

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Revised
 Bill/Resolution No.: HB 1265

- 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
Revenues				\$(5,700,000)		\$(14,200,000)
Expenditures						
Appropriations						

- 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
Counties			
Cities			
School Districts			
Townships			

- 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).*

HB1265 limits the number of nonresident students admitted to the state's higher education institutions under reciprocity agreements.

- 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 2 of the bill requires that for the 2018-19 academic year, the number of new out-of-state students admitted to an NDUS institution under a reciprocity agreement or education compact be limited to 250% of the number of ND students admitted to out-of-state schools under the program the previous year. The limitation increases by 15% each year through the 2025-26 academic year. At that point, the number of new students admitted under a reciprocity agreement or education compact would be limited to 150% of the previous year. Students no longer eligible for one of the programs would be charged the more expensive non-resident tuition rate.

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 NDUS currently has a reciprocity agreement with the state of Minnesota and participates in the Western Interstate Commission for Higher Education (WICHE) and Midwest Higher Education Compact (MHEC). For the 2015-16 academic year, the estimated number of new students admitted to ND institutions under these agreements is 3,463. The number of ND students admitted to out-of-state schools as part of these agreements is 998. The current percent of out-of-state students entering ND versus ND students leaving under the programs is 539% for WICHE; 2,276% for MHEC; and 287% for MN.

NDUS headcount enrollment as a part of these programs would decrease by 968 students for 2018-19 and by another 150 students each year thereafter until the 2025-26 academic year. The students not accepted to a program would be moved to the more expensive non-resident rate category, which could cause some to choose not to attend a ND institution.

If none of these students enrolled at ND institutions as a result of the higher tuition rates charged to students not part of these programs, revenues from tuition, mandatory fees, room and board would decrease by \$11.5 million in FY2019 and \$28.3 million during the 2019-21 biennium. Total revenue losses through FY2026 would be approximately \$141.1 million.

For purposes of this fiscal note, it was assumed that 50% of the students no longer eligible for lower tuition rates as part of the MN reciprocity, WICHE or MHEC programs would still attend a ND institution. Under this assumption, 2017-19 revenues from tuition, mandatory fees, room and board would decrease by \$5.7 million. 2019-21 revenues would decrease by \$14.2 million. Total revenue losses through FY2026 would be approximately \$70.6 million.

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

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