



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 603 of the 132nd G.A.

**Status:** As Passed by the House

**Sponsor:** Rep. Perales

**Local Impact Statement Procedure Required:** No

**Subject:** Grants residency status for in-state tuition purposes to all active duty military members and their spouses and dependents

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### Fiscal Highlights

- State institutions of higher education that currently enroll out-of-state active duty military members or their spouses and dependents may receive less tuition revenue per student under the bill since they will no longer be able to apply an out-of-state surcharge on tuition for these individuals.
- Conversely, the reduced tuition offered under the bill may incentivize additional active duty personnel or their family members to enroll in state institutions, which would increase tuition revenues as well as instructional costs at those institutions.
- State institutions may gain or lose revenue from state share of instruction (SSI) formula payments depending on how the enrollment of out-of-state active duty personnel or their family members changes the institution's share of student course and degree completions and other institutional outcome factors used in the formula.
- The bill does not necessarily increase the state's cost for SSI formula payments, even if enrollment were to increase, due to the manner in which the General Assembly allocates SSI funding to state institutions.

### Detailed Fiscal Analysis

#### Overview

Current law grants in-state tuition to members of the U.S. Armed Forces who are stationed in the state, members of the Ohio National Guard, and the spouses and dependents of these individuals. The bill adds active duty members of the Armed Forces who are not stationed in Ohio and their spouses and dependents to the students who are eligible for in-state tuition. State institutions that currently enroll these students will receive less tuition revenue than under current law. Most nonresident students attend four-year university main campus locations. The annual tuition revenue loss per full-time student would average \$9,363 for those institutions, which is the difference between the average out-of-state and the average in-state tuition charged at four-year campuses. On the other hand, the reduced tuition offered under the bill may incentivize

additional active duty personnel or their family members to enroll in Ohio institutions, which would increase tuition revenues as well as instructional costs. For each new full-time student enrolled, the average annual tuition revenue gain per student would be \$9,756 for four-year main campus locations, which is the average in-state tuition amount. In addition, state institutions may gain or lose revenue from state share of instruction (SSI) formula payments. The following provides additional details, beginning with a profile of active duty personnel and their family members.

### Profile of active duty personnel and family members

According to the most recent data from the U.S. Department of Defense (DOD), there were nearly 1.3 million active duty personnel and 1.7 million family members (that is, spouses, children, and adult dependents) of active duty personnel in 2016.<sup>1</sup> Table 1 below summarizes various relevant characteristics of these individuals.

<b>Table 1. Profile of Active Duty Personnel and Family Members, 2016</b>			
	<b>Active Duty Personnel</b>	<b>Family Members of Active Duty Personnel</b>	<b>Total</b>
Total number of individuals	1,288,596	1,669,941	2,958,537
<i>Spouses</i>	0	623,981	623,981
<i>Adult dependents</i>	0	9,487	9,487
<i>Total children</i>	0	1,036,472	1,036,472
Children ages 0 to 12	0	808,062	808,062
Children ages 13 to 17	0	160,996	160,996
Children ages 18 to 22	0	67,414	67,414
Individuals with an advanced degree	107,114	79,870 (Est.)	186,984
Individuals located in Ohio	6,440	8,346 (Est.)	14,786
Individuals outside Ohio without advanced degree	1,175,042	1,581,726	2,756,768
Individuals outside Ohio without advanced degree at least 18 years of age	1,175,042	612,667	1,787,709

While there may be a total of 3.0 million active duty personnel and family members, not all of these individuals figure to benefit from the bill. Children that have not yet reached the age at which most students attend college comprise a large portion of the number of active duty family members. DOD data indicate that active duty members have a total of over 969,000 children that are younger than 18 years of age and over 67,000 college-age children (those 18 to 22 years of age). In addition, about 107,000 active duty personnel, along with an estimated 80,000 or so spouses of active duty

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<sup>1</sup> The full report can be found at: <https://www.militaryonesource.mil/> by searching for "2016 Demographics Report."

members,<sup>2</sup> have already attained an advanced degree and, thus, may not be likely to pursue additional education. Furthermore, 6,440 active duty members, with an estimated 8,346 family members, are located in Ohio.<sup>3</sup> As noted above, these 15,000 individuals are already eligible for in-state tuition rates and would receive no additional benefit. Altogether, there are an estimated 1.2 million active duty members located outside Ohio without an advanced degree and about 613,000 active duty family members located outside Ohio without an advanced degree that are at least 18 years old, for a total of about 1.8 million individuals who may be newly eligible for in-state tuition under the bill.

## Tuition revenues

State institutions generally can charge a higher tuition rate to out-of-state students than they can for in-state students. Under the bill, state institutions will receive less tuition revenue for active duty personnel and family members that would have otherwise attended the institution at out-of-state tuition rates because the active duty member is not stationed in Ohio. The cost of this provision is uncertain, as enrollment data reported by state institutions to the Ohio Department of Higher Education (DHE) does not identify the number of active duty personnel and family members attending the institutions by residency status. However, as a point of reference, institutions classified 14.1% of students as nonresidents in the fall 2016 headcount reported to DHE. About 89% of these students attended four-year main campus locations. Table 2 below shows that, in FY 2018, the average in-state tuition for full-time undergraduate students enrolled at the main campuses of the state's 13 public four-year universities was \$9,756, while the average out-of-state undergraduate tuition charged to a student was \$19,119. The difference, \$9,363, represents the average amount of the annual revenue loss per student at those locations due to the bill. The difference was less for students that attend community and technical colleges. The annualized in-state rate at those institutions averaged \$4,178 while the out-of-state rate averaged \$8,255, for an average difference of \$4,077.

<b>Sector</b>	<b>Average Out-of-State Undergraduate Tuition</b>	<b>Average In-State Undergraduate Tuition</b>	<b>Difference</b>
University main campuses	\$19,119	\$9,756	\$9,363
University regional branches	\$15,442	\$5,785	\$9,657
Community and technical colleges	\$8,255	\$4,178	\$4,077

<sup>2</sup> We estimated the number of spouses of active duty personnel with an advanced degree based on the percentage of the general U.S. population 25 years of age or older that have attained such a degree (12.8%), according to the latest available data published by the U.S. Census Bureau.

<sup>3</sup> We estimated the number of family members based on the average ratio of one active duty member to 1.3 active duty family members across all active duty personnel, as reported by DOD.

On the other hand, offering in-state tuition to active duty personnel and family members, no matter where the active duty member is stationed, may provide an incentive for these individuals to attend Ohio institutions. That is, the bill may attract some students to Ohio institutions that otherwise would not have enrolled. For each new student, four-year state institutions would gain an annualized average of \$9,756 in tuition revenue while community and technical colleges would gain \$4,178. Ultimately, the bill's fiscal impact on tuition revenues will depend on the number of students that currently pay out-of-state tuition rates that would be newly eligible for in-state tuition as well as the number of new students and which type of institution the students attend. However, any increase in revenue as a result of additional students will be offset, at least in part, by the cost to educate the new students.

### **State share of instruction**

State share of instruction (SSI) is the state's primary funding source to support the instructional costs of the state's 61 public universities and community and technical colleges. Generally, only in-state students are counted in the SSI distribution formula. This is the main reason that tuition rates charged to out-of-state students are significantly higher than those charged to students that reside in this state. The General Assembly determines the overall amount appropriated for SSI payments each year. The SSI formula then allocates funding to institutions based on prescribed percentages for certain institutional outcome factors, such as student course and degree completions. In general, each institution's allocation is based on the campus's share of the total for each formula component.

Since the General Assembly determines SSI funding this way, the bill will not necessarily increase the state's cost for SSI formula payments even if enrollment were to increase. However, the institutions in which the students newly eligible for in-state tuition enroll may gain some additional SSI funding depending on whether the institutions attain a greater share of the statewide amounts computed for each formula component. Likewise, the institutions whose share of the formula components decreases may receive less SSI funding. In FY 2017, the latest year for which SSI per student data is available, the average SSI distribution per-student was \$6,236 for the state's public four-year universities and regional campuses and \$4,563 for community and technical colleges.