

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1295

Amendment to: _____

Requested by Legislative Council

Date of Request: 1-15-97

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:
(See attachment)

2. State fiscal effect in dollar amounts: (North Dakota University System)

	<u>1995-97</u> <u>Biennium</u>		<u>1997-99</u> <u>Biennium</u>		<u>1999-2001</u> <u>Biennium</u>	
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>
Revenues:				(\$150,000-500,000)		(\$150,000-500,000) *will depend on tuition rates in place in 99-01
Expenditures:						

3. What, if any, is the effect of this measure on the appropriation for your agency or department: (North Dakota University System)

a. For rest of 1995-97 biennium: _____

b. For the 1997-99 biennium: Revenue loss of \$150,000-500,000

c. For the 1999-2001 biennium: Revenue loss of a minimum of \$150,000-500,000

4. County, City, and School District fiscal effect in dollar amounts:

<u>Counties</u>	<u>Cities</u>	<u>School</u> <u>Districts</u>	<u>1995-97</u> <u>Biennium</u>			<u>1997-99</u> <u>Biennium</u>			<u>1999-2001</u> <u>Biennium</u>		
			<u>Counties</u>	<u>Cities</u>	<u>School</u> <u>Districts</u>	<u>Counties</u>	<u>Cities</u>	<u>School</u> <u>Districts</u>	<u>Counties</u>	<u>Cities</u>	<u>School</u> <u>Districts</u>

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Laura Glatt

Date Prepared: 1-21-97

Department North Dakota University System

Phone Number 328-4116

ATTACHMENT FOR FISCAL NOTE -- HB1295

HB1295 calls for increasing non-resident tuition rates to no less than three times the rate of tuition for resident students. The rates for each year of the 97-99 biennium under both the Executive Budget Recommendation and HB1295 for non-resident students would be as follows:

NON-RESIDENT UNDERGRADUATE TUITION RATES

	Exec. Budget 97-98 1/	Exec. Budget 98-99 1/	HB1295 97-98 2/	HB1295 98-99 2/
UND/NDSU	\$5,967	\$6,301	\$6,705	\$7,080
MiSU	\$4,993	\$5,233	\$5,610	\$5,880
DSU, MaSU, VCSU	\$4,686	\$4,886	\$5,265	\$5,490
Two-year	\$4,144	\$4,144	\$4,656	\$4,656

1/ Includes annual increases in resident tuition rates proposed in the Executive Budget as follows: \$125 at UND/NDSU; \$90 at MiSU; and, \$75 at DSU, MaSU and VCSU. Non-resident rates in Executive Budget are calculated at 2.67 times the resident rate.

2/ Includes annual increases in resident tuition rates proposed in the Executive Budget as follows: \$125 at UND/NDSU; \$90 at MiSU; and, \$75 at DSU, MaSU and VCSU. Non-resident rates calculated at 3.0 times the resident rate.

The NDUS projects that an increase in non-resident rates would result in approximately a 10% enrollment loss in non-resident students, for those students who currently pay the total non-resident rate. When this loss in enrollment is offset against the increased tuition revenues generated from the tuition increase, the net effect is an increase in revenue during the 1997-99 biennium of roughly \$1.0 to 1.2 million

In addition, the NDUS currently provides an alternative tuition rate to students attending ND institutions from our bordering states and Canadian provinces. These are South Dakota, Montana, Manitoba and Saskatchewan. These students pay 150% of the resident tuition rate at UND and NDSU and 125% of the resident tuition rate at all other NDUS campuses. HB1295 would require these rates to also be increased to no less than three times the resident rate. This would greatly impact the tuition paid by Saskatchewan/Manitoba students attending ND institutions. Their tuition would increase between \$2,720 - \$3,350 per year for a Saskatchewan/Manitoba undergraduate student, depending on the ND institution attended.

South Dakota and Montana students would have the option of participating under the Western Undergraduate Exchange Program offered through WICHE. They would pay 150% of the resident rate at the ND institution they attend. Thus, South Dakota and Montana students attending NDUS campuses would see an increase in tuition from the current 125% of the resident rate to 150% of the resident rate at all campuses, except UND/NDSU. At those two campuses, Montana and South Dakota students already pay 150% of the resident rate, thus, there would be no change in the tuition rate. The tuition rates under both the Executive Budget Recommendation and HB1295 during the 1997-99 biennium would be as follows for Saskatchewan/Manitoba students only:

SASKATCHEWAN/MANITOBA STUDENT UNDERGRADUATE TUITION RATES

	Exec. Budget 97-98 1/	Exec. Budget 98-99 1/	HB 1295 97-98 2/	HB1295 98-99 2/
UND/NDSU	\$3,353	\$3,540	\$6,705	\$7,080
MiSU	\$2,338	\$2,450	\$5,610	\$5,880
DSU, MaSU, VCSU	\$2,194	\$2,288	\$5,265	\$5,490
Two-year	\$1,940	\$1,940	\$4,656	\$4,656

1/ Includes annual increases in resident tuition rates proposed in the Executive Budget as follows: \$125 at UND/NDSU; \$90 at MiSU; and, \$75 at DSU, MaSU and VCSU.

Saskatchewan/Manitoba rates in Executive Budget are calculated at 150% and 125% the resident rate.

2/ Includes annual increases in resident tuition rates proposed in the Executive Budget as follows: \$125 at UND/NDSU; \$90 at MiSU; and, \$75 at DSU, MaSU and VCSU.

Saskatchewan/Manitoba rates calculated at 3.0 times the resident rate.

SOUTH DAKOTA AND MONTANA STUDENT UNDERGRADUATE TUITION RATES

	Exec. Budget 97-98 1/	Exec. Budget 98-99 1/	HB 1295 (WUE rate) 97-98 2/	HB1295 (WUE rate) 98-99 2/
UND/NDSU	\$3,353	\$3,540	\$3,353	\$3,540
MiSU	\$2,338	\$2,450	\$2,805	\$2,940
DSU, MaSU, VCSU	\$2,194	\$2,288	\$2,632	\$2,745
Two-year	\$1,940	\$1,940	\$2,328	\$2,328

1/ Includes annual increases in resident tuition rates proposed in the Executive Budget as follows: \$125 at UND/NDSU; \$90 at MiSU; and, \$75 at DSU, MaSU and VCSU. Contiguous rates in Executive Budget are calculated at 150% and 125% the resident rate.

2/ Includes annual increases in resident tuition rates proposed in the Executive Budget as follows: \$125 at UND/NDSU; \$90 at MiSU; and, \$75 at DSU, MaSU and VCSU. Contiguous rates calculated at 3.0 times the resident rate.

The NDUS projects that increasing the Saskatchewan/Manitoba rates from 125-150% to 300% will result in the loss of 40-50% of the enrollments from the provinces or a loss of 350-425 students per year or 1.0-1.5% of total NDUS enrollments. The net impact on revenues for the 1997-99 biennium from a 40-50% loss in Canadian enrollments, while simultaneously increasing tuition rates from 125-150% to 300%, and increasing tuition rates for South Dakota and Montana students from 125% to 150% would be a net loss of \$1,250,000-1,700,000. This estimate does not include the additional revenues that would be lost in the residence halls and food service operations and the related negative economic impact on the communities.

Thus, HB1295 would result in the following estimated changes in tuition income:

Increased tuition income from increasing tuition rates
for non-residents from 2.67 to 3.0 times the resident tuition rate
with a 10% enrollment decline projected \$1,100,000-1,200,000

Increased tuition income from increasing tuition rates
for South Dakota and Montana students from
125% to WUE rate (150%) at all campuses, except
UND/NDSU with a 10% enrollment decline projected 650,000-700,000

Lost tuition income from increasing tuition rates
for Canadian students from 125-150% to 300% of
resident tuition rates with a 40-50% enrollment loss (1,900,000) - (2,400,000)

Projected Net Tuition Loss in 97-99 \$ (150,000 - 500,000)

Those campuses that would be most negatively impacted would be UND-LR, UND, MiSU, MaSU and VCSU. These are the campuses that attract the largest proportionate share of Saskatchewan/Manitoba students relative to their total enrollment. They would suffer the largest revenue losses and correspondingly the largest budget cuts from the loss of income.

The NDUS does not believe there will be a related reduction in operational expenditures from the loss of enrollment. Costs for physical plant operations, student and administrative services would not be reduced accordingly, since many of these costs are fixed and do not necessarily fluctuate with enrollment changes. Additionally, instructional costs, including the number of faculty and other instructional costs such as library expenses, would not be materially effected. Reducing a number of individual class sections by 5 to 25 students would not necessarily reduce the number of class sections that need to be taught and thus reduce the number of faculty positions needed. A faculty member is needed to teach English 101, regardless of whether there are 10 or 100 students in the class.

We also do not believe that this bill, as introduced, would impact the current North Dakota/Minnesota reciprocity agreement that is in place. Section 15-10-28 permits the State Board of Higher Education to enter into agreements with institutions of higher learning in other states and regional education compacts to include the acceptance of students from other states. If this bill impacted that agreement, the loss of tuition revenue would be significantly greater. That is covered in more detail on the attached letter addressed to Sen. Krauter.



NORTH DAKOTA UNIVERSITY SYSTEM

December 13, 1996

Senator Aaron Krauter
HC 1 Box 27
Regent ND 58650-9721

Dear Senator Krauter:

Thank you for the opportunity to respond to the letter you received from Russell Odegard from the Taxpayers' Union, Inc., concerning non-resident students. The letter contains several statements that are inaccurate and need to be corrected.

First, Mr. Odegard indicates that in 1992 and 1994, less than 40 percent of the freshmen at NDUS institutions were North Dakota residents. I am pleased to say North Dakota residents comprise the majority of the freshmen class. In fact, almost 70 percent of the freshmen enrolled at NDUS campuses are North Dakota residents. Of the total 5,000 freshmen enrolled in the fall of 1996, 90 percent were from North Dakota and Minnesota.

He also states in his letter that every student in a North Dakota public college receives a state subsidy of \$4,000 annually. He is fairly close. During the current 1995-97 biennium, the eleven campuses and the System Office received an average general fund appropriation from the state of \$4,020 per year. This excludes funds provided for building repairs. The buildings are assets of the state, not the students. This funding amount is \$800 less per student than the average state appropriation provided by other states and results in \$25 million less in state funding *per year* to the NDUS.

The NDUS charges non-resident students (other than states with reciprocity) 2.67 times the resident tuition rate. The undergraduate tuition rate at UND and NDSU in the fall of 1996 was \$2,110. Non-resident students are charged \$5,634, which covers all of the state subsidy of \$4,020 referred to above, and also leaves a profit of roughly \$1,600 per student. Non-resident students are paying for the full cost of their education here in North Dakota!

However, as was suggested above, our largest non-resident student population is from Minnesota. Their tuition is computed differently. It is based upon a reciprocity agreement that is negotiated between the two states. For the 1996-97 academic year, the agreement generally calls for students to pay the higher of the two states' tuition rates. Minnesota's tuition rates have

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The North Dakota University System is governed by the State Board of Higher Education and consists of: Bismarck State College - Dickinson State University - Mayville State University - Minot State University, Minot and Bottineau Campus - North Dakota State College of Science - North Dakota State University, Fargo - University of North Dakota, Grand Forks, Lake Region and Williston - Valley City State University

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traditionally been considerably higher than North Dakota's. Therefore, Minnesota students attending UND/NDSU are paying the Minnesota rate. North Dakota students attending a Minnesota institution are paying the Minnesota rate as well. Minnesota students attending UND and NDSU pay \$2,356 per year compared to the resident rate paid by North Dakotans of \$2,110. In 1996-97, for every ten Minnesota residents attending a North Dakota campus, there are seven North Dakota residents attending a Minnesota campus. In addition, the State of Minnesota pays to North Dakota a cash payment of roughly \$1,650 per student to cover the marginal cost of instruction for the difference in the flow of students between the two states. In 1996-97, we anticipate that the net difference in the flow of students will be roughly 1,950 students. The cash payment from Minnesota for the 96-97 academic year is estimated to be \$3,217,500. Thus, for each Minnesota student attending a North Dakota campus, North Dakota receives \$2,356 in tuition paid by the student and a cash payment of \$1,650 from the State of Minnesota or a total of \$4,006. Again, North Dakota is recovering the state's per student investment. In addition, North Dakota residents have access to programs that are not available in North Dakota at a reasonable cost to North Dakota residents. North Dakota avoids the cost of starting and maintaining programs that students may receive elsewhere. For example, North Dakotans may attend the professional veterinary medicine and dentistry programs at the University of Minnesota at Minnesota resident rates. This is a significant price break for North Dakotans and a significant savings to North Dakota by not having to develop these very expensive programs. Thus, Mr. Odegard's statement that the Board of Higher Education provides a state subsidy to non-residents of \$50,000,000 is totally erroneous. It assumes that the students pay no tuition in exchange for the service they receive and it also assumes that North Dakota receives no support from the State of Minnesota for Minnesota students attending our institutions. As is pointed out above, we are able to recoup all of the state appropriated funds per student, and in some cases, are able to make a profit.

In addition, if we were to end this relationship with the State of Minnesota, we would actually lose money. If all the Minnesota students were to return to Minnesota and all the North Dakota students were to come home, the NDUS would lose about \$5.5 million in tuition revenue. This is because North Dakota residents pay less tuition than do Minnesota students attending our colleges. Also, we would lose the \$3.2 million payment from the State of Minnesota for the additional students flowing to North Dakota above the break-even exchange. Total lost revenue from these two sources would exceed \$8.7 million. However, the state would no longer provide state support for the roughly 1,950 more Minnesota students in North Dakota beyond the even exchange. Based upon the average state support, this would save roughly \$7.8 million per year. In all likelihood, this savings would not be achieved since it includes fixed costs associated with such things as operating the physical plant which would not necessarily be reduced because we would be serving fewer students. You need to heat and provide lights to the buildings whether there are 70 or 100 students occupying it. If one assumes that there would be a full per-student reduction in state appropriation, the net loss to the University System would still be around

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\$1.0 million per year. This does not include the additional dollars these students and their families spend in North Dakota communities.

Mr. Odegard goes on to suggest that the Board of Higher Education is the administrative arm of our University System. I would hasten to add that they are the policy setting arm for public higher education in North Dakota as called for in the state's constitution. In his letter he states, "This administrative entity costs the taxpayers \$17,000,000 per biennium." In fact, expenses related to the Board average \$45,000 per year or \$90,000 per biennium. When one factors in the cost of the Office of the Chancellor, including staffing and operational costs, the state general fund commitment is \$2.4 million per biennium or the total per-student cost is \$43. So only \$2.5 million of the \$17 million is for the University System Office and Board! A far cry from the \$17,000,000 or \$280 per student quoted. The remaining funds appropriated to the Board by the legislature are earmarked by the legislature for students for state financial aid programs or are earmarked for the campuses for research or repairs and maintenance of facilities. These are not administrative expenses of the Board.

In 1995-96, faculty and researchers in the NDUS attracted \$75.5 million in research funds from non-state sources. And yes, this does generate more jobs in the NDUS which translates into a positive economic impact in the local community and state. These are generally not minimum wage jobs. The real economic benefit that the University System provides the state is the benefit of an educated workforce.

Governor Schafer did ask state agencies, including higher education, to submit their 97-99 budget requests at a reduced level. He called for a 3 percent reduction, not 5 percent as quoted by Mr. Odegard in his letter. The State Board of Higher Education is mandated in the state's constitution to submit a budget that identifies the needs of the campuses. In their view, a 97 percent budget did not represent the needs of the System. They were following a constitutional mandate in submitting the budget they did. However, the Board did comply with the Governor's request when they later submitted to him a list of targeted reductions that were equivalent to a 3 percent reduction in their base budget. He chose not to incorporate these into his recently released budget recommendation. The Board has complied with all of the requests for information from the Governor's Office and with his request identifying 3 percent budget cuts.

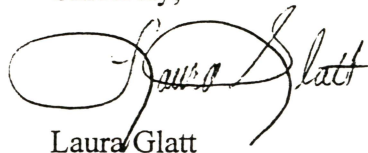
High school graduation rates in North Dakota are expected to increase through the year 2000 and are expected to drop thereafter. Based upon this projection, the NDUS will likely experience a reduction in the traditional age student population. Currently, 75 percent of our total enrollments are traditional students ages 18-24. The remaining 25 percent are non-traditional or 25 years of age or older. Of course we are concerned. We continue to factor this information into all planning. However, future projections also indicate that in terms of full-time equivalent students, one-seventh of the workforce could be enrolled at any point in time. Estimates are that every worker will need to accumulate learning equivalent to 30 credit hours of instruction, every

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seven years. Since there will be an estimated 141 million workers in the United States in the year 2000, this could equal over 20 million FTE learners from the workforce that need training in this country alone. Thus, we believe that some, or all, of the decline in traditional age students may be offset by workers who need training. Additionally, the way in which instruction is delivered and to whom will change dramatically in the next several years with the opportunities provided to us through technology. All of these factors are important to us as we continue to plan for the best ways to serve both the students and citizens of North Dakota .

If you have any additional questions, please feel free to contact me by phone at 328-4116 or by e-mail at glatt@prairie.nodak.edu.

Sincerely,

A handwritten signature in cursive script that reads "Laura Glatt". The signature is written in black ink and is positioned above the printed name.

Laura Glatt
Vice Chancellor for Administrative Affairs

Enclosure

TAXPAYERS' UNION, INC.
Russell L. Odegard, Chairman
RR4 Box 344
Minot, North Dakota 58701
(701) 852-2853

Dear Friend,

November 6, 1996

The North Dakota University System is out of control. Less than 40% of freshmen entering North Dakota public institutions of higher education in 1992 and 1994 were North Dakota residents. Every student in a North Dakota public college or university receives a subsidy, paid by ND taxpayers, in excess of \$4,000 annually..

By 1997 N.D. taxpayers will be subsidizing most non-resident students the same amount. Most states charge non-resident students the actual cost of their educational expense, 3-5X resident tuition. The N.D. taxpayer is funding non-resident students over \$50,000,000 annually. This amounts to more than \$300 per family-household per year.

The Board of Higher Education claims this is justified because non-resident students are actually economic development. The board claims a \$50,000,000 subsidy is a good investment for N.D. taxpayers.

The N.D. Board of Higher Education is the administrative arm of our university system. This administrative entity costs the taxpayers \$17,000,000 per biennium. This amounts to more than \$280 per student per year. Administrative costs are excessive. The Board of Higher Education is not accountable to the taxpayers of North Dakota.

The North Dakota university system is out of control and needs to have a full and independent audit and review.

The only economic development our university system generates are jobs within the system. The Universities in North Dakota are a growth industry benefiting only the system itself at the expense of hard working North Dakota families.

Governor Schaefer requested state agencies to decrease their budget requests for the 1997 biennium by 5%. The university system ignored this request and are asking for a 19% increase in general fund appropriations for the biennium. Our university system has a significantly decreasing resident population. Over the next 10 years it is projected to decline approximately 25%. The Board of Higher Education is seeking more tax funding to maintain and expand the size of a system losing students. Who benefits? Who pays?

The Tax Payers' Union will present legislation to the 1997 legislature that will require non residents students pay their full cost of education. We will need your help contacting legislators, testifying and educating the public. We will hold meetings to present information to fully inform you so you are knowledgeable and fully prepared to actively and knowledgeably participate.

Very truly yours,

Russell L. Odegard

Russell L. Odegard, Chairman