

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

Senate Bill 341 (Senators Jacobs and Hooper)  
Education, Health, and Environmental Affairs

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**Higher Education - Nonresident Tuition - Exemption**

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This bill exempts individuals who work in Maryland and live in another state from paying nonresident tuition if their employers are paying 100% of their tuition and mandatory fees. The exemption begins with the spring 2007 semester. The Maryland Higher Education Commission (MHEC) must adopt regulations to implement the bill.

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**Fiscal Summary**

**State Effect:** Higher education revenues at the University of Maryland University College (UMUC) would decrease by approximately \$2,450 in FY 2007 and \$5,110 annually beginning in FY 2008 for each additional full-time equivalent (FTE) student who qualifies for resident tuition under the bill. The revenue loss could be offset by increased revenues if the bill encourages more businesses to pay for employees to take higher education courses. Tuition revenues at other public four-year institutions of higher education would not be materially affected. General fund expenditures for the Senator John A. Cade and Baltimore City Community College (BCCC) funding formulas would increase by an estimated \$2,340 and \$6,170, respectively, in FY 2009 for each additional FTE student attending a community college who qualifies for in-State tuition.

**Local Effect:** State aid for community colleges would increase by an estimated \$2,340 in FY 2009 for each additional FTE student attending a community college who qualifies for in-State tuition in FY 2007. Community college tuition revenues would not be materially affected.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** For institutions within the University System of Maryland (USM), the Board of Regents sets tuition policies, including the determination of which students are eligible for resident tuition. The basic policy requires students to be identified as permanent residents of Maryland to qualify for resident tuition, meaning they have lived continuously in the State for at least 12 months immediately prior to attendance at a USM institution. The USM tuition policy states that out-of-state students should pay an additional amount of tuition, which, at minimum, offsets the State's contribution intended to subsidize the education of its residents.

The Board of Regents of Morgan State University and the Board of Trustees of St. Mary's College of Maryland set tuition policies for the institutions. The policies for the institutions are very similar to the USM policies. Both institutions require one year of residency in Maryland to qualify for in-State tuition rates.

Tuition policies at community colleges are set by COMAR regulations and the boards of trustees for the colleges. There are three levels of tuition at community colleges: in-county, out-of-county, and out-of-state. In general, there is a three-month residency requirement for community colleges. Individuals who are considered Maryland residents for tuition purposes at community colleges are included in the count used to determine State aid to the colleges.

**Background:** The difference between proposed fiscal 2007 in-State and out-of-state undergraduate tuition rates at each of Maryland's four-year public institutions of higher education is shown in **Exhibit 1**. Fall 2005 in-county, out-of-county, and out-of-state tuition rates for community colleges are shown in **Exhibit 2**.

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### Exhibit 1 In-State and Out-of-state Tuition and Mandatory Fees Proposed Fall 2006 Rates

|                            | <u>In-State</u> | <u>Out-of-state</u> | <u>Difference</u> |
|----------------------------|-----------------|---------------------|-------------------|
| USM Institutions           |                 |                     |                   |
| Coppin State College       | \$4,850         | \$11,768            | \$6,918           |
| UM Eastern Shore           | 6,072           | 12,475              | 6,403             |
| Bowie State University     | 5,923           | 15,249              | 9,326             |
| Salisbury University       | 6,628           | 14,306              | 7,678             |
| Frostburg State University | 6,616           | 15,442              | 8,826             |
| Towson University          | 7,398           | 16,522              | 9,124             |

|                                     | <u>In-State</u> | <u>Out-of-state</u> | <u>Difference</u> |
|-------------------------------------|-----------------|---------------------|-------------------|
| University of Baltimore             | 7,074           | 18,920              | 11,846            |
| UM College Park                     | 8,201           | 21,345              | 13,144            |
| UM Baltimore County                 | 8,914           | 17,354              | 8,440             |
| UM University College*              | 5,768           | 10,660              | 4,892             |
| Other Public Four-year Institutions |                 |                     |                   |
| Morgan State University             | \$6,369         | \$13,915            | \$7,546           |
| St. Mary's College                  | 11,695          | 21,265              | 9,570             |

\* Based on 24 credit hours.

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**Exhibit 2**  
**In-county, Out-of-county, and Out-of-state Tuition and Fees at Community Colleges**  
**Based on 30 Credit Hours Per Year**  
**Fall 2005**

| <u>College</u>         | <u>In-county</u> | <u>Out-of-county</u> | <u>Out-of-state</u> |
|------------------------|------------------|----------------------|---------------------|
| Allegany               | \$2,894          | \$5,354              | \$6,254             |
| Anne Arundel           | 2,770            | 5,050                | 8,740               |
| Baltimore City         | 2,550            | 2,550                | 5,250               |
| Baltimore County       | 2,986            | 4,876                | 6,526               |
| Carroll                | 3,234            | 4,476                | 6,788               |
| Cecil                  | 2,730            | 5,430                | 6,780               |
| Chesapeake             | 2,944            | 4,864                | 7,024               |
| College of Southern MD | 3,312            | 5,760                | 7,236               |
| Frederick              | 2,889            | 5,949                | 7,959               |
| Garrett                | 2,910            | 6,030                | 7,110               |
| Hagerstown             | 3,000            | 4,590                | 5,910               |
| Harford                | 2,475            | 4,725                | 6,975               |
| Howard                 | 3,578            | 6,068                | 7,418               |
| Montgomery             | 3,708            | 7,236                | 9,612               |
| Prince George's        | 3,710            | 5,840                | 8,480               |
| Wor-Wic                | 2,246            | 5,576                | 6,508               |

Source: Maryland Association of Community Colleges

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**State Revenues:** This bill would grant resident tuition privileges to a category of individuals who do not currently qualify for in-State tuition rates. Despite the differences  
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in tuition levels between in-State and out-of-state students, tuition revenues at most public four-year institutions of higher education will not be significantly affected. Institutions have considerable authority over admissions and generally maintain fairly stable proportions of in-State and out-of-state students. The legislation does not affect this authority. As long as there are no major adjustments to the proportion of students who qualify for resident tuition rates, institutions can adjust admissions to avoid any significant loss of tuition revenues.

Unlike other four-year institutions, UMUC applicants who meet minimum admission criteria are automatically accepted regardless of their residency status. The bill could, therefore, have an impact on UMUC revenues. UMUC revenues will decrease by approximately \$2,450 for each half-year FTE student (12 credit hours per semester) who qualifies for resident tuition under the bill in spring 2007. Assuming 4.5% annual growth in tuition and fees at UMUC, a full-year impact of approximately \$5,110 per FTE student would be incurred in fiscal 2008. The revenue loss could be partially offset by increased revenues that would be realized if the bill encourages more businesses to pay for their employees to attend UMUC. The number of individuals who would qualify for in-State residency status and attend UMUC cannot be reliably estimated.

**State Expenditures:** General fund expenditures for the BCCC and Senator John A. Cade funding formulas would increase beginning in fiscal 2009. The formulas determine aid to community colleges based on FTE student enrollment counts from the second prior fiscal year. By regulation, only qualified Maryland residents are included in FTE student counts. Allowing additional students to qualify as State residents in spring 2007 will increase spending for the formula in fiscal 2009. The increase in the Cade formula is estimated at \$1,170 per half-year FTE student in fiscal 2009 and \$2,510 per FTE student by fiscal 2011. The increase in the BCCC formula is estimated at \$3,090 per half-year FTE student in fiscal 2009 and \$6,630 per FTE student in 2011. The number of additional students who will qualify for in-State rates under the bill cannot be reliably estimated.

**Local Fiscal Effect:** Unlike most four-year institutions, community colleges have open enrollments and cannot control the proportion of in-county, out-of-county, and out-of-state students who attend the colleges. Any expansion in the definition of resident student could, therefore, result in a decrease in community college tuition revenues. However, granting resident tuition rates could also encourage more Maryland businesses to pay for their employees to attend community colleges, thereby increasing revenues. Overall, it is assumed that the bill will have a minimal impact on total community college tuition and fee revenues.

Beginning in fiscal 2009, community colleges will receive additional State aid under the Senator John A. Cade funding formula for each additional student who attends a college and qualifies as a Maryland resident. The increases are estimated at \$1,170 per additional half-year FTE student in fiscal 2009 and \$2,510 per FTE student in fiscal 2011.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** St. Mary's College of Maryland, Morgan State University, University System of Maryland, Maryland Higher Education Commission, Department of Legislative Services

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