

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 256 (Second Edition)

SHORT TITLE: UNC/Calculation of In-State Students.

SPONSOR(S): Representatives Cleveland and Wiley

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available (X)		
	<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					
Tuition Revenues					See Assumptions & Methodology
EXPENDITURES					
General Fund					See Assumptions & Methodology
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina (UNC) system					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY:

The bill amends G.S. 116-143.6(a) to require nonresident students receiving in-state tuition due to their full scholarship status to be counted as nonresidents for “the policy that limits out-of-state undergraduate enrollment”.

BACKGROUND:

UNC Board of Governors Policy 700.1.3(a) states that “each constituent institution, except the North Carolina School of the Arts, shall take necessary steps to limit the proportion of out-of-state students in the entering freshman class to not more than 18 percent.” (NC A&T Engineering students are also exempt from this policy.) Section (e) of this Policy penalizes a campus that exceeds the nonresident limit two years in a row by reducing the campus General Fund appropriation for enrollment growth for the nonresident students in excess of the 18% cap. Since 1998, the following five campuses have exceeded the 18% cap (not always in consecutive years): ECU (5 times), UNC-A (2 times), NCCU (2 times), UNC-CH (3 times), and UNC-W (4 times). UNC-Asheville was the last school to be penalized for consecutive 18%+ years in 2003 and 2004.

ASSUMPTIONS AND METHODOLOGY:

Since the FY 2006-07 academic year, G.S. 116-143.6(a) has allowed nonresident students on full scholarship to count as resident students under UNC Board of Governors Policy 700.1.3(a). HB 256 will repeal this measure and again count these nonresident students in the enrollment cap in FY 2009-10. The chart below shows how campuses would have been affected if HB 256 had been enacted in FY 2008-09. In this scenario, Elizabeth City State University (ECSU) and UNC – Chapel Hill (CH) would have had nonresident ratios exceeding the 18% cap based on headcount.

Number of UNC First-Time Freshmen By Institution – Fall 2008

Institution	Number of In-state Freshmen	Number of Nonresident Freshmen	Nonresident Percent	Number of Nonresident treated as In-state by GS 116-143.6(a)	Revised Number of Nonresident Students	Revised Nonresident Percent
ASU	2,421	360	12.9%	30	390	14.0%
ECU	3,682	856	18.9%	10	866	19.1%
ECSU	526	112	17.6%	23	135	21.2%
FSU	537	45	7.7%	0	45	7.7%
NC A & T*	1,261	346	21.5%	0	346	21.5%
NCCU	897	138	13.3%	0	138	13.3%
NCSU	4,215	454	9.7%	27	481	10.3%
UNC - A	501	85	14.5%	13	98	16.7%
UNC - CH	3,201	664	17.2%	94	758	19.6%
UNC - C	2,694	396	12.8%	30	426	13.8%
UNC - G	2,289	203	8.1%	23	226	9.1%
UNC - P	1010	63	5.9%	6	69	6.4%
UNC-SA	72	92	56.1%	9	101	61.6%
UNC - W	1,746	327	15.8%	0	327	15.8%
WCU	1,129	95	7.8%	19	114	9.3%
WSSU	1174	183	13.5%	1	184	13.6%
UNC TOTAL	27,355	4,419	13.9%	285	4,704	14.8%

* When nonresident freshmen engineering majors are deleted, the rate is 17%.

Will the passage of HB 256 have a fiscal impact? There is no definitive answer. Campuses that are immediately impacted by the bill, ECSU and UNC-CH, could decide to exceed the cap in FY 09-10 and preserve their nonresident tuition revenue, since penalties are assessed only after two consecutive years. The campuses would then have one year to adjust admissions for the new law. These campuses could also choose to admit additional nonresident upper-class transfer students that are not subject to the cap in order to compensate for the tuition loss.

The impact will also depend on annual growth of the freshman class. If freshmen enrollment on UNC campuses remains constant and the number of nonresident freshmen on full academic and athletic scholarships remains constant, then there could be an impact on tuition revenue. However, if campus freshmen enrollment grows sufficiently to create spaces lost by HB 256, then there would be no short-term loss in tuition revenue.

No Growth Scenario

For example, if UNC-CH has no growth in its freshmen class in FY 2009-10, then 3,865 students will again be admitted. Of that number, only 696 can be nonresident (18%). If UNC-CH again enrolls 94 nonresident freshmen students on full academic and athletic scholarship and counts them in the 18% cap, then only 602 other nonresident students can be admitted. Since 664 students were previously admitted in FY 2008-09, UNC-CH will lose the higher nonresident tuition when 62 student slots are filled with in-state students.

<u>UNC-Chapel Hill FY 2008-09</u>	
Freshman class	3,865
Nonresident admissions *	758
18% nonresident cap	696
Excess above cap	62
* Includes 94 nonresident students on full scholarship counted as resident students	

The 2008-09 tuition rates for UNC-CH are \$3,705 resident and \$20,603 nonresident for a difference of \$16,898. For denying admission to 62 nonresident students, UNC-CH would forgo \$1,047,676 in tuition.

Growth Scenario

A growth scenario is the case for UNC-CH and ECSU, because both campuses have requested enrollment growth funding for regular term undergraduate students in FY 2009-10. UNC-CH has requested 356 additional regular term undergraduate student FTE in FY 09-10. If all 356 students are admitted as freshmen, then the campus could admit 64 nonresidents under the 18% cap. These additional nonresident students will cover the 62 admissions lost due to HB 256. Similarly ECSU has requested 137 additional regular term undergraduate student FTE in FY 09-10. If all 137 students are admitted as freshmen, then the campus could admit 24 nonresidents under the 18% cap. These additional nonresident students will cover the 21 admissions lost due to HB 256. However, it should be noted that those UNC campuses that annually reach the 18% enrollment cap

and have strong nonresident demand for admission, will forgo the opportunity to earn additional nonresident tuition dollars due to HB 256.

	<u>UNC-CH</u>	<u>ECSU</u>
Projected FY 2009-10 Freshman class	4,221	775
FY 09-10 18% nonresident cap	760	140
FY 08-09 Nonresident admissions *	758	135
* Includes 94 nonresident students on full scholarship counted as resident students		

If a campus does suffer a decline in tuition revenue due to HB 256, it is the General Fund that ultimately absorbs the loss. Each year the UNC enrollment growth funding model includes the campus estimate of the tuition revenue it will generate. Any reduction in revenue will create an increase in the appropriation needed to sustain campus operations at its approved enrollment level. This enrollment growth funding is included in the Governor's continuation budget. Only a legislative action will modify the proposed enrollment growth appropriation.

This discussion of scenarios explains why a definitive fiscal impact cannot be determined for HB 256.

SOURCES OF DATA: UNC Policy Manual

TECHNICAL CONSIDERATIONS: None

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