

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 192 (Chairman, Ways and Means Committee)
(Departmental - Higher Education Commission)

Ways and Means

Higher Education - Community Colleges - Tuition and Fees for Nonresident Students

This departmental bill reduces the amount of tuition and fees that a local community college must charge to nonresident students. In addition, a community college board of trustees may waive the out-of-state fee and the out-of-county/region fee for a student who is employed by a business located in the county that supports the community college.

This bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Special fund revenues could decrease by at least \$90,000 annually. Expenditures would not be affected.

Local Effect: Local community college revenue could decrease by at least \$8.6 million annually beginning in FY 2001, assuming that each board of trustees sets the minimum tuition rate required by this bill and that current out-of-state tuition rates at each college complies with existing State law. Approximately one-half of the revenue loss is due to a reduction in the out-of-state tuition rate for non-state residents. Expenditures would not be affected.

Small Business Effect: The Maryland Higher Education Commission (MHEC) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: This bill reduces the amount of the out-of-state fee and the out-of-county/region fee that a local community college has to charge to nonresident students. The out-of-state fee totals at least 60% of the county share per full-time equivalent student (FTES) and the marginal cost component of the State share per FTES. The out-of-county/region fee totals at least 60% of the county share per FTES. Nonresident students, in addition to the out-of-state and out-of-county/region fee, continue to pay the student tuition and fees payable by county residents.

The board of trustees of a community college can waive the out-of-state fee and the out-of-county/region fee for a student who is employed by a business located in the county that supports the community college. This provision also applies to the Baltimore City Community College. Any nonresident student who receives a tuition waiver cannot be included as an in-State resident for purposes of calculating State aid to community colleges.

Current Law: The tuition rate for an out-of-state resident attending a local community college in Maryland equals the tuition and fees payable by a State resident plus an out-of-state fee equal to the State share and the county share per full-time equivalent student. The out-of-state tuition rate does not apply to (1) a resident of West Virginia who attends Garrett Community College under a negotiated reciprocity agreement between the two states; and (2) an out-of-state resident enrolled in an education program leading to licensure in nursing. The out-of-state tuition rate for fiscal 2000 ranges from \$4,825 at Wor-Wic Community College to \$9,126 at Garrett Community College.

The tuition rate for a student who attends a community college which is not supported by the county in which the student resides equals the tuition and fees payable by a resident of a county that supports the community college plus an out-of-county or out-of-region fee equal to the county share per FTES.

Background: Current out-of-state tuition amounts basically require an out-of-state resident attending a community college in Maryland to pay the full cost of the college program, thereby preventing State residents from subsidizing the education of non-state residents. Approximately 75,000 FTES attend Maryland's 16 local community colleges. Out-of-state students account for about 3% or 2,548 students. The percentage of out-of-state students at each local community college ranges from less than 1% of total students at seven colleges (Anne Arundel, Carroll, Charles, Chesapeake, Harford, Howard, and Wor-Wic) to over 30% at Allegany College.

Out-of-county students account for about 7% or 5,055 students. The percentage of out-of-county students at each local community college ranges from less than 1% at Chesapeake

College, a regional college serving Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties, to 14% at the Community College of Baltimore County and 15% at Charles County Community College. Effective July 1, 1999, the Charles County Community College became the College of Southern Maryland and was designated a regional college serving Calvert, Charles, and St. Mary's counties.

Policies in Surrounding States

West Virginia has reciprocity agreements with both Maryland and Kentucky. The agreement with Maryland allows up to 150 West Virginia students to attend Garrett Community College at in-state rates. In return, up to 50 students from Washington and Frederick counties may attend Shepherd College at in-state rates. Additionally, West Virginia University agrees to enroll Garrett Community College students at in-state rates in programs not available at Frostburg State University.

In Virginia, non-residents are required to pay the full cost of instruction at the commonwealth's two-year colleges. No provisions are made for reduced rates for residents in neighboring states. In Delaware, the out-of-state tuition for Delaware Technical, the state's only two-year college, is set at two and a half times the in-state rate. No provisions are made for reduced rates for residents in neighboring states. In Pennsylvania, the out-of-state rate is based on four times the local sponsor rate.

State Fiscal Effect: Baltimore City Community College is a State agency funded mostly by student tuition and fees and State general funds. Assuming the college's board of trustees approves a reduction in out-of-state tuition payments, State special fund revenues from nonresident students attending the Baltimore City Community College could decrease by approximately \$90,000. In addition, the board of trustees can waive the out-of-state tuition payments for a student who is employed by a business located in Baltimore City.

Local Fiscal Effect: Local revenues from nonresident students could decrease by a significant amount. In fiscal 1998 local community colleges collected approximately \$17 million in tuition payments from out-of-state students and \$10 million from out-of-county/region students. For illustrative purposes, under the bill local community colleges would collect only \$12.4 million from out-of-state students and \$6 million from out-of-county/region students. This results in an \$8.6 million decrease in tuition revenues for local community colleges.

The decrease in out-of-state tuition ranges from 15% in Prince George's County to 47% in Garrett County. In Allegany County, where over 30% of students are from out-of-state, the potential impact would be significant. Assuming the community college lowers the out-of-state tuition rate, Allegany County revenues would decrease by about \$1.5 million which

reflects a 30% decrease in the out-of-state tuition rate. It should be noted that Allegany County is one of the six community colleges that has failed to charge out-of-state students the full tuition rate as required by State law (see additional comments section). Accordingly, it is very likely that Allegany College and the other five community colleges will reduce their out-of-state tuition payments. **Exhibits 1 and 2** show the potential fiscal impact for each local community college.

In addition, the board of trustees of a community college can waive the out-of-state fee and the out-of-county/region fee for a student who is employed by a business located in the county that supports the community college. This could result in a further reduction in community college revenue.

Additional Comments: In the fall of 1995, MHEC became aware that at least one local community college was not complying with the statutory provision that requires colleges to charge out-of-state students the full cost of education (i.e., in-State tuition plus the State and local contributions per FTES). By 1996, MHEC had determined that several other colleges were out of compliance with State law. In 1997, MHEC agreed to a plan that allowed the six non-complying community colleges to phase in the statutory tuition requirement over a five-year period, with full compliance occurring by the fall of 2001 (fiscal 2002).

State aid to local community colleges will increase by \$22.6 million in fiscal 2001, which represents a 19% growth rate over the amount of funding provided in fiscal 2000. State funding under the Cade formula in fiscal 2001 reflects a 2.7% growth in student enrollment and a 15% increase in the per student grant amount. The per student grant amount is based on 24% of the fiscal 2000 State aid per student at selected four-year colleges. In addition, grants for small community colleges total \$2.2 million in fiscal 2001.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Department of Legislative Services

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Potential Revenue Loss Due to Out-of-State Tuition Decrease

<u>Community College</u>	<u>FY 1998 Out-of-State Students</u>	<u>Out-of-State Tuition Current Law</u>	<u>Out-of-State Tuition Proposed Law</u>	<u>Difference In Tuition</u>	<u>Percent Difference</u>	<u>Impact on Revenues</u>
Allegany	701	7,231	5,036	(2,195)	-30.4%	(\$1,539,000)
Anne Arundel	22	4,568	3,810	(758)	-16.6%	(16,700)
Baltimore	268	5,516	4,235	(1,281)	-23.2%	(343,300)
Carroll	13	5,922	4,298	(1,624)	-27.4%	(21,100)
Cecil	67	7,789	5,192	(2,597)	-33.3%	(173,900)
Charles	15	5,622	4,586	(1,036)	-18.4%	(15,500)
Chesapeake	3	6,337	4,522	(1,815)	-28.6%	(5,400)
Frederick	30	6,167	4,859	(1,308)	-21.2%	(39,200)
Garrett	69	9,126	4,839	(4,287)	-47.0%	(296,100)
Hagerstown	334	6,169	4,541	(1,628)	-26.4%	(543,900)
Harford	26	5,741	4,422	(1,319)	-23.0%	(34,300)
Howard	30	6,645	5,282	(1,363)	-20.5%	(40,900)
Montgomery	795	7,260	5,533	(1,727)	-23.8%	(1,373,100)
Prince George's	102	5,081	4,339	(742)	-14.6%	(75,700)
Wor-Wic	<u>13</u>	4,825	3,512	(1,313)	-27.2%	(17,100)
Total	2,488					(\$4,535,200)

Prepared by the Department of Legislative Services, February 2000

Exhibit 2
Potential Revenue Loss Due to Out-of-County Tuition Decrease

Community College	FY 1998 Out-of-County Students	Out-of-County Tuition Fee Current Law	Out-of-County Tuition Fee Proposed Law	Difference In Fee	Impact on Revenues
Allegany	149	2,609	1,565	(1,044)	(\$155,500)
Anne Arundel	461	1,565	939	(626)	(288,600)
Baltimore	2,144	2,073	1,244	(829)	(1,777,700)
Carroll	52	1,929	1,157	(771)	(40,100)
Cecil	26	3,768	2,261	(1,507)	(39,200)
Charles	547	2,058	1,235	(823)	(450,300)
Chesapeake	11	2,451	1,471	(980)	(10,800)
Frederick	87	2,464	1,478	(986)	(85,700)
Garrett	48	2,683	1,610	(1,073)	(51,500)
Hagerstown	40	2,084	1,250	(833)	(33,300)
Harford	65	2,386	1,432	(955)	(62,000)
Howard	343	2,768	1,661	(1,107)	(379,800)
Montgomery	483	3,536	2,122	(1,415)	(683,200)
Prince George's	109	1,197	718	(479)	(52,200)
Wor-Wic	<u>33</u>	1,519	912	(608)	<u>(20,100)</u>
Total	4,598				(\$4,130,000)

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