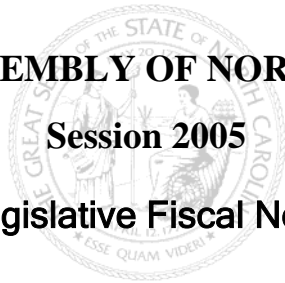


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1007 (First Edition)

SHORT TITLE: Free Tuition/School Teachers' Children.

SPONSOR(S): Representatives Hagan, Garrou, and Malone

FISCAL IMPACT					
	Yes (X)	No ( )	No Estimate Available ( )		
	(\$Million)				
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
<b>REVENUES</b>					
<b>EXPENDITURES</b>					
<b>General Fund</b>					
<b>Tuition grants</b>			\$41.3	\$46.6	\$52.3
<b>SEAA</b>		See Assumptions and Methodology			
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	State Educational Assistance Authority, The University of North Carolina, North Carolina Community College System				
<b>EFFECTIVE DATE:</b>	This act becomes effective July 1, 2007, and applies to the 2007-2008 academic year and each subsequent year.				

BILL SUMMARY:

The bill provides that children 26 years old or younger of active or retired public school teachers who have taught at least 15 years in the NC public school system are eligible for grants for tuition costs for 1) up to four consecutive academic years when enrolled in a UNC constituent institution, 2) up to two consecutive years at a State community college, and 3) attendance at private colleges and universities. The grant to those attending private colleges is equal to the average of the tuition for all UNC institutions. The bill requires the tuition grant program be administered by the State Education Assistance Authority, authorizes a pro rata reduction in the amount of grant in any year in which program funds are insufficient, and requires that grants be reduced by scholarships or other grants received by a student.

Source: Bill Digest S.B. 1007 (03/24/0200)

## Active Teachers

There is no state database that contains the number of children reared by North Carolina teachers. The demographic information that is available on teachers comes from national surveys such as the Status of the American Public School Teacher 2000-2001 published by the National Education Association (NEA) in 2003. That survey reported that 75% of teachers were married and 36% had school age children. Of those teachers with children, 47.2 % had one child and 52.8% had two or more children. While informative, this data does not aid in the fiscal analysis of this bill.

Since no database exists to aid in calculating the exact number of tuition grants that will be taken each year, an attempt was made to gather some useful demographic data. Upon request of the General Assembly's Fiscal Research Division, the North Carolina Association of Educators (NCAE) posted a simple teacher survey on its website. 2,805 persons responded to the survey, of which 2,730 surveys were determined to be usable (incomplete surveys or surveys completed by student teachers were not used). Here are some survey results:

- For those reporting children, the average number of children is 1.8.
- Most teachers with 15 or more years of experience had taught in NC public schools and qualify for the tuition grant.
- While some teachers reporting 15 years experience had college age children, most college age children were reported beginning with teachers age 46 with a median of 19 years of teaching.
- A teacher's age or years of teaching cannot be used to estimate the age of their children. Teachers as old as 48 reported having 1 and 2 year olds, while teachers in their twenties had teenage stepchildren.

One method of estimating the number of dependents of North Carolina public school teachers is to look at the health insurance coverage they choose from the State Health Plan. The State Health Plan reported in January 2005 that public school employers had 168,383 health benefit contracts covering all its employees – the plan could not break out teachers only. Employees may choose to cover only themselves, themselves and children, or themselves and family. (However, some may choose to cover their children on their spouse's policy.) In 2005, 22.2% of the health insurance contracts for public school employees are for dependent or family coverage. This 22.2% dependent coverage in health insurance is remarkably similar to the percentage of teachers in Tennessee that take advantage of a tuition discount for their dependents. In FY 2003-04, 22.8% of active Tennessee teachers received a 25% higher education discount for their children.

In 2004-05, the Department of Public Instruction reports 37,598 teachers have taught 15 or more years. By 2007-08, the first year of the tuition grant, 45,097 teachers that are currently employed will have taught 15 or more years. Of this number, 12,162 teachers will have taught 15 to 19 years and 32,935 will have taught 20 or more years. If 22.2% of the teachers with 15 or more years of experience have kids, then 10,011 teachers qualify for this tuition grant. One tuition grant is allowed for teachers with 15 to 19 years and two grants are allowed for teachers with 20 years of North Carolina teaching experience. The average number of dependents claimed by public school employees in the State Health Plan in 2005 is 2. The chart below shows the number of grants that could be awarded to children of active teachers beginning in 2007. However, statistics from the

National Center for Education Statistics in 2002 show that only 63.6% of North Carolina high school graduates attend college within one year of graduation. Without data to support that teachers' children have a higher college attendance rate, then this 63.6% college going rate is applied to this population.

<b>FY 2007-08</b>	<b># of</b>	<b># of</b>	<b>Grants</b>	<b>Total</b>	<b># Attending</b>
<b>Experience</b>	<b><u>Teachers</u></b>	<b><u>Teachers with kids</u></b>	<b><u>Allowed</u></b>	<b><u>Grants Allowed</u></b>	<b><u>College</u></b>
15 to 19 years	12,162	2,700	1	2,700	1,717
20 + years	<u>32,935</u>	<u>7,311</u>	2	<u>14,622</u>	<u>9,300</u>
<b>Total</b>	<b>45,097</b>	<b>10,011</b>		<b>17,322</b>	<b>11,017</b>

Since this fiscal note projects costs through FY 2009-10, then the number of potential grants for kids of active teachers must be estimated for FY 2008-09 and FY 2009-10 using the number of currently employed teachers and their step on the pay schedule.

<b>FY 2008-09</b>	<b># of</b>	<b># of</b>	<b>Grants</b>	<b>Total</b>	<b># Attending</b>
<b>Experience</b>	<b><u>Teachers</u></b>	<b><u>Teachers with kids</u></b>	<b><u>Allowed</u></b>	<b><u>Grants</u></b>	<b><u>College</u></b>
15 to 19 years	12,949	2,875	1	2,875	1,828
20 + years	<u>35,254</u>	<u>7,826</u>	2	<u>15,652</u>	<u>9,955</u>
<b>Total</b>	<b>48,203</b>	<b>10,701</b>		<b>18,527</b>	<b>11,783</b>

<b>FY 2009-10</b>	<b># of</b>	<b># of</b>	<b>Grants</b>	<b>Total</b>	<b># Attending</b>
<b>Experience</b>	<b><u>Teachers</u></b>	<b><u>Teachers with kids</u></b>	<b><u>Allowed</u></b>	<b><u>Grants</u></b>	<b><u>College</u></b>
15 to 19 years	13,737	3,050	1	3,050	1,940
20 + years	<u>37,598</u>	<u>8,347</u>	2	<u>16,694</u>	<u>10,617</u>
<b>Total</b>	<b>51,335</b>	<b>11,397</b>		<b>19,744</b>	<b>12,557</b>

The tuition grant for public college and community college students is the actual cost of tuition, while the tuition grant for a private college student is the average of the tuitions charged at the 16 public campuses. [NOTE: It is assumed in this fiscal note that the legislative tuition grant for public colleges is intended for undergraduates, but proposed GS 116-43.10 (b) only limits the grant to four consecutive years. See technical considerations.] In the past four years, tuition in the UNC system has grown 79% or 19.75% a year due to campus-initiated increases and General Assembly imposed increases. The UNC campuses requested resident tuition increases ranging from \$200 to \$300 in FY 2005-06, but the UNC Board of Governors denied the increases. The tuition established by the UNC Board of Governors for resident students in FY 2005-06 ranges from \$2,493 at Elizabeth City State University to \$4,515 at UNC-Chapel Hill. The average

weighted resident tuition for the 16 campuses is \$2,239 next academic year (this average accounts for student population). The average tuition in FY 2005-06 that is the basis for the private college tuition grant is \$2,030.

Campuses will continue to petition the UNC Board of Governors for tuition increases for faculty salary increases, infrastructure needs, replacement of General Fund budget cuts, etc. This note assumes the Board of Governors will grant tuition increases beginning in 2006 that will average \$200 per year. The average weighted resident tuition for the public college tuition grant and the average resident tuition for the private college tuition grant are estimated for 2006 through 2010 as follows:

	<u>Public</u>	<u>Private</u>
<b>FY 2006-07</b>	\$2,439	\$2,230
<b>FY 2007-08</b>	\$2,639	\$2,430
<b>FY 2008-09</b>	\$2,839	\$2,630
<b>FY 2009-10</b>	\$3,039	\$2,830

Based on the information above, the beginning tuition grant in 2007-08 will be \$2,639 for public college students and \$2,430 for private college students. Table 5 of the Statistical Abstract of Higher Education 2003-04 published by UNC listed 117,078 North Carolina resident full-time equivalent (FTE) students in the public colleges in Fall 2003 and 33,365 North Carolina resident FTE students in the state's private colleges. The Community College System Office reported 148,441 resident FTE in the fall of 2003. Given this data, the ratio of public (UNC & Community Colleges) to private college students was 88.8% to 11.2% in 2003. The chart below assumes that the children of teachers will attend college in the same ratio as North Carolina residents did in 2003. The tuition grant for public college students is estimated at the maximum cost by using the public college tuition rate and none at the community college rate. There is also no reduction for students attending out of state schools and thus not receiving the tuition grant.

	<u>Public</u>				<u>Private</u>			
	<u>Number of</u>	<u>College</u>	<u>Public</u>	<u>Grant</u>	<u>College</u>	<u>Private</u>	<u>Grant</u>	<u>Total</u>
	<u>Students</u>	<u>Students</u>	<u>Tuition</u>	<u>Amount</u>	<u>Students</u>	<u>Tuition</u>	<u>Amount</u>	<u>Grants</u>
<b>FY 07-08</b>	11,017	9,783	\$2,639	\$25,817,590	1,234	\$2,430	\$2,998,387	\$28,815,977
<b>FY 08-09</b>	11,783	10,463	\$2,839	\$29,705,320	1,320	\$2,630	\$3,470,800	\$33,176,121
<b>FY 09-10</b>	12,557	11,151	\$3,039	\$33,886,722	1,406	\$2,830	\$3,980,067	\$37,866,789

### **Retired Teachers**

The Department of Public Instruction was asked to compare payrolls in 2005 versus payrolls in 1994. The Social Security numbers of those teachers employed in 1994 but not in 2005 were compared with records in the Teachers' and State Employees' Retirement System. This comparison revealed 16,894 teachers had left employment with the state with 15 or more years of teaching. In fact, 95% of this group had 20 or more years in the retirement system and 57% had 30 plus years in the retirement system. If the dependent rate of 22.2% were applied to these teachers,

then 3,751 teachers would take advantage of the tuition grant. If you assume 2 children per teacher, then 7,502 grants would be used. Assuming a 63.6% college going rate, then only 4,771 of these students will attend college. Using the same methodology as shown above, the potential impact would be as follows:

	Public				Private			Total
	Number of	College	Public	Grant	College	Private	Grant	
	<u>Students</u>	<u>Students</u>	<u>Tuition</u>	<u>Amount</u>	<u>Students</u>	<u>Tuition</u>	<u>Amount</u>	
<b>FY 07-08</b>	4,771	4,237	\$2,639	\$11,180,514	534	\$2,430	\$1,297,620	\$12,478,134
<b>FY 08-09</b>	4,771	4,237	\$2,839	\$12,027,844	534	\$2,630	\$1,404,420	\$13,432,264
<b>FY 09-10</b>	4,771	4,237	\$3,039	\$12,875,173	534	\$2,830	\$1,511,220	\$14,386,393

**State Education Assistance Authority**

This bill will place additional responsibilities on the State Education Assistance Authority (SEAA) to administer the tuition grants. SEAA will have to develop a system to identify those whose parents have taught the required number of years in North Carolina. The Director of the SEAA believes his staff cannot undertake another new tuition grant program without adding staff or adding funds to contract the work to College Foundation, Inc. The SEAA has not provided an estimate on the cost of administering the new program.

**SOURCES OF DATA:** Status of the American Public School Teacher 2000-2001, NEA; Tennessee Higher Education Commission; NC Department of Public Instruction; State Education Assistance Authority; NCAE Survey Instrument; Statistical Abstract of Higher Education 2003-04 (UNC); National Center for Education Statistics; Community College System Office Fact Book 2005

**TECHNICAL CONSIDERATIONS:**

- 1) The tuition grant for students attending private colleges is not limited to four years as it is for students attending public colleges. This could increase the cost of the program. G.S. 116-21.3 reduces legislative tuition grants by 25% for those students who have completed 140 semester credit hours, but it is not clear if this applies to the grant awarded in this bill.
- 2) The age limit for this tuition grant (26) is higher than the age limit of 23 for tuition waivers in the UNC and Community College System (GS 115B-2) and the age limit of 25 for the Veterans Scholarship (GS 165-20).
- 3) The legislative tuition grant for public colleges is not limited to undergraduates. If the intent is for paying undergraduate tuition only, then the word “undergraduate” should be inserted into proposed GS 116-43.10 (b) on page one, line 18 between the word “full-time” and “student”.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

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**APPROVED BY:** James D. Johnson, Director Fiscal Research  
Division

**DATE:** April 18, 2005



**Signed Copy Located in the NCGA Principal Clerk's Offices**