

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 83 (First Edition)

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

SPONSOR(S): Representatives Weiss, Cleveland, Harrison, and Neumann

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
			(\$millions)		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
UNC Tuition Receipts	0	9.95	10.12	10.30	10.48
EXPENDITURES					
General Fund	0	(9.95)	(10.12)	(10.30)	(10.48)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY:

Under current law, the Board of Trustees of a school in the University of North Carolina system may adopt a resolution conferring in-state tuition status on undergraduate students to whom the school awards full scholarships. Section 1 of House Bill 83 restricts the granting of this in-state tuition status to students on academic scholarships, thus excluding those students on athletic scholarships. However, Section 2 of this bill allows those students who were granted the in-state tuition benefit prior to the bill's passage to continue receiving in-state tuition for the 2008-09 and 2009-10 academic years.

ASSUMPTIONS AND METHODOLOGY:

Current Costs

Guided by G.S. 116-143.6(b), the 16 institutions of the University of North Carolina (UNC) system awarded resident tuition to 992 nonresident students on full athletic and academic scholarships in FY 2008-09. Of those receiving this tuition benefit, 672 are on athletic scholarships and 320 are on academic scholarships. Since the statute states that this tuition benefit is to have no fiscal impact on the electing constituent institution, the General Assembly has increased campus

appropriations each year since FY 2006-07 to reimburse lost tuition revenues. The reimbursement for lost tuition is included as an adjustment to tuition revenue in UNC's annual enrollment growth request. Since the enrollment funding request is completed each year before the Board of Governor's sets the next year's tuition rates, there is a one year lag in the tuition rates used in the enrollment funding model. For example, the UNC FY 2007-08 tuition rates were used in the chart below to compute the FY 2008-09 cost of the nonresident tuition discount.

Institution	Number of students, 2008-09	2007-8 Undergrad In-State Tuition (amount per student)	2007-08 Undergrad Out-of-State Tuition (amount per student)	Per Student Tuition Discount	Total Cost of Nonresident Tuition Discount
ASU	85	\$2,221	\$11,963	\$9,742	\$828,070
ECU	70	\$2,431	\$12,945	\$10,514	\$735,980
ECSU	23	\$1,587	\$10,468	\$8,881	\$204,263
FSU	0	\$1,826	\$12,008	\$10,182	\$0
NCA&T	29	\$1,994	\$11,436	\$9,442	\$273,818
NCCU	43	\$2,218	\$11,962	\$9,744	\$418,992
NCSU	176	\$3,760	\$15,958	\$12,198	\$2,146,848
UNC-A	36	\$2,307	\$13,297	\$10,990	\$395,640
UNC-CH	285	\$3,705	\$19,353	\$15,648	\$4,459,680
UNC-C	47	\$2,461	\$12,873	\$10,412	\$489,364
UNC-G	63	\$2,458	\$13,726	\$11,268	\$709,884
UNC-P	6	\$1,949	\$11,209	\$9,260	\$55,560
UNC-SA	21	\$3,224	\$14,654	\$11,430	\$240,030
UNC-W	39	\$2,413	\$12,376	\$9,963	\$388,557
WCU	65	\$2,028	\$11,611	\$9,583	\$622,895
WSSU	4	\$1,701	\$10,341	\$8,640	\$34,560
TOTAL	992				\$12,004,141

Tuition Rates

In October 2006, the UNC Board of Governors adopted a four year plan to limit annual resident tuition increases to 6.5%. The 6.5% cap was based on the average resident tuition increase from 1972 to 2006. Due to generous state appropriations to the UNC system in recent years and due to the Board's efforts to maintain an affordable college education, the Board of Governors has kept tuition increases well under the 6.5% cap. In fact, for the 2007-08, 2008-09, and 2009-10 academic years, the average tuition increase for resident students has been 3% per year. Although there is no similar Board policy on nonresident tuition increases, the average increase is 2% for the same three year period from 2007-08 to 2009-10.

For this fiscal note, the 3% resident and 2% nonresident annual tuition increase rates will be used for the last three years of the five year forecast (The FY 2010-11 estimate uses the FY 2009-10 tuition rates approved by the UNC Board of Governors). This is a conservative rate given the possibility of budget cuts in the next biennium and the pressure by the UNC institutions to restore campus budgets with increased tuition revenues.

Athletic Scholarships

The 15 UNC campuses with athletic programs have projected 747 full scholarship nonresident athletes in FY 2009-10 and 815 such athletes in FY 2010-11. FY 2009-10 marks the fourth year of the nonresident tuition discount program, thus completing the freshmen to senior class cycle of students. Program growth slows in FY 2010-11 with the four schools highlighted below expecting no growth and three schools with no athletes receiving the benefit. This fiscal note will assume no growth in the number of nonresident athletic scholarships beyond the 2010-11 academic year.

**Nonresident Students Receiving Resident Tuition -
GS 116-143.6**

	Number of students, 2008-09	Number of students, 2009-10	Number of students, 2010-11
NCSU	114	133	159
UNC-CH	111	139	139
ASU	85	112	122
ECU	70	80	90
WCU	65	65	65
UNCG	37	39	49
NCCU	40	40	42
UNCC	42	42	42
UNCA	36	36	40
UNCW	39	31	32
ECSU	17	20	25
NCA&T	10	10	10
FSU	0	0	0
UNCP	6	0	0
WSSU	0	0	0
TOTAL	672	747	815

Savings – General Fund

Beginning in FY 2010-11, the repeal of the tuition benefit for nonresident athletes will generate an annual savings to the General Fund because there will be no reimbursement in the enrollment funding model for lost tuition revenue. The first year savings in FY 2010-11 are shown in the chart

below. In future years, the savings will grow 1.76% each year based on an estimated tuition growth of 2% resident and 3% nonresident (see Table 1 on the next page).

Institution	Athletic Scholarships	2009-10 Est. Undergrad In-State Tuition (amount per student)	2009-10 Est. Undergrad Out-of-State Tuition (amount per student)	Per Student Tuition Discount	FY 10-11 Estimated Cost of Athletic Tuition Discount
ASU	122	\$2,341	\$12,962	\$10,621	\$1,295,762
ECU	90	\$2,491	\$13,325	\$10,834	\$975,060
ECSU	25	\$1,681	\$10,730	\$9,049	\$226,225
NCA&T	10	\$1,994	\$11,436	\$9,442	\$94,420
NCCU	42	\$2,264	\$12,333	\$10,069	\$422,898
NCSU	159	\$3,953	\$16,438	\$12,485	\$1,985,115
UNC-A	40	\$2,389	\$14,106	\$11,717	\$468,680
UNC-CH	139	\$3,865	\$21,753	\$17,888	\$2,486,432
UNC-C	42	\$2,516	\$13,128	\$10,612	\$445,704
UNC-G	49	\$2,590	\$14,351	\$11,761	\$576,289
UNC-W	32	\$2,565	\$13,447	\$10,882	\$348,224
WCU	65	\$2,106	\$11,703	\$9,597	\$623,805
TOTAL	815				\$9,948,614

This fiscal note assumes the athletic foundations and athletic departments will continue to recruit nonresident athletes, but those athletic entities will bear the full nonresident tuition costs as they did before the FY 2006-07 academic year.

SOURCES OF DATA: University of North Carolina General Administration

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Richard Bostic and James Robinson

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

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Table 1: General Fund Impact of GS 116-143.6 (Nonresidents Receiving Resident Tuition)

Institution	Athletic Scholarships	2010-11 Est. Undergrad In-State Tuition (amount per student)	2010-11 Est. Undergrad Out-of-State Tuition (amount per student)	FY 11-12 Estimated Cost of Athletic Tuition Discount	2011-12 Est. Undergrad In-State Tuition (amount per student)	2011-12 Est. Undergrad Out-of-State Tuition (amount per student)	FY 12-13 Estimated Cost of Athletic Tuition Discount	2012-13 Est. Undergrad In-State Tuition (amount per student)	2012-13 Est. Undergrad Out-of-State Tuition (amount per student)	FY 13-14 Estimated Cost of Athletic Tuition Discount
ASU	122	\$2,411	\$13,221	\$1,318,821	\$2,484	\$13,486	\$1,342,256	\$2,558	\$13,755	\$1,366,071
ECU	90	\$2,566	\$13,592	\$992,319	\$2,643	\$13,863	\$1,009,857	\$2,722	\$14,141	\$1,027,675
ECSU	25	\$1,731	\$10,945	\$230,329	\$1,783	\$11,163	\$234,503	\$1,837	\$11,387	\$238,747
NCA&T	10	\$2,054	\$11,665	\$96,109	\$2,115	\$11,898	\$97,826	\$2,179	\$12,136	\$99,571
NCCU	42	\$2,332	\$12,580	\$430,405	\$2,402	\$12,831	\$438,034	\$2,474	\$13,088	\$445,786
NCSU	159	\$4,072	\$16,767	\$2,018,532	\$4,194	\$17,102	\$2,052,429	\$4,320	\$17,444	\$2,086,809
UNC-A	40	\$2,461	\$14,388	\$477,098	\$2,534	\$14,676	\$485,656	\$2,611	\$14,969	\$494,355
UNC-CH	139	\$3,981	\$22,188	\$2,530,788	\$4,100	\$22,632	\$2,575,871	\$4,223	\$23,084	\$2,621,688
UNC-C	42	\$2,591	\$13,391	\$453,561	\$2,669	\$13,658	\$461,544	\$2,749	\$13,932	\$469,654
UNC-G	49	\$2,668	\$14,638	\$586,546	\$2,748	\$14,931	\$596,969	\$2,830	\$15,229	\$607,562
UNC-W	32	\$2,642	\$13,716	\$354,368	\$2,721	\$13,990	\$360,610	\$2,803	\$14,270	\$366,951
WCU	65	\$2,169	\$11,937	\$634,912	\$2,234	\$12,176	\$646,200	\$2,301	\$12,419	\$657,672
TOTAL	815			\$10,123,789			\$10,301,754			\$10,482,542