



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Fiscal Note

**Short Title:** NC REACH Act.  
**Bill Number:** House Bill 7 (First Edition)  
**Sponsor(s):** Rep. Kidwell, Rep. Moss, Rep. Cairns, and Rep. Willis

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 7, V.1 (\$ in thousands)

|                            | <u>FY 2025-26</u> | <u>FY 2026-27</u> | <u>FY 2027-28</u> | <u>FY 2028-29</u> | <u>FY 2029-30</u> |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>State Impact</b>        |                   |                   |                   |                   |                   |
| General Fund Revenue       | -                 | -                 | -                 | -                 | -                 |
| Less Expenditures          | 1,100             | 3,112             | 6,389             | 6,338             | 6,532             |
| <b>General Fund Impact</b> | <b>(1,100)</b>    | <b>(3,112)</b>    | <b>(6,389)</b>    | <b>(6,338)</b>    | <b>(6,532)</b>    |
| <b>NET STATE IMPACT</b>    | <b>(1,100)</b>    | <b>(3,112)</b>    | <b>(6,389)</b>    | <b>(6,338)</b>    | <b>(6,532)</b>    |

### FISCAL IMPACT SUMMARY

This bill would require that students attending a UNC constituent institution, as a condition for graduating with a baccalaureate degree, or a community college, as a condition for graduating with an associate degree, complete at least three credit hours of instruction in American history or American government that provides a comprehensive overview of the major events and turning points of American history and government. The bill also requires that the added graduation conditions shall not add to the total number of credit hours required for a degree.

Since the overall number of student credit hours would remain equal, the largest cost consideration is the degree UNC institutions and community colleges would need to increase the number of faculty to teach the required courses. Alternatively, the largest cost reduction consideration is the degree those same institutions could reduce personnel cost in other areas, since fewer students would be enrolled.

Overall, this analysis estimates the requirements of the bill would increase expenditures at the UNC System by **\$3.7 million** and **\$2.8 million** at the Community College System by FY 2029-30. However, there are several unknowns and assumptions used to calculate those figures (summary in Fiscal Analysis section), and changes to those assumptions could produce a different estimate.



## FISCAL ANALYSIS

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To determine the fiscal impact of the additional graduation conditions, the following primary factors were considered:

1. The degree the requirements would increase the number of faculty needed, considering:
  - a. Capacity among existing faculty to provide the instruction
  - b. Number of courses that could not be covered by existing faculty
  - c. Cost of adding new faculty to instruct the uncovered courses
  - d. The typical ratio between instructors and students for these courses
2. The degree the requirements would decrease the number of faculty needed in other subject areas, considering:
  - a. Courses likely to see a decrease in enrollment from student credit hours shifting to the newly required courses
  - b. The degree that a decrease in enrollment in certain courses would result in reduced personnel costs
  - c. The rate that any cost savings would be realized from reduced personnel costs
3. Potential one-time expenses, considering:
  - a. Costs associated with adopting new curriculum
  - b. Recruitment bonuses for new faculty to ensure an adequate number of instructors within the required time

UNC constituent institutions and North Carolina community colleges differ in several ways in the factors noted above, which makes the fiscal impact analysis for each unique. However, both the UNC System Office and Community College System indicated there would be a fiscal impact associated with the bill's requirements, and that those impacts were difficult to quantify.

### UNC System Fiscal Impact

The UNC System Office indicates that the required courses under H.B. 7 would be delivered as either History or Political Science courses. There were 475 full-time equivalent faculty in those course areas in 2024, which supported 169,528 student credit hours (5,651 full-time equivalent students). Those figures roughly equal a 12-to-1 student/faculty ratio, however, the assumed student/faculty ratio for the courses required under this bill would not necessarily be the same.

Based on fall 2024 data, there would be roughly 46k new undergraduate students that would be impacted by the requirements of the bill, according to the UNC System Office. This includes 39k freshmen and 7k transfers from outside the North Carolina Community College System and assumes all community college transfers would meet the bill's requirements. Those additional students are equivalent to 81% of all History and Political Science courses taught in 2024, or 137,631 student credit hours (4,587 full-time equivalent students). This analysis assumes 10k of those student credit hours would be covered by exemptions related to passing scores on certain exams, based on an analysis of Advanced Placement Test scores in North Carolina.



The following assumptions were made in this analysis for the purposes of estimating the fiscal impact on UNC institutions in providing instruction for the remaining 127,631 student credit hours:

1. **Existing Faculty Capacity:** 50% of the new course requirements could be taught by existing UNC faculty. This would primarily be accomplished by increased class sizes, but it could also represent increased faculty workloads. This would roughly increase the student/faculty ratio for existing 475 instructors to 16-to-1 across History or Political Science courses, which is still within the typical range found at UNC constituent institutions for all subjects (reported ranges between 11-to-1 at UNC Asheville and 21-to-1 at UNC Charlotte).
2. **New Faculty:** 50% of the course requirements would be taught by new faculty. The assumed student/faculty ratio for the courses required in the bill are difficult to predict, but this analysis assumes introductory courses have a greater class size than more advanced courses. For example, at UNC Chapel Hill, an introductory History course called "The World Since 1945" can have class sizes between 100 to 250. However, smaller UNC institutions would likely have less ability to support classes of that size, given space restrictions and given the need for a minimum number of course offerings. Therefore, the assumed student/faculty ratio that new faculty would cover is estimated as 50-to-1 across the UNC System.

The assumed salary for these new faculty is estimated as \$88,649, based on the median State-funded faculty salaries across all UNC constituent institutions, which equals \$115,901 after adjusting for retirement and health benefits. This analysis also assumes that half of the required faculty would be needed in FY 2026-27 with the other half being hired in FY 2027-28, under the expectation that the required course could be taken in either a student's freshman or sophomore year.

3. **Faculty Reductions in Other Areas:** in 2023, approximately 40% of UNC System faculty were on a non-tenure track, meaning their contracts could be more easily modified if their subject areas experienced a reduction in enrollment from student's shifting to the required courses. Since the bill requires that UNC institutions do not increase the credits required to graduate, that means the estimated 127,631 credit hours would no longer be taught across all other subject areas. It is difficult to predict the degree UNC institutions would respond by reducing their non-tenured faculty positions. For example, it is unclear if enrollment declines would be in a few concentrated disciplines or more dispersed. This analysis assumes there would be a corresponding 40% reduction in faculty in other subject areas for each additional full-time equivalent faculty hired in History or Political Science.

Finally, this analysis assumes there would be initial costs associated with the curriculum development at both the UNC System Office and the individual constituent institutions. For the purposes of this analysis, the assumed cost is \$100k incurred by the System Office and \$20k for each of the 16 UNC higher education constituent institutions.



**Table 1. Estimated Fiscal Impact – UNC System (\$ thousands)**

|                             | FY 2025-26     | FY 2026-27       | FY 2027-28       | FY 2028-29       | FY 2029-30       |
|-----------------------------|----------------|------------------|------------------|------------------|------------------|
| <b>Cost Additions</b>       |                |                  |                  |                  |                  |
| Added History Faculty (FTE) | 0.0            | 21.5             | 43.0             | 43.0             | 43.0             |
| Salary and Benefits         | \$0.0          | \$2,600.8        | \$5,839.0        | \$6,050.7        | \$6,238.0        |
| Curriculum Update           | \$420.0        | \$0.0            | \$0.0            | \$0.0            | \$0.0            |
| Subtotal                    | \$420.0        | \$2,600.8        | \$5,839.0        | \$6,050.7        | \$6,238.0        |
| <b>Cost Reductions</b>      |                |                  |                  |                  |                  |
| Other Faculty Change (FTE)  | 0.0            | (8.6)            | (17.2)           | (17.2)           | (17.2)           |
| Salary and Benefits         | \$0.0          | (\$996.7)        | (\$2,335.6)      | (\$2,420.3)      | (\$2,495.2)      |
| Subtotal                    | \$0.0          | (\$996.7)        | (\$2,335.6)      | (\$2,420.3)      | (\$2,495.2)      |
| <b>Total</b>                | <b>\$420.0</b> | <b>\$1,604.1</b> | <b>\$3,503.4</b> | <b>\$3,630.4</b> | <b>\$3,742.8</b> |

Note: Future salary based on projections of NIPA - Compensation Index (based on Moody's economy.com, Jan. 2025)

### Community College System Fiscal Impact

The State Board Code requires a minimum of 15 General Education credits for an associate degree. The minimum includes 6 credit hours in English, 3 credit hours in humanities/fine arts, 3 credit hours in natural sciences or math, and 3 credit hours in social sciences (History, Sociology, Psychology, etc.). Based on a review of the requirements of the bill, the Community College System Office assumes the most likely outcome would be to change the 3 credit hours in social sciences to specifically require the course requirements in H.B. 7.

That change will most likely require colleges to reduce the number of offerings in Psychology and Sociology programming, which would reduce the number of faculty in these programs. Additional History instructors will be needed to meet the increased offerings. The additional History instructors would require a master's degree and 18 graduate credit hours in appropriate history courses, meaning the existing Psychology and Sociology faculty could not shift to teach History.

Based on an analysis of students in either Psychology or Sociology and the assumed faculty-to-student ratio used for budget allocation purposes, the Community College System Office estimates that approximately 55 additional full-time equivalent faculty would be required. In FY 2024-25, the average State-funded faculty salary equaled \$60,401, or \$87,637 after adjusting for retirement and health benefits. This analysis assumes only half the required 55 full-time equivalent faculty would be needed in FY 2026-27, the initial year of program requirements, with the other half being needed in FY 2027-28. Finally, the Community College System Office indicated the need for recruitment bonuses to ensure enough qualified faculty are hired within the required time. This analysis assumes the recruitment bonus would equal 10% of the faculty salary in the first-year total salary and benefit package.

In terms of the number of faculty in other subject areas that would be reduced, this analysis assumes that community colleges have more flexibility than UNC institutions to more quickly



adjust faculty levels to match course enrollment, since community college faculty do not hold tenure. Still, it is difficult to predict how colleges would reduce faculty in these areas. For example, colleges may choose to keep certain course offerings open despite reduced enrollment to meet student scheduling needs. For the purposes of this analysis, it is assumed that each additional History FTE hired would correspond with a 50% reduction in FTE in other subject areas, though smaller colleges may see less reduction in faculty, since there are a minimum number of course offerings in each subject area that colleges will likely maintain.

Finally, this analysis assumes there would be initial costs associated with the curriculum development at both the Community College System Office and the individual colleges. For example, this would require System Office staff to make necessary adjustments with approvals by the State Board of Community Colleges, while colleges would need to modify all curriculum program plans and potentially adjust information on websites and printed program information. This analysis assumes a cost of \$100k incurred by the Community College System Office and \$10k for each of the 58 colleges.

**Table 2. Estimated Fiscal Impact – Community College System (\$ thousands)**

|                            | FY 2025-26     | FY 2026-27       | FY 2027-28       | FY 2028-29       | FY 2029-30       |
|----------------------------|----------------|------------------|------------------|------------------|------------------|
| <b>Cost Additions</b>      |                |                  |                  |                  |                  |
| Added Faculty (FTE)        | 0              | 27.5             | 55               | 55               | 55               |
| Salary and Benefits        | \$0.0          | \$2,512.8        | \$5,239.5        | \$5,415.0        | \$5,578.2        |
| Recruitment Bonus          | \$0.0          | \$251.3          | \$261.5          | \$0.0            | \$0.0            |
| Curriculum Update          | \$680.0        | \$0.0            | \$0.0            | \$0.0            | \$0.0            |
| Subtotal                   | \$680.0        | \$2,764.1        | \$5,501.0        | \$5,415.0        | \$5,578.2        |
| <b>Cost Reductions</b>     |                |                  |                  |                  |                  |
| Other Faculty Change (FTE) | 0.0            | (13.8)           | (27.5)           | (27.5)           | (27.5)           |
| Salary and Benefits        | \$0.0          | (\$1,256.4)      | (\$2,615.2)      | (\$2,707.5)      | (\$2,789.1)      |
| Subtotal                   | \$0.0          | (\$1,256.4)      | (\$2,615.2)      | (\$2,707.5)      | (\$2,789.1)      |
| <b>Total</b>               | <b>\$680.0</b> | <b>\$1,507.7</b> | <b>\$2,885.8</b> | <b>\$2,707.5</b> | <b>\$2,789.1</b> |

Note: Future salary based on projections of NIPA - Compensation Index (based on Moody's economy.com, Jan. 2025)

## TECHNICAL CONSIDERATIONS

N/A.

## DATA SOURCES

The University of North Carolina, State of the University 2025-26  
 UNC System Report on State Budget Allocations and Policies  
 DPI's "Broaden Successful Participation in Advanced Courses" Report  
 UNC-Chapel Hill Historical Course Record  
 Requested Data Provided by the UNC System  
 Requested Data Provided by the Community College System

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

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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.

## **CONTACT INFORMATION**

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

## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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John Poteat  
on behalf of Brian Matteson, Director  
Fiscal Research Division  
March 31, 2025



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

