SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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| **Bill Number:** | H. 3325 Introduced on January 10, 2023 |
| Author: | McGinnis |
| Subject: | In-State College Tuition Rates to Out-of-State Students |
| Requestor: | House Education and Public Works |
| RFA Analyst(s): | Tipton |
| Impact Date: | February 13, 2023 |

## Fiscal Impact Summary

This bill allows Coastal Carolina University (CCU), Francis Marion University (FMU), the University of South Carolina (USC) - Aiken, USC - Beaufort, USC - Upstate, and Winthrop University (Winthrop) to offer in-state tuition to a student whose legal residence is located in a state that borders South Carolina. Out-of-state students must meet the university's admission requirements to be eligible to receive in-state tuition, and no state appropriations may be used to fund in-state tuition for out-of-state students. Eligible Institutions of Higher Learning (IHL) may award in-state tuition to up to 250 total students from North Carolina or Georgia at the undergraduate or graduate level. This bill is effective beginning with the 2024-2025 academic year through the 2029-2030 academic year, unless extended by the General Assembly.

This bill will have no impact on the Commission on Higher Education (CHE), as the agency indicates any requirement of the bill will be managed within existing resources. Additionally, this bill will have no impact on scholarship disbursements, as CHE reports that students whose primary residence is outside of South Carolina are not eligible for state scholarships.

This bill will have no expenditure impact on CCU, FMU, USC - Aiken, USC - Beaufort, USC - Upstate, or Winthrop as these institutions indicate that the implementation of the bill would take place under normal operations, and any increase in enrollment will be managed with existing resources. Further, the bill specifies that no state appropriations may be used to fund the offer of in-state tuition to students from North Carolina or Georgia.

This bill will have an undetermined impact on tuition revenue for the eligible IHLs. Based on current enrollment, lowering tuition for undergraduate students only from North Carolina or Georgia from out-of-state rates to in-state rates would decrease tuition revenue for all eligible IHLs by approximately $2,332,000 in total beginning in FY 2024-25. The potential reduction in tuition revenue from allowing in-state tuition to graduate students from North Carolina or Georgia is undetermined due to the cost variability of graduate programs. However, as this bill is permissive in nature and does not require all eligible IHLs to offer in-state tuition to all qualifying students, the actual revenue impact is unknown. Further, the IHLs anticipate that this may incentivize the enrollment of more students from North Carolina and Georgia, which could offset any reduction in revenue and may increase tuition revenue overall.

# Explanation of Fiscal Impact

**Introduced on January 10, 2023**
**State Expenditure**
This bill allows CCU, FMU, USC - Aiken, USC - Beaufort, USC - Upstate, and Winthrop to offer in-state tuition to a student whose legal residence is located in a state that borders South Carolina. Out-of-state students must meet the university's admission requirements to be eligible to receive in-state tuition, and no state appropriations may be used to fund in-state tuition for out-of-state students. The bill further provides that no out-of-state student receiving in-state tuition pursuant to the bill may cause the denial of enrollment to an eligible South Carolina student. Eligible IHLs may award in-state tuition to up to 250 total students from North Carolina or Georgia at the undergraduate or graduate level. This bill is effective upon approval by the Governor beginning with the 2024-2025 school year through the 2029-2030 school year, unless extended by the General Assembly.

This bill also removes USC - Aiken from the provisions of §59-112-110 that limits the institution's ability to offer in-state tuition to students from two specified counties in Georgia contingent upon the continuation of a similar tuition program in Georgia. The bill similarly repeals §59-125-95, which limits Winthrop's ability to offer in-state tuition to graduate students who are residents of certain counties in North Carolina. This bill allows USC - Aiken and Winthrop to offer in-state tuition to students from the entirety of Georgia and North Carolina, within the 250-student limit.

CHE indicates that any resulting requirement of the bill for the agency will be managed within existing resources, and will have no expenditure impact. CHE further reports that students whose primary residence is outside of South Carolina are not eligible for state scholarships, and therefore, this bill will have no impact on scholarship disbursements.

Based on a survey of CCU, FMU, USC - Aiken, USC - Beaufort, USC - Upstate, and Winthrop, this bill will not increase expenses for the institutions outside of normal business, as the eligible IHLs indicate that any increase in enrollment will be managed with existing staff and resources. Further, the bill specifies that no state appropriations may be used to fund the offer of in-state tuition to students from North Carolina or Georgia. Therefore, this bill will have no expenditure impact on CCU, FMU, USC - Aiken, USC - Beaufort, USC - Upstate, or Winthrop.

**State Revenue**
This bill allows CCU, FMU, USC - Aiken, USC - Beaufort, USC - Upstate, and Winthrop to offer in-state tuition to a student whose legal residence is located in a state that borders South Carolina. No out-of-state student receiving in-state tuition pursuant to the bill may cause the denial of enrollment to an eligible South Carolina student, and eligible IHLs may award in-state tuition to up to a combined 250 students from North Carolina or Georgia at the undergraduate or graduate level.

As an illustration, if every eligible IHL under this bill reduced tuition from out-of-state rates to in-state rates for all students currently enrolled in undergraduate programs from North Carolina or Georgia, the institution may see the following tuition revenue decrease beginning in FY 2024-25:

| Institution of Higher Learning | Undergraduate Enrollment from NC and GA (Fall 2022) | Out-of-State Undergraduate Tuition Rate (2023-24) | In-State Undergraduate Tuition Rate (2023-24) | Potential Tuition Revenue Decrease |
|---|---|---|---|---|
| Coastal Carolina University | 217 | $14,245 | $5,820 | $1,828,225 |
| Francis Marion University | 35 | $10,384 | $5,192 | $181,720 |
| USC – Aiken | 27 | $10,428 | $5,199 | $141,183 |
| USC – Beaufort | 7 | $10,695 | $5,172 | $38,661 |
| USC – Upstate | 11 | $11,355 | $5,604 | $63,261 |
| Winthrop | 11 | $14,818 | $7,653 | $78,815 |
| **Total** | **308** | - | - | **$2,331,865** |

Source: Commission on Higher Education, Fall 2022

The eligible IHLs indicate that this bill may incentivize students from North Carolina and Georgia to attend the eligible South Carolina public IHLs, which may offset any reduction in revenue. As follows are the number of additional undergraduate students paying in-state tuition rates, under the bill's 250 student limit, that would be required for each eligible IHL to offset the potential reduction in tuition revenue:

| Institution of Higher Learning | Number of Additional Undergraduate Students Paying In-State Tuition Needed to Cover Tuition Revenue Reduction |
|---|---|
| Coastal Carolina University | N/A |
| Francis Marion University | 35 |
| USC – Aiken | 28 |
| USC – Beaufort | 8 |
| USC – Upstate | 12 |
| Winthrop | 11 |

Graduate students from North Carolina or Georgia could also see a reduction in tuition rates to in-state levels under this bill, as well as make up for the reduction in total tuition revenue if additional students are enrolled, but have been omitted from this illustration due to the cost variability of graduate programs. Further, based on the bill's cap of 250 students from bordering states allowed in-state tuition, CCU would be unable to cover the entirety of the revenue loss with new students, if they chose to offer in-state tuition to all students currently enrolled from North Carolina or Georgia.

Therefore, this bill will have an undetermined impact on tuition revenue for CCU, FMU, USC - Aiken, USC - Beaufort, USC - Upstate, and Winthrop. Based on the qualifying undergraduate enrollment in the table above, lowering tuition from out-of-state rates to in-state rates for students from North Carolina or Georgia could decrease tuition revenue for all eligible IHLs by approximately $2,332,000 beginning in FY 2024-25. However, as this bill is permissive in nature and does not require all eligible IHLs to offer in-state tuition to all qualifying students, the actual revenue impact is unknown. The eligible IHLs further indicate that a significant increase in students enrolled from North Carolina and Georgia, paying in-state tuition rates, would have a net positive effect on overall tuition revenue.

**Local Expenditure**
N/A

**Local Revenue**
N/A

Frank A. Rainwater, Executive Director