

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/10/2017**

Bill/Resolution No.: HB 1264

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

|                       | 2015-2017 Biennium |             | 2017-2019 Biennium |                | 2019-2021 Biennium |                |
|-----------------------|--------------------|-------------|--------------------|----------------|--------------------|----------------|
|                       | General Fund       | Other Funds | General Fund       | Other Funds    | General Fund       | Other Funds    |
| <b>Revenues</b>       |                    |             |                    | \$(17,200,000) |                    | \$(87,500,000) |
| <b>Expenditures</b>   |                    |             |                    |                |                    |                |
| <b>Appropriations</b> |                    |             |                    |                |                    |                |

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

|                         | 2015-2017 Biennium | 2017-2019 Biennium | 2019-2021 Biennium |
|-------------------------|--------------------|--------------------|--------------------|
| <b>Counties</b>         |                    |                    |                    |
| <b>Cities</b>           |                    |                    |                    |
| <b>School Districts</b> |                    |                    |                    |
| <b>Townships</b>        |                    |                    |                    |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB1264 limits the authority of the State Board of Higher Education (SBHE) to establish tuition rates related to tuition reciprocity agreements and regional education compacts by establishing minimum rates in statute.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 requires the SBHE to establish tuition rates subject to the limitation of Section 2.

Section 2 sets the rates for non-resident students admitted under the Midwestern Higher Education Compact (MHEC) and Western Interstate Commission for Higher Education (WICHE) agreement to at least 1.25 times the resident tuition rate. Rates under the Minnesota reciprocity agreement would be at least 1.15 times the resident tuition rate. Rates for other non-resident students from any other state would be at least 2.00 times the resident tuition rate. Institutions would be allowed to charge more than the statutory minimum.

The current rates charged to these students vary by institution.

This law would apply to students accepted to the institutions effective July 1, 2018. The rates would not apply to students admitted prior to July 1, 2018 that remain full-time students at the institution.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The rates established in Section 2 of the bill are estimated to increase gross tuition revenues for the NDUS by \$3.9 million in 2017-19 and \$18.0 million for 2019-21, if all of the out-of-state students choose to keep attending an NDUS institution with the higher tuition costs. The dollar impact varies by institution. Some institutions would experience gross revenue increases, while others would see decreases.

Since tuition costs are a driving factor in a student's decision to attend a specific institution, it is very likely that

student enrollment will decrease as a result of the tuition rate increases. If 50% of the estimated 3,553 new out-of-state students each year choose to not attend an NDUS institution, the revenues lost from tuition, mandatory fees, room and board would be approximately \$21.1 million for the 2017-19 biennium and \$105.5 million for 2019-21.

The amounts shown in section 1A reflect the difference of gross revenue increases and losses due to enrollment declines.

Additionally, state dollars provided through the higher education funding formula would begin decreasing beginning in the 2021-23 biennium because completed student credit hours would be lower. We are unable to estimate the potential general fund appropriation reductions at this time.

Tuition rates to the remaining NDUS students, the majority of which are ND residents, would need to be increased to continue providing existing education services to students. The amount of these rate increases cannot be determined at this time.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Tammy Dolan

**Agency:** ND University System

**Telephone:** 328-4116

**Date Prepared:** 01/19/2017