



ISSUE BRIEF

Possible cost of changes to Minnesota's tuition reciprocity agreement with North Dakota

This brief attempts to clarify some confusion between a fiscal note on House File 1872 and a memo from the Legislative Auditor commenting on that fiscal note.

In a recent program evaluation of Minnesota's tuition reciprocity agreements with other states the Legislative Auditor suggested some potential revisions to the agreement between Minnesota and North Dakota. House File 1872 requires the Higher Education Services Office (HESO) to renegotiate the state's agreement with North Dakota to implement those changes. Some disagreement has arisen as to the potential cost of passing House File 1872. A fiscal note prepared by HESO and approved by the Department of Finance assumes that a renegotiation of the agreement could result in costs to Minnesota of \$2.4 million if fiscal year 2005, \$2.9 million in 2006, and \$3.4 million in 2007.

The Legislative Auditor argues that the result the fiscal note anticipates is not what they are suggesting and is not a likely outcome of renegotiation. The Auditor says that a negotiation of limited scope, which only implemented the changes they suggested, would not have substantial costs to the state. The information in the fiscal note anticipates that a request to renegotiate this agreement could result in North Dakota requesting more substantial changes to the current payment methodology than those suggested by the Auditor, potentially resulting in higher costs to Minnesota.

It is certainly the case that there are a range of possible outcomes in any renegotiation, not all of which are considered by the assumptions in the fiscal note, and that the assumptions in the fiscal note are not a necessary outcome of renegotiating tuition reciprocity with North Dakota. It is possible that a renegotiation could make the changes suggested by the program evaluation without any other changes to the current payment methodology at no cost to the state. The cost assumptions in the fiscal note represent the greatest potential exposure to the state General Fund from the range of outcomes that might result from a renegotiation. Since the cost projections listed in the fiscal note do represent the possible exposure of the state's General Fund under a likely renegotiation scenario, both the Higher Education Services Office and the Department of Finance are satisfied that the fiscal note appropriately and accurately describes the potential costs of this legislation. The Auditor does not dispute the costs listed in the fiscal note from such an outcome, only how likely that outcome is to occur.