

**Department of Legislative Services**  
**Maryland General Assembly**  
**2007 Session**

**FISCAL AND POLICY NOTE**

Senate Bill 108

(The President, *et al.*) (By Request – Administration)

Budget and Taxation

Appropriations

**Higher Education - Tuition Affordability Act of 2007**

This Administration bill prohibits University System of Maryland (USM) institutions and Morgan State University (MSU) from increasing resident undergraduate tuition for the 2007-2008 academic year beyond the rates charged in the 2005-2006 academic year.

The bill takes effect July 1, 2007.

**Fiscal Summary**

**State Effect:** Higher education tuition revenues at USM and MSU would decrease by an estimated \$16.2 million in FY 2008 due to restrictions on tuition levels. The revenue loss is assumed in the proposed FY 2008 State budget, which also includes \$16.2 million in general funds to cover the loss of revenue.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Higher Ed Rev.	(\$16.2)	\$0	\$0	\$0	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$16.2)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** The Administration has determined that this bill has minimal or no impact on small businesses (attached). Legislative Services concurs with this assessment.

## 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 for the institution. The Board of Regents of MSU fixes tuition for the institution.

**Background:** Tuition for resident undergraduates at USM institutions and MSU grew rapidly from fall 2002 to 2005, due at least in part to reductions in State general fund support for the institutions. In response to growing concerns about the affordability of a college education in Maryland, Chapters 57 and 58 of 2006 froze tuition at fall 2005 prices for in-state undergraduates attending MSU and USM institutions in the 2006-2007 academic year, and excess funds in the budget were used to provide State funding for USM and MSU to cover the revenue loss that would be incurred by the freeze.

The proposed fiscal 2008 State budget includes additional State general funds for USM and MSU that are intended to replace the revenue that would be lost if resident undergraduate tuition is held at fiscal 2006 levels for a second straight year, as proposed by this bill.

**Exhibit 1** shows that in-state undergraduate tuition at MSU and many USM institutions grew rapidly from fall 2002 to fall 2005 and that the average annual growth from fall 2002 to fall 2007 would be moderated with a second consecutive year of level tuition.

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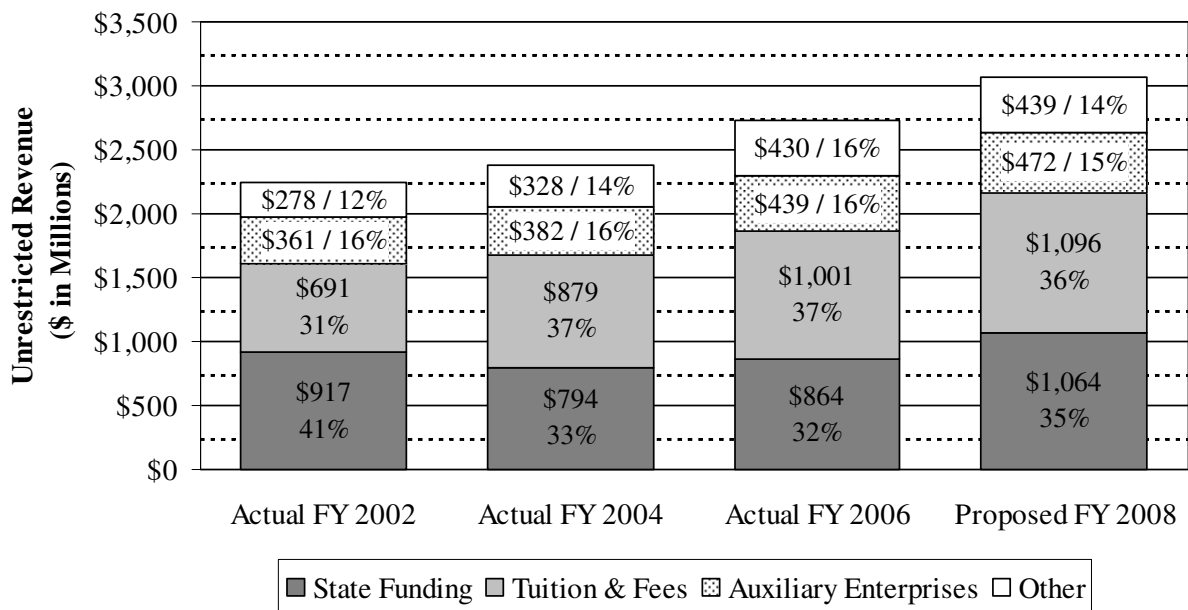
### Exhibit 1 Tuition for Full-time Resident Undergraduates Fall 2002-2007

<u>Institution</u>	<u>Fall 2002</u>	<u>Fall 2005</u>	<u>Fall 02-05 Average Annual % Change</u>	<u>With Freeze Fall 2007</u>	<u>Fall 02-07 Average Annual % Change</u>
Coppin State University	\$2,877	\$3,527	7.0%	\$3,527	4.2%
UM Eastern Shore	3,029	4,112	10.7%	4,112	6.3%
Bowie State University	3,103	4,286	11.4%	4,286	6.7%
Salisbury University	3,394	4,814	12.4%	4,814	7.2%
Frostburg State University	3,632	5,000	11.2%	5,000	6.6%
Towson University	3,804	5,180	10.8%	5,180	6.4%
University of Baltimore	3,888	5,325	11.1%	5,325	6.5%
UM College Park	4,572	6,566	12.8%	6,566	7.5%
UMBC	4,614	6,484	12.0%	6,484	7.0%
UM University College*	4,944	5,520	3.7%	5,520	2.2%
Morgan State University	3,150	4,000	8.3%	4,000	4.9%

\*Based on 24 credit hours.

The mix of fiscal 2002 to 2008 unrestricted revenue sources for USM and MSU is shown in **Exhibit 2**. The exhibit shows that tuition and fee revenues at USM and MSU increased significantly from fiscal 2002 to 2006, while State appropriations for the institutions decreased. During the four-year span, the percent of unrestricted revenues coming from State funding decreased from 41% in fiscal 2002 to 32% in fiscal 2006, while the percent generated from tuition and fees revenues increased from 31% to 37%. Although the sources of revenue shifted, unrestricted revenues continued to grow over the four years. By fiscal 2008, the exhibit shows that growth in State funding for USM and MSU coupled with more moderate growth in tuition and fee revenues has begun to restore a balance between State appropriations and tuition and fee revenues. As proposed in the fiscal 2008 budget, State appropriations account for 35% of unrestricted revenue at USM and MSU and tuition and fee revenues account for 36%.

**Exhibit 2**  
**Unrestricted Revenues at University System of Maryland Institutions and**  
**Morgan State University**  
**Fiscal 2002-2008**  
**(\$ in Millions)**



Source: *Maryland Operating Budget* books, fiscal 2004 to 2008

**State Revenues:** Assuming fiscal 2008 resident undergraduate tuition rates would have increased by 4% at USM institutions and 5% at MSU without a rate freeze, the bill would result in a decrease of \$16.2 million in higher education tuition revenues. This total reflects decreases of \$15.4 million for USM and \$861,378 for MSU. These are one-year revenue reductions and are assumed in the proposed fiscal 2008 State budget. The proposed budget includes an additional \$16.2 million in State funding for the institutions to make up for this loss.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 134 (The Speaker, *et al.*) (By Request – Administration – Ways and Means.

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

**Fiscal Note History:** First Reader - January 30, 2007  
ncs/rhh Revised - Updated Information - February 1, 2007

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