

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 1482 (First Edition)

SHORT TITLE: UNC Graduation Incentive Act.

SPONSOR(S): Representatives Folwell, Killian, and Tillis

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 2009-10 FY 2010-11 FY 2011-12 FY 2012-13 FY 2013-14

REVENUES

Tuition Surcharge Receipts See Assumptions & Methodology

EXPENDITURES

General Fund See Assumptions & Methodology

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: University of North Carolina (UNC)

EFFECTIVE DATE: The bill is effective when it becomes law and applies to all new undergraduates seeking baccalaureate degrees at UNC institutions.

BILL SUMMARY:

The bill imposes a 100% tuition surcharge on students who take more than 140 degree credit hours to complete a four-year program (120 credit hours) or more than 110% of the credit hours necessary to complete a five-year program. Excluded from the 140 credit hour limit are credits from Advanced Placement exams, College Level Examination Program (CLEP) exams, summer school, and extension programs.

BACKGROUND:

The 1993 General Assembly mandated the UNC Board of Governors establish a tuition surcharge (Session Laws 1993-Chapter 321, Section 89 & Chapter 769, Section 17.10). Since 1994, a tuition surcharge of 25% has been levied by each UNC campus on students who exceed 140 degree credit hours to complete a four-year program or who exceed more than 110% of the credit hours necessary to complete a five-year program (UNC Policy Manual 1000.1.5[G]). The tuition surcharge generated \$1.51 million in receipts in FY 2007-08 on 13 UNC campuses. In FY 2007-08, the division of campus tuition surcharge receipts by that year's surcharge rates yields 4,006 semesters that exceeded 140 credit hours. The actual number of student paying the surcharge in FY 2007-08 is not known, but should range from 2,003 (paying for two semesters) to 4,006 (paying for one semester).

ASSUMPTIONS AND METHODOLOGY:

HB 1482 will have a fiscal impact on both tuition surcharge receipts and General Fund appropriations but the amount cannot be determined. A literature search found no data showing the impact of increasing a tuition surcharge or any similar fee on the course-taking behavior of college students.

If the rate change has no impact on student behavior, then there would be an increase in tuition surcharge receipts. Increased receipts allow the executive or legislative branches to reduce State appropriations without harming campus operations. However, if the rate change increases the timely completion of baccalaureate degrees, then there would be savings to students, the students' families, and the State. For students and their families, there is an average savings of \$6,800 for each semester that does not exceed the standard four year full-time completion rate (\$13,600 was annual cost of attendance in the UNC system in FY 2007-08). The student would also forgo the tuition surcharge. For the State, there is an annual General Fund subsidy of \$13,192 for each student in the UNC system (UNC General Administration estimate for FY 2008-09). Timely degree completion both reduces the State subsidy of excessive credit hour students and frees up admissions spaces in our undergraduate programs. By FY 2013-14 and the graduation of the first class under the 100% tuition surcharge, there could be a reduction in enrollment growth funding requests for some campuses. Enrollment growth requires a General Fund appropriation increase in the continuation budget.

The chart below shows the current 25% tuition surcharge and the proposed 100% tuition surcharge for FY 2009-10.

	FY 2009-10		FY 2009-10	
	Resident		Nonresident	
	25%	100%	25%	100%
Appalachian State University	\$585	\$2,341	\$3,241	\$12,962
East Carolina University	\$623	\$2,491	\$3,331	\$13,325
Elizabeth City State Univ.	\$420	\$1,681	\$2,683	\$10,730
Fayetteville State University	\$476	\$1,905	\$3,062	\$12,248
NC A&T State University	\$499	\$1,994	\$2,859	\$11,436
NC Central University	\$566	\$2,264	\$3,083	\$12,333
NC State University	\$988	\$3,953	\$4,110	\$16,438
UNC-Asheville	\$597	\$2,389	\$3,527	\$14,106
UNC-Chapel Hill	\$966	\$3,865	\$5,438	\$21,753
UNC-Charlotte	\$629	\$2,516	\$3,282	\$13,128
UNC-Greensboro	\$648	\$2,590	\$3,588	\$14,351
UNC-Pembroke	\$515	\$2,060	\$2,817	\$11,267
UNC-School of the Arts	\$839	\$3,357	\$3,826	\$15,303
UNC-Wilmington	\$641	\$2,565	\$3,362	\$13,447
Western Carolina Univ.	\$527	\$2,106	\$2,926	\$11,703
Winston-Salem State Univ.	\$442	\$1,769	\$2,585	\$10,341
Average surcharge	\$623	\$2,490	\$3,357	\$13,429

Students enrolled in the UNC system prior to FY 2009-10 will continue to be subject to the 25% tuition surcharge. Students enrolling in FY 2009-10 and future years will be subject to the 100% tuition surcharge. (See Technical Consideration for discussion of “new undergraduate”.) The average tuition surcharge will increase from \$623 to \$2,490 for resident students and from \$3,357 to \$13,429 for nonresident students. The surcharge rates will be automatically adjusted to the tuition schedule annually adopted by the UNC Board of Governors.

SOURCES OF DATA: “Recommended Continuation Budget, Line Item Detail, 2009-11, Education”; Institutional Profiles University of North Carolina 2007-2008 Edition; UNC General Administration Finance Division

TECHNICAL CONSIDERATIONS: Section 2 of the bill states that the act applies to “all new undergraduates seeking a baccalaureate degree at a constituent institution”. It is unclear what the definition is for “new undergraduate”. While a freshman is obviously a “new undergraduate”, it is also true that a transfer student from a community college or another college could be considered a “new undergraduate”. The clarification of this definition is important because upperclassmen will have less time to adjust their course schedules to avoid the tuition penalty or will be penalized for past course selection or changes in degree programs.

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