

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 1412 (Delegate F. Turner)
 Appropriations

Public Senior Higher Education Institutions - Mandatory Fees - Limit on Increases

This bill caps an increase in mandatory fees that may be charged each academic year to resident undergraduate and graduate students at public four-year institutions to no more than 3% over the previous academic year.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: In FY 2014, higher education revenues decrease by an estimated \$2.2 million in total at the public four-year institutions of higher education due to capping mandatory fee increases at 3%. Out-years reflect the cumulative impact of the cap. Expenditures are not affected.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Higher Ed Rev.	(\$2.2)	(\$4.5)	(\$7.0)	(\$9.7)	(\$12.5)
Expenditure	0	0	0	0	0
Net Effect	(\$2.2)	(\$4.5)	(\$7.0)	(\$9.7)	(\$12.5)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: “Mandatory fees” is defined as the required charges in addition to tuition, assessed by a public senior (four-year) higher education institution to its students for an academic year.

Current Law: Tuition policies at community colleges are set by State regulations and the boards of trustees for the colleges. The Boards of Regents of the University System of Maryland (USM) and Morgan State University (MSU), respectively, and the Board of Trustees of St. Mary’s College of Maryland (SMCM) set tuition policies for those institutions.

Background: The Commission to Develop the Maryland Model for Funding Higher Education was established by the Tuition Affordability Act of 2006 (Chapters 57 and 58, SB 959/HB 1381). In its final report submitted in December 2008, the commission made many recommendations including making the Higher Education Investment Fund (HEIF) permanent to provide a reserve fund for higher education; creating a Tuition Stabilization Trust Account within HEIF whereby in years of increasing corporate income tax revenues, funds are deposited into the account and, in years of decreasing revenues, appropriate portions of the fund are applied to stabilize tuition; and setting as a *goal* to limit percentage increases in resident tuition and fees in any given year to a percent not to exceed the increase in the three-year rolling average of the State’s median family income – a policy that would link tuition increases to a measure of affordability for families.

In response to rising tuition rates in fiscal 2002 through 2005, in 2006 the State enacted legislation that froze *tuition* for the 2006-2007 academic year at the fall 2005 rates for resident undergraduates at USM institutions and MSU and limited any *tuition* increase at SMCM to 4.8%. Legislation enacted in 2007 continued the tuition freeze for USM and MSU for the 2007-2008 academic year. At the time, SMCM was not included in the tuition freeze. While the tuition freeze was not mandated in fiscal 2009 and 2010, the USM institutions and MSU continued to hold tuition at the fall 2005 rates. State funds were included in the budgets of the USM institutions and MSU to offset the loss of tuition revenue for each year of the tuition freeze, with offsetting budget reductions for employee furloughs and other cost containment in both years.

In fiscal 2011, the tuition freeze was lifted. Institutions have been allowed to increase tuition rates by 3% for the 2010-2011, 2011-2012, and 2012-2013 academic years. In each year, State appropriations equivalent to an additional 1% or 2% tuition increase were provided to the USM institutions and MSU, again with offsetting budget reductions. SMCM, which is formula-funded and was not originally eligible to receive funds from HEIF but is now covered as a result of Chapter 1 of the 2012 first special session (SB 1301), also increased tuition by 3% but did not receive additional State funds. The

Governor’s proposed fiscal 2014 budget again includes funds for a 1% or 2% tuition buy down for the 2013-2014 academic year for the USM institutions and MSU.

However, institutions were not required to limit their increases in mandatory fees during the tuition freeze. **Exhibit 1** shows the mandatory fees for public four-year institutions for fiscal 2010 through 2013 and the percentage change in fees over the previous year. Overall, fees have increased an average of about 4% between fiscal 2010 and 2013.

Exhibit 1
Mandatory Fees and Annual Percent Change
Fiscal 2010-2013

	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2011</u>	<u>FY</u> <u>2012</u>	<u>FY</u> <u>2013</u>	<u>FY 10-11</u> <u>% Change</u>	<u>FY 11-12</u> <u>% Change</u>	<u>FY 12-13</u> <u>% Change</u>
USM Institutions							
Coppin State University	\$1,749	\$1,749	\$1,749	\$1,866	0%	0%	7%
UM Eastern Shore	1,960	2,070	2,120	2,220	6%	2%	5%
Bowie State University	1,754	1,739	1,800	1,956	-1%	4%	9%
Salisbury University	1,804	1,948	2,072	2,124	8%	6%	3%
Frostburg State University	1,684	1,754	1,824	1,972	4%	4%	8%
Towson University	2,238	2,320	2,410	2,472	4%	4%	3%
University of Baltimore	1,846	1,846	1,846	1,846	0%	0%	0%
UM College Park	1,509	1,653	1,689	1,733	10%	2%	3%
UM Baltimore County	2,388	2,492	2,588	2,679	4%	4%	4%
UM University College ¹	240	312	312	360	30%	0%	15%
Other Public Four-year Institutions							
Morgan State University	\$2,266	\$2,319	\$2,388	\$2,336	2%	3%	-2%
St. Mary’s College of Maryland	2,239	2,305	2,440	2,528	3%	6%	4%

¹ Based on 24 credit hours

Key: UM = University of Maryland; USM = University System of Maryland

Note: The University of Maryland, Baltimore is not reflected because data on fees for fiscal 2010 through 2012 is not readily available; fees for fiscal 2013 are reflected in Exhibit 2.

Source: University System of Maryland, Morgan State University, and St. Mary’s College of Maryland

State Revenues: Assuming that, absent the bill, mandatory fees increase 4% annually, capping the mandatory fee increases at 3% annually decreases higher education tuition revenues by an estimated \$2.2 million in fiscal 2014, increasing to \$12.5 million in

fiscal 2018. The following information and assumptions were used to calculate this estimate.

- The percent change in mandatory fees at public four-year institutions varies considerably; however, for the purposes of this estimate it is assumed that, absent the bill, they increase by 4% annually.
- It is assumed that the total in-state enrollment at each institution remains constant. Thus, for fiscal 2014, it is estimated that revenues for public four-year institutions decrease by \$2.2 million.

Exhibit 2
Estimated Total Mandatory Fee Revenue Loss Due to Bill
Fiscal 2014

	<u>FY 2013</u>	<u>4%</u>	<u>3%</u>		<u>Total</u>	<u>Revenue</u>
	<u>Fees</u>	<u>Increase</u>	<u>Increase</u>	<u>Difference</u>	<u>In-state</u>	<u>Loss</u>
					<u>Enrollment</u>	<u>FY 2014</u>
USM Institutions						
Coppin State University	\$1,866	\$1,941	\$1,922	\$19	3,179	\$59,320
UM Eastern Shore	2,220	2,309	\$2,287	22	3,501	77,722
Bowie State University	1,956	2,034	\$2,015	20	4,894	95,727
Salisbury University	2,124	2,209	\$2,188	21	7,427	157,749
Frostburg State University	1,972	2,051	\$2,031	20	4,772	94,104
Towson University	2,472	2,571	\$2,546	25	18,084	447,036
University of Baltimore	1,846	1,920	\$1,901	18	7,345	135,589
UM College Park	1,733	1,802	\$1,785	17	23,801	412,471
UM Baltimore County	2,679	2,786	\$2,759	27	12,137	325,150
UM University College	360	374	\$371	4	32,490	116,964
UM Baltimore	1,547	1,609	\$1,593	15	4,738	73,297
USM Total						\$1,995,130
Other Four-year Institutions						
Morgan State University	\$2,336	\$2,429	\$2,406	23	6,094	\$142,348
St. Mary's College of Maryland	2,528	2,629	2,604	25	1559	39,412
Total Public Four-year Institutions						\$2,176,890

Key: UM = University of Maryland; USM = University System of Maryland

Note: Numbers may not sum due to rounding.

Source: Department of Legislative Services

- The estimated loss in mandatory fee revenues due to the cap using the same assumptions as above for fiscal 2015 through 2018 is shown in **Exhibit 3** below. To the extent mandatory fee increases absent the bill would have been less or more, the actual loss in fee revenues will be more or less.

Exhibit 3
Estimated Total Mandatory Fee Revenue Loss Due to Bill
Fiscal 2015-2018

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
USM Institutions				
Coppin State	\$122,793	\$190,637	\$263,083	\$340,372
UM Eastern Shore	160,885	249,776	344,696	445,961
Bowie State University	198,154	307,637	424,545	549,268
Salisbury University	326,541	506,960	699,615	905,148
Frostburg State University	194,795	302,422	417,348	539,957
Towson University	925,366	1,436,641	1,982,596	2,565,043
University of Baltimore	280,669	435,741	601,332	777,992
UM College Park	853,816	1,325,559	1,829,300	2,366,712
UM Baltimore County	673,061	1,044,935	1,442,033	1,865,674
UM University College	242,115	375,887	518,732	671,126
UM Baltimore	151,725	235,554	325,070	420,569
USM Total	\$4,129,919	\$6,411,749	\$8,848,351	\$11,447,822
Other Public Four-year Institutions				
Morgan State University	\$294,661	\$457,465	\$631,311	\$816,778
St. Mary's College of Maryland	81,582	126,657	174,789	226,139
Total Public Four-year Institutions	\$4,506,162	\$6,995,871	\$9,654,452	\$12,490,738

Key: UM = University of Maryland; USM = University System of Maryland

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Morgan State University, University System of Maryland, Department of Legislative Services

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ncs/rhh

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