

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Joint Resolution 8 (Senator Hogan, *et al.*)
 Budget and Taxation and Education, Health, and Environmental Affairs Appropriations

Higher Education - Commission to Study Maryland's Commitment to Higher Education

This joint resolution establishes a commission to study higher education in Maryland and requires the commission to be appointed by July 1, 2005. The commission must engage the services of a consultant to conduct a study of the linkages between tuition policy, State support for higher education, and institutional and State financial aid. The commission must also solicit the views of the public, relevant stakeholders, and national higher education experts. The commission must review options and report its findings and recommendations by July 1, 2006. The Department of Legislative Services, Department of Budget and Management, Maryland Higher Education Commission (MHEC), and University System of Maryland (USM) must provide staff for the commission.

Fiscal Summary

State Effect: Compliance with the joint resolution would increase general fund expenditures by an estimated \$60,000 in FY 2006 to contract for a study conducted by a private consultant. State officials appointed to the commission could participate with existing resources. The assigned agencies could provide staff with existing personnel and resources. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	60,000	0	0	0	0
Net Effect	(\$60,000)	\$0	\$0	\$0	\$0

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

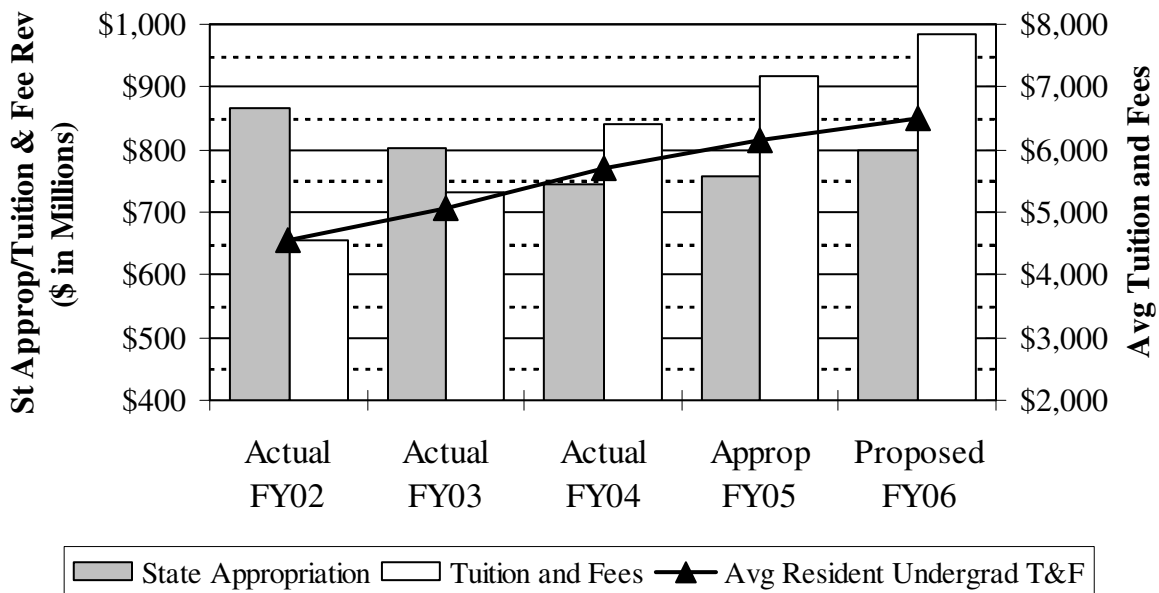
Local Effect: None.

Small Business Effect: None.

Analysis

Background: From fiscal 2002 to 2005, State funding for higher education has declined, and public institutions of higher education have responded with higher tuition and fee rates. Although it is only one piece of Maryland's system of higher education, USM illustrates the recent trend in funding for public higher education in Maryland. As shown in **Exhibit 1**, USM's tuition and fee revenues surpassed its State appropriation in fiscal 2004, and the difference between the two revenue sources grows to nearly \$200 million in the proposed fiscal 2006 State budget. The proposed budget includes an increase in the State appropriation for USM of 5.4%, but the level of State funding for USM will still be below the fiscal 2002 level by approximately \$65 million.

Exhibit 1
USM State Appropriations and Tuition and Fees
Fiscal 2002 to 2006



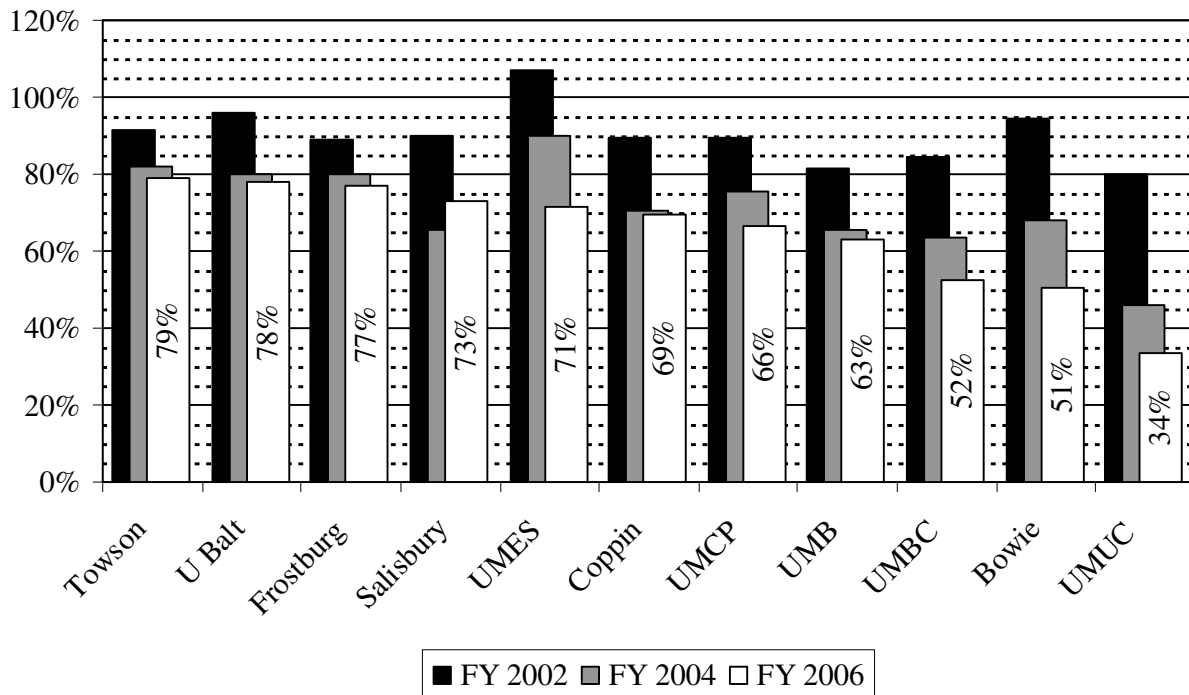
Source: *Maryland Operating Budget*, fiscal 2004 to 2006

Despite the decline in State support, USM revenues from State appropriations and tuition and fees combined is expected to increase by 16.7% from fiscal 2002 to 2006 due to significant growth in tuition and fee revenues. Exhibit 1 shows the growth in the average

tuition and mandatory fee rate for resident undergraduates at USM institutions. The average rate will increase by 42% over the five-year period, from \$4,560 in fall 2001 to \$6,488 in fall 2005.

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 2006 is below fiscal 2002 attainment for every institution and is below fiscal 2004 attainment for every institution except Salisbury University.

Exhibit 2
Funding Guideline Attainment for USM Institutions
Fiscal 2002 to 2006



Source: Maryland Higher Education Commission

State Expenditures: In order to comply with the joint resolution, general fund expenditures would increase by an estimated \$60,000 in fiscal 2006 to contract with a private consultant for a study of the linkages between tuition policy, State support to higher education institutions, and institutional and State financial aid. A higher education

study conducted for Maryland by the Education Commission of the States six years ago cost \$44,000.

Additional Information

Prior Introductions: A similar joint resolution was introduced last year as SJ 9. The bill was not reported out of the Budget and Taxation Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2005
ncs/rhh Revised - Senate Third Reader - March 25, 2005

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