

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 734 (Delegate Parrott, *et al.*)
 Appropriations

University System of Maryland - Institution Management - Admissions Requirements

This bill requires each constituent institution of the University of System of Maryland (USM) to maintain a student body such that out-of-state undergraduate students do not exceed 20% of its total undergraduate student body; out-of-state graduate students do not exceed 30% of its total graduate student body; and out-of-state graduate students in each academic school or discipline do not exceed 30% of the academic school or discipline’s total graduate student enrollment. These requirements do not apply to students enrolled exclusively in distance-education programs.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: Higher education tuition revenues decrease by at least \$142.5 million beginning in FY 2014 due to capping the percentage of out-of-state students at constituent institutions of USM. Out-years reflect 3% annual increases in tuition and fees. Expenditures are not affected.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Higher Ed Rev.	(\$142.5)	(\$146.8)	(\$151.2)	(\$155.7)	(\$160.4)
Expenditure	0	0	0	0	0
Net Effect	(\$142.5)	(\$146.8)	(\$151.2)	(\$155.7)	(\$160.4)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Public four-year institutions have considerable autonomy over admissions and generally maintain fairly stable proportions of in-state and out-of-state students. The USM Board of Regents Policy on Undergraduate Admissions (III-4.00) limits out-of-state undergraduate enrollment to no more than 30% of each institution's total undergraduate enrollment, excluding the University of Maryland University College (UMUC) and students enrolled exclusively in distance-education programs.

Students qualifying under the Dream Act (Chapter 191 of 2011, SB 167) for tuition rates equivalent to the resident tuition rates at four-year institutions may not be counted as in-state students for the purposes of determining the number of Maryland undergraduate students enrolled at the institutions.

Background: The percentage of out-of-state undergraduates and graduates at the UMS constituent institutions in fall 2012 are shown in **Exhibit 1**. At most constituent institutions of USM, out-of-state students make up less than 20% of undergraduates and less than 30% of graduate students. At two institutions – University of Maryland, College Park (UMCP) and University of Maryland Eastern Shore (UMES) – the percentage of undergraduate students exceeded 20%. Likewise, the percentage of out-of-state graduate students exceeded 30% at three institutions: UMCP; Frostburg State University (FSU); and UMUC. Historically, the percentage of out-of-state students at each institution has remained relatively consistent.

Exhibit 1 Percentage of Out-of-state Students Undergraduate and Graduate Headcount Enrollment Fall 2012

<u>USM Institutions</u>	<u>Undergraduate</u>	<u>Graduate</u>
Coppin State	12%	11%
UM Eastern Shore	21%	24%
Bowie State University	9%	13%
Salisbury University	15%	10%
Frostburg State University	8%	33%
Towson University	18%	15%
University of Baltimore	4%	14%
UM College Park	24%	66%
UM Baltimore County	9%	19%
UM University College	18%	34%
UM Baltimore	7%	28%

Source: University System of Maryland

Proposed fall 2013 in-state and out-of-state tuition and fee rates for full-time undergraduates at the constituent institutions of USM are shown in **Exhibit 2**. The differences between the rates average more than \$10,000.

Exhibit 2
In-state and Out-of-state Undergraduate Tuition and Mandatory Fees
Proposed Fall 2013 Rates

<u>USM Institutions</u>	<u>In-state</u>	<u>Out-of-state</u>	<u>Difference</u>
Coppin State	\$5,882	\$10,816	\$4,934
UM Eastern Shore	6,998	15,504	8,506
Bowie State University	6,954	17,521	10,567
Salisbury University	8,128	16,474	8,346
Frostburg State University	7,728	18,376	10,648
Towson University	8,324	20,002	11,678
University of Baltimore	7,220	17,938	10,718
UM College Park	9,153	27,297	18,144
UM Baltimore County	9,771	28,339	18,568
UM University College	6,207	11,991	5,784
UM Baltimore	6,562	24,751	18,189

Source: University System of Maryland; rates are pending final approval.

Selected proposed fall 2013 in-state and out-of-state tuition and fee rates for graduate students are shown in **Exhibit 3**.

Exhibit 3
Selected In-state and Out-of-state Graduate Tuition and Mandatory Fees
Proposed Fall 2013 Rates

	<u>In-state</u>	<u>Out-of-state</u>	<u>Difference</u>
Frostburg State University	\$10,321	\$13,231	\$2,910
UM College Park	18,629	49,643	31,014
UM University College	14,190	20,220	6,030

Note: Assumes 30 credits per year.

Source: University System of Maryland

State Revenues: Higher education tuition revenues decrease by at least \$142.5 million annually beginning in fiscal 2014 due to capping the percentage of out-of-state students as shown in **Exhibit 4**. The following information and assumptions were used to calculate this estimate.

- It is assumed that the number of students at the institutions remains stable and that each out-of-state student over the cap is replaced with an in-state student paying in-state tuition. It is also assumed that, absent the bill, in future years the percentage of out-of-state undergraduate and graduate students at each institution would remain stable.
- The effect of capping the percentage of graduate students in any academic school or discipline is not accounted for because the data is not readily available.
- FSU will need to decrease its percentage of out-of-state graduate students by three percentage points, or by approximately 22 students. Thus, given a difference in tuition of \$2,910 (assuming 30 credits per year), tuition revenues at FSU decrease by approximately \$64,020 beginning in fiscal 2014.
- UMES will need to decrease its percentage of out-of-state undergraduates by one percentage point, or by approximately 31 students. Thus, given a difference in tuition of \$8,506, tuition revenues at UMES decrease by approximately \$263,686 beginning in fiscal 2014.
- UMUC will need to decrease its percentage of out-of-state graduate students by four percentage points, or by approximately 572 students. Thus, given a difference in tuition of \$6,030 (assuming 30 credits per year), tuition revenues at UMUC decrease by approximately \$3.4 million beginning in fiscal 2014.
- UMCP will need to decrease its percentage of out-of-state undergraduates by 4 percentage points, or by approximately 1,089 students, and its out-of-state graduate students by 36 percentage points, or approximately 3,836 students. Thus, given a difference in undergraduate tuition of \$18,144 and a difference in graduate tuition of \$31,014 (assuming 30 credits per year), tuition revenues at UMCP decrease by a total of approximately \$138.7 million beginning in fiscal 2014.
- This estimate assumes all affected students are paying full tuition and assumes no loss in auxiliary revenue.
- Out-year estimates assume tuition and fees increase 3% annually.

Exhibit 4
Estimated Decreased Revenue
Due to Capping the Percentage of Out-of-state Students
Fiscal 2014

<u>Institution</u>	<u>Revenue Decrease</u>
Frostburg State University	\$64,020
UM Eastern Shore	263,686
UM University College	3,449,160
UM College Park	<u>138,728,520</u>
Total	\$142,505,386

Source: Department of Legislative Services

Additional Comments: Affected institutions will need to enroll a larger percentage of in-state students (mostly first-year students) in fall 2013 to be in compliance with the bill. For example, using one set of assumptions, UMCP will only be able to enroll about 10% out-of-state undergraduate students in fall 2013 to even out the composition of its undergraduate student body such that the percentage of out-of-state undergraduate students does not exceed 20%. However, given the college application cycle, this may be nearly impossible to accomplish.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 808 (Senators Pipkin and Jacobs - Education, Health, and Environmental Affairs), is not identical.

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

Fiscal Note History: First Reader - March 8, 2013
mlm/rhh

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