

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 1136
Appropriations

(Delegate Shoemaker, *et al.*)

Higher Education - Military Dependents - In-State Tuition

This bill exempts the spouse or a financially dependent child of an active-duty or retired member of the U.S. Armed Forces from paying nonresident tuition at a public institution of higher education in the State – if the active-duty or retired member was stationed in the State at any time *and* the dependent attended a public or private school in the State at any time during the four years immediately before enrolling in a public institution of higher education in the State.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Tuition revenues at public four-year institutions of higher education are not materially affected due to the federal Veterans Access, Choice and Accountability Act of 2014 (Choice Act) and the bill’s requirement that the service member was stationed in the State *and* that the dependent attended school in the State in the past four years before enrolling. However, the bill likely puts Maryland institutions out of compliance with the Choice Act. Baltimore City Community College 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 since it is unlikely that individuals move to the State solely to attend a community college.

Small Business Effect: None.

Analysis

Current Law: Under Section 702 of the federal Choice Act, veterans and their spouses and children, using Veterans Education Benefits under the Post-9/11 GI Bill or the Montgomery GI Bill, must be exempt from paying out-of-state tuition at public institutions of higher education by July 1, 2015.

Under federal law, specified veterans of the U.S. Armed Forces are entitled to Veterans Education Benefits from the federal government under the Post-9/11 GI Bill and the Montgomery GI Bill. Under certain circumstances, veterans may transfer their benefits to their dependents. In addition, a child of a person who died in the line of duty after September 11, 2001, while serving on active duty as a member of the U.S. Armed Forces is entitled to Veterans Education Benefits.

Chapter 191 of 2011, 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 Act is then exempt from paying nonresident (*i.e.*, out-of-state) tuition at a public four-year higher education institution in Maryland under specified circumstances.

An active-duty member of the U.S. Armed Forces and his or her spouse and financially dependent children are 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 and/or children of the member remain qualified for resident tuition if the spouse and/or children are continuously enrolled at a public institution of higher education.

An honorably discharged veteran of the U.S. Armed Forces is also exempt from nonresident tuition if the veteran presents documentation that the individual was honorably discharged and resides in the State or is domiciled in the State.

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: When actively serving in the U.S. Armed Forces, service members live where the military needs them. Once their service is over and they are discharged, it can be difficult for service members and their dependents to establish residency in any state in order to receive in-state tuition benefits.

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 who served after September 11, 2001. 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 \$13,800 in Maryland for the 2014-2015 academic year. The Post-9/11 GI Bill marked a significant increase in federal educational support for those serving in the U.S. Armed Forces after 9/11.

Under the Post-9/11 GI Bill, a veteran who has served or committed to serve in the U.S. 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 changed the way federal Post-9/11 veterans' benefits are applied. Effective August 2011, institutional and State financial aid awarded to a veteran is applied to the cost of tuition *first*, followed by federal veterans' benefits – making the federal government the last payor of aid.

Veterans Access, Choice and Accountability Act of 2014

Under Section 702 of the federal Choice Act, veterans and their spouses and children, using Veterans Education Benefits under the Post-9/11 GI Bill and the Montgomery GI Bill, must be exempt from paying out-of-state tuition at public institutions of higher education by July 1, 2015. Institutions must provide in-state tuition to veterans and eligible dependents to remain eligible to receive GI Bill education payments. The Maryland Higher Education Commission, serving as the State approving agency for Veterans Education Benefits in Maryland, is currently assisting the public institutions in their efforts to revise their residency policies to include an exemption for out-of-state tuition for spouses and children of veterans using Veterans Education Benefits to conform with the federal law.

State Fiscal Effect: Under the federal law, dependents of out-of-state veterans can apply to a Maryland public institution of higher education and pay in-state tuition if they are using federal Veterans Education Benefits under the Post-9/11 GI Bill or the Montgomery GI Bill. The bill *limits* the in-state tuition benefit to dependents of specified service members who attended school in the State at any time during the four years immediately before enrolling in an institution if the service member was stationed in the State at any time. This bill would likely put the State's public institutions out of compliance with the federal law, which could result in a significant loss of federal Veterans Education Benefits revenues to the public four-year institutions and community colleges.

In addition, the bill *expands* the in-state tuition benefits to eligible dependents who attended school in Maryland even if these individuals are *not* using federal Veterans Education Benefits under the Post-9/11 GI Bill or the Montgomery GI Bill. This may reduce tuition revenues for higher education institutions depending on the number of such dependents who claim in-state tuition under the bill.

Additional Information

Prior Introductions: SB 18 of 2014 received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Cross File: Although not designated as a cross file, SB 843 (Senator Waugh, *et al.* – Education, Health, and Environmental Affairs) is identical.

Information Source(s): Baltimore City Community College, Maryland Higher Education Commission, Morgan State University, University System of Maryland Department of Veterans Affairs, Department of Legislative Services

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