SB 50

Department of Legislative Services

Maryland General Assembly
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FISCAL AND POLICY NOTE
Third Reader

Senate Bill 50 (Senator Young, *et al.*)

Education, Health, and Environmental Affairs Appropriations

Higher Education - Returned Peace Corps Volunteers - In-State Tuition

This bill exempts a returned Peace Corps volunteer domiciled in the State from paying nonresident tuition at a public institution of higher education in the State. A community college student who pays in-state tuition under the bill must be included as an in-state resident for computation of State aid under the Senator John A. Cade Funding Formula for community colleges and the Baltimore City Community College (BCCC) funding formula. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: The bill is not anticipated to materially impact the number of individuals who qualify for in-state tuition at public four-year institutions of higher education or BCCC, as explained below. As a result, general fund expenditures through the Cade and BCCC funding formulas as well as higher education revenues and expenditures are not materially affected.

Local Effect: No material impact on community college revenues or expenditures.

Small Business Effect: None.

Analysis

Bill Summary: "Returned Peace Corps volunteer" is defined as a person who has been certified by the Director of the Peace Corps as having served satisfactorily as a Peace Corps volunteer.

Current Law: There are in-state tuition exemptions (or waivers) for public school teachers if the courses are related to or needed for their employment, military personnel and their spouses and dependents in certain circumstances, State and local public safety personnel and their families, AmeriCorps volunteers, and certain undocumented immigrants who have resided in the State in certain circumstances.

Tuition Residency Requirements

For institutions within the University System of Maryland (USM), the Board of Regents sets tuition policies, including determining which students are eligible for resident (*i.e.*, in-state) tuition. The basic policy, USM Board of Regents Policy on Student Classification for Admission and Tuition Purposes (VIII-2.70), 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 (MSU) and the Board of Trustees of St. Mary's College of Maryland (SMCM) 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.

The USM Board of Regents Policy on Undergraduate Admissions (III-4.00) limits out-of-state undergraduate enrollment to no more than 30% of each institution's total undergraduate enrollment, excluding the University of Maryland Global Campus and students enrolled exclusively in distance education programs.

Typically, there is a three-month residency requirement for community colleges.

Senator John A. Cade and Baltimore City Community College Funding Formulas

The formula used for the distribution of funds to community colleges is known as the Senator John A. Cade Funding Formula. The State's annual contribution to the Cade formula is determined by enrollment at community colleges and a percentage, set in statute, of the level of funding received by selected public four-year institutions. Specifically, the formula bases per student funding on a set statutory percentage of current year State appropriations per full-time equivalent student (FTES) at the selected four-year institutions, including noncapital appropriations from the Higher Education Investment Fund. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

The BCCC funding formula operates in the same fashion. The BCCC percentage, which is set in statute, is higher than Cade, resulting in a higher per FTES amount.

State Fiscal Effect: 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 are not 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 revenue. According to the Peace Corps in 2019, there were approximately 7,300 individuals serving as Peace Corp volunteers or trainees, of which approximately 260 were from Maryland. More recent data is not available because in March 2020, the Peace Corps suspended its global operations and evacuated its volunteers due to the COVID-19 pandemic. In June 2021, the Peace Corps announced it would resume limited overseas operations.

The fiscal impact of this bill on public four-year institutions is a potential loss of tuition and fee revenues equal to the difference between in-state and out-of-state tuition and fees for each returning Peace Corps volunteer domiciled in Maryland that enrolls at a USM institution, MSU, SMCM, or BCCC. During the 2020-2021 academic year, at most USM institutions, out-of-state students made up no more than 15% of undergraduates, so the impact of the bill is not significant. There may be a minimal impact at campuses with out-of-state enrollment of 20% or more: University of Maryland, Baltimore Campus; University of Maryland, College Park Campus; and University of Maryland Eastern Shore. For these institutions, tuition revenues may decrease if the institutions choose to admit a significant number of former Peace Corps volunteers who would have not otherwise qualified for in-state tuition. However, to the extent former Peace Corps volunteers would not have otherwise enrolled because they could not afford to or choose not to pay out-of-state tuition, or the institutions increase enrollment overall, the impact may be minimal.

As discussed further below, this estimate anticipates that very few community college students qualify for and take advantage of in-state tuition under the bill. As a result, general fund expenditures through the Cade and BCCC funding formulas are not anticipated to be materially affected.

Local Revenues: More out-of-county and out-of-state individuals qualify earlier for in-county tuition at a community college than under current law (three-month residency requirement); also, former Peace Corps volunteers qualify for in-county tuition at any community college in Maryland without ever residing in the jurisdiction(s) the community college serves. This analysis assumes very few individuals qualify for and take advantage of the less restrictive benefit. Thus, community college revenues are not anticipated to be materially impacted.

Additional Information

Prior Introductions: HB 246 of 2021 passed the House and was referred to the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken. Its cross file, SB 554, received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Designated Cross File: HB 87 (Delegate Hill) - Appropriations.

Information Source(s): Peace Corps; Maryland Higher Education Commission; University System of Maryland; St. Mary's College of Maryland; Department of Legislative Services

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