

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 110

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Higher
Education Commission)

Education, Health, and Environmental Affairs

Appropriations

**Institutions of Higher Education - Fully Online Distance Education - Registration
and Fees**

This departmental bill alters the definition of “fully online distance education program in the State” to simplify the definition. The bill also authorizes the Maryland Higher Education Commission (MHEC) to charge an institution that enrolls up to 20 Maryland students in a fully online distance education program a fee that is less than the fee charged to other institutions.

Fiscal Summary

State Effect: MHEC revenues from fees from institutions that enroll up to 20 Maryland students in a fully online distance education program either decrease minimally or remain stable beginning in FY 2015 depending on whether, and by how much, MHEC exercises its authority to reduce the fee. Expenditures are not affected.

Local Effect: None.

Small Business Effect: MHEC has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: “Fully online distance education program in the State” is defined as a program originating outside the State offered by an out-of-state institution in which a

student domiciled in Maryland enrolls and where 51% or more of the program is offered through electronic distribution. The bill adds a definition so that an “out-of-state institution” is defined as an institution of higher education whose primary campus exists outside Maryland and whose authority to grant degrees is conferred by another state. The definition of “distance education” is also repealed.

Current Law: “Fully online distance education program in the State” is defined as a program in which (1) 100% of the program is offered through electronic distribution of instruction to one or more sites other than the principal location of an institution or (2) 51% or more of the program is offered through electronic distribution of instruction to one or more sites other than the principal local location of an institution and MHEC has determined that the portion of the program offered at a location in the State, if any, does not require a certificate of approval for the institution to operate, do business, or function in the State.

According to the Code of Maryland Regulations, an online distance education program seeking to register with MHEC must pay an application fee of \$1,000.

Background: MHEC advises that the current definition is difficult to explain and justify to institutions of higher education. MHEC also reports that the technology has advanced since the definition for a “fully online distance education in the State” was first established in statute. At the time the current definition was established, courses were transmitted via satellite, telephone lines, or a variety of alternative means to an off-site location where students would gather for instruction. Now, students no longer have to be in one specific location to receive the transmission. The definition proposed in the bill reflects the technological advances, but MHEC is not aware of any programs or institutions that would be affected by this change.

State Revenues: MHEC revenues from fees from institutions that enroll no more than 20 Maryland students in a fully online distance education program either decrease or remain stable beginning in fiscal 2015 depending on whether MHEC exercises its authority to reduce the fee. If MHEC reduces the fee, it is unknown whether the lower fees for such institutions will encourage institutions with no more than 20 Maryland students to register (partly mitigating the fee reduction), or whether it will simply reduce fees paid by institutions that would have registered regardless.

MHEC advises that, for registered institutions reporting student enrollments for the 2012-2013 academic year (the first full year that registration was required), 28 of the 68, or 44%, of registered institutions reported having no more than 20 Maryland students enrolled. For the 2013-2014 academic year, 170 institutions have registered with MHEC; however, annual enrollments have not yet been reported for the year. If the portion of institutions with enrollments of no more than 20 remains the same for the 2013-2014

academic year as it was for the 2012-2013 academic year, then approximately 75 registered institutions will have no more than 20 Maryland students enrolled.

For illustrative purposes only, since the current registration fee for all institutions is currently \$1,000, reducing the fee for institutions with no more than 20 Maryland students by 25% to \$750 will reduce revenues by an estimated \$18,750. If more institutions with no more than 20 Maryland students enrolled are encouraged to register rather than refuse to enroll Maryland students, this reduction in registration fee may be partly mitigated. However, MHEC advises that most institutions with low Maryland enrollments that have questioned the current \$1,000 fee have ultimately decided to register in the past.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Department of Legislative Services

Fiscal Note History: First Reader - January 13, 2014
mc/rhh Revised - Senate Third Reader - March 31, 2014

Analysis by: Caroline L. Boice

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Higher Education Commission – Fully Online Distance Education - Registration

BILL NUMBER: SB 110

PREPARED BY: Maryland Higher Education Commission

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposed legislative change only impacts administrative procedures at MHEC. There will not be an impact on small business.