

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 843 (Senator Waugh, *et al.*)
 Education, Health, and Environmental Affairs Rules and Executive Nominations

University System of Maryland - Members of the Armed Forces - Financial Aid

This bill establishes the Return to Maryland Program in the State to encourage and assist a financially dependent child of an active-duty member of the U.S. Armed Forces or an honorably discharged veteran of the U.S. Armed Forces who once lived in Maryland and meets other requirements to return to the State and attend a constituent institution of the University System of Maryland (USM). Under the program, which is limited to 100 eligible students, an eligible student is exempt from paying the nonresident tuition rate at a constituent institution of USM. USM must administer the program. By June 30, 2017, and June 30, 2018, USM must submit a report to the General Assembly regarding how many individuals applied to the Return to Maryland Program and how many individuals received awards under the program.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Tuition revenues at USM constituent institutions likely decrease by an estimated \$1.2 million or more per year beginning in FY 2016 due to 100 eligible students receiving in-state tuition under the assumptions discussed below. Out-year revenues reflect students remaining enrolled until they either leave the program or graduate as well as tuition rate increases. USM can administer the program and submit the required reports using existing resources. Expenditures are not affected.

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Higher Ed Rev.	(\$1.2)	(\$1.2)	(\$1.3)	(\$1.4)	(\$1.4)
Expenditure	0	0	0	0	0
Net Effect	(\$1.2)	(\$1.2)	(\$1.3)	(\$1.4)	(\$1.4)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An “eligible student” is defined as an individual who (1) is a financially dependent child of an active-duty member of the U.S. Armed Forces or an honorably discharged veteran of the U.S. Armed Forces; (2) was enrolled in a public or nonpublic high school in the State for at least one year during the three years immediately before seeking enrollment in a constitution institution of USM; and (3) was a resident of or domiciled in the State while enrolled in a public or nonpublic high school in the State.

Current Law: An active-duty member of the U.S. Armed Forces and his or her spouse and financially dependent children are 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 and/or children of the member remain qualified for resident tuition if the spouse and/or children are continuously enrolled at a public institution of higher education.

An honorably discharged veteran of the U.S. Armed Forces is also exempt from nonresident tuition if the veteran presents documentation that the individual was honorably discharged and resides in the State or is domiciled in the State.

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

For institutions within 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.

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 and students enrolled exclusively in distance-education programs.

Background: When actively serving in the U.S. Armed Forces, service members live where the military needs them. Once their service is over and they are discharged, it can be difficult for service members and their dependents to establish residency in any state in order to receive in-state tuition benefits.

Veterans Access, Choice and Accountability Act of 2014

Under Section 702 of the federal Veterans Access, Choice and Accountability Act of 2014 (Choice Act), veterans and their spouses and children, using Veterans Education Benefits under the Post-9/11 GI Bill and the Montgomery GI Bill, must be exempt from paying out-of-state tuition at public institutions of higher education by July 1, 2015. Institutions must provide in-state tuition to veterans and eligible dependents to remain eligible to receive GI Bill education payments. The Maryland Higher Education Commission, serving as the State approving agency for Veterans Education Benefits in Maryland, is currently assisting the public institutions in their efforts to revise their residency policies to include an exemption for out-of-state tuition for spouses and children of veterans using Veterans Education Benefits to conform with the federal law.

Maryland Tuition Rates

Proposed fall 2015 in-state and out-of-state tuition and fee rates for full-time undergraduates at USM constituent institutions are shown in **Exhibit 1**. Using a weighted average, the difference between the rates averages more than \$11,800.

Exhibit 1
In-state and Out-of-state Undergraduate Tuition and Mandatory Fees
Proposed Fall 2016 Rates at the University System of Maryland

	<u>In-state</u>	<u>Out-of-state</u>	<u>Difference</u>
USM Institutions			
Coppin State	\$6,362	\$11,886	\$5,524
UM Eastern Shore	7,625	16,687	9,062
Bowie State University	7,703	18,186	10,483
Salisbury University	9,086	17,432	8,346
Frostburg State University	8,488	20,588	12,100
Towson University	9,182	20,788	11,606
University of Baltimore	8,326	19,744	11,418
UM College Park	10,002	31,150	21,148
UM Baltimore County	10,878	23,792	12,914
UM University College	6,735	11,991	5,257
Weighted Average	\$8,762	\$20,567	\$11,805

Notes: Rates are pending final approval. The weighted averages are based on actual fiscal 2014 undergraduate enrollment.

Source: University System of Maryland

State Revenues: Tuition revenues at USM constituent institutions likely decrease by an estimated \$1.2 million or more per year beginning in FY 2016 due to 100 eligible students receiving in-state tuition under the assumptions discussed below. Out-years assume tuition rates increase 5% annually for both in-state and out-of-state tuition. This estimate is based on the following information and assumptions.

- Based on a weighted average calculated using proposed fall 2015 (fiscal 2016) tuition rates and actual fiscal 2014 undergraduate enrollment, in-state tuition at USM institutions is on average \$11,805 less than out-of-state tuition as shown in Exhibit 1.
- It is assumed that students who qualify for the Return to Maryland Program are not eligible for in-state tuition at a USM constituent institution under any other program, such as the federal Choice Act.

- For the purposes of this estimate, it is assumed that a *total* of 100 eligible students are enrolled in the program each year beginning in fiscal 2016. However, if fewer than 100 eligible students apply for or remain in the program in a given year, then tuition revenues decrease by less than \$1.2 million that year. It is unknown how many eligible students there are or how many will apply for the program. Under this assumption, eligible students enroll until a maximum of 100 students are enrolled in the program, and no new eligible students may enroll until 1 of the 100 students is no longer enrolled in the program due to graduation or dropping out of the program. It is assumed eligible students enrolled in the program remain enrolled until they choose to leave the program or graduate.
- *Alternatively*, if the bill is interpreted to allow 100 students to enroll in the program *each* year and it is assumed that all 100 students in each class remain enrolled in the program for at least four years, the impact on revenues is cumulative such that USM institution tuition revenues likely decrease by up to \$5.1 million or more per year beginning in fiscal 2019. In fiscal 2016, the impact is \$1.2 million; in fiscal 2017, the impact is \$2.4 million; and in fiscal 2018, the impact is \$3.7 million. Under this assumption, the impact on tuition revenues fluctuates from these amounts depending on the number of eligible students who remain enrolled in each class of the program and how many years it takes eligible students to graduate.
- It is assumed the program is not intended to be a pilot program limited to a total of 100 students for the duration of the program since there is no termination date for the program. However, if the bill is interpreted to be a pilot program for a total of 100 eligible students, USM tuition revenues likely decrease by approximately \$1.2 million each year over however many fiscal years it takes for the 100 eligible students to enroll in the program and either leave the program or graduate. Under this scenario, the total cumulative revenue lost is likely between \$5.1 million and \$6.5 million, depending on whether students stay in the program and graduate after four or five years. If a student were to leave the program for any reason, that student's slot would not be filled again.
- Actual tuition revenue decreases depend on how the bill is interpreted, how many students qualify for the program each year, which institutions the students will choose to attend, actual increases in tuition rates each year, and the actual difference between in-state and out-of-state tuition each year. USM tuition revenues decrease by more than \$1.2 million per year if a large proportion of eligible students attend USM institutions with a higher than average difference between in-state and out-of-state tuition.

Additional Comments: It is unclear whether students eligible for the Return to Maryland Program will be counted toward an institution's percentage of out-of-state undergraduates. Historically, the University of Maryland, College Park has been the USM institution with the largest percentage of out-of-state undergraduates, 23% in fall 2014. If it is assumed that the program is capped at a total of 100 students per year and otherwise the distribution of in-state and out-of-state students remains similar, how the students are classified (in-state or out-of-state) will have no impact. However, if it is assumed that the program is *not* capped at 100 students per year or the distribution of in-state and out-of-state students changes significantly, how the students are classified may impact the 30% out-of-state cap.

Additional Information

Prior Introductions: SB 18 of 2014 received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Cross File: None.

Information Source(s): Baltimore City Community College, Maryland Higher Education Commission, Morgan State University, University System of Maryland, Department of Veterans Affairs, Department of Legislative Services

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Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510