



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4668 Introduced on January 14, 2020
Author: King
Subject: Tuition Rates In-State
Requestor: House Education and Public Works
RFA Analyst(s): A. Martin
Impact Date: February 27, 2020

Fiscal Impact Summary

This bill will prohibit state institutions of higher learning (IHLs) from charging an application fee to an applicant that is considered a resident of the state. Currently, application fees are retained by IHLs to offset the costs associated with the admissions process and range from \$10 to \$95 for those charging a fee.

The majority of college applications are submitted through an online third-party vendor. Vendors may charge institutions a service fee for each application submitted. Only one IHL was able to provide details concerning this expenditure and indicated that the service charge could be up to \$7 per application. A portion of the applicant's fee is currently used to cover these service charges. As a result of this bill, IHLs will be required to use funds from other sources in lieu of the application fee revenue to cover these service charges. Without feedback from additional institutions, we are unable to quantify this expenditure. Please see the explanation below for further discussion of this potential impact.

Currently, residency is not verified by an institution until an applicant is accepted and indicates he intends to enroll. This bill will require institutions to determine residency for all in-state applicants at the time an application is submitted, which may require upgrades to the universities' online application platforms. These upgrades will result in additional vendor charges. In addition, eliminating the application fee may drive student behavior, causing an increase in the number of applications received. This may increase the duties of admissions staff and may require additional FTEs. Because only one IHL provided details concerning these expenditures, we are unable to quantify this impact. Please see the explanation below for more details.

Based on the application fee revenue collected by IHLs over the previous academic cycle from those that responded, this bill will reduce Other Funds revenue for all state IHLs by at least \$2,876,200 annually beginning in FY 2020-21. This figure includes responses from ten colleges and universities and the technical colleges as detailed below.

In summary, this bill will increase expenditures for IHLs by an undetermined amount for additional staff and vendor fees. Further, this bill will decrease Other Funds revenue at least \$2,876,200 for all IHLs annually beginning in FY 2020-21.

Explanation of Fiscal Impact

Introduced on January 14, 2020

State Expenditure

This bill prohibits state IHLs from charging an application fee to an applicant that is considered a resident of the state. In general, current residents who have lived in the state for at least one year, or those currently in full-time employment in the state, and their dependents are considered to be residents for the purposes of college admissions. State institutions of higher learning are defined as those post-secondary educational institutions under the jurisdiction of the State Board for Technical and Comprehensive Education (SBTCE) and the Boards of Trustees for Clemson University, the Medical University of South Carolina (MUSC), South Carolina State University, College of Charleston, Lander University, Francis Marion University, The Citadel, the University of South Carolina (USC), Winthrop University, and Coastal Carolina University.

The majority of college applications are processed through an online platform. Only one institution provided detailed information concerning expenditures associated with this type of application processing. This university indicated that they must pay a service charge of up to \$7 to the third-party vendor for each application submitted to the university. A portion of the application fee is applied to this service charge. For each application fee waived, the university must forfeit the fee revenue in addition to covering the service charge billed by the third-party vendor. Among the IHLs reporting data to us, there were approximately 60,300 applications that were paid for by the applicant. At \$7 per application, we estimate the total service charges for these applicants to be \$422,184. As a result of this bill, IHLs will be required to use other sources to defray these expenditures beginning FY 2020-21.

Currently, an institution verifies residency only after an applicant has received acceptance and indicates their intent to enroll. This bill will require IHLs to determine residency at the time of application. Several IHLs noted that their current application process is not able to determine residency at the point of application. These institutions would be required to reconfigure their application process and data management systems in order to determine residency at the time of application. Only one institution was able to provide details of this expenditure and indicated that this would result in an additional one-time charge from their application vendors of \$20,000.

Several IHLs indicated that charging an application fee ensures that an applicant is committed to completing the application process and is seriously considering enrolling in the institution to which they are applying. From the institutions' standpoint, removing this step will likely increase the number of applications processed and may increase the number of applicants that are accepted but ultimately choose not to enroll in their institution. This will increase the workload for admissions staff, and may also increase processing times and create longer waitlists for students. In addition, confirming residency at the time of application would create additional administrative duties for admissions staff. Only one institution was able to provide estimates for the additional staff needed. This university, which currently receives over 16,000 in-state applications each year, indicated that it will need to hire 2 FTEs at a total of \$130,000 for salary and fringe. As only one institution was able to provide the anticipated increase in expenditures for staff, we are unable to quantify this impact.

In summary, this bill will increase expenditures for IHLs by an undetermined amount beginning FY 2020-21 to cover vendor fees, system upgrades and additional staff.

State Revenue

This bill will prohibit state IHLs from charging an application fee to an applicant that is considered a resident of the state. IHLs may develop their own policies concerning application fees, including conditions under which application fees may be waived. Any application fees charged are retained by the individual institutions and used to defray costs associated with the application process.

SBTCE reported that six of the sixteen technical colleges currently charge application fees to their applicants. These application fees range from \$10 to \$35. In FY 2018-19, a total of \$757,810 was collected in application fees by the technical colleges. Therefore, this bill will decrease Other Funds revenue for technical colleges by approximately \$757,800 annually.

The Commission on Higher Education (CHE) surveyed the remaining seventeen state IHLs for the expenditure impact this bill would have on their institutions. In addition to the ten responses received, basic application policy information was obtained from the websites of four of the institutions that did not respond. Lander University charges no application fee, and will therefore not be impacted by this bill. Application fees at other IHLs range from \$25 to \$100. Fourteen IHLs allow application fee waivers for applicants who meet certain economic criteria or participate in certain programs or events. Of the nine institutions that reported application fee waiver data, the percentage of in-state applicants receiving a fee waiver ranged from 6.8 percent to 76.4 percent. All nine institutions reported that they receive no reimbursement for application fees waived and the loss of revenue is absorbed by the institution.

Currently, IHLs develop their own policy for offering application fee waivers to applicants. The majority of fee waivers are provided to applicants that meet certain criteria for economic need. Three IHLs indicated in their response that their admissions counselors have additional authority to waive the application fee based on their determination of the applicant's financial need. Eleven of the state's IHLs waive application fees for applicants who are eligible for the SAT or ACT testing waiver, or the National Association for College Admission Counseling (NACAC) fee waiver. In order to qualify for one of these waivers, the applicant must meet one of the following indicators of economic need:

- Applicant is enrolled in or eligible to participate in the National School Lunch Program;
- Applicant's annual family income falls within the Income Eligibility Guidelines for free and reduced priced meals set by the USDA Food and Nutrition Service (Income threshold for FY 2019-20 is equal to 185% of the Federal Poverty Guidelines);
- Applicant is enrolled in a federal, state, or local program that aids students from low-income families (e.g., Federal TRIO programs such as Upward Bound);
- Applicant's family receives public assistance;
- Applicant is living in federally subsidized public housing or a foster home, or is homeless;
- Applicant is a ward of the state, or an orphan.

In addition, the NACAC waiver allows an applicant to enter an explanation of extenuating circumstances that may justify a fee waiver. All three waivers are available for eleventh and twelfth grade students that are enrolled in high school or home schooled. First-time undergraduate applicants that are not currently enrolled in school, and college students seeking to transfer to another institution may apply for the NACAC waiver.

Eight IHLs reported waiving application fees for students who apply during the South Carolina Application Days at their high schools. Last fall, 232 high schools across the state hosted a College Application Day event to assist students with the college application process. In addition, four institutions reported waiving application fees during other special events they host, such as open houses. Six IHLs currently waive application fees for Teacher Cadets. Four IHLs reported waiving application fees for military veterans.

Nine institutions reported data concerning the number of in-state applications received as well as the number of application fees waived. The table on the following page shows the amount of Other Funds revenue collected by each institution in application fees during the most recent academic year. As a result of this bill, the Other Funds revenue of each institution will be reduced annually by a similar amount. In total, this bill will reduce Other Funds revenue for all IHLs by at least \$2,876,200 annually beginning in FY 2020-21.

FY 2018-19 –APPLICATIONS BY S.C. RESIDENTS

	Number of Paid Applications	Application Fee	Other Funds Revenue
Research Institutions			
Clemson University	8,200	\$ 70	\$ 574,000
U. S. C. - Columbia	12,207	\$ 65	\$ 793,455
Medical University of South Carolina	1,738	\$ 95	\$ 165,110
Comprehensive Teaching Inst.			
The Citadel	306	\$ 40	\$ 12,240
Coastal Carolina University	4,973	\$ 45	\$ 223,785
College of Charleston	2,360	\$ 50	\$ 118,000
Francis Marion University	1,254	\$ 41	\$ 51,414
Lander University		\$ 0	\$ -
South Carolina State University	No Response		
U. S. C. - Aiken	No Response		
U. S. C. - Beaufort	No Response		
U. S. C. - Upstate	1,351	\$ 35	\$ 47,285
Winthrop University	2,663	\$ 50	\$ 133,150
Two Year Reg. Campuses of USC			
U. S. C. - Lancaster	No Response		
U. S. C. - Salkehatchie	No Response		
U. S. C. - Sumter	No Response		
U. S. C. - Union	No Response		
Technical Colleges		\$ 10 - \$ 35	\$ 757,810
TOTAL			\$ 2,876,249

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director