	0	\$0
FAYETTEVILLE STATE	\$2,982	\$14,590	\$11,608	0	\$0
NC CENTRAL	\$3,728	\$16,435	\$12,707	59	\$749,713
			<b>Total</b>	<b>944</b>	<b>\$16,129,799</b>

*Note: Analysis is based on 2017-18 data.*

Alternatively, if these students are excluded from the enrollment funding model, this same chart shows the difference between resident and nonresident tuition rates. If the difference is not made up by State appropriations, overall receipts are still reduced by this amount. For purposes of this analysis, the five-year projected estimates assume consistent data. If non-resident tuition rates were to be increased in this time, there would be a larger fiscal impact.

Removing the exclusion of student athletes in G.S. 116-143.6 would also result in athletic budgets remitting the lower in-state tuition payments to institutions which would put less pressure on athletic budgets, thus providing availability to fund additional scholarships.

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## **TECHNICAL CONSIDERATIONS**

Section 1(d) of G.S. 116-143.6 states that this section shall be administered by the electing constituent institution so as to have no fiscal impact. It is not clear that this is practicable. Currently, the requirements of educating these nonresident student athletes are fully paid by athletic departments on their behalf. If they are considered resident students, the tuition paid on their behalf (as for any in-state student) is only a fraction of the total requirements to educate that student. As such, the State must appropriate the difference as part of enrollment funding if the students are included in the enrollment funding model and the request for funds which it generates. If they are not included in the enrollment funding model as resident students, the campuses will have a reduction in tuition receipts that must be absorbed in some way.

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## **DATA SOURCES**

UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

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## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

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## **CONTACT INFORMATION**

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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**Signed copy located in the NCGA Principal Clerk's Offices**