Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 207 (Delegate Pasteur)
Appropriations

Higher Education - Undocumented Students - Out-of-State Tuition Exemption Eligibility

This bill reduces the number of years (from three to two) for which an individual or an individual's parent or guardian must file a Maryland income tax return prior to the academic year in order to qualify for an exemption from paying the out-of-state tuition rate under the Maryland Dream Act. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures may increase minimally to the extent the number of full-time equivalent students (FTES) who qualify for in-state tuition at a community college, including Baltimore City Community College (BCCC) increases. Further, tuition revenues at public institutions of higher education, including BCCC, may be affected, as explained below. Finally, increasing the number of students who qualify for in-state tuition may likewise increase the number of students eligible for various State-funded scholarships. However, expanding eligibility generally does not require additional spending, as discussed below.

Local Effect: Overall, any impact on local community colleges is likely minimal. However, State aid for local community colleges may increase, and local community college tuition revenues may be affected, as explained below.

Small Business Effect: None.

Analysis

Current Law:

Dream Act Overview

Chapter 191 of 2011, known as the Dream Act, was petitioned to referendum and approved by Maryland voters in November 2012. Under the Dream Act, an individual who attended a Maryland high school for at least three years and graduated from a Maryland high school or received the equivalent of a high school diploma in the State may pay the same tuition rates that resident students pay. Chapters 1 and 7 of 2020 expanded the circumstances under which an individual is exempt from paying the out-of-state rate.

Dream Act – Out-of-state Tuition

To qualify for the exemption from paying out-of-state tuition, a student must:

- have attended a public or nonpublic secondary (high) school in the State;
- have graduated from a public or nonpublic high school in the State or received the equivalent of a high school diploma (*e.g.*, a GED) in the State;
- register as an entering student in a public institution of higher education in the State no later than six years after graduating from high school or receiving the equivalent qualification in the State; and
- provide to the public institution of higher education documentation that the individual or the individual's parent or guardian has filed a Maryland income tax return annually for the three-year period before the academic year in which the tuition rate would apply. (Only this provision is changed under the bill.)

The Dream Act also requires a student who qualifies for an exemption and is not a permanent resident to provide an affidavit stating that the student will file an application to become a permanent resident within 30 days after becoming eligible to do so. In addition, a student who qualifies for an exemption and is required to register with the Selective Service System must provide documentation of the required registration.

Students qualifying under the Dream Act 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 undergraduates enrolled at the institutions.

Dream Act – In-county Rate for Community Colleges

An individual who qualifies for an out-of-state exemption under the Dream Act also qualifies for in-county tuition at a community college if the individual attends a community college supported by the county in which (1) an address in the county is used on the

Maryland income tax return of the individual's or the individual's parent or guardian of the calendar year prior to the academic year in which the rate would apply; (2) the high school from which the individual graduated is located; or (3) for an individual who received the equivalent of a high school diploma, the high school most recently attended by the individual is located.

Dream Act – Retaining Eligibility

To retain eligibility, an individual must use an address in the State on the Maryland income tax return of the individual or the individual's parent or legal guardian annually until the individual is awarded a degree from the public institution of higher education.

Senator John A. Cade and Baltimore City Community College Funding Formulas

The formula used for the distribution of funds to community colleges is known as the Senator John A. Cade Funding Formula. The State's annual contribution to the Cade funding formula is determined by enrollment at community colleges and a percentage, set in statute, of the level of funding received by selected public four-year institutions. Specifically, the formula bases per student funding on a set statutory percentage of current year State appropriations per FTES at the selected four-year institutions, including noncapital appropriations from the Higher Education Investment Fund. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year or the three-year moving average number of FTES enrolled in community colleges in the second, third, and fourth prior year, whichever is greater, to identify a total formula amount.

The BCCC funding formula operates in the same fashion, except that the per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year without consideration of a three-year moving average. The BCCC percentage, which is also set in statute, is higher than that for the Cade funding formula, resulting in a higher per FTES amount.

The Cade and BCCC funding formulas have a hold harmless provision in current law that ensures each college receives at least as much State funding in total through the formula as in the prior fiscal year.

In-state Tuition

Using the simple average, in-state tuition and fees proposed for fall 2024 are approximately $10,600. The difference between in-state and out-of-state tuition and fees for fall 2024 ranges from about $29,400 for the University of Maryland, College Park Campus (UMCP) to $5,250 at the University of Maryland Global Campus (UMGC). The difference between the rates at each campus, using the simple average, is almost $14,000.

For fall 2024, in-county tuition and fees are approximately $4,800 at community colleges. As a State institution, BCCC has one in-state rate. Generally out-of-state rates at community colleges are two to three times the in-county rates.

State–supported Scholarships and In–state Tuition

The Delegate Howard P. Rawlings Educational Excellence Awards (EEA) program consists of two types of awards for full-time undergraduate students: (1) Guaranteed Access (GA) Grants that are awarded to the neediest students to ensure that 100% of educational costs are paid; and (2) Educational Assistance (EA) Grants that are awarded to low- and moderate-income students to assist in paying educational costs. In addition to other qualifications, recipients of both grants under EEA must be a resident of the State or eligible for in-State tuition, which includes individuals eligible under the Maryland Dream Act.

The Maryland Community College Promise Scholarship, Chapter 554 of 2018, created a scholarship program in Maryland to provide tuition assistance to students who attend a community college in the State and who meet specified eligibility criteria, including an income limitation and being eligible for in–state tuition, which includes individuals eligible under the Maryland Dream Act.

The Part-time Grant Program provides grants to undergraduate students taking at least 3 but no more than 11 hours of courses each semester or who are dually enrolled in a secondary school in the State and an institution of higher education. Recipients must be Maryland residents or eligible for in-state tuition, which includes individuals eligible under the Maryland Dream Act, in addition to other qualifications.

Senatorial and Delegate Scholarships allow each senator and delegate to make scholarship awards during a term of office. Although exact qualifications and selection criteria differ across the Senatorial and Delegate Scholarship awards, both require a recipient to be eligible for in-state tuition.

The *Cybersecurity Public Service Scholarship Program* supports students who are pursuing an education in programs that are directly relevant to cybersecurity. An individual eligible for in-state tuition who is enrolled as a full-time student in an eligible institution in an approved degree or certificate program directly relevant to cybersecurity may apply if within two years of graduation.

The *Richard W. Collins III Leadership with Honor Scholarship Program* requires recipients to be eligible for in-state tuition and to be (1) a member of a Reserve Officer Training Corps (ROTC) program; (2) a minority student or a student who is a member of another group historically underrepresented in ROTC programs; and (3) a student at a historically Black college or university in the State.

State Fiscal Effect: Overall, any impact on State finances is likely minimal, as it is assumed that the number of students who qualify under the bill does not significantly increase from current law. The bill reduces the number of years (from three to two) for which a Maryland income tax return must be filed in order for an individual to qualify for an exemption from paying the out-of-state tuition rate under the Maryland Dream Act. To qualify for an out-of-state tuition waiver, an individual must continue to meet all other current eligibility requirements, including graduating from a Maryland high school.

General Fund Expenditures for Community College Funding Formulas

General fund expenditures do not increase immediately for any new enrollments in community colleges. Instead, for each additional FTES who qualifies for and attends a local community college in the 2025-2026 academic year, general fund expenditures under the Cade funding formula increase by approximately $5,800 in fiscal 2028, assuming enrollment is not declining such that the three-year average FTES enrollment is used to determine funding instead of the second-prior year FTES enrollment. For each additional FTES who qualifies for and attends BCCC in the 2025-2026 academic year, general fund expenditures could increase by approximately $14,500 in fiscal 2028. Out-year expenditures depend on the number of additional FTESs who qualify due to the bill and the actual per FTES amounts for the Cade and BCCC funding formulas.

Baltimore City Community College

As explained above, State aid for BCCC, through its funding formula, may increase minimally, due to additional FTESs qualifying as a result of the bill. However, as BCCC has been receiving hold harmless grants under its formula for several years, there is likely no impact on general fund expenditures until fiscal 2030 at the earliest. Also, tuition revenues may increase or decrease minimally beginning in fiscal 2026, depending on the balance of existing students who would qualify for an out-of-state tuition waiver and new students who would qualify for an out-of-state tuition waiver.

Public Four-year Institutions

Tuition revenues at public institutions of higher education are likely not materially affected. 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 revenue. The fiscal impact of this bill is a potential loss of tuition and fee revenues equal to the difference between in-state and out-of-state tuition and fees for each eligible student who enrolls at a University System of Maryland institution, Morgan State University (MSU), or St. Mary's College of Maryland. In fiscal 2023, the public four-year institutions reported a loss of approximately $1.2 million in tuition revenues due to enrolling Dream Act students.

At most public four-year institutions except UMGC, out-of-state students make up no more than 20% of undergraduates, so the impact of the bill is not significant. There may be a minimal impact at campuses with out-of-state enrollment of 20% or more – specifically, the Frostburg State University, UMCP, University of Maryland Eastern Shore, UMGC, and MSU. For these institutions, tuition revenues may decrease if the institutions choose to admit a significant number of eligible students who did not previously qualify for in-state tuition. However, to the extent these students would not have otherwise enrolled because they could not afford or would have chosen not to pay out-of-state tuition, or the institutions increase enrollment overall, the impact may be minimal.

State-supported Scholarships and In-state Tuition

Altering the verification procedures for in-state tuition eligibility such that two instead of three years of tax filing are required likely expands the number of individuals eligible to apply for some State-supported scholarships. An exact estimate of the number of additional individuals applying for in-state tuition is not feasible at this time but is assumed to be minimal. Regardless, expanding eligibility likely does not necessitate additional expenditures since expanding eligibility does not alter the overall level of State funding for scholarship programs, which are generally set in the State operating budget and sometimes subject to mandated funding amounts. However, without additional spending more individuals may be added to the waiting list for scholarships with in-state tuition eligibility requirements or fewer such scholarships may be awarded.

For the EEA program specifically, the GA and EA grant awards share one appropriation in the State operating budget. The GA Grant provides awards for any individuals who meet all eligibility criteria, while EA Grant awards are made from the funds remaining once all GA Grant awards have been made. Thus, if more GA Grant awards are made, there is less funding for EA Grant awards. When EA Grant funding for a fiscal year is exhausted, individuals eligible for the EA Grant are placed on the waiting list. Therefore, expanding GA Grant eligibility may increase State general fund expenditures to the extent existing appropriations to the Delegate Howard P. Rawlings EEA program are insufficient to cover awards for eligible GA Grant recipients. Alternatively, and because of the way the EEA program is structured, expanding eligibility for the GA Grant without increasing expenditures may necessitate reducing the number of EA Grant awards that could be made. Based on fiscal 2024 expenditures, expanding eligibility for the GA Grant without adding to the EA Grant waiting list may result in general fund expenditures of approximately $14,300 for each additional GA Grant award beginning in fiscal 2026. Finally, current law governing the EEA program provides that, should total calculated EEA awards exceed total appropriations, the Maryland Higher Education Commission (MHEC) may reduce all award amounts by a percentage to keep award dollars within total appropriated funds.

MHEC advises that, at the end of fiscal 2024, approximately 1,100 students completed an application for a Delegate Howard P. Rawlings EEA using in-state tuition eligibility granted by the Maryland Dream Act. Of these 1,100 students, approximately 200 received an award. MHEC further advises that the increase in eligible applicants will lead to an increase in program expenditures as additional eligible students receive awards. MHEC estimates at least a 10% increase in the number of applicants resulting in an additional approximately $20,000 in awards for the first cohort, rising to $80,000 four years later as additional cohorts receive scholarships. The Department of Legislative Services, however, disagrees that the increase in eligibility will necessarily lead to an increase in State expenditures for the reasons outlined above.

For context, the fiscal 2026 operating budget as introduced includes a:

- $138.7 million appropriation for EEA;
- $15.0 million appropriation for the Community College Promise Scholarship Program;
- $7.5 million appropriation for Senatorial Scholarships;
- $7.6 million appropriation for Delegate Scholarships;
- $1.0 million appropriation for the Cybersecurity Public Service Scholarship; and
- $1.0 million appropriation for the Richard W. Collins III Leadership with Honor Scholarship.

Local Fiscal Effect: State aid for local community colleges, through the Cade funding formula, may increase minimally due to additional FTESs qualifying under the bill, as explained above. Tuition revenues may increase or decrease minimally beginning in fiscal 2026, depending on the balance of existing students who would qualify for an out-of-state (or out-of-county) tuition waiver and new students who would qualify for such a tuition waiver. In total, community colleges reported a loss of approximately $911,100 in tuition revenues during fiscal 2023 due to the students affected by Maryland's Dream Act.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced in the last three years. See SB 637 and HB 473 of 2024.

Designated Cross File: SB 268 (Senator Brooks) - Education, Energy, and the Environment.

Information Source(s): Comptroller's Office; Maryland State Department of Education; Maryland Higher Education Commission; Baltimore City Community College; University System of Maryland; Morgan State University; St. Mary's College of Maryland; Department of Legislative Services

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