

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 1398  
Appropriations

(Delegate Franchot)

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Higher Education - University System of Maryland - Restrictions on Tuition

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This bill limits annual tuition and mandatory fee increases for resident undergraduates at University System of Maryland (USM) institutions to 4% beginning in fall 2007. The restriction only applies in years when the aggregate general fund appropriations for USM equal or exceed 51% of USM's total operating budget.

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Fiscal Summary

**State Effect:** Unless general fund appropriations increase significantly, the bill would have no impact on tuition revenues at USM institutions. Currently, State general funds comprise less than one-quarter of USM's total operating budget.

**Local Effect:** None.

**Small Business Effect:** None.

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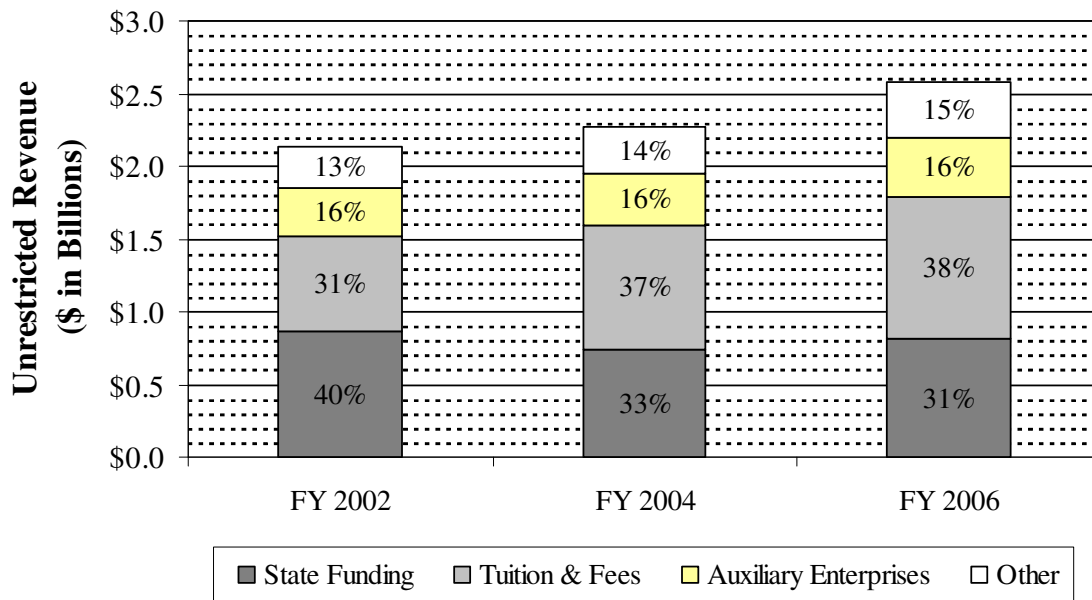
Analysis

**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. The Board of Regents of MSU fixes tuition for the university. Funding for USM is as provided in the annual State budget.

**Background:** From fiscal 2002 to 2006, tuition and fee revenues at USM institutions increased significantly while State appropriations for the institutions decreased. During this four-year span, the percentage of unrestricted USM revenues coming from State

funding decreased from 40% in fiscal 2002 to 31% in fiscal 2006 and the percentage coming from tuition and fees revenues increased from 31% to 38%. This pattern is displayed in **Exhibit 1**, which also shows that unrestricted revenues for the institutions continued to climb throughout the four-year period despite decreases in State funding. Unrestricted revenues increased by a total of \$448 million despite a drop in State funding of \$56 million. Tuition and fee revenues increased by \$326 million and unrestricted revenues from auxiliary enterprises and other sources increased \$178 million. These totals do not include restricted funds for USM, which comprise approximately one-quarter of its annual operating budget.

**Exhibit 1**  
**USM Unrestricted Revenues**  
**Fiscal 2002 to 2006**



Source: *Maryland Operating Budget* books, fiscal 2004 to 2007

The fiscal 2007 allowances proposes an increase in State general fund support for USM of \$101 million, a 12.5% increase. The proposed budget also provides for an increase in tuition and fee revenues of \$58 million (5.9%), which includes projected growth in student enrollment, increases in resident and nonresident student tuition and fee rates, and increases in graduate tuition and fees. **Exhibit 2** shows the increases in resident undergraduate tuition from fall 2002 to fall 2005, and as proposed for fall 2006. The proposed increases for fall 2006 range from 3% to 7%, with increases for most

institutions of 4.5%. For all schools except the University of Maryland University College, the proposed fall 2006 increases are below the average annual increases for the previous three years.

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**Exhibit 2**  
**Tuition for Full-time Resident Undergraduates**  
**Fall 2002 to 2006**

<u>Institution</u>	<u>Fall 2002</u>	<u>Fall 2005</u>	<u>Fall 02-05 Avg. Annual % Change</u>	<u>Proposed Fall 2006</u>	<u>Fall 05-06 % Change</u>
Coppin State University	\$2,877	\$3,527	7.0%	\$3,632	3.0%
UM Eastern Shore	3,029	4,112	10.7%	4,276	4.0%
Bowie State University	3,103	4,286	11.4%	4,479	4.5%
Salisbury University	3,394	4,814	12.4%	5,030	4.5%
Frostburg State University	3,632	5,000	11.2%	5,224	4.5%
Towson University	3,804	5,180	10.8%	5,414	4.5%
University of Baltimore	3,888	5,325	11.1%	5,565	4.5%
UM College Park	4,572	6,566	12.8%	6,861	4.5%
UMBC	4,614	6,484	12.0%	6,776	4.5%
UM University College*	4,944	5,520	3.7%	5,768	4.5%

\*Based on 24 credit hours.

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**State Fiscal Effect:** In fiscal 2006 the total operating budget for USM, including restricted and unrestricted funds, is \$3.4 billion, with approximately \$809 million, or 23.6%, coming from State general funds. In fiscal 2007, the proposed operating budget for USM is \$3.7 billion, with \$910 million, or 24.7%, coming from the State. Without an increase of nearly \$2 billion in the State appropriation to USM, the tuition restriction will not apply. If only unrestricted funds are considered, State general funds make up 32.6% of the \$2.8 billion total, with tuition and fees comprising 37.3%, auxiliary enterprises accounting for 15.6%, and other funds making up 14.6%.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 5, 2006  
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