

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: House Bill 691 (Second Edition)

SHORT TITLE: Limit Soldiers CC Tuition.

SPONSOR(S): Representatives Szoka, Hastings, Malone, and Martin

FISCAL IMPACT

(\$ in millions)

Yes No No Estimate Available

State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Fund Revenues:	(0.1) to 2.5	(0.1) to 2.5	(0.1) to 2.5	(0.1) to 2.5	(0.1) to 2.5
General Fund Expenditures:	0.0 to 1.5	0.0 to 1.5	0.0 to 1.5	0.0 to 1.5	0.0 to 1.5
NET STATE IMPACT	(\$0.1) to \$1.0	(\$0.1) to \$1.0	(\$0.1) to \$1.0	(\$0.1) to \$1.0	(\$0.1) to \$1.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:

NC Community College System

EFFECTIVE DATE July 1, 2013

TECHNICAL CONSIDERATIONS: None

BILL SUMMARY:

House Bill 691 would waive the cost difference between the out-of-state tuition rate at North Carolina community colleges and the amount of tuition assistance available from the Department of Defense for active duty members of the Armed Forces. This waiver would only apply to active duty members of the Armed Forces who previously had been enrolled in a degree or other program at a community college at the time of deployment or reassignment and who reenroll in the same program within 18 months of deployment or reassignment.

ASSUMPTIONS AND METHODOLOGY:

Under current law, any active duty member of the Armed Forces who qualifies for admission to the University of North Carolina System or the NC Community College System (NCCCS), but who does not qualify as a resident for in-state tuition purposes, is eligible to be charged the in-state tuition rate while stationed in North Carolina. If the member is reassigned outside of the State, the member remains eligible for in-state tuition as long as the member is continuously enrolled in the degree or other program.

The bill adds a new subsection to G.S. 116-143.3, the statute governing tuition of Armed Forces personnel and their dependents, providing that if the out-of-state tuition rate for a community college exceeds the amount of federal tuition assistance available for active duty members of the Armed Forces, the cost difference will be waived if the active duty member:

1. Was enrolled in a degree or other program and receiving in-State tuition at the time of deployment or reassignment,
2. Was not able to remain continuously enrolled in the degree or other program at the community college due to deployment or reassignment,
3. Reenrolls in the same degree or other program within 18 months of deployment or reassignment, and
4. Does not otherwise qualify for the in-State tuition rate.

The bill also provides that the amount of tuition charged to an active duty member of the Armed Forces eligible to receive this waiver must not be lower than the in-state tuition rate.

Tuition

Currently, the Department of Defense tuition assistance pays up to \$250 per credit hour. The current NCCCS out-of-state curriculum tuition rate is \$261 per credit hour. Thus, the maximum amount of tuition waived per credit hour is \$11. It is important to note that should either of these rates change, the fiscal impact of this bill would change as well.

Eligible Population

NCCCS tracks the number of credit hours taken by students receiving in-state tuition pursuant to G.S. 116-143.3, but does not separately track the number of military students stationed *outside* of North Carolina who are still charged in-state tuition. To estimate the total number of credit hours taken by students stationed outside of NC, NCCCS reported the total number of credit hours taken by nonresident members of the military in distance education courses that require no face-to-face contact. While this likely also includes military service members stationed in NC, it is the closest approximation to the bill's eligible population. These students were enrolled in 10,067 credit hours in the 2012 calendar year. To determine the cost range, this analysis assumes that every student enrolled in 2012 would experience a break in enrollment due to the factors in the bill and would re-enroll in the same community college at the same credit-hour level upon return.

Maximum Cost

The State would experience the maximum cost possible under this bill if every student would have re-enrolled at the \$261/credit hour rate and instead pays the \$250/credit hour rate. For each credit hour in which a student would have re-enrolled at the full nonresident tuition rate of \$261/credit hour, but would now instead pay \$250/credit hour, the State will lose \$11 in revenue (\$261-\$250).

Therefore, the maximum cost to the State of this bill is \$11 times the expected maximum number of credit hours enrolled (10,067) or \$110,737 in lost General Fund revenue.

Minimum Cost

The State would experience the minimum cost (a net revenue gain) if no students would have re-enrolled at the \$261/credit hour rate, but all re-enroll at the \$250/credit hour rate. Under this scenario, the State would receive a net General Fund increase equal to the difference between the tuition rate per credit hour (\$250) and the total funding per credit hour to community colleges.

To estimate the minimum cost, this analysis assumes that all students would enroll in Tier 2 courses (which have the largest difference between cost and tuition)¹. For FY 2012-13, the per capita costs for Tier 2 budget full-time equivalent (FTE) is \$4,895.45. Per the State Board of Community Colleges Code, one curriculum full-time equivalent (FTE) is equal to 512 student membership hours per year. For a typical course, 16 student membership hours of class work equals one credit hour, and therefore 1 FTE equals 32 credit hours². Assuming this, the cost to the State per credit hour for Tier 2 courses is \$153/credit hour (\$4,895.45 per FTE/32 credit hours).

For each person that would not have re-enrolled in the NCCCS without the waiver, General Fund revenue increases by \$250/credit hour and General Fund expenditures increase by \$153 per credit hour, for a net General Fund increase of \$97 per credit hour (\$250-\$153/credit hour for Tier 2). Therefore, the minimum cost (or maximum net *increase* to the General Fund) of this bill is a net gain of \$976,499 to the General Fund, as show below.

Additional General Fund Tuition Revenue: (10,067 x \$250)	2,516,750
Additional General Fund Expenditures: (10,067 x \$153)	1,540,251
<hr/> Net General Fund Impact	<hr/> \$976,499

¹ Curriculum courses are funded at two levels, Tier 1 and Tier 2. Tier 1 courses include healthcare, technical education, lab-based science, and college-level mathematics. Tier 2 includes all other curriculum courses.

² It is important to note that other types of coursework – for example, laboratory work or clinical practice – have a different hours-to-FTE ratio. Because this analysis is examining only distance education courses, it assumes that 1 FTE is equal to 32 credit hours per year.

SOURCES OF DATA:

NC Community College System

Federal Register Volume 77, Number 236, Friday, December 7, 2012

TECHNICAL CONSIDERATIONS: None

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