

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 474 (Senator Pinsky)
Education, Health, and Environmental Affairs

Higher Education - In-State Tuition Rates for Nonresident Students

This bill allows an out-of-state teacher education student attending a public institution of higher education in Maryland to receive in-state tuition. For each year that an out-of-State student receives in-state tuition, the student must agree to teach in Maryland for one year in a challenge school, a school under local reconstitution, or a school system that uses noncertified teachers for more than 10% of its teaching staff. The student must furnish a surety bond or guaranteed promissory note that affirms this commitment. An eligible student attending a community college receives in-county tuition rates and is counted as an in-state student for the purpose of State aid to the college.

Fiscal Summary

State Effect: Tuition revenues at public institutions of higher education would decrease by an estimated \$1.3 million in FY 2003. General fund expenditures would increase by an estimated \$37,400 in FY 2003. General fund expenditures for community college State aid would increase minimally beginning in FY 2005. Future year revenues and expenditures reflect annualization, salary increases, and inflation.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Higher Ed Rev.	(\$1,261,800)	(\$2,624,600)	(\$2,729,600)	(\$2,838,800)	(\$2,952,300)
GF Expenditure	37,400	44,300	46,400	48,700	51,100
Net Effect	(\$1,299,200)	(\$2,668,900)	(\$2,776,000)	(\$2,887,500)	(\$3,003,400)

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

Local Effect: Community college tuition revenues could decrease beginning in FY 2003, offset by an increase in State aid revenues beginning in FY 2005. Potential reduction in local school system expenditures for teacher recruitment.

Small Business Effect: None.

Analysis

Current Law: Residents of other states are charged higher tuition rates at Maryland's public institutions of higher education. Out-of-state students attending community colleges in Maryland are not included in the enrollment count that is used to calculate State aid for the colleges.

Background: There are a total of 76 challenge schools in the State and 99 schools that have been placed under local reconstitution. In addition, more than 10% of teachers in the Baltimore City (25% of teachers) and Prince George's County (18% of teachers) public school systems hold only provisional certification.

The differences between in-state and out-of-state tuition rates at Maryland's four-year public institutions of higher education are shown in **Exhibit 1**. In-county, out-of-county, and out-of-state tuition rates for community colleges are shown in **Exhibit 2**.

Exhibit 1 Annual In-State and Out-of-State Tuition Rates at Four-year Institutions Fiscal 2003 Rates

	<u>In-State</u>	<u>Out-of-State</u>	<u>Difference</u>
USM Institutions			
Bowie State	\$2,941	\$9,023	\$6,082
Coppin State	2,837	8,168	5,331
Frostburg State	3,566	9,232	5,666
Salisbury	3,346	9,030	5,684
Towson	3,712	10,891	7,179
UM - Baltimore	3,832	12,480	8,648
UM - Baltimore County	4,550	10,656	6,106
UM - College Park	4,508	13,026	8,518
UM - Eastern Shore	2,986	7,455	4,469
Other four-year Public Institutions			
Morgan State	\$3,220	\$9,640	\$6,420
St. Mary's College	6,925	12,260	5,335
Average	\$3,974	\$10,267	\$6,293

Exhibit 2
Tuition Rates at Community Colleges in Maryland
Fiscal 2002 Rates

	<u>In-County</u>	<u>Out-of-County</u>	<u>Out-of-State</u>
College			
Allegany	\$2,550	\$5,010	\$5,580
Anne Arundel	1,800	3,450	6,120
Baltimore City	1,800	1,800	4,500
Baltimore County	2,040	3,630	5,280
Carroll	2,250	3,840	5,850
Cecil	1,950	4,650	6,000
Chesapeake	1,950	2,820	3,870
Southern MD	2,250	4,380	5,790
Frederick	2,220	4,800	6,660
Garrett	2,280	4,320	5,610
Hagerstown	2,220	3,570	4,680
Harford	1,950	3,900	5,850
Howard	2,430	5,340	6,690
Montgomery	2,220	4,590	6,000
Prince George's	2,250	4,200	6,660
Wor-Wic	1,770	4,410	5,190
Average	\$2,121	\$4,044	\$5,646

State Revenues: Tuition and fees revenues at University System of Maryland (USM) institutions and Morgan State University would decrease by an estimated \$1.3 million in fiscal 2003. This assumes that fall 2002 tuitions would not be subject to the bill's requirements due to the October 1, 2002 effective date. The estimate is based on a projected 25% participation rate among out-of-state teacher education students attending Maryland's four-year public institutions. If participation is higher, the revenue loss would be greater. The calculation is shown in **Exhibit 3**.

Exhibit 3
Estimated Lost Revenues
Fiscal 2003

Public Institutions	Resident and Non-Resident Tuition Difference	Est. Number of Non-resident Undergraduates In Teacher Ed	Estimated Participation Rate 25%	Full Year Estimated Lost Revenues
Bowie State	\$6,082	42	11	\$66,902
Coppin State	5,331	40	10	53,310
Frostburg State	5,666	97	25	141,650
Morgan State	6,420	88	22	141,220
Salisbury	5,684	50	13	73,892
St. Mary's College*	5,335	0	0	0
Towson	7,179	380	95	682,005
UM - Baltimore*	8,648	0	0	0
UM - Balt. County	6,106	61	16	97,696
UM - College Park	8,518	530	133	1,132,894
UM - Eastern Shore	4,469	118	30	134,070
Total		1,318	333	\$2,523,659
				<i>One-half year cost (Spring 2003 semester): \$1,261,830</i>

* St. Mary's College of Maryland and the University of Maryland, Baltimore do not have qualifying teacher education programs.

Future year revenue reduction estimates reflect: (1) a full year of tuition revenue losses; (2) a stable number of students participating in the program; and (3) 4% annual increases to in-state and out-of-state tuition rates.

State Expenditures: General fund expenditures could increase by an estimated \$37,368 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of hiring one administrative specialist at the Maryland Higher Education Commission to collect and maintain the surety bonds and to monitor the service obligation associated with the bill. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$32,358
Operating Expenses	<u>5,010</u>
Total FY 2003 State Expenditures	\$37,368

Future year expenditures reflect: (1) a full salary with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

In addition to personnel costs, State aid to community colleges could be affected by the legislation. The Senator John A. Cade funding formula determines aid to community colleges based on full-time equivalent (FTE) student enrollment counts from the second prior fiscal year. Under current law, out-of-state students are not included in FTE enrollment counts. Under the bill, however, community colleges would report participating teacher education students as eligible FTE students. This would result in increased State aid to community colleges beginning in fiscal 2005. Aid per pupil under the Cade formula is estimated at \$2,929 in fiscal 2005, \$3,222 in fiscal 2006, and \$3,544 in fiscal 2007. It is not known how many community college students would qualify for and accept the conditions associated with receiving in-county tuition; however, the impact would be minimal.

Local Fiscal Effect: Community college tuition revenues would decrease beginning in fiscal 2003 due to the provision of in-county tuition rates to eligible out-of-state teacher education students who attend the colleges. The impact would be minimal and would be offset by increased State aid revenues beginning in fiscal 2005.

The bill would not have a direct effect on local school system expenditures or revenues. Local systems would benefit indirectly, however, if the bill results in lower teacher recruitment expenditures. Some of the schools that experience the most difficulty attracting and retaining teachers are challenge schools and reconstituted schools. In particular, Baltimore City and Prince George's County would benefit, due to the high proportion of provisionally certified teachers working in these systems and the high numbers of reconstituted schools in the systems.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland, Maryland Higher Education Commission, Morgan State University, St. Mary's College of Maryland, Kent County, Montgomery County, Prince George's County, Washington County, Worcester County, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2002
lsc/cer

Analysis by: Mark W. Collins

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510