



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota University System Nonresident Tuition

Performance Audit Report, December 2019

Report NP-018-19





WHAT WE LOOKED AT

If the North Dakota University System (NDUS) offers resident tuition rates to nonresident students, would enrollment increase and what would be the financial impact?

WHAT WE FOUND

We looked at Minot State University, Williston State College, in addition to 48 colleges and universities in 11 surrounding states and were unable to conclusively state what impact lowering tuition for nonresident students would have on enrollment. If all North Dakota University System students enrolled fall 2019 were offered resident tuition rates, we estimated the following impacts, assuming no change in enrollment or other factors occurred.



ESTIMATED REDUCTION IN
TUITION REVENUE BASED ON
CURRENT ENROLLMENT

\$9.9
MILLION PER
SEMESTER

INCREASE IN FULL-TIME STUDENTS
NEEDED TO OFFSET A REDUCTION
IN TUITION REVENUE*

2,616
STUDENTS

**Without regard to marginal expenses
per additional student*

Source: Office of the State Auditor, using fall 2019 data.

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HAVE QUESTIONS? ASK US.

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Introduction

North Dakota University System Nonresident Tuition

December 24, 2019

We are pleased to submit this performance audit conducted under the authority granted within North Dakota Century Code Section 54-10-30.

The subject matter of this audit was to determine the impact of offering resident tuition rates to nonresident students for use at a North Dakota University System institution. Included in the report are the audit scope, objective and audit results.

The in-charge auditor for this audit was Donal Hewitt. Inquiries or comments relating to this audit may be directed to our Director, Don LaFleur, by calling (701) 328-4744.

We wish to express our appreciation to the staff and management of the North Dakota University System and each of its 11 institutions for the courtesy, cooperation, and assistance they provided during this audit.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Nonresident Student: Any student who is not a North Dakota resident.

Nonresident Tuition: The amount of tuition charged to a nonresident student. This is also commonly referred to as out-of-state tuition.

Nonresident Tuition Premium (Nonresident Tuition Differential): The difference between nonresident tuition and North Dakota resident tuition.

Nonresident Tuition Rate \$4,500

| | |
|-------------------------------|-----------------------------------|
| Resident Tuition Rate \$4,000 | Nonresident Tuition Premium \$500 |
|-------------------------------|-----------------------------------|

Performance Audit: Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Resident Tuition: The amount of tuition charged to a North Dakota resident student, as defined in N.D.C.C. 15-10-19.1. This is also commonly referred to as in-state tuition.

Tuition Policy: A policy issued by the State Board of Higher Education that establishes the allowable minimum tuition rates for resident and nonresident students at the 11 institutions of the North Dakota University System.

Tuition Waiver: A reduction in a student's tuition charges or rate.



ABBREVIATIONS USED IN REPORT

BSC: Bismarck State College

DCB: Dakota College at Bottineau

DSU: Dickinson State University

LRSC: Lake Region State College

MaSU: Mayville State University

MHEC: Midwestern Higher Education Compact

MiSU: Minot State University

NDUS: North Dakota University System

NDSCS: North Dakota State College of Science

NDSU: North Dakota State University

SBHE: North Dakota State Board of Higher Education

UND: University of North Dakota

VCSU: Valley City State University

WSC: Williston State College



Audit Results

BACKGROUND

Based on public data, most public universities and colleges nationwide charge nonresident students a higher tuition rate than resident students. In a report issued in 2019 from the Midwestern Higher Education Compact, “pressures [impacting enrollment]... have forced colleges and universities to consider lowering the premiums they place on out-of-state resident tuition.” (Midwestern Higher Education Compact, 2019).

A recent move by all South Dakota public universities to offer resident tuition to students from six surrounding states prompted recent conversations about adjusting North Dakota’s tuition models for nonresident students. The policy change went into effect summer 2019 (*South Dakota Board of Regents, 2018*). It is too early to determine the results of the program, however fall 2019 enrollment was reported to be down 3% from fall 2018 enrollment. (*South Dakota Board of Regents, 2019*).

Our team worked to determine if offering North Dakota resident tuition rates to nonresident students would increase enrollment to the North Dakota University System, and what financial impact that could have.

CONCLUSION

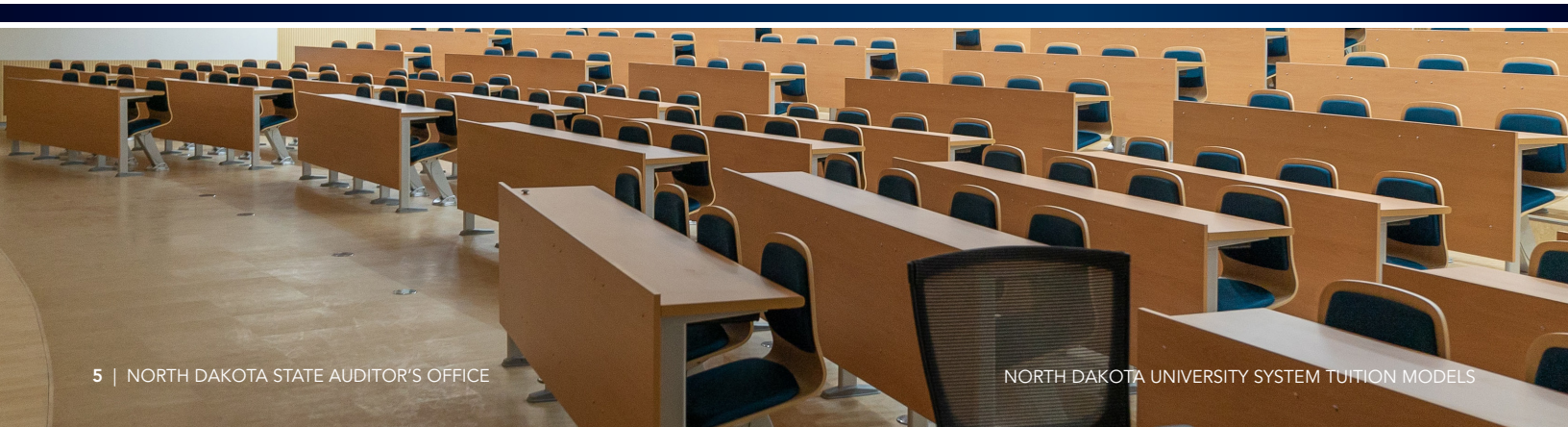
Based on our analysis of the impact of offering resident tuition to nonresident students at Minot State University (MiSU) and Williston State College (WSC), along with our analysis of 48 institutions in surrounding states, we were unable to isolate the impact of offering resident tuition rates to nonresident students due to other events occurring around that same time.

Nonresident tuition:

Amount of tuition charged to a nonresident student. This is also commonly referred to as out-of-state tuition.

IMPACT ON ENROLLMENT

The first NDUS institution to eliminate the nonresident tuition premium was Lake Region State College (LRSC) in 2003. MiSU and WSC were the next institutions to follow, in 2009 and 2010. For the purposes of this audit, we looked at MiSU and WSC data.



WILLISTON STATE COLLEGE

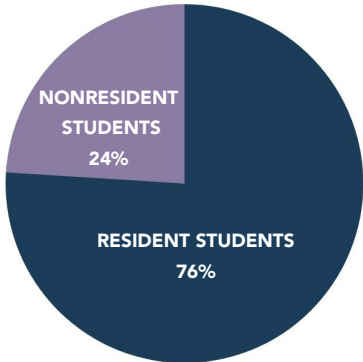
WSC eliminated the nonresident tuition premium in fall 2010. WSC did reinstitute a tuition premium for international students in the fall of 2011.

Our team analyzed enrollment data from 2008 through 2018 comparing the NDUS with WSC. We were unable to isolate the impact of offering resident tuition rates to nonresident students due to the oil boom. The North Dakota oil boom increased the cost of living and wages in Williston, which likely caused a decrease in enrollment. It is possible the tuition policy change lessened the impact of the oil boom.

The WSC Foundation started providing Williams County residents full-tuition scholarships beginning in 2015. This was expanded to four additional ND counties in fall 2016,

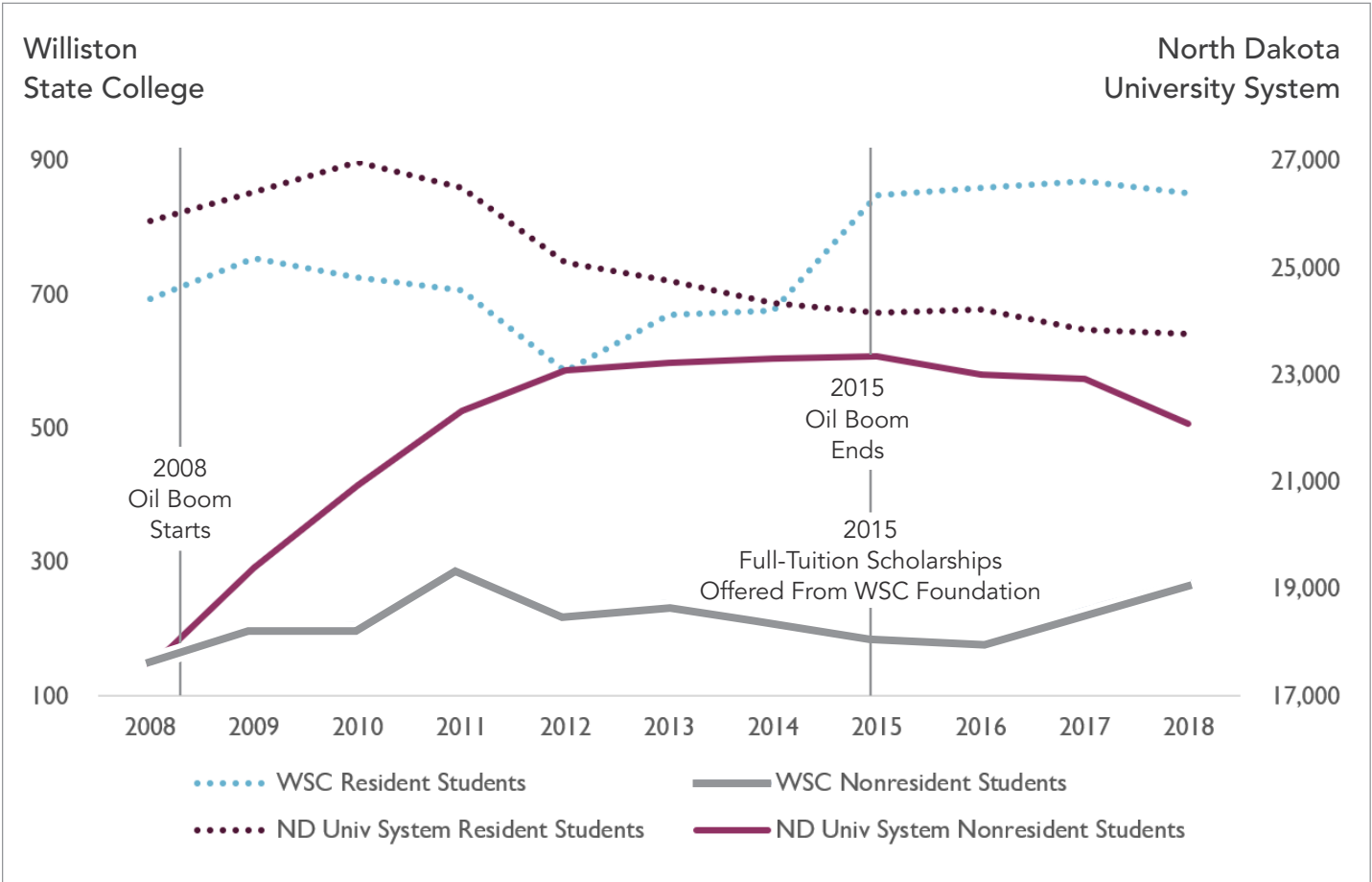
and five Montana counties in fall 2017. There appears to be a strong correlation between offering full-tuition scholarships with increased enrollment. This is an extreme case of reducing tuition and is not likely to be available at other NDUS institutions.

WILLISTON STATE COLLEGE
FALL 2018 ENROLLMENT



Source: Office of the State Auditor

FALL ENROLLMENT FOR WILLISTON STATE COLLEGE
COMPARED TO THE NORTH DAKOTA UNIVERSITY SYSTEM

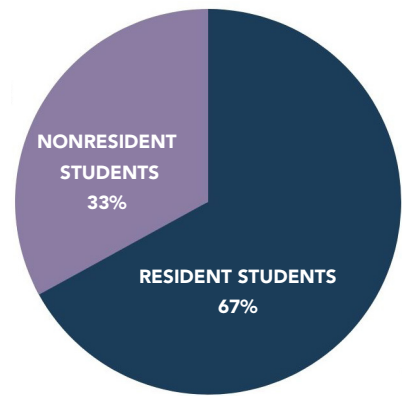


Source: Office of the State Auditor

MINOT STATE UNIVERSITY

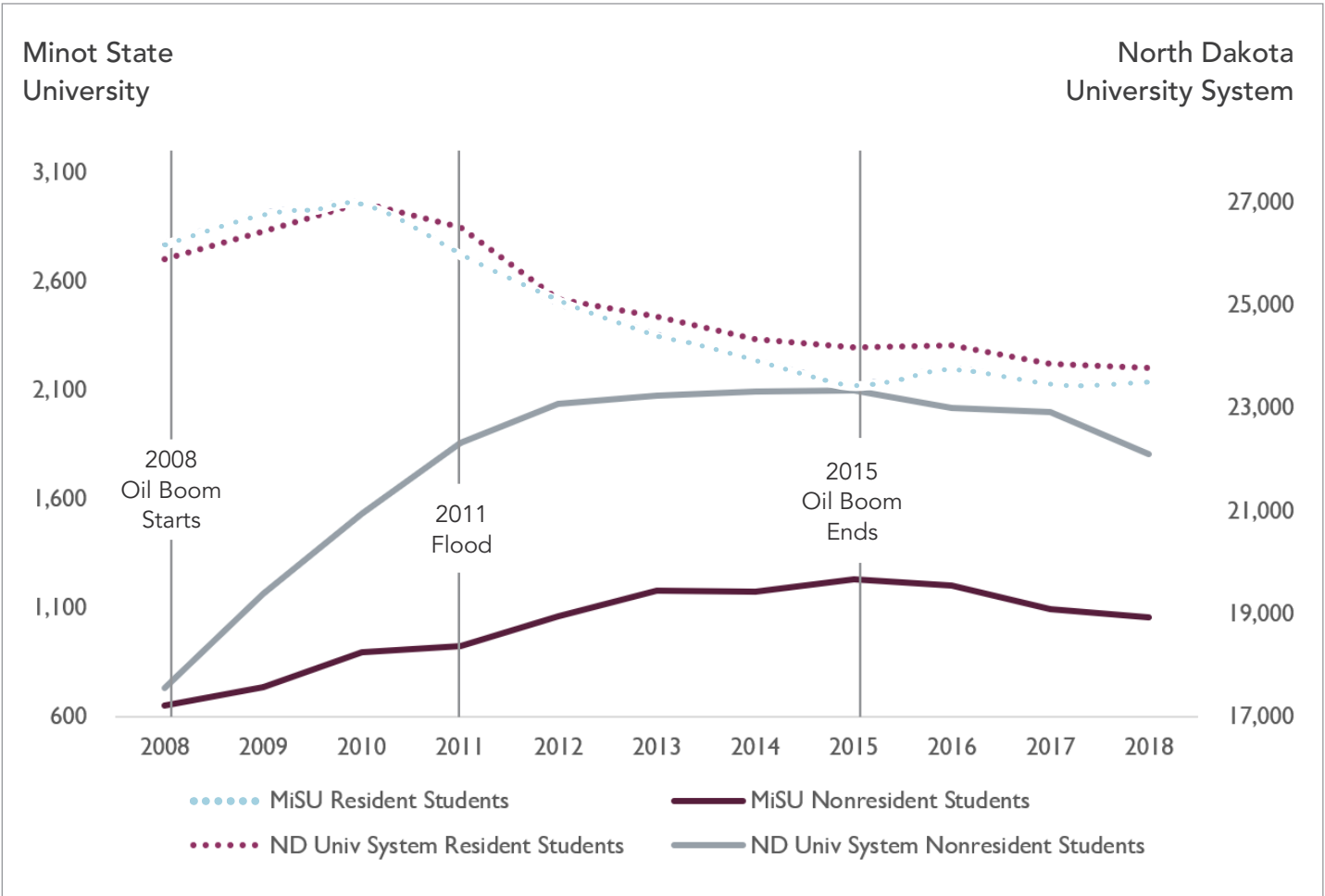
We were unable to isolate the impact of offering resident tuition to all students in part because of the significant events happening during this time (such as the 2008 recession, 2011 flood, and 2008 – 2015 oil boom). When compared to the enrollment trends for the NDUS, it appears the campuses statewide followed similar enrollment trends to MiSU. It is possible the tuition policy change at MiSU offset the potentially negative impact of the 2011 flood, as well as the oil boom. These events most likely would have had a negative impact on enrollment.

**MINOT STATE UNIVERSITY
FALL 2018 ENROLLMENT**



Source: Office of the State Auditor

**FALL ENROLLMENT FOR MINOT STATE UNIVERSITY
COMPARED TO THE NORTH DAKOTA UNIVERSITY SYSTEM**



Source: Office of the State Auditor

SURROUNDING STATES

We researched, through the Integrated Postsecondary Education Data System (IPEDS), public colleges and universities in 11 surrounding states in the Upper Midwest which had eliminated the nonresident tuition premium. We discovered the following information:

- Of all the 180 two-year public institutions analyzed (in 2018) 22% did not have a nonresident differential.
- Of the 97 four-year institutions analyzed (in 2018) 8% did not have a nonresident differential.

Our team looked at the colleges and universities that did not have a nonresident tuition differential in 2018. 12 of the colleges and universities eliminated the nonresident tuition differential during our audit period of 2008-2018. We analyzed those 12 for the impact the change had on enrollment, the others were outside of our audit scope and consequently were not included.

Of those 12 colleges and universities, enrollment increased as a result of the change at six schools, enrollment decreased at five schools and remained moderately constant at one school. We also looked at the schools that had reinstated a nonresidential differential during our audit period of 2008-2018. These schools did not have a tuition differential, and then went back to charging nonresidents a higher tuition rate. In total, there were 14 colleges and universities in the 11 states. Five schools saw an increase in enrollment when they started charging nonresidents a higher rate, and nine schools experienced a decrease in enrollment. With these mixed results, we were unable to conclude if there was a correlation between changes in nonresident tuition and enrollment. It should be noted that during our audit, we did not do a deeper dive into other external events that could have impacted enrollment.



IMPACT ON INSTITUTION REVENUES

We analyzed the implications of eliminating the nonresident premium system-wide for all undergraduate students using fall 2019 semester data. If all variables stayed consistent, including enrollment numbers, we estimated tuition revenue for the semester would have been reduced by \$9.9 million. To offset this amount, colleges and universities would require a combination of increased enrollment, increased tuition rates for existing students, spending cuts, or other revenue sources, such as additional state funding.

To offset lost revenues from eliminating the nonresident premium system-wide, the North Dakota University System would need to attract approximately an additional 2,616 full-time students.

To calculate the estimated loss of tuition revenue, we excluded online-only students and assumed the remaining undergraduate students were full-time students. We obtained the fall 2019 semester full-time undergraduate tuition rates and assumed 15 credits per student for each institution. Using the base rates for each tuition residency category, we calculated the tuition premium for each residency category and multiplied that by the number of undergraduate students in each category to determine the loss of tuition premium.

We subtracted the fall 2019 waivers that would likely be eliminated if resident tuition was offered to all students to determine the potential reduction in tuition revenue. As an example, NDSCS offers a tuition waiver to nonresident students living on-campus with a 160+ meal plan, which effectively reduces tuition to the resident rate. There may be additional waivers that would be eliminated or reduced, which would lower the estimated revenue impact of moving to an all resident tuition model.

For each institution, we divided the potential reduction in tuition revenue by the resident tuition rate to estimate the number of additional full-time students needed to offset

the reduction in tuition revenue.

Fall 2019 Tuition Revenue Impact*

| | POTENTIAL REDUCTION IN TUITION REVENUE | ADDITIONAL FULL-TIME STUDENTS NEEDED |
|--------------|--|--|
| UND | \$ 4,722,630 | 1,151 |
| NDSU | \$ 3,936,115 | 952 |
| NDSCS | \$ 125,028 | 60 |
| DSU | \$ 427,110 | 131 |
| VCSU | \$ 231,225 | 79 |
| MaSU | \$ 154,484 | 54 |
| BSC | \$ 131,727 | 64 |
| DCB | \$ 135,213 | 67 |
| LRSC | \$ 79,577 | 43 |
| WSC | \$ 28,125 | 15 |
| MiSU | \$ - | - |
| Total | \$ 9,971,234 | 2,616 |
| NDUS | | |

Source: Office of the State Auditor

*All variables staying consistent

Appendix A

OBJECTIVE

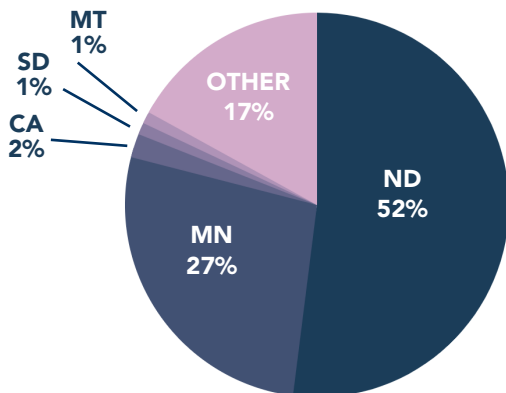
What impact would offering resident tuition to nonresident students have on the North Dakota University System?

In this engagement, our definition of impact specifically relates to any changes in enrollment and tuition revenue.

Other impacts were not considered for the purposes of the this objective and this engagement. Some impacts that were not considered include:

- Increased diversity.
- Additional workforce for North Dakota.

ND UNIVERSITY SYSTEM ENROLLMENT DISTRIBUTION



Source: Office of the State Auditor
Fall 2018 Data

SCOPE AND METHODOLOGY

The audit period for this audit was fall 2008 to fall 2018.

We looked at all 11 NDUS institutions. In order to provide the most relevant potential impact on lost tuition revenues and enrollment changes, the scope was expanded to include fall 2019.

To meet this objective, we:

- Researched national and local factors and events impacting student enrollment.

- Surveyed current NDUS nonresident students for reasons they chose to attend an NDUS institution.
- Surveyed SBHE Budget & Finance Committee members for criteria used and information reviewed for requested exceptions to the tuition policy.
- Reviewed SBHE meeting minutes for approved tuition models and business cases for tuition policy exceptions.
- Reviewed NDUS institution websites for tuition data.
- Tested a sample of student residency changes for adequate support and tuition rates entered in Campus Solutions for accuracy.
- Researched other states' nonresident tuition models and impact on enrollment.
- Performed analysis of potential lost nonresident tuition differential revenue.
- Performed analysis of enrollment changes at MiSU, WSC, and NDUS as a whole.
- Researched impacts of nonresident students on NDUS institutions and North Dakota.
- Interviewed appropriate NDUS system and institution personnel on the following topics:
 - o Factors and events impacting student enrollment at each institution.
 - o Procedures for initial determination of and later changes to student residency status.
 - o Anticipated and actual results of offering resident tuition to nonresident students.
 - o Tuition waivers used to offset the nonresident tuition differential.

Audit procedures were designed to use North Dakota Century Code, SBHE policies, NDUS procedures, SBHE approved tuition rates, reciprocity and regional higher

education compact tuition agreements, and comparison to prior and system-wide enrollment as criteria.

PURPOSE AND AUTHORITY

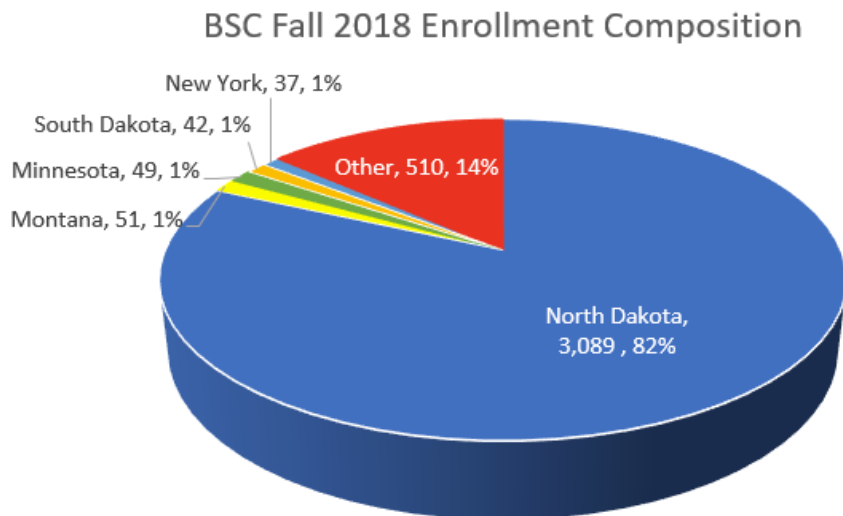
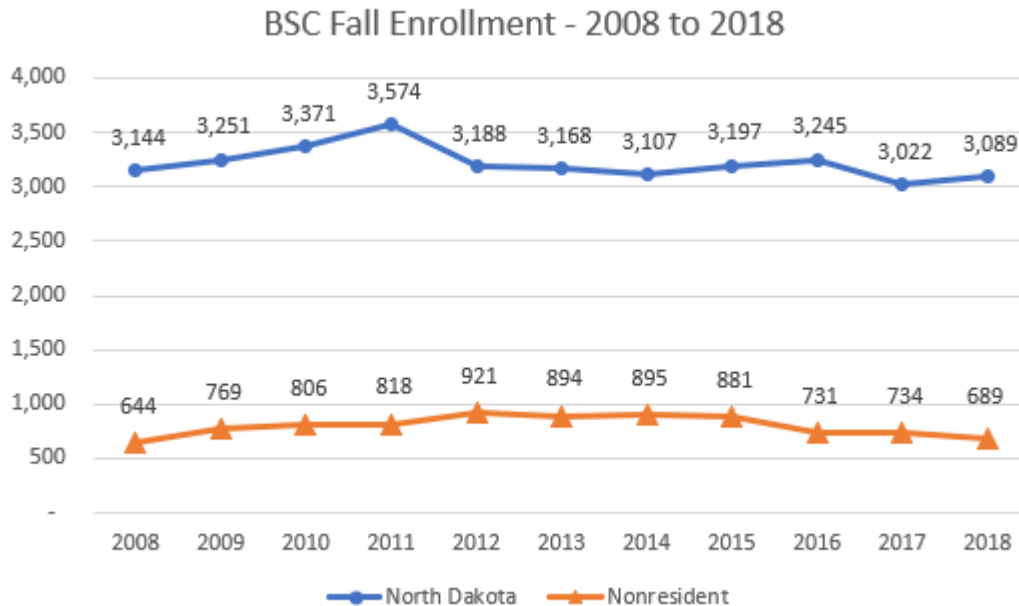
This performance audit of the North Dakota University System has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B

Bismarck State College

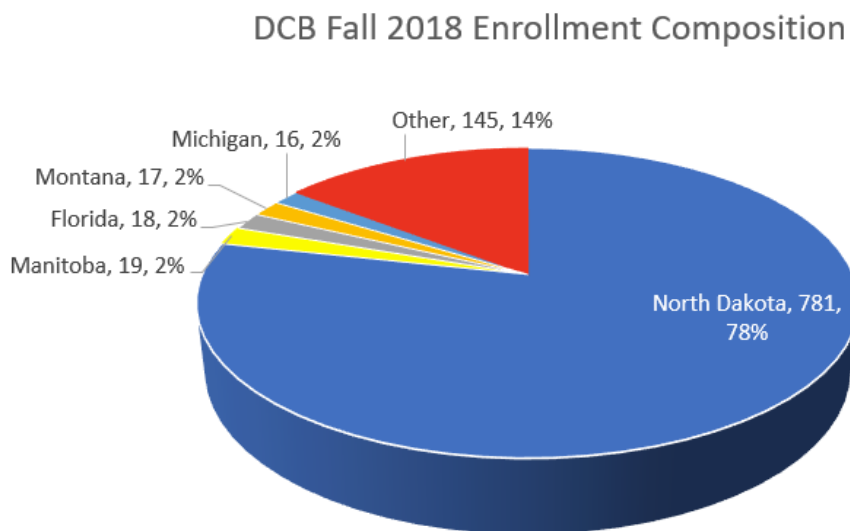
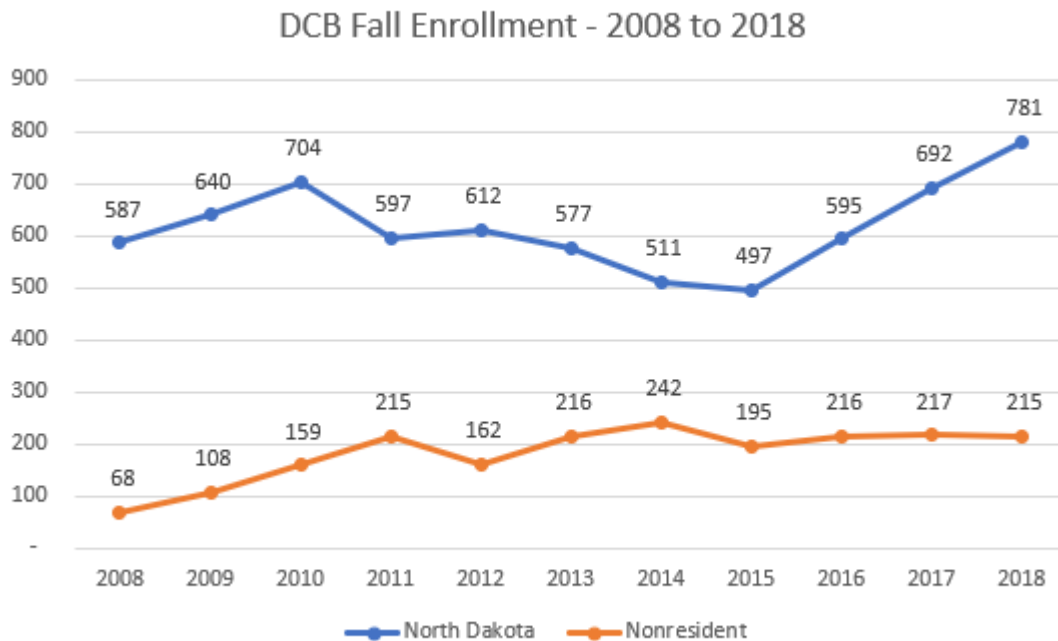
Bismarck State College (BSC) had a total enrollment of 3,778 students fall 2018 semester. North Dakota students comprise 82% of the student body, while out-of-state students made up the remaining 18%. The top five states are shown in the pie chart below.



Appendix C

Dakota College at Bottineau

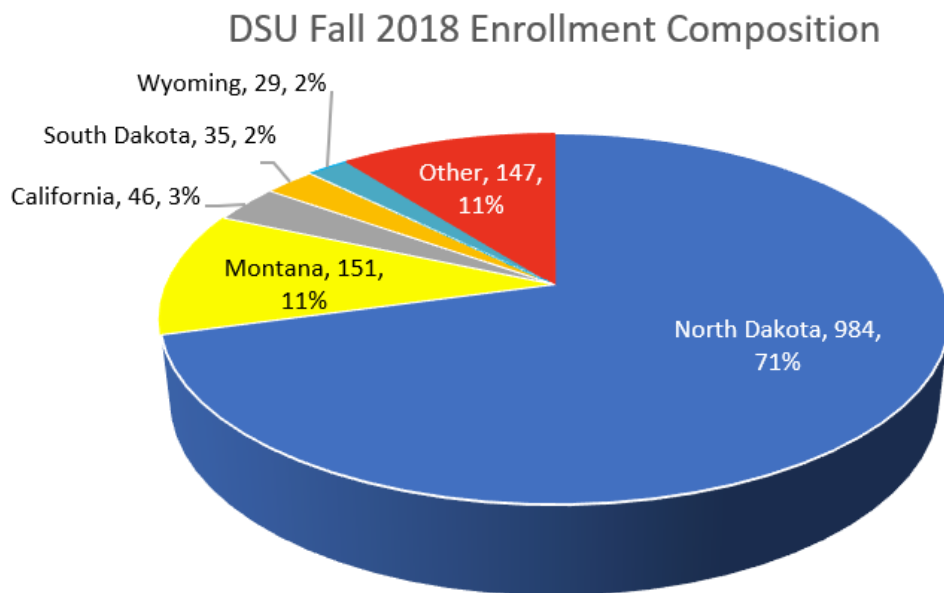
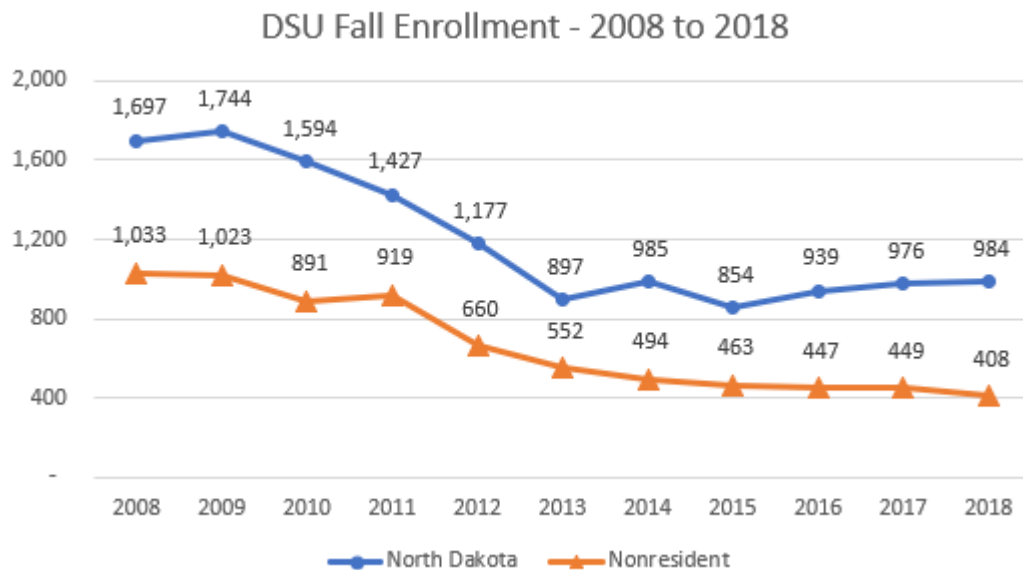
Dakota College at Bottineau (DCB) had a total enrollment of 996 students fall 2018 semester. North Dakota students comprise 78% of the student body, while out-of-state students made up the remaining 22%. The top five states/provinces are shown in the pie chart below.



Appendix D

Dickinson State University

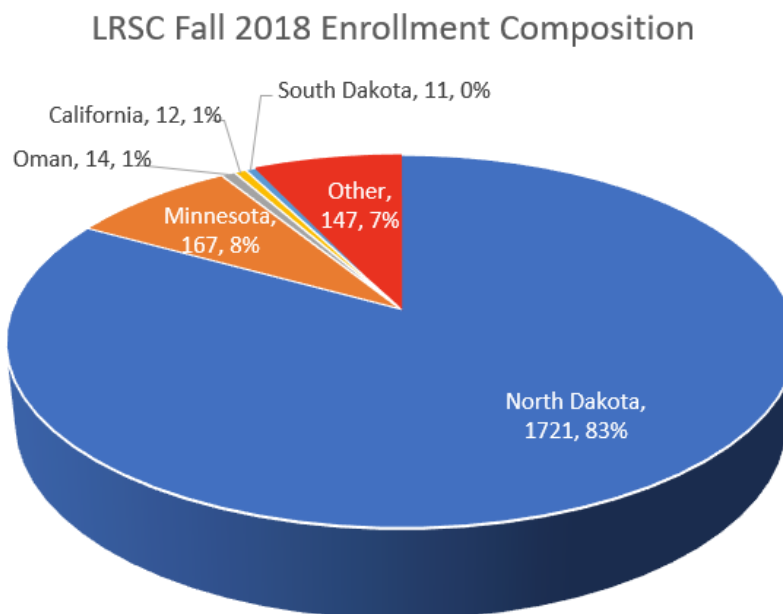
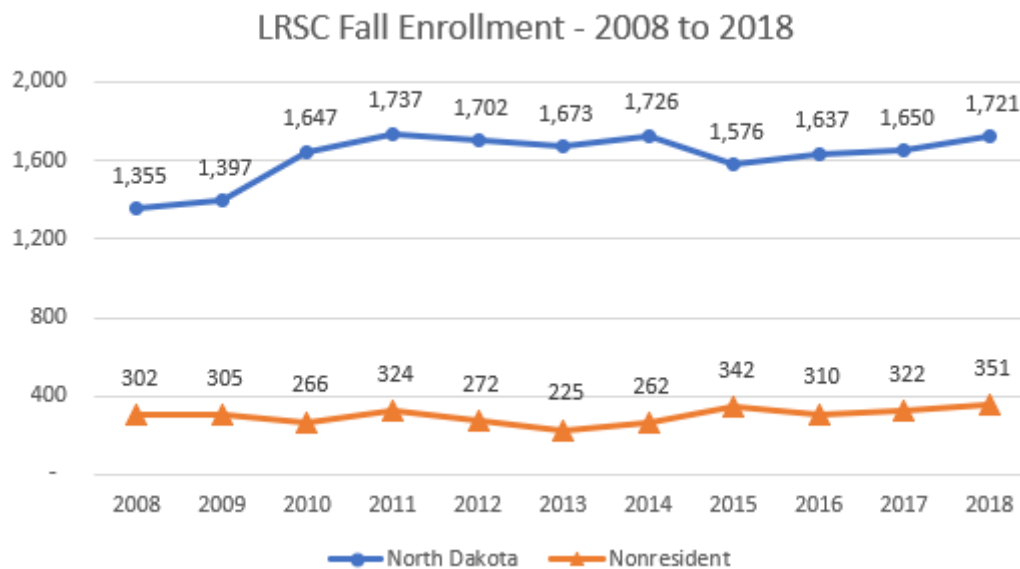
Dickinson State University (DSU) had a total enrollment of 1,392 students fall 2018 semester. North Dakota students comprise 71% of the student body, while out-of-state students made up the remaining 29%. The top five states are shown in the pie chart below.



Appendix E

Lake Region State College

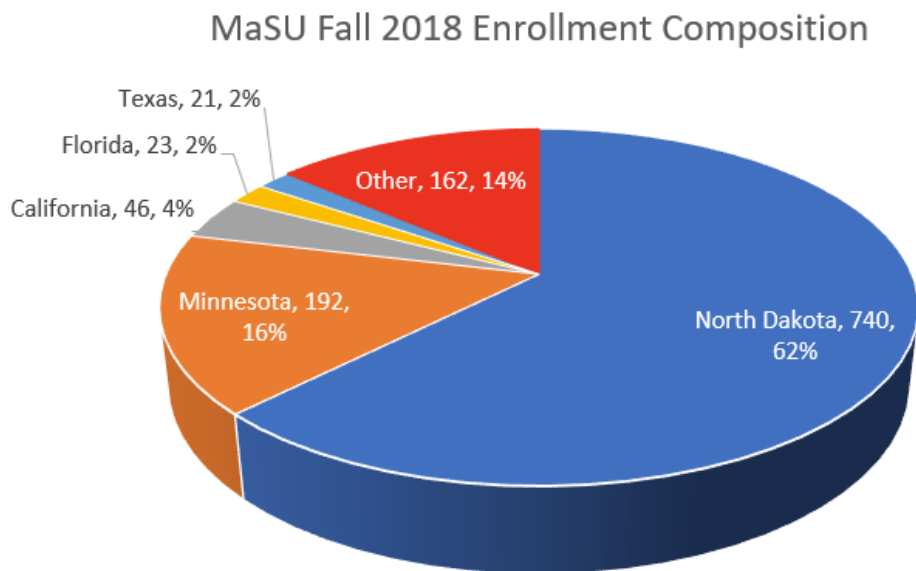
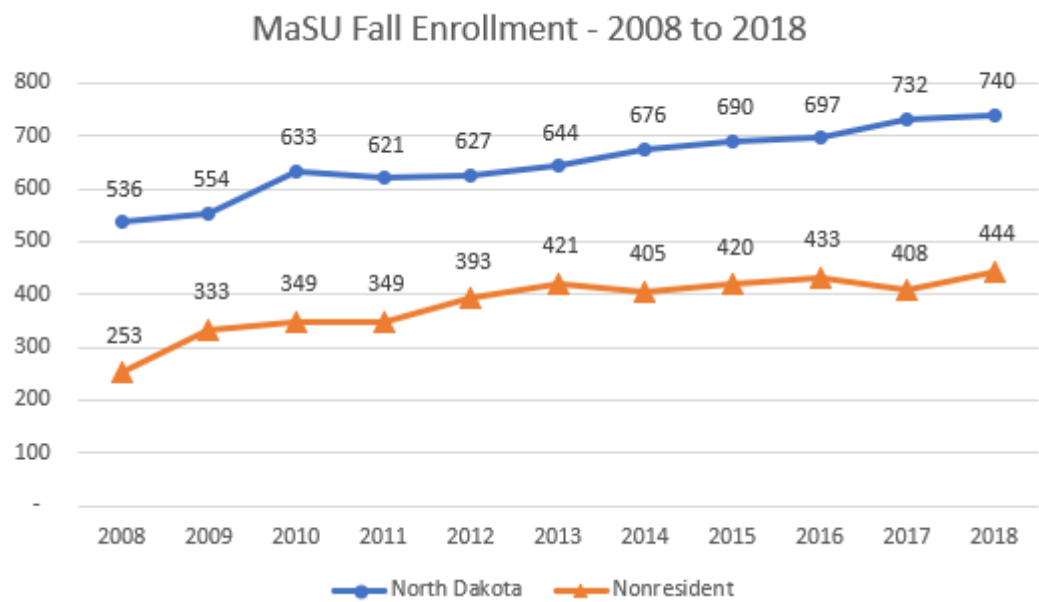
Lake Region State College (LRSC) had a total enrollment of 2,072 students fall 2018 semester. North Dakota students comprise 83% of the student body, while out-of-state students made up the remaining 17%. The top five states/countries are shown in the pie chart below.



Appendix F

Mayville State University

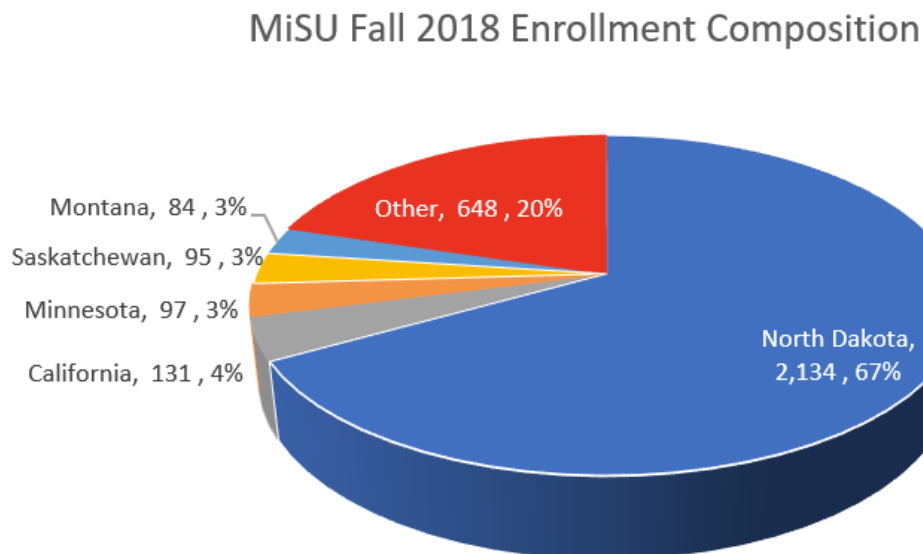
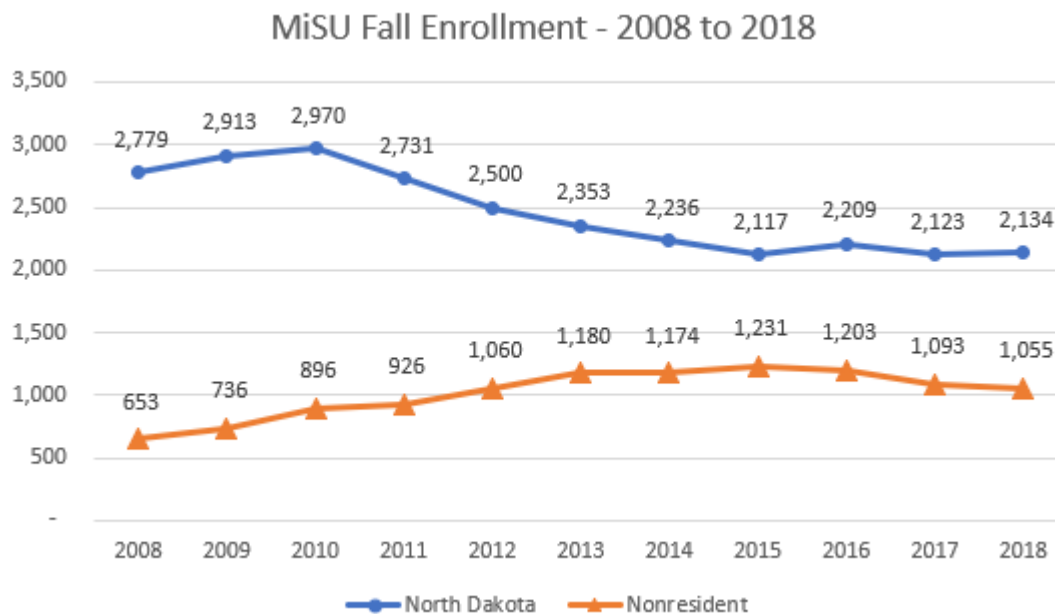
Mayville State University (MaSU) had a total enrollment of 1,184 students fall 2018 semester. North Dakota students comprise 62% of the student body, while out-of-state students made up the remaining 38%. The top five states are shown in the pie chart below.



Appendix G

Minot State University

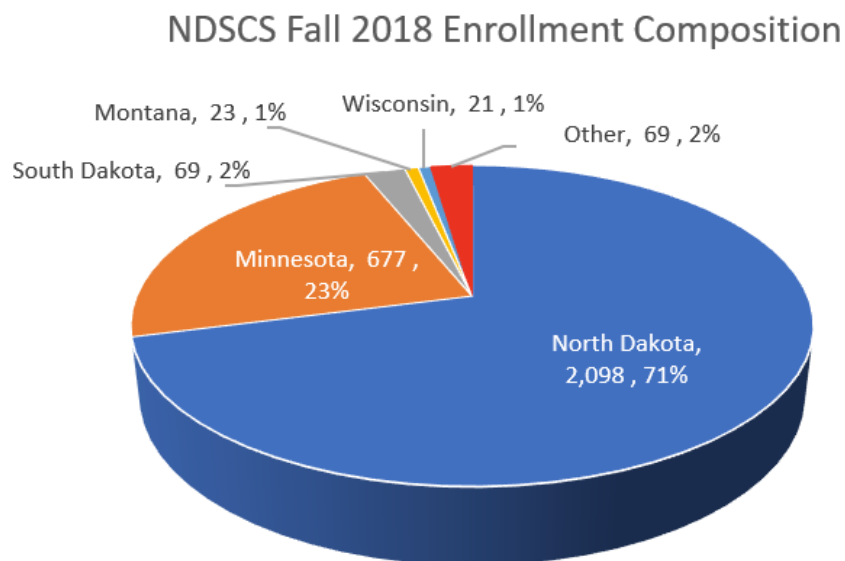
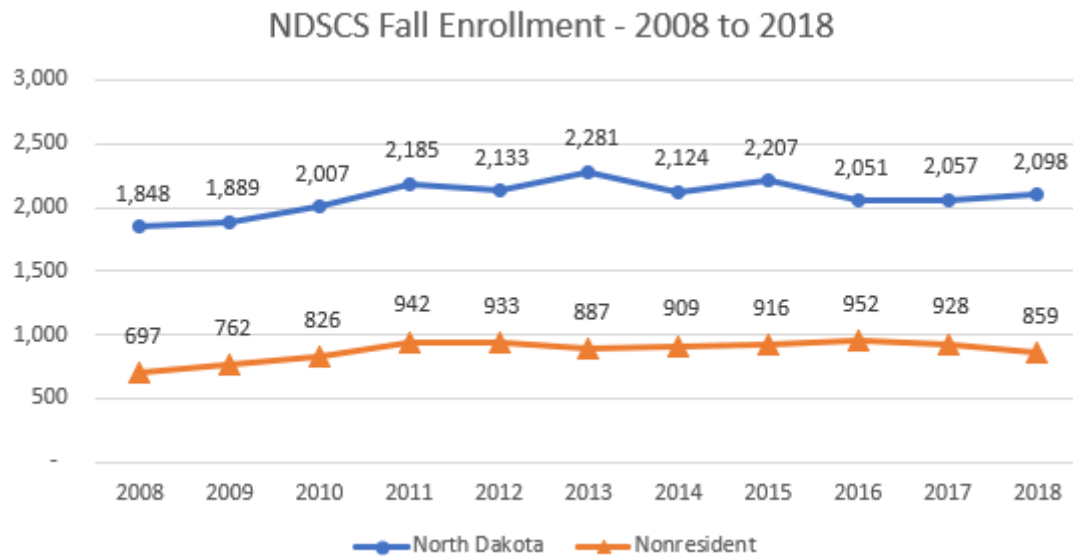
Minot State University (MiSU) had a total enrollment of 3,189 students fall 2018 semester. North Dakota students comprise 67% of the student body, while out-of-state students made up the remaining 33%. The top five states/provinces are shown in the pie chart below.



Appendix H

North Dakota State College of Science

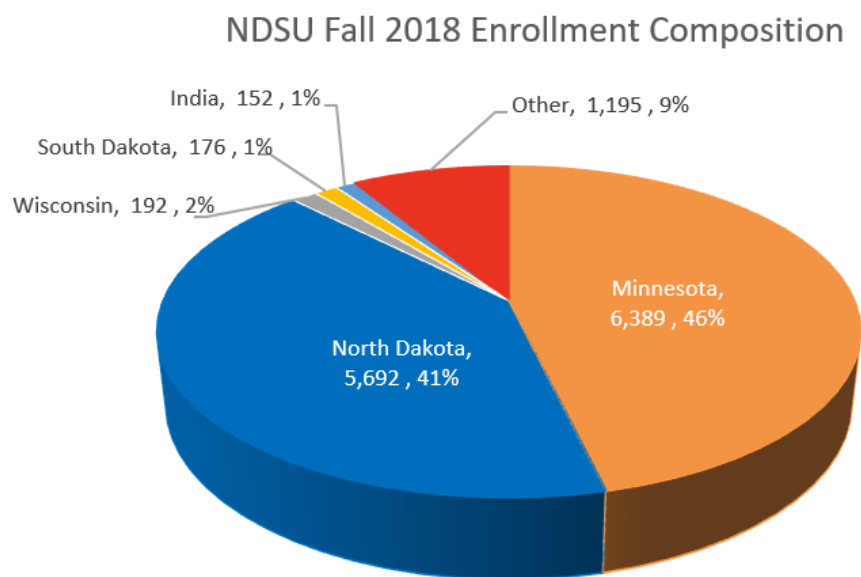
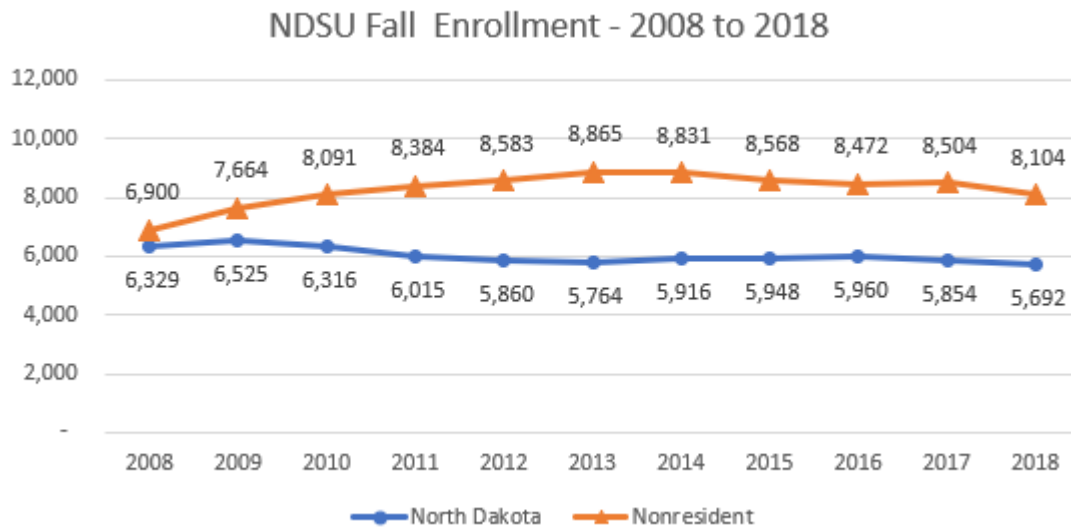
North Dakota State College of Science (NDCSC) had a total enrollment of 2,957 students fall 2018 semester. North Dakota students comprise 71% of the student body, while out-of-state students made up the remaining 29%. The top five states are shown in the pie chart below.



Appendix I

North Dakota State University

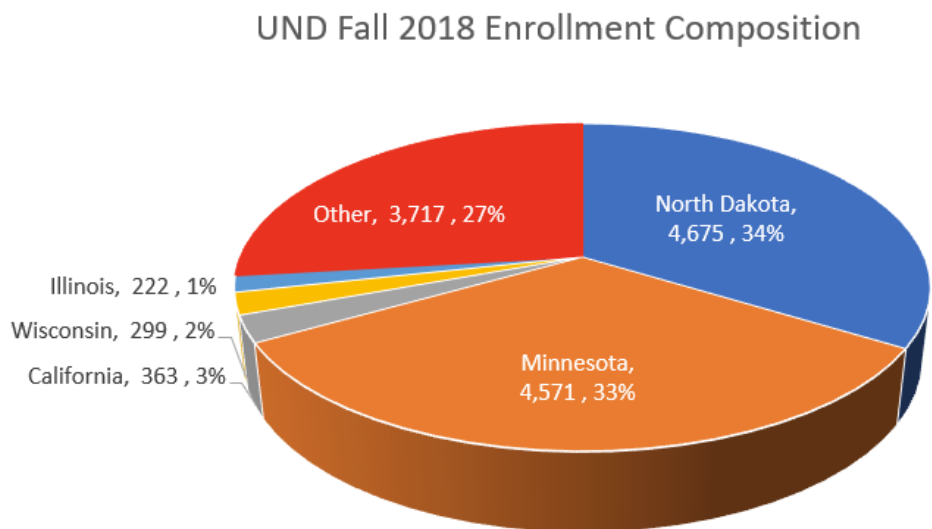
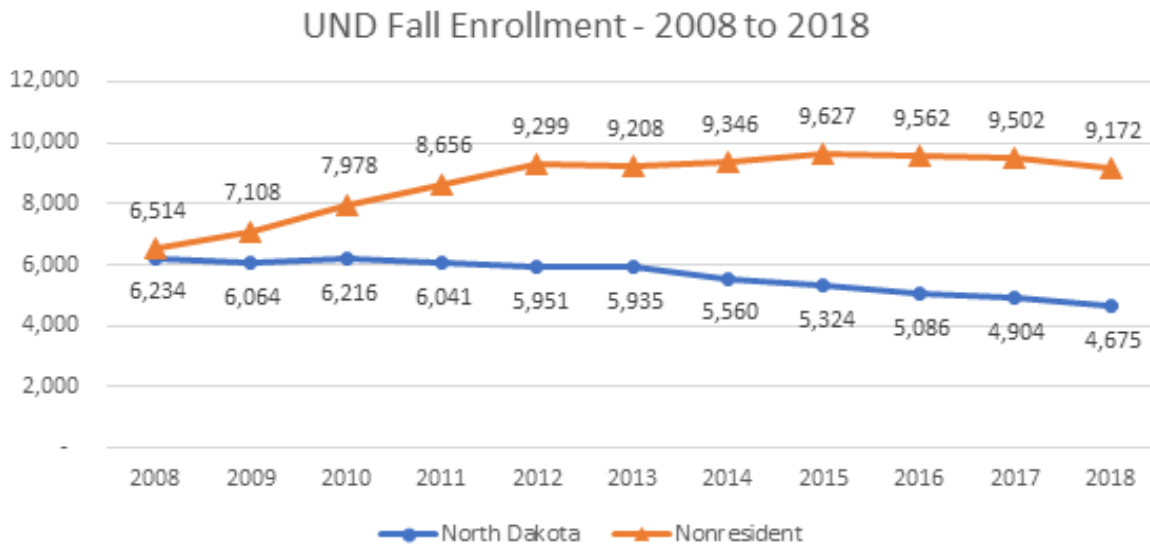
North Dakota State University (NDSU) had a total enrollment of 13,796 students fall 2018 semester. North Dakota students comprise 41% of the student body, while out-of-state students make up the remaining 59%. Minnesota students made up the largest percentage of students at 46%. The top five states/countries are shown in the pie chart below.



Appendix J

University of North Dakota

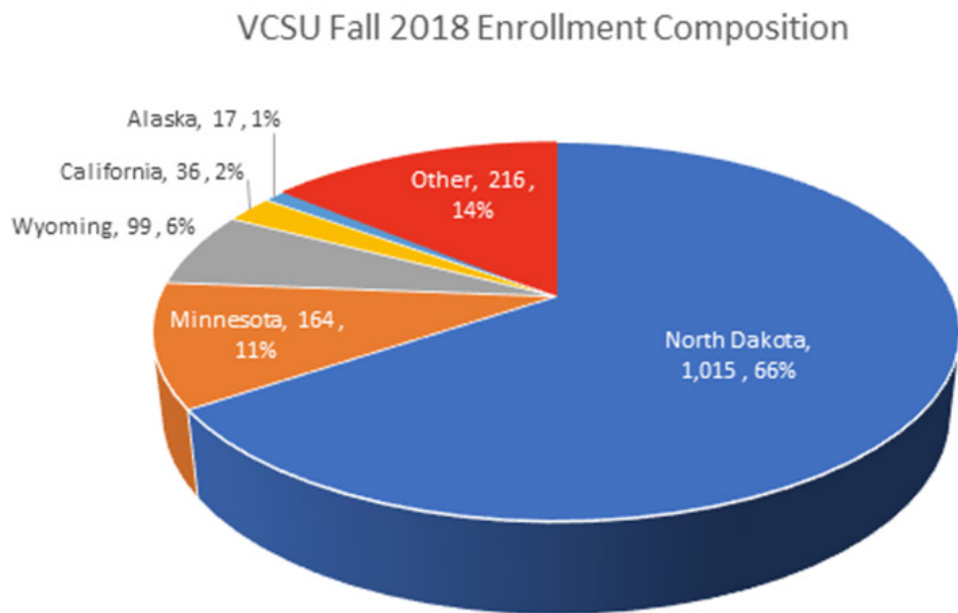
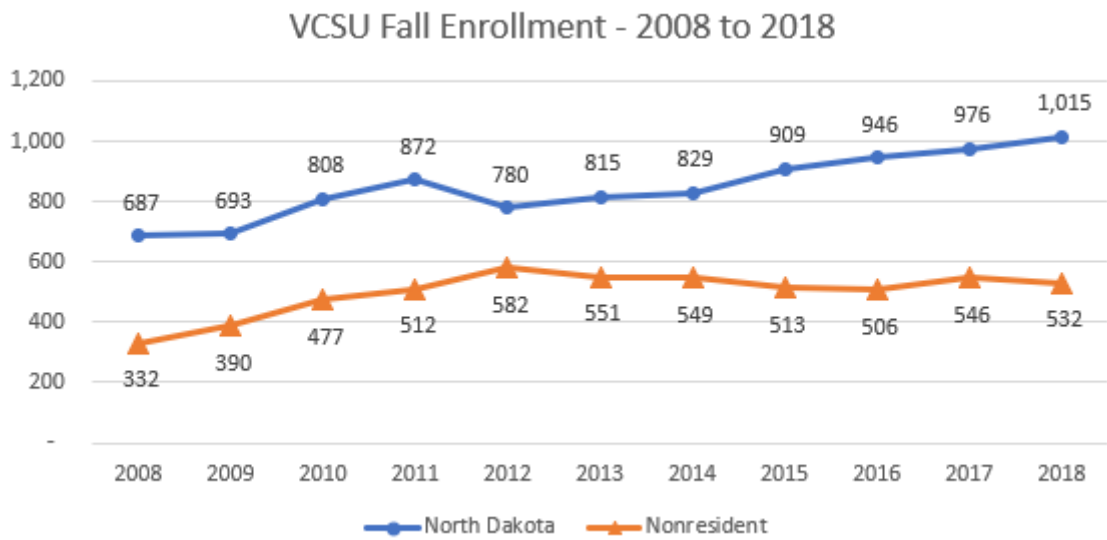
University of North Dakota (UND) had a total enrollment of 13,847 students fall 2018 semester. North Dakota students comprise 34% of the student body, while out-of-state students make up the remaining 66%. Minnesota students made up 33% of students. The top five states are shown in the pie chart below.



Appendix K

Valley City State University

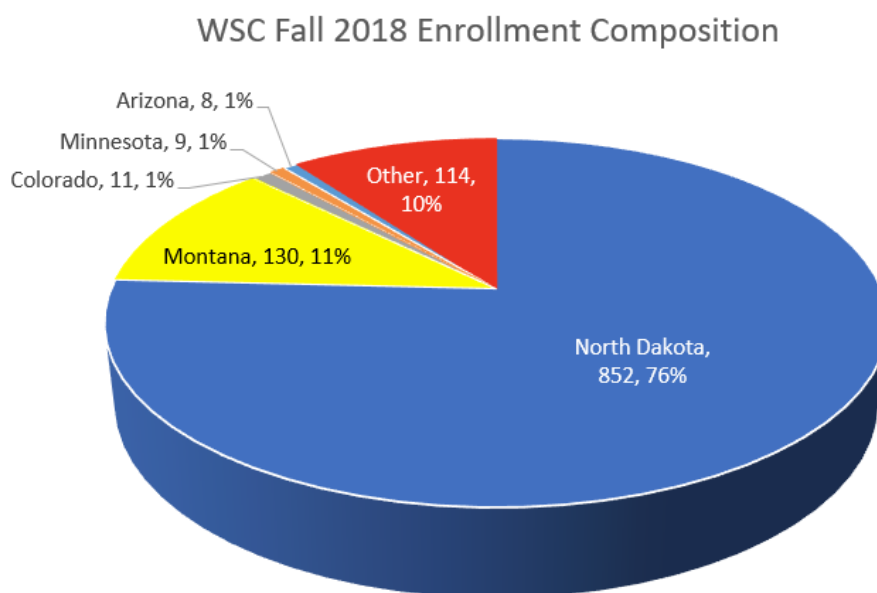
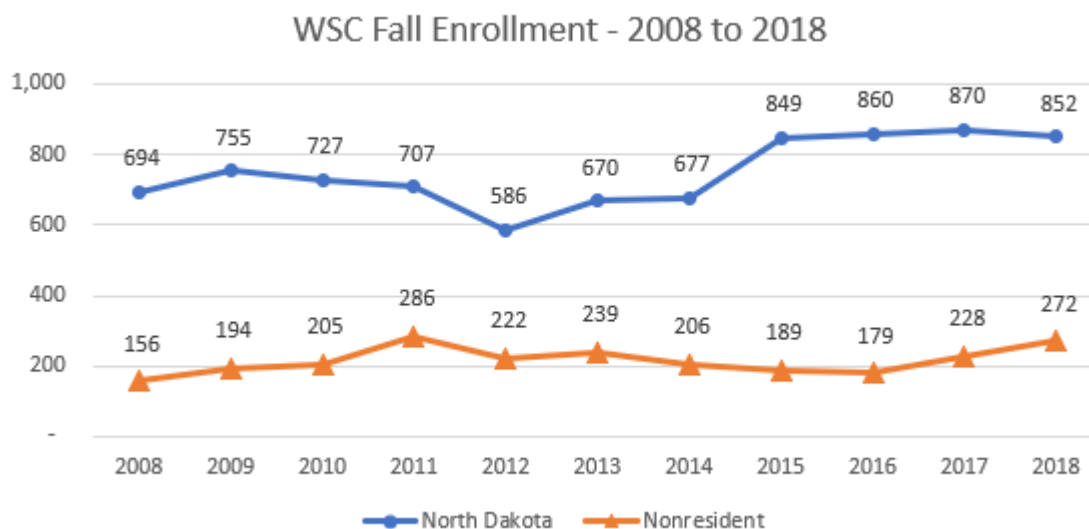
Valley City State University (VCSU) had a total enrollment of 1,547 students fall 2018 semester. North Dakota students comprise 66% of the student body, while out-of-state students made up the remaining 34%. The top five states are shown in the pie chart below.



Appendix L

Williston State College

Williston State College (WSC) had a total enrollment of 1,124 students fall 2018 semester. North Dakota students comprise 76% of the student body, while out-of-state students made up the remaining 24%. The top five states are shown in the pie chart below.



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