

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 9 (Senator Hogan)
 Budget and Taxation

**Higher Education - Commission to Study Maryland's Commitment to and
 Funding of Higher Education**

This joint resolution establishes a 21-member Commission to Study Maryland's Commitment to and Funding of Higher Education. The commission must engage the services of the Education Commission of the States (ECS) to conduct a study of current and future funding needs for the constituent institutions of the University System of Maryland (USM). The commission must also solicit the views of the public, as well as State higher education agencies and national higher education groups. The commission must review options and make recommendations relating to the establishment of a consistent and stable funding mechanism that will allow Maryland institutions of higher education to ensure accessibility and achieve national eminence. The commission must report its findings and recommendations by December 1, 2005. The Department of Legislative Services, the Department of Budget and Management, the Maryland Higher Education Commission (MHEC), and USM must provide staff for the commission.

Fiscal Summary

State Effect: Compliance with the joint resolution would increase general fund expenditures by an estimated \$25,000 in FY 2005 and 2006 to contract for a study to be conducted by ECS. Members could participate in commission meetings with existing resources. The assigned agencies could provide staff with existing resources. Revenues would not be affected.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	25,000	25,000	0	0	0
Net Effect	(\$25,000)	(\$25,000)	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

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 in response to the State's current fiscal condition.

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 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.

The combined actions of the General Assembly and the Board of Public Works reduced the USM budget \$67 million in fiscal 2003 and \$54.7 million in fiscal 2004. However, the tuition and fee rate increases brought in \$85 million in additional revenues, offsetting 70% of the reduced general funds. The proposed fiscal 2005 State budget provides the same level of State support for USM, Morgan State University, and St. Mary's College of Maryland that was provided in fiscal 2004, but additional tuition and fee revenues of \$84.5 million are assumed in the proposed fiscal 2005 State budget. **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
Fall 2002 to 2004

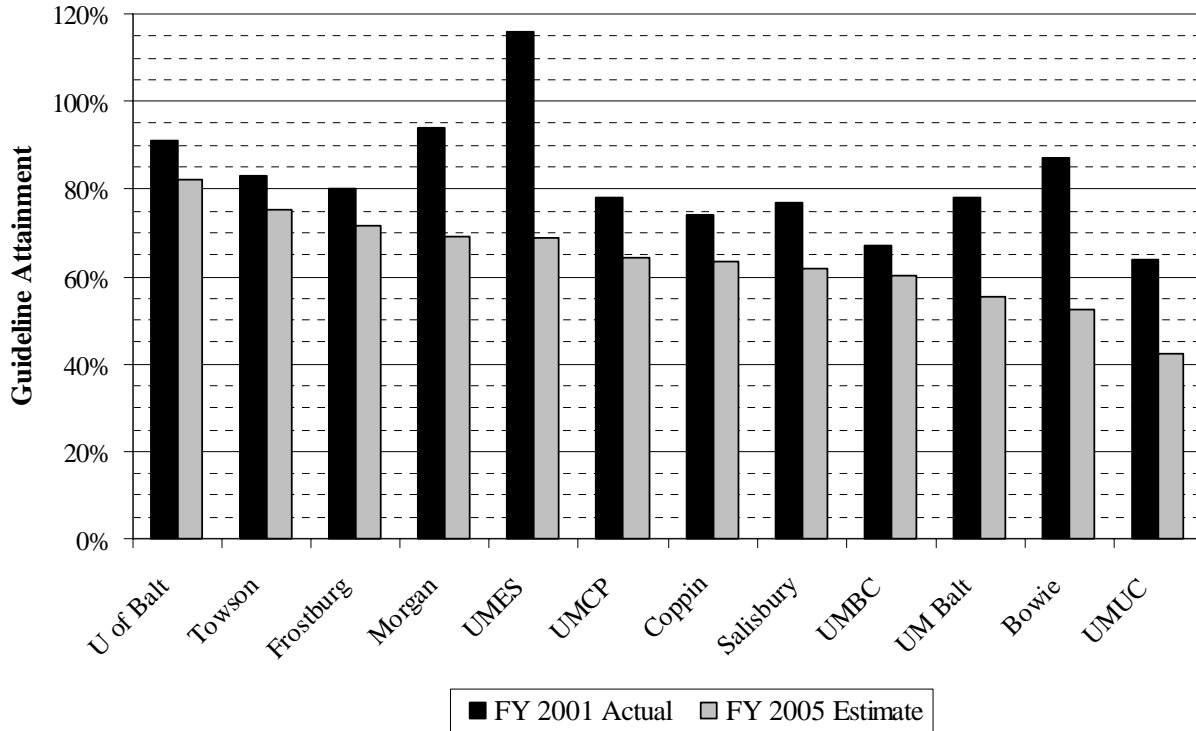
<u>University</u>	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Increase 02 to 03</u>	<u>Proposed Fall 2004</u>	<u>Increase 03 to 04</u>
Bowie State	\$4,064	\$4,853	19.4%	\$5,218	7.5%
Coppin State	3,959	4,240	7.1%	4,454	5.0%
Frostburg State	4,618	5,342	15.7%	5,830	9.1%
Salisbury	4,804	5,564	15.8%	5,976	7.4%
Towson	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.

Funding guidelines attempt to calculate an appropriate level of general fund support for Maryland's public institutions of higher education using per student spending at identified peer institutions. MHEC calculates the guidelines and, accounting for different tuition rates at the peer institutions, calculates a recommended State appropriation for each institution. **Exhibit 2** shows that estimated funding guideline attainment for fiscal 2005 is below actual fiscal 2001 attainment for every institution. This result is not unexpected given the budget problems the State has experienced in recent years.

Exhibit 2
Funding Guideline Attainment
Fiscal 2001 and 2005



Source: Maryland Higher Education Commission

State Expenditures: In order to comply with the joint resolution, general fund expenditures would increase by an estimated \$50,000 to contract with ECS for a study of current and future higher education funding needs. A similar study conducted by ECS approximately six years ago cost \$44,000. It is assumed that the \$50,000 expense would be incurred equally over the two fiscal years, 2005 and 2006, that the commission would meet.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mam/hlb

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510