



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Raise Out-of-State/Lower In-State UNC Tuition.  
**Bill Number:** Senate Bill 351 (First Edition)  
**Sponsor(s):** Senator McInnis

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B. 351, V.1 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund Revenue	31.6	31.6	31.6	31.6	31.6
Less Expenditures	31.6	31.6	31.6	31.6	31.6
<b>General Fund Impact</b>	-	-	-	-	-

<b>NET STATE IMPACT</b>	-	-	-	-	-
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### FISCAL IMPACT SUMMARY

The bill draft would increase the current nonresident undergraduate tuition by \$5,000 beginning in FY 2019-20 for students who attend the University of North Carolina at Chapel Hill (UNC-CH) or North Carolina State University (NCSU). With the additional tuition receipts generated by the increase in tuition charged to nonresidents, the Board of Governors of the University of North Carolina are directed to use these revenues to decrease the tuition charged to resident undergraduate students enrolled at either UNC-CH or NCSU beginning with the 2019-20 academic year, and subsequent academic years thereafter.

### FISCAL ANALYSIS

The bill draft utilizes additional receipts from a \$5,000 increase in nonresident undergraduate tuition at UNC-CH and NCSU to decrease resident undergraduate tuition for students attending either of these two universities beginning in FY 2019-20. For FY 2019-20, it is estimated that the tuition increase will generate approximately \$31.6 million. These additional receipts will then be used to reduce resident undergraduate tuition for students attending UNC-CH or NCSU. For FY 2019-20, the estimated reduction is \$862 per student. As such, there would be no fiscal impact to the State. This analysis uses enrollment and tuition data for UNC-CH and NCSU based on three-year prior averages for each institution.

### Projected Additional Revenue

As noted above, increasing the current nonresident undergraduate tuition by \$5,000 beginning in FY 2019-20 for students who attend UNC-CH or NCSU is projected to generate \$31.6 million in additional tuition receipts during that fiscal year. While nonresident undergraduate enrollment is

expected to remain level for both institutions, nonresident undergraduate tuition rates are projected to increase by 1.5% annually from the current nonresident rate of \$33,202 for UNC-CH, and by 4.7% annually from the current nonresident rate of \$25,878 for NCSU. The chart that follows shows that a \$5,000 increase in nonresident undergraduate tuition in FY 2019-20, will generate additional tuition receipts of \$16,775,000 for UNC-CH and, \$14,870,000 for NCSU. Combined, additional receipts from the tuition increase are estimated at \$31,645,000 in FY 2019-20 and in the subsequent following fiscal years.

<b>Projected Additional Revenue From \$5,000 Increase in Undergraduate Nonresident Tuition at UNC-CH and NCSU</b>					
<b><u>UNC- Chapel Hill</u></b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Nonresident Enrollment	3,355	3,355	3,355	3,355	3,355
Nonresident Tuition	\$33,700	\$34,206	\$34,719	\$35,239	\$35,768
<b>Nonresident Tuition Revenue without \$5,000 Increase</b>	<b>\$113,063,601</b>	<b>\$114,759,555</b>	<b>\$116,480,948</b>	<b>\$118,228,162</b>	<b>\$120,001,585</b>
Nonresident Enrollment	3,355	3,355	3,355	3,355	3,355
Increase Tuition (\$5,000)	\$38,700	\$39,206	\$39,719	\$40,239	\$40,768
<b>Projected Nonresident Tuition Revenue with \$5,000 Increase</b>	<b>\$129,838,601</b>	<b>\$131,534,555</b>	<b>\$133,255,948</b>	<b>\$135,003,162</b>	<b>\$136,776,585</b>
<b>Increase in UNC-CH Nonresident Tuition Revenue</b>	<b>\$16,775,000</b>	<b>\$16,775,000</b>	<b>\$16,775,000</b>	<b>\$16,775,000</b>	<b>\$16,775,000</b>
<b><u>NC State University</u></b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Nonresident Enrollment	2,974	2,974	2,974	2,974	2,974
Nonresident Tuition	\$27,094	\$28,368	\$29,701	\$31,097	\$32,558
<b>Nonresident Tuition Revenue without \$5,000 Increase</b>	<b>\$80,578,347</b>	<b>\$84,365,529</b>	<b>\$88,330,709</b>	<b>\$92,482,253</b>	<b>\$96,828,918</b>
Nonresident Enrollment	2,974	2,974	2,974	2,974	2,974
Increase Tuition (\$5,000)	\$32,094	\$33,368	\$34,701	\$36,097	\$37,558
<b>Projected Nonresident Tuition Revenue with \$5,000 Increase</b>	<b>\$95,448,347</b>	<b>\$99,235,529</b>	<b>\$103,200,709</b>	<b>\$107,352,253</b>	<b>\$111,698,918</b>
<b>Increase in NCSU Nonresident Tuition Revenue</b>	<b>\$14,870,000</b>	<b>\$14,870,000</b>	<b>\$14,870,000</b>	<b>\$14,870,000</b>	<b>\$14,870,000</b>
<b>Total Increase in Nonresident Tuition Revenue from UNC-CH and NCSU</b>	<b>\$31,645,000</b>	<b>\$31,645,000</b>	<b>\$31,645,000</b>	<b>\$31,645,000</b>	<b>\$31,645,000</b>
<i>Notes:</i>					
- Nonresident UNC-CH and NCSU undergraduate tuition increased \$5,000 beginning in FY 2019-20.					
- Nonresident UNC-CH and NCSU enrollment remains level based on prior 3-year average.					
- Nonresident UNC-CH tuition increases annually by 1.5% based on prior 3-year average.					
- Nonresident NCSU tuition increases annually by 4.7% based on prior 3-year average.					

**Projected Reduction in Revenue**

Utilizing the projected \$31,645,000 in additional receipts generated by the increase in nonresident undergraduate tuition, it is estimated that resident undergraduate tuition at UNC-CH and NCSU will be reduced by \$862 per student for FY 2019-20. The chart below uses the prior three-year average for enrollment growth for each of UNC-CH (2.3%) and NCSU (2.1%) and

provides a five-year impact on reduced per student resident undergraduate tuition from the use of the projected additional funds generated by the nonresident undergraduate tuition increases.

Projected Decrease in UNC-CH and NCSU Undergraduate Tuition From Increased Undergraduate Nonresident Tuition					
<b>Resident Undergraduate Fall Enrollment</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
UNC-CH	15,950	16,316	16,692	17,076	17,468
NCSU	20,779	21,216	21,661	22,116	22,581
Total Resident Fall Enrollment	36,729	37,532	38,353	39,192	40,049
Projected Revenue From Increasing Nonresident UNC-CH/NCSU by \$5,000	\$31,645,000	\$31,645,000	\$31,645,000	\$31,645,000	\$31,645,000
Total UNC-CH and NCSU Enrollment	36,729	37,532	38,353	39,192	40,049
<b>Projected Per Student Decrease in Resident Tuition at UNC-CH/NCSU</b>	<b>\$862</b>	<b>\$843</b>	<b>\$825</b>	<b>\$807</b>	<b>\$790</b>
<i>Notes:</i>					
- UNC-CH resident undergraduate enrollment increases annually by 2.3% based on prior 3-year average.					
- NCSU resident undergraduate enrollment increases annually by 2.1% based on prior 3-year average.					
- Projected revenue from increasing nonresident undergraduate tuition at UNC-CH and NCSU is equally applied in reducing resident undergraduate tuition for UNC-CH and NCSU students.					

The intent of the bill is revenue neutral as any increase in revenue from raising nonresident undergraduate tuition at UNC-CH and NCSU will be offset by a corresponding decrease in tuition receipts from resident undergraduate tuition for these universities. Regarding the projected changes to enrollment and tuition figures, this analysis does not reflect any potential decrease in nonresident enrollment that may occur with the increases in tuition. The projected 2019-20 nonresident undergraduate tuition rate of \$38,700 at UNC-CH and \$32,094 at NCSU may lead nonresidents to seek other options including other out-of-state institutions or other UNC universities such as UNC at Charlotte whose current nonresident tuition rate of \$17,246 is more affordable.

As the chart above shows, increases in resident enrollment will negatively impact reduced resident undergraduate tuition rates. In addition, if there is a corresponding reduction in nonresident undergraduate enrollment (and accompanying additional tuition receipts), this will also lower the reduction to resident undergraduate tuition rates.

## TECHNICAL CONSIDERATIONS

N/A.

## DATA SOURCES

UNC SYSTEM OFFICE

## LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

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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Chris Hearley

## **ESTIMATE APPROVED BY**

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Mark Trogdon, Director of Fiscal Research  
Fiscal Research Division  
April 1, 2019



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