

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: SB 1326/HB1303

SHORT TITLE: Community College Education Improvement Act

SPONSOR(S): Senator Rand/Representative Warner

FISCAL IMPACT:

Expenditures:	Increase (X)	Decrease ()
Revenues:	Increase ()	Decrease ()
No Impact ()		
No Estimate Available ()		

FUND AFFECTED: **General Fund (X)** **Highway Fund ()** **Local Govt. ()**
 Other Funds ()

BILL SUMMARY: Provides a grant covering tuition and fees to students attending community colleges who meet certain income conditions and that receive Pell Grants that would cover tuition and fees.

EFFECTIVE DATE: July 1, 1996 for payments beginning in the 1996-97 academic year.

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Community Colleges

FISCAL IMPACT

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	
REVENUES:						
GENERAL FUND		-0-	-0-	-0-	-0-	-0-
HIGHWAY FUND						
HIGHWAY TRUST FUND						
LOCAL						
EXPENDITURES	\$18,581,944	\$19,006,918	\$20,434,765	\$20,942,915	\$21,466,089	
POSITIONS:						
Dept. of Comm. Colleges	33		3	3	3	
State Educ. Asst. Auth.	18		18	19	20	20

ASSUMPTIONS AND METHODOLOGY:

That the State Board will adopt guidelines for students above 21 years of age that are consistent with the guidelines in subsection (c) for students under 21.

That the numbers of students receiving Pell Grants will increase from 15.4% to 20% of all curriculum students, since they will all be required to apply for Grants and be turned down for the amount necessary to cover tuition and fees before they are eligible for these grants. The low rate of Pell Grant recipients is due to the low cost of tuition in N.C. Pell Grants are determined by a matrix of

"Expected Family Contribution (EFC)" based on income and family size and "Cost of Attendance" (tuition and fees).
Student enrollments will increase by 2.3% from 1996-99 and by 2.5% after 2000. (Based on FRD's financial model).

One half of the students attending community colleges have incomes below the median family income for N.C. as determined by the 1996 U.S. Census.

The mix of in-state and out-of-state students will remain constant.

The State Board will use its authority under subsection (4) to permit students under 21 with a criminal record to receive the grant.

The State Education Assistance Authority's cost to administer this program is in accordance with its cost to administer other educational grants, which it estimates is 3% of the program cost.

Tuition remains constant over the next two years and goes up 5% in 1998-99 and remains constant for another 2 years.

The ratio between student headcount and full-time equivalent (FTE) students remains constant. (Approximately 2 to 1).

METHODOLOGY:

The starting point for the student estimate is the 1994-95 actual in-state headcount (200,161) in curriculum programs, that lead to an associate degree: college transfer, general education, and technical students adjusted for enrollment growth. ("adjusted for growth" figure: 204,765)

That number is divided by two since one half of the population is below the 1995 median family income of \$41,252. (Close to the maximum eligibility criteria in subsection (c)(3).)

The number of students receiving Pell Grants is subtracted from this number, assuming that all Pell Grant recipients are below \$41,525 in income. The remaining students would be eligible for the program and are multiplied by the adjusted tuition calculated below.

To adjust for the part-time nature of community college students, a ratio of student headcount to FTE's is calculated (50%) and that rounded ratio is multiplied by the 3 quarter academic year tuition and fees (\$584.50):

FY 96-97 example: (104,751 (FTE)/231,254 (headcount)) = 45%
rounded

to halftime: 50% multiplied by \$584.50 = \$292.

The eligible students number, which is adjusted every year based on the assumptions listed previously, is multiplied by the tuition and fee number, adjusted according to the assumptions. This yields the program cost per year.

The administrative cost for the Department of Community Colleges is based on 3 positions at \$29,000 plus fringes.

The State Education Assistance Authority estimated that it would cost 3% of the program cost, similarly to its other programs. However, the Director suggested that the Department of Community Colleges could probably administer it more efficiently at approximately \$65,000 - \$75,000 if the bill were amended. *(Technical consideration)

Estimated Total Curriculum Student headcount:

96-97:	204,765
97-98:	209,475
98-99:	214,293
99-00:	219,650
00-01:	225,141

One half of students: (1/2 below median income)

Minus Pell Grant recipients: (20% of student headcount)

96-97:	102,383 - 40,953 = 61,430
97-98:	104,738 - 41,895 = 62,843
98-99:	107,147 - 42,859 = 64,288
99-00:	109,825 - 43,930 = 65,895
00-01:	112,571 - 45,028 = 67,543

Estimated Eligible Students multiplied by pro-rated tuition:

96-97:	61,430 x 292 = \$17,937,560
97-98:	62,843 x 292 = \$18,350,156
98-99:	64,288 x 307 = \$19,736,416
99-00:	65,895 x 307 = \$20,229,765
00-01:	67,543 x 307 = \$20,735,701

State Education Assistance Authority Costs (3% of Program Cost)

96-97:	\$17,937,560 x .03 = \$538,127
97-98:	\$18,350,156 x .03 = \$550,505
98-99:	\$19,736,416 x .03 = \$592,092
99-00:	\$20,229,705 x .03 = \$606,893
00-01:	\$20,737,701 x .03 = \$622,131

Department of Community Colleges Cost:

\$106,257 3 positions @ \$29,000 + fringes each

TOTAL:

	<u>Grants</u>	<u>State Education Assistance Authority</u>	<u>Department of Community Colleges</u>	<u>Total</u>
96-97:	\$17,937,560	\$538,127	\$106,257	\$18,581,944
97-98:	\$18,350,156	\$550,505	\$106,257	\$19,006,918
98-99:	\$19,736,416	\$592,092	\$106,257	\$20,434,765
99-00:	\$20,229,765	\$606,893	\$106,257	\$20,942,915
00-01:	\$20,737,701	\$622,131	\$106,257	\$21,466,089

SOURCES OF DATA: Community Colleges Annual Statistical Report (Vol. 30) 1994-95 U.S. Bureau of the Census Median Income Data; Statistical Abstract of Higher Education in N.C. 1995-96; Department of Community Colleges, State Educational Assistance Authority.

TECHNICAL CONSIDERATIONS: (See asterisk under methodology)

FISCAL RESEARCH DIVISION

733-4910

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DATE: June 10, 1996



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