

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 96 (Delegate McKee)
 Appropriations

Higher Education – Public Senior Higher Education Institutions – Tuition Plan

This bill requires the governing board of each four-year public institution of higher education in Maryland to establish a tuition plan that holds resident undergraduate tuition constant for four continuous years following initial enrollment. For resident undergraduates enrolled in programs that require more than four years to complete, tuition must also be held constant for a fifth year of schooling. The bill also provides for the determination of tuition rates for students who change programs while attending a public four-year institution or transfer to a public four-year institution.

The bill takes effect June 1, 2004 and only applies to students who enroll after the effective date.

Fiscal Summary

State Effect: Higher education expenditures would increase by an estimated \$300,000 in FY 2005 to make one-time changes to billing systems. By establishing high base-year tuition rates for incoming freshmen, public four-year institutions of higher education could avoid any significant reduction in tuition revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
Higher Ed Exp.	300,000	0	0	0	0
Net Effect	(\$300,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Subject to the authority and policies of the Board of Regents of the University System of Maryland, the president of each University System of Maryland (USM) constituent institution sets tuition and fees for the institution. The Board of Regents of Morgan State University fixes tuition for the university. The Board of Trustees of St. Mary's College of Maryland may adopt rules and policies for the management, maintenance, operation, and control of the college.

Background: Students at almost all of Maryland's public institutions of higher education incurred large increases in tuition from the fall of 2002 to the fall of 2003, including an unusual mid-year increase imposed at USM institutions between the first and second semesters of the 2002-2003 academic year. During the one-year period, resident undergraduate tuition and fee rates at USM constituent institutions increased an average of 18%, and tuition rates at Morgan State University (MSU) and St. Mary's College of Maryland (SMCM) increased by more than 8%. Additional increases for fall 2004 ranging from 2% to 10% have been proposed for each public institution. **Exhibit 1** shows the fall 2002, fall 2003, and proposed fall 2004 tuition rates at public four-year institutions of higher education.

Exhibit 1 Annual Tuition and Mandatory Fees 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%
Morgan State	\$4,698	\$5,078	8.1%	\$5,578	9.8%
St. Mary's College	7,767	8,425	8.5%	8,847	5.0%

* 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: USM projects a tuition revenue reduction of \$36.3 million by the fourth year of implementation of the bill, and MSU projects a decrease in tuition revenues of \$1.2 million by the same year.

However, the Department of Legislative Services advises that the bill would not require a reduction in tuition revenues. By establishing a higher base-year tuition rate for each incoming class, institutions could recover the full sum of tuition revenues expected from each student. The Maryland Higher Education Commission reports that in Illinois, where a similar bill was recently enacted, tuition rates increased 15% to 18% in the first year of the new tuition policy. An example, using the University of Maryland, College Park tuition rate, is shown in **Exhibit 2**. Using the methodology shown in the exhibit would require greater planning and coordination but would not result in an overall revenue reduction for four-year public institutions of higher education.

Exhibit 2
Example of Four-year Tuition Plan with No Net Revenue Loss

	<u>Current Estimates</u>		<u>HB 96</u>	
	<u>Tuition</u>	<u>Increase from Prior Year</u>	<u>Tuition</u>	<u>Increase from Prior Year</u>
Fall 2004 (FY05)	\$6,200	11.4%	\$6,781	21.8%
Est. Fall 2005 (FY06)	6,572	6.0%	6,781	0.0%
Est. Fall 2006 (FY07)	6,966	6.0%	6,781	0.0%
Est. Fall 2007 (FY08)	7,384	6.0%	6,781	0.0%
Revenue/student FY05-08	\$27,122		\$27,124	
Average for 4 years	\$6,781		\$6,781	

State Expenditures: Higher education expenditures at USM would increase by an estimated \$300,000 in fiscal 2005 to provide for one-time adjustments and upgrades to existing billing systems. Lesser costs for the same purpose could be incurred at MSU and SMCM. Other administrative and planning modifications could be handled with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 2, 2004
mam/hlb

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