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FISCAL AND POLICY NOTE

Senate Bill 18 (Senators Jacobs and Astle)
Education, Health, and Environmental Affairs

Higher Education - Military Dependents - In-State Tuition

This bill exempts the spouse or a financially dependent child of an active duty or retired member of the U.S. Armed Forces from paying nonresident tuition at a public institution of higher education in the State – if the active duty or retired member was stationed in the State at any time *and* the dependent attended a public or private school in the State at any time during the four years immediately before enrolling in a public institution of higher education in the State.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Public four-year institutions of higher education could lose approximately \$10,700 in tuition revenue for each eligible military dependent who moves back to Maryland within four years of attending school in the State and enrolls in a public higher education institution. Due to the ability of the public four-year institutions to control the proportion of in-state and out-of-state students admitted, the actual loss in tuition revenues may be significantly less than the full difference between in-state and out-of-state tuition if public four-year institutions simply consider all eligible military dependents as in-state applicants during the admissions process. Baltimore City Community College (BCCC) tuition revenues are not materially affected. Expenditures are not affected.

Local Effect: Tuition revenues at community colleges are not materially affected due to it being unlikely for individuals to move to the State solely to attend a community college. If enrollments increase significantly, community college expenditures to meet student needs may also increase.

Small Business Effect: None.

Analysis

Current Law: An individual who attended and graduated from a Maryland high school is exempt from paying out-of-state tuition, and in certain instances out-of-county tuition, at community colleges in Maryland if the individual (1) attended a secondary school in the State for at least three years; (2) graduated from a high school in the State or received the equivalent of a high school diploma in the State; (3) provides documentation that the individual or the individual's parent or legal guardian has filed a Maryland income tax return annually for the three years while the individual attended a high school in the State, during any period between high school graduation and registration at a community college, and during the period of attendance at the community college; and (4) registered at a community college within four years of high school graduation beginning with students entering college in January 2013. Nonimmigrant aliens who are in the country on student visas do not qualify for the exemption, but otherwise the exemption applies regardless of residency status. An individual who graduates from or earns a certain number of credits from a community college under the bill is then exempt from paying nonresident (*i.e.*, out-of-state) tuition at a public senior higher education institution in Maryland under specified circumstances.

Active duty military personnel domiciled in Maryland or stationed in Maryland are considered State residents, as are their dependents. An individual who is considered a Maryland resident for tuition purposes at a community college is included in the count used to determine State aid to the college.

In addition, public institutions of higher education in Maryland charge in-state tuition rates to three categories of military individuals: (1) active duty members of the U.S. Armed Forces who are stationed, reside, or are domiciled in Maryland; (2) the spouses and dependent children of active duty members of the U.S. Armed Forces; and (3) honorably discharged veterans of the U.S. Armed Forces.

A spouse or financially dependent child of an active duty member of the U.S. Armed Forces is exempt from nonresident tuition charges if the member is stationed in Maryland, resides in Maryland, or is domiciled in Maryland. If the member ceases to be stationed in Maryland, reside in Maryland, or be domiciled in Maryland, the spouse or child of the member remains qualified for resident tuition if the spouse or child is continuously enrolled at a public institution of higher education.

An honorably discharged veteran of the U.S. Armed Forces is exempt from nonresident tuition if the veteran presents, within four years after discharge, (1) evidence that the

veteran attended a secondary school in Maryland for at least three years and (2) documentation that the veteran graduated from a Maryland high school or received the equivalent of a high school diploma in Maryland.

Members of the Maryland National Guard are also exempt from paying nonresident tuition at public institutions of higher education in Maryland.

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. An individual who is residing in Maryland primarily for the purpose of attending an educational institution is not considered a permanent resident.

The Board of Regents of Morgan State University and the Board of Trustees of St. Mary's College of Maryland set tuition policies for those 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 the Code of Maryland 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.

Background: According to the U.S. Department of Defense, as of September 2012 there were 2.1 million retired members of the Armed Forces. Of those, approximately 53,800 live in Maryland. The U.S. Census Bureau reports that, as of 2009, there were approximately 1.1 million active duty service members, with approximately 29,000 of those stationed in installations in Maryland.

Since 2009, federal law has required that a member of the Armed Forces and his or her dependents receive in-state tuition when the member's domicile or permanent duty station is in that state. Maryland law goes beyond that requirement, so that a spouse or financially dependent child of an active duty member of the U.S. Armed Forces is also exempt from nonresident tuition charges. And, if the member ceases to be stationed in Maryland, reside in Maryland, or be domiciled in Maryland, the spouse or child of the member remains qualified for resident tuition if the spouse or child is continuously enrolled at a public institution of higher education.

The bill expands eligibility for in-state tuition so that the dependents of active duty members and retired members will be eligible for in-state tuition if the active duty or

retired member was stationed in the State at any time *and* the dependent attended a public or private school in the State at any time during the four years immediately before enrolling in a public institution of higher education in the State. It is unknown how many additional military dependents will be eligible for in-state tuition under the bill.

There are approximately 247,400 full-time equivalent students (FTES) enrolled as undergraduates at public institutions of higher education in the State; approximately 50% attend public four-year institutions of higher education, and the remaining 50% attend community colleges, including BCCC. Significantly expanding eligibility for in-state tuition may significantly increase the difficulty of an individual, either a military dependent or a current Maryland resident, in gaining admittance to a public four-year institution.

Maryland Tuition Rates

Proposed fall 2014 in-state and out-of-state tuition and fee rates for full-time undergraduates at the State's public four-year institutions are shown in **Exhibit 1**. The differences between the rates average more than \$10,000.

Exhibit 1
In-state and Out-of-state Undergraduate Tuition and Mandatory Fees
Proposed Fall 2014 Rates

	<u>In-state</u>	<u>Out-of-state</u>	<u>Difference</u>
University System of Maryland Institutions			
Coppin State	\$6,132	\$11,393	\$5,261
UM Eastern Shore	7,287	16,311	9,024
Bowie State University	7,299	17,875	10,576
Salisbury University	8,560	16,906	8,346
Frostburg State University	7,982	19,274	11,292
Towson University	8,590	20,268	11,678
University of Baltimore	8,018	19,224	11,206
UM College Park	9,416	29,709	20,293
UM Baltimore County	10,398	22,697	12,299
UM University College	6,399	11,991	5,592
Other Public Four-year Institutions			
Morgan State University	16,546	26,030	9,484
St. Mary's College	14,969	28,769	13,800

Notes: University of Maryland, Baltimore has few undergraduate students and so is not included. Rates are pending final approval.

Source: Morgan State University, St. Mary's College of Maryland, University System of Maryland.

Fall 2013 in-county, out-of-county, and out-of-state tuition rates for community colleges are shown in **Exhibit 2**. The exhibit shows that out-of-state rates at community colleges are generally two to three times the in-county tuition rates.

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 2013

<u>College</u>	<u>In-county</u>	<u>Out-of-county</u>	<u>Out-of-state</u>
Allegany	\$3,450	\$6,240	\$7,440
Anne Arundel	3,740	6,470	10,880
Baltimore City	3,120	3,120	6,780
Baltimore County	4,080	7,350	10,770
Carroll	4,128	6,000	8,376
Cecil	3,090	5,790	7,140
Chesapeake	4,100	6,170	8,480
College of Southern MD	4,170	7,196	9,299
Frederick	4,005	7,965	10,545
Garrett	3,600	7,260	8,430
Hagerstown	3,594	5,424	6,984
Harford	3,241	5,851	8,461
Howard	4,378	6,868	8,218
Montgomery	4,452	8,664	11,724
Prince George's	4,400	6,950	9,800
Wor-Wic	3,240	6,803	8,310

Source: Maryland Association of Community Colleges

State Revenues: It is unknown how many spouses or financially dependent children of active duty or retired members of the U.S. Armed Forces will take advantage of the opportunity to receive in-state tuition in Maryland immediately, without first having resided in the State for 12 months (3 months for BCCC), or how many will choose to move to the State for educational purposes. However, public four-year institutions of higher education could lose approximately \$10,700 in tuition revenue for each eligible military dependent who chooses to do so. As explained below, the actual loss in tuition revenues may be significantly less than the full difference between in-state and out-of-state tuition if public four-year institutions simply consider all eligible military dependents as in-state applicants during the admissions process.

Public four-year institutions have considerable autonomy over admissions and generally maintain fairly stable proportions of in-state and out-of-state students. The bill does not affect that autonomy. Therefore, despite the differences in tuition levels for in-state

and out-of-state students, tuition revenues at most institutions are not materially affected. As long as there are no major adjustments to the proportion of students who qualify for in-state tuition, institutions can adjust admissions to avoid any significant loss of tuition revenues.

University of Maryland University College, which similar to community colleges is essentially an open enrollment institution, may find adjusting its in-state and out-of-state populations under the bill a challenge. Information on the percentage of eligible military dependents at public four-year institutions is not readily available; thus, a further analysis cannot be done.

The impact may also be significant at those campuses with out-of-state enrollment of 20% or more: University of Maryland, College Park; University of Maryland Eastern Shore; and Morgan State University. For these institutions, tuition revenues may decrease significantly depending on how many eligible military dependents enroll and pay in-state tuition. However, to the extent eligible military dependents would not have otherwise enrolled because they could not afford to pay out-of-state tuition or the institutions increase undergraduate enrollment overall, the impact may be minimal.

It assumed that, overall, the bill has a negligible net impact on BCCC.

Local Fiscal Effect: Unlike 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 a resident student may, therefore, result in a decrease in community college tuition revenues. However, granting resident tuition rates may also attract students who qualify for reduced rates, thereby increasing enrollments and revenues. Overall, it is assumed that the bill has a negligible net impact on total community college tuition revenues. If enrollments increase significantly, community college expenditures to meet student needs may also increase.

Additional Comments: If a significant number of eligible military dependents who would not have been eligible for in-state tuition under current law apply to public four-year institutions in the State, some individual eligible military dependents may find admittance to a public four-year institution much more difficult. If a significant number of military dependents become eligible for in-state tuition under the bill, Maryland residents currently eligible for in-state tuition may also find admittance to a public four-year institution more difficult, due to there being only approximately 133,700 FTES total at public four-year institutions of higher education in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, University System of Maryland, Department of Veterans Affairs, U.S. Department of Defense, U.S. Census Bureau, Department of Legislative Services

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