

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 927

(Senator Pinsky)

Education, Health, and Environmental Affairs

Appropriations

Institutions of Higher Education - Prohibition Against Incentive Payments -
Foreign Student Exemption

This bill allows an institution of higher education to pay incentives for the recruitment of a foreign student who is (1) residing in a foreign country and (2) not eligible to receive federal student assistance. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: As early as FY 2021, public four-year institutions of higher education and Baltimore City Community College (BCCC) may choose to pay incentives for the recruitment of eligible foreign students; thus, higher education expenditures for incentives and revenues from recruited students may increase. Any such expenditures or revenues cannot be reliably estimated; however, any expenditures are likely offset by revenues. BCCC, as a community college, is unlikely to choose to make incentive payments.

Local Effect: As early as FY 2021, local community colleges may choose to pay incentives for the recruitment of eligible foreign students; however, a community college is unlikely to make the choice to do so. To the extent local community colleges make this choice, local community college expenditures for incentives and revenues from recruited students increase.

Small Business Effect: None.

Analysis

Current Law: An institution of higher education may not pay a commission, a bonus, or any other incentive payment based on success in securing enrollments or the award of financial aid to a person or entity engaged in student recruitment or admission activity.

Under the federal Higher Education Act, federal law prohibits an institution from providing any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the award of student financial assistance. However, this does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive federal student assistance.

State/Local Fiscal Effect: Institutions may choose to pay incentives for the recruitment of eligible foreign students. In 2011, the *Washington Post* reported that George Mason University paid \$2,500 per enrolled foreign student to a recruitment firm. Any such payments are likely offset by additional revenues from these students. Specified foreign students pay out-of-state tuition, which is more than in-state tuition. On average, for fall 2021, out-of-state tuition and fees at public four-year institutions are approximately \$12,000 more than in-state tuition. However, any such impact cannot be reliably estimated. Although local community colleges and BCCC may choose to pay incentives for the recruitment of eligible foreign students, they are unlikely to do so given the nature of community colleges.

Due to the June 1, 2021 effective date of the bill, institutions may pay incentives beginning in fiscal 2021 (for the final month of that fiscal year). Additional offsetting revenues may be realized as early as fiscal 2021 as well; however, given the academic schedule, the revenue impact is likely delayed until fiscal 2022 and subsequent years.

Additional Comments: As early as fiscal 2021, private for-profit and nonprofit institutions of higher education may choose to pay incentives for the recruitment of eligible foreign students; thus, private for-profit and nonprofit expenditures for incentives and tuition revenues from recruited students may increase. Foreign students at private nonprofit institutions often pay the full tuition price with no scholarship discount.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2021
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