

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 66 (Delegate McMillan, *et al.*)
 Appropriations

**College Affordability - University System of Maryland - Cap on Tuition
 Increases**

This bill prohibits the Board of Regents of the University System of Maryland (USM) from approving and a USM constituent institution from imposing increases in resident tuition and fees that exceed the rate of inflation.

The bill is effective July 1, 2004 and terminates June 30, 2006.

Fiscal Summary

State Effect: Higher education revenues would decrease from planned tuition levels by an estimated \$25.1 million in FY 2005 and \$50.9 million in FY 2006 due to tuition and fee limitations. Expenditures would not be affected.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Higher Ed Rev.	(\$25.1)	(\$50.9)	\$0	\$0	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$25.1)	(\$50.9)	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Subject to the authority and policies of the Board of Regents of USM, the president of each USM constituent institution sets tuition and fees for the institution.

Background: Large increases in tuition at USM institutions from the fall of 2002 to the fall of 2003, including an unusual mid-year increase imposed between the first and second semesters of the 2002-2003 academic year, have continuously made headlines over the last year. Some groups have argued that reductions in State support for public institutions of higher education are to blame for the tuition hikes, while others have suggested that the institutions should be focusing more on efficiency improvements in response to the State's current fiscal situation.

From fall 2002 to 2003, tuition and fee rates at USM institutions increased an average of 18%. The USM budget as proposed in fall 2002 assumed an initial 4% increase. After cost containment reductions in winter of 2003, USM adopted a 5% mid-year tuition increase to help offset reduced general fund support in fiscal 2003. At the beginning of fiscal 2004, following the outcome of the legislative session and actions taken by the Board of Public Works, USM raised fall 2003 tuition rates by an additional 10% or more at several institutions. Additional increases of 2% to 10% are anticipated for fiscal 2005. **Exhibit 1** shows the fall 2002, fall 2003, and proposed fall 2004 tuition rates at USM institutions.

Exhibit 1 Annual Tuition and Mandatory Fees at USM Institutions For Full-time Resident Undergraduates Fall 2002 to 2004

<u>University</u>	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Increase 02 to 03</u>	<u>Proposed Fall 2004</u>	<u>Increase 03 to 04</u>
Bowie State	\$4,064	\$4,853	19.4%	\$5,218	7.5%
Coppin State	3,959	4,240	7.1%	4,454	5.0%
Frostburg State	4,618	5,342	15.7%	5,830	9.1%
Salisbury	4,804	5,564	15.8%	5,976	7.4%
Towson	5,401	6,226	15.3%	6,672	7.2%
U of Baltimore	4,996	5,913	18.4%	6,448	9.0%
UM Baltimore*	5,096	6,224	22.1%	6,626	6.5%
UM Baltimore County	6,362	7,388	16.1%	8,020	8.6%
UM College Park	5,670	6,759	19.2%	7,426	9.9%
UM Eastern Shore	4,461	5,105	14.4%	5,558	8.9%
UM Univ College**	6,180	6,660	7.8%	6,780	1.8%

* Based on tuition and fees for the School of Nursing, the largest undergraduate program at UMB.

** Based on 30 credit hours per year.

State Revenues: It is assumed that the bill would impact tuition and fees in fiscal 2005 despite increases in tuition rates that have been assumed in the proposed fiscal 2005 State budget. The bill would limit increases in in-state tuition and fee rates for the 2004-2005 academic year to the rate of inflation in calendar 2003, 2.3%. This would reduce higher education tuition and fee revenues at USM institutions by an estimated \$25.1 million in fiscal 2005.

USM advises that in-state tuition and fee rates after the 2004-2005 academic year are expected to increase by approximately 6% annually. The projected inflation rate for 2004 is 1.1%. Assuming all institutions increase tuition and fee rates by this percentage, tuition and fee revenues at USM institutions would decrease by an estimated \$50.9 million in fiscal 2006.

It is assumed that, without further restraints on tuition and fees, USM would increase resident tuition rates substantially in fiscal 2007 to restore revenues to their expected levels. Revenue reductions, therefore, would not continue beyond fiscal 2006.

Additional Information

Prior Introductions: None.

Cross File: SB 473 (Senator Harris, *et al.*) – Budget and Taxation.

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

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