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FISCAL AND POLICY NOTE

House Bill 935
Appropriations

(Delegates Stifler and Kaiser)

Education, Health, and Environmental Affairs

Public Institutions of Higher Education - In-State Tuition for Military Veterans

This bill exempts honorably discharged veterans from the U.S. Armed Forces from paying out-of-state tuition at a public institution of higher education in the State if the individual resides in or is domiciled in the State.

Fiscal Summary

State Effect: Tuition revenues at public institutions of higher education may be affected, with a potential significant loss of revenues for specific institutions beginning in FY 2014. Public four-year institutions of higher education that participate in the Yellow Ribbon Program may lose tuition revenue from the U.S. Department of Veterans Affairs (VA). Baltimore City Community College (BCCC) tuition revenues are not materially affected due to there only being a three-month residency requirement to receive the in-state tuition rate and it being unlikely for individuals to move to the State solely to attend a community college. Expenditures are not affected.

Local Effect: Overall, it is assumed that the bill has a negligible net impact on total community college tuition revenues. If enrollments increase significantly, community college expenditures to meet student needs may also increase. Local community colleges that participate in the Yellow Ribbon Program may lose tuition revenue from the VA. Tuition revenues at other community colleges are not materially affected due to it being unlikely for individuals to move to the State solely to attend a community college.

Small Business Effect: None.

Analysis

Bill Summary: Essentially, the bill allows all honorably discharged veterans who live in or move to Maryland to receive in-state tuition without (1) meeting a 3- or 12-month residency requirement or (2) attending and graduating from a high school in the State and enrolling at a public institution of higher education within four years of discharge.

Current Law: Chapter 191 of 2011 (SB 167), known as the Dream Act, was petitioned to referendum and approved by Maryland voters in November 2012. Therefore, an individual who attended and graduated from Maryland high schools is exempt from paying out-of-state tuition, and in certain instances out-of-county tuition, at community colleges in Maryland under specified circumstances. Nonimmigrant aliens who are in the country on student visas do not qualify for the exemption, but otherwise the exemption applies regardless of residency status. An individual who graduates from or earns a certain number of credits from a community college under the bill is then exempt from paying nonresident (*i.e.*, out-of-state) tuition at a public senior higher education institution in Maryland under specified circumstances.

An honorably discharged veteran of the U.S. Armed Forces is exempt from nonresident tuition if the veteran presents, within four years after discharge, (1) evidence that the veteran attended a secondary school in Maryland for at least three years and (2) documentation that the veteran graduated from a Maryland high school or received the equivalent of a high school diploma in Maryland.

Active duty military personnel who reside in Maryland or are domiciled or stationed in Maryland are considered State residents, as are their dependents. An individual who is considered a Maryland resident for tuition purposes at a community college is included in the count used to determine State aid to the college.

A spouse or financially dependent child of an active duty member of the U.S. Armed Forces is exempt from nonresident tuition charges if the member is stationed in Maryland, resides in Maryland, or is domiciled in Maryland. If the member ceases to be stationed in Maryland, reside in Maryland, or be domiciled in Maryland, the spouse or child of the member remains qualified for resident tuition if the spouse or child is continuously enrolled at a public institution of higher education.

Members of the Maryland National Guard are also exempt from paying nonresident tuition at public institutions of higher education in Maryland.

For institutions within the University System of Maryland (USM), the Board of Regents sets tuition policies, including the determination of which students are eligible for resident tuition. The basic policy requires students to be identified as permanent

residents of Maryland to qualify for resident tuition, meaning they have lived continuously in the State for at least 12 months immediately prior to attendance at a USM institution. An individual who is residing in Maryland primarily for the purpose of attending an educational institution is not considered a permanent resident.

The Board of Regents of Morgan State University and the Board of Trustees of St. Mary's College of Maryland set tuition policies for those institutions. The policies for the institutions are very similar to the USM policies. Both institutions require one year of residency in Maryland to qualify for in-state tuition rates.

Tuition policies at community colleges are set by State regulations and the boards of trustees for the colleges. There are three levels of tuition at community colleges: in-county, out-of-county, and out-of-state. In general, there is a three-month residency requirement for community colleges. Community college students who are considered Maryland residents for tuition purposes are included in the enrollment counts used to determine State aid to the colleges.

Background: Legislation that would grant in-state tuition to all honorably discharged veterans has been introduced in several states including Arizona, Kansas, and Michigan. The governing body of the University of Central Missouri recently approved a policy that will grant all veterans in-state tuition beginning with the fall 2013 semester, and Indiana State University is currently considering such a policy.

When actively serving in the Armed Forces, service members live where the military needs them. Once their service is over, and a service member is discharged, it can be difficult for them to establish residency in any state in order to receive in-state tuition benefits. Thus, despite the Post-9/11 GI Bill, some veterans are unable to afford college directly after discharge, which delays their reentry into the civilian workforce and life.

Post-9/11 GI Bill

In 2008, the U.S. Congress created the Post-9/11 GI Bill, which provides enhanced federal educational aid for veterans serving after 9/11. Veterans who meet eligibility requirements for this program receive a housing allowance, a stipend for books and supplies, and funds to support the cost of attendance, up to the cost of in-state tuition for the most expensive undergraduate program of study at a public university, which is estimated to be \$15,300 in Maryland for the 2013-2014 academic year. The Post-9/11 GI Bill marked a significant increase in federal educational support for those serving in the Armed Forces after 9/11.

Under the Post-9/11 GI Bill, a veteran who has served or committed to serve in the Armed Forces for at least 10 years may transfer GI benefits to children and spouses. Once that benchmark is met, an eligible active-duty military individual may transfer any unused benefits or the entire 36 months, if the member has used none.

The Post-9/11 Veterans Educational Assistance Improvements Act of 2010 changes the way federal Post-9/11 veterans' benefits are applied. Effective August 2011, institutional and State financial aid awarded through the program will be applied to the cost of tuition first, followed by federal veterans' benefits – making the federal government the last payor of aid.

Yellow Ribbon Program

The Yellow Ribbon Program is a provision of the law that created the Post-9/11 GI Bill. The Yellow Ribbon Program is available for institutions of higher learning (degree-granting institutions) in the United States or at a branch of such institutions located outside the United States. The program allows approved institutions of higher learning and the VA to partially or fully fund tuition and fee expenses that exceed the established thresholds under the Post-9/11 GI Bill. Only veterans at the 100% benefit level are eligible.

Institutions may elect to participate in the Yellow Ribbon Program to make additional funds available for a veteran's education program without an additional charge to the individual's GI Bill entitlement. Institutions that voluntarily enter into a Yellow Ribbon Agreement with the VA choose the amount of tuition and fees that will be contributed, and the VA will match that amount and issue payment directly to the institution.

Exhibit 1 shows the public institutions of higher education in Maryland participating in the Yellow Ribbon Program and the conditions of each institution's agreement. Three community colleges and six public four-year institutions of higher education participate in the program. Several private institutions also participate in the program but are not shown in the exhibit since the bill only applies to public institutions.

Exhibit 1
Public Colleges and Universities Participating in the Yellow Ribbon Program
Conditions of Agreement
2012-2013 Academic Year

	<u>Number of Students</u>	<u>Maximum School Contribution Amount (Per Student/Per Year)</u>
<i>Community Colleges</i>		
Anne Arundel Community College	Unlimited	Unlimited
College of Southern Maryland	25	Unlimited
Frederick Community College	10	\$1,008
<i>Public Four-years</i>		
Frostburg State University	25	2,547
St. Mary's College of Maryland ¹	Unlimited	6,280
Salisbury University	30	4,500
Towson University	30 ²	1,000
University of Maryland, Baltimore ³	20	1,300
University of Maryland University College	Unlimited	Unlimited

¹Limited to undergraduate program

²Limited to 20 undergraduates students and 10 graduate students

³Limited to the School of Law Graduate Program

Source: U.S. Department of Veterans Affairs

In-state and Out-of-state Tuition Rates

Proposed fall 2013 in-state and out-of-state tuition and fee rates for full-time undergraduates at the State's public four-year institutions are shown in **Exhibit 2**. The differences between the rates average more than \$10,000.

Exhibit 2
In-state and Out-of-state Undergraduate Tuition and Mandatory Fees
Proposed Fall 2013 Rates

	<u>In-state</u>	<u>Out-of-state</u>	<u>Difference</u>
USM Institutions			
Coppin State	\$5,882	\$10,816	\$4,934
UM Eastern Shore	6,998	15,504	8,506
Bowie State University	6,954	17,521	10,567
Salisbury University	8,128	16,474	8,346
Frostburg State University	7,728	18,376	10,648
Towson University	8,324	20,002	11,678
University of Baltimore	7,220	17,938	10,718
UM College Park	9,153	27,297	18,144
UM Baltimore County	9,771	28,339	18,568
UM University College	6,207	11,991	5,784
UM Baltimore	6,562	24,751	18,189
Other Public Four-year Institutions			
Morgan State University	7,152	16,636	9,484
St. Mary's College of Maryland	15,354	28,664	13,310

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

Note: Rates are pending final approval.

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

State Revenues: It is unknown how many veterans will take advantage of the opportunity to receive in-state tuition in Maryland immediately, without first having resided in the State for 12 months (3 months for BCCC), or how many will choose to move to the State for educational purposes. However, public four-year institutions of higher education could lose approximately \$10,900 in tuition revenue for each veteran who chooses to move to the State solely for educational purposes and attends a public four-year institution or who attends without first having resided in the State for 12 months. As explained below, the actual loss in tuition revenues may be significantly less than the full difference between in-state and out-of-state tuition if public four-year institutions simply consider all veterans as in-state applicants during the admissions process.

Public four-year institutions have considerable autonomy over admissions and generally maintain fairly stable proportions of in-state and out-of-state students. The bill does not affect that autonomy. Therefore, despite the differences in tuition levels for in-state and out-of-state students, tuition revenues at most institutions will not be materially affected. As long as there are no major adjustments to the proportion of students who qualify for in-state tuition, institutions can adjust admissions to avoid any significant loss of tuition revenues.

However, institutions with a large veteran population and those participating in the Yellow Ribbon Program may find adjusting their in-state and out-of-state populations under the bill a challenge, especially institutions that have developed programs specifically to attract veterans such as the University of Maryland University College, which similar to community colleges is essentially an open enrollment institution. Information on the percentage of veterans at public four-year institutions is not readily available; thus, a further analysis cannot be done.

The impact may also be significant at those campuses with out-of-state enrollment of 20% or more: University of Maryland, College Park; University of Maryland Eastern Shore; and Morgan State University. For these institutions, tuition revenues may decrease significantly depending on how many veterans enroll and pay in-state tuition. However, to the extent veterans would not have otherwise enrolled because they could not afford to pay out-of-state tuition or the institutions increase undergraduate enrollment overall, the impact may be minimal.

It assumed that, overall, the bill will have a negligible net impact on BCCC.

Local Fiscal Effect: Unlike four-year institutions, community colleges have open enrollments and cannot control the proportion of in-county, out-of-county, and out-of-state students who attend the colleges. Any expansion in the definition of a resident student may, therefore, result in a decrease in community college tuition revenues. However, granting resident tuition rates may also attract students who qualify for reduced rates, thereby increasing enrollments and revenues. Overall, it is assumed that the bill has a negligible net impact on total community college tuition revenues. If enrollments increase significantly, community college expenditures to meet student needs may also increase.

Additional Comments: If a significant number of veterans who would not have been eligible for in-state tuition under current law apply to public four-year institutions in the State, some individual veterans may find admittance to a public four-year institution more difficult.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Morgan State University, University System of Maryland, Maryland Department of Veterans Affairs, U.S. Department of Veterans Affairs, Department of Legislative Services

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