

Chapter 193

(House Bill 470)

AN ACT concerning

Higher Education Investment Fund – Tuition Stabilization and Funding

FOR the purpose of requiring the Comptroller to continue to distribute certain income tax revenue from corporations to the Higher Education Investment Fund; expanding the authorized uses of the Fund; establishing a Tuition Stabilization Trust Account in the Fund; requiring certain funds to be transferred to the Trust Account under certain circumstances; setting a certain State goal regarding certain resident tuition and fees at public institutions of higher education; providing that the Trust Account consists of certain money; limiting the authorized use of funds in the Trust Account; defining certain terms; stating a certain goal of the State for certain education funding; requiring the governing boards of certain higher education institutions to periodically review tuition at certain institutions and to take certain other actions for certain purposes; and generally relating to funding and authorized uses of the Higher Education Investment Fund.

BY repealing and reenacting, with amendments,
Article – Education
Section 15–106.6
Annotated Code of Maryland
(2008 Replacement Volume and 2009 Supplement)

BY repealing and reenacting, with amendments,
Article – Tax – General
Section 2–613.1
Annotated Code of Maryland
(2004 Replacement Volume and 2009 Supplement)

Preamble

WHEREAS, The State public universities have not raised in-State undergraduate tuition in the last four years and as a result Maryland has fallen from the 6th highest public tuition state in the nation to a current ranking of 17th; and

WHEREAS, The Commission to Develop the Maryland Model for Funding Higher Education was charged with developing an effective statewide framework for higher education funding to establish a consistent and stable funding mechanism while promoting policies to achieve national eminence; and

WHEREAS, The Commission recommended that the Higher Education Investment Fund be established as a permanent fund; and

WHEREAS, The Commission recommended the creation of a Tuition Stabilization Account within the Higher Education Investment Fund to stabilize tuition costs for resident students; and

WHEREAS, The Commission recommended that the State set as a goal to limit percentage increases in resident undergraduate tuition in any given year to a percent not to exceed the increase in the three-year rolling average of the State's median family income, a policy that would link tuition increases to a measure of affordability for Maryland families; now, therefore,

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Education

15–106.6.

(a) (1) In this section the following words have the meanings indicated.

(2) “Fund” means the Higher Education Investment Fund.

(3) “PUBLIC SENIOR HIGHER EDUCATION INSTITUTION” HAS THE MEANING STATED IN § 10–101(J)(1) AND (2) OF THIS ARTICLE.

~~(3)~~ (4) “TRUST ACCOUNT” MEANS THE TUITION STABILIZATION TRUST ACCOUNT.

[(3)] ~~(4)~~ (5) “Tuition” means the charges and fees approved by the governing board of a public senior higher education institution which are required of all undergraduate resident students by the institution as a condition of enrollment regardless of the student's degree program, field of study, or selected courses.

(b) (1) There is a Higher Education Investment Fund.

(2) The purpose of the Fund is to:

(i) Invest in public higher education and workforce development; and

(ii) Keep tuition affordable for Maryland students and families.

(3) The Fund is a special, nonlapsing fund that is not subject to § 7–302 of the State Finance and Procurement Article.

(4) The Treasurer shall hold the Fund and the Comptroller shall account for the Fund.

(5) The proceeds of the Fund shall be invested and reinvested.

(6) Any investment earnings shall be paid into the Fund.

(7) The Fund consists of:

(i) Money appropriated in the State budget for the Fund; and

(ii) Any other money from any other source accepted for the benefit of the Fund.

(8) The Commission shall administer the Fund.

(9) Money in the Fund may be expended only:

(i) To supplement General Fund appropriations to public senior higher education institutions and research institutes of the University System of Maryland;

(ii) For capital projects for public senior higher education institutions and research institutes of the University System of Maryland;

(iii) For workforce development initiatives administered by the Commission; and

(iv) For initiatives to address higher education needs related to the United States Department of Defense Base Realignment and Closure process.

(10) Expenditures from the Fund may be made only in accordance with an appropriation approved by the General Assembly in the annual State budget.

(c) (1) WITHIN THE FUND THERE IS A TUITION STABILIZATION TRUST ACCOUNT.

(2) (i) THE TRUST ACCOUNT IS ESTABLISHED TO RETAIN REVENUES FOR STABILIZING TUITION COSTS FOR RESIDENT UNDERGRADUATE STUDENTS.

(ii) IN YEARS OF INCREASING CORPORATE TAX REVENUES THAT ARE ALLOCATED TO THE FUND UNDER § 2-613.1 OF THE TAX – GENERAL ARTICLE, FUNDS SHALL BE DEPOSITED INTO THE TRUST ACCOUNT.

(III) FUNDS IN THE TRUST ACCOUNT SHALL BE USED ONLY TO STABILIZE TUITION AT PUBLIC SENIOR HIGHER EDUCATION INSTITUTIONS.

(IV) IT IS THE GOAL OF THE STATE THAT ANY INCREASE IN RESIDENT UNDERGRADUATE TUITION AND ACADEMIC FEES AT PUBLIC SENIOR INSTITUTIONS OF HIGHER EDUCATION IN ANY GIVEN YEAR SHOULD BE LIMITED TO A PERCENT NOT TO EXCEED THE INCREASE IN THE 3-YEAR ROLLING AVERAGE OF THE STATE'S MEDIAN FAMILY INCOME.

(3) THE TRUST ACCOUNT CONSISTS OF:

(I) MONEY APPROPRIATED IN THE STATE BUDGET FOR THE TRUST ACCOUNT; AND

(II) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE BENEFIT OF THE TRUST ACCOUNT.

(4) A BALANCE OF BETWEEN 1% AND 5% OF RESIDENT UNDERGRADUATE TUITION REVENUES RECEIVED BY PUBLIC SENIOR HIGHER EDUCATION INSTITUTIONS IN THE PRIOR FISCAL YEAR SHOULD BE MAINTAINED IN THE TRUST ACCOUNT.

(5) MONEY IN THE TRUST ACCOUNT MAY BE EXPENDED ONLY TO SUPPLEMENT GENERAL FUND APPROPRIATIONS TO PUBLIC SENIOR HIGHER EDUCATION INSTITUTIONS FOR THE PURPOSE OF STABILIZING TUITION COSTS OF RESIDENT UNDERGRADUATE STUDENTS.

Article – Tax – General

2–613.1.

After making the distribution required under § 2–613 of this subtitle[

(1)], of the remaining income tax revenue from corporations, the Comptroller shall distribute:

[(i) for fiscal year 2008 only:

1. \$16,000,000 to the Higher Education Investment Fund established under § 15–106.6 of the Education Article; and

2. the amount by which 15.15% of the remaining income tax revenue from corporations exceeds \$16,000,000 to the General Fund; and

(ii) for each of fiscal years 2009 and 2010 only:

1.] **(1)** 6% to the Higher Education Investment Fund established under § 15-106.6 of the Education Article; and

[2.] **(2)** 9.15% to the General Fund]; and

(2) for fiscal year 2011 and subsequent fiscal years, the Comptroller shall distribute 15.15% of the remaining income tax revenue from corporations to the General Fund of the State].

SECTION 2. AND BE IT FURTHER ENACTED, That it is the goal of the State that in conjunction with moderate and affordable tuition, public senior higher education institution funding should reach 100% of the funding guidelines as developed and approved by the Maryland Higher Education Commission.

SECTION 3. AND BE IT FURTHER ENACTED, That, in order to provide access to higher education for Maryland students and to ensure a high return on State general fund allocations to higher education, the governing boards of public senior higher education institutions shall periodically conduct a review of tuition at individual institutions and make adjustments when necessary to promote access, to increase funding for financial aid, to align resident tuition rates with peer institutions in the State and nationwide, and to affect student demand as demonstrated by admissions data and productivity measures.

SECTION ~~2~~ 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2010.

Approved by the Governor, May 4, 2010.