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2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 37
Appropriations

(Frederick County Delegation)

Education, Health, and Environmental Affairs

Frederick Center for Research and Education in Science and Technology

This emergency bill establishes in statute the Frederick Center for Research and Education in Science and Technology (CREST). The Frederick Regional Higher Education Advisory Board (FRHEAB) is renamed to be the Frederick CREST Governing Board (board), with expanded duties and powers. The board must submit an adopted mission statement to the Maryland Higher Education Commission (MHEC), subject to MHEC policies and guidelines.

Fiscal Summary

State Effect: To the extent that the bill facilitates the approval and operation of a Frederick Regional Higher Education Center (RHEC), general fund expenditures may increase and higher education expenditures and tuition revenues increase in the out-years. If Frederick CREST is approved by MHEC, there is no required increase in total funding for RHECs not overseen by the University System of Maryland (USM), in which case each non-USM RHEC receives less funding beginning in FY 2017. Alternatively, non-USM RHEC funding may increase beginning in FY 2017.

Local Effect: To the extent that the bill facilitates the approval and operation of a Frederick RHEC, Frederick County expenditures may increase significantly. Any expenditures may be partially offset by increased State aid for the RHEC.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill establishes Frederick CREST in statute; however, under current law, MHEC must still approve Frederick CREST for the center to be able to operate in the State. It also converts an advisory board to a governing board with expanded powers.

In addition to the duties specified in current law, the board must operate and exercise general control over Frederick CREST. The board may (1) fix the salaries and terms of employment of the director and other employees of Frederick CREST; (2) purchase, lease, or otherwise acquire any property it considers necessary for the operation of Frederick CREST; and (3) sell, lease, or otherwise dispose of assets or property of Frederick CREST. The director of Frederick CREST or the chair of the board may execute a conveyance or other legal document under an appropriate resolution of the board.

Current Law: Chapter 375 of 2013 required the Frederick County Chamber of Commerce Major Employers Group to appoint the initial members of FRHEAB by November 1, 2013. Each member serves for a term of three years and until a successor is appointed and qualifies. A member may not serve more than two full consecutive terms. A member appointed to fill a vacancy in an unexpired term serves only for the remainder of that term and until a successor is appointed and qualifies. The chair of the board must be elected by the board from among its members; however, a member who represents an out-of-state institution may not serve as chair.

FRHEAB members may not receive compensation, but they are entitled to reimbursement for expenses under the standard State travel regulations.

FRHEAB must:

- assist and support the development of higher education in the Frederick region;
- assist in establishing a Frederick RHEC;
- assist in setting the missions of and accomplishing the goals and objectives of the sites (*i.e.*, four-year institutions that offer programs at the center) in Frederick County;
- assist with marketing and promoting programs offered at the center and sites; and
- facilitate interactions among the business, nonprofit, education, military, and Frederick National Laboratory communities.

FRHEAB is also required to keep separate records and minutes and to adopt reasonable rules, regulations, and bylaws. In addition, the advisory board must ensure that all academic programs and policies of the center and sites are in compliance with the policies of and approved by MHEC.

Regional Higher Education Centers

MHEC has authority to approve RHECs to operate in the State and has statewide coordinating responsibility for RHECs. MHEC may distribute strategic incentive funds to an institution of higher education or RHEC to encourage attainment of the goals and priorities set forth in the State Plan for Higher Education.

MHEC *may* (1) require RHECs to submit strategic plans and (2) provide grants to RHECs for ongoing operating expenses and lease payments if consistent with the State Plan for Higher Education and the approved mission statements of RHECs. MHEC *must* (1) administer programs of State support and financial assistance for RHECs and (2) assure that courses and programs offered are within the scope of the approved mission of RHECs and specifically satisfy the duties and goals set forth for RHECs in statute. MHEC must assure that State funds for RHECs not administered by USM are spent prudently and in accordance with State guidelines, while that responsibility falls on USM for RHECs it administers.

Background:

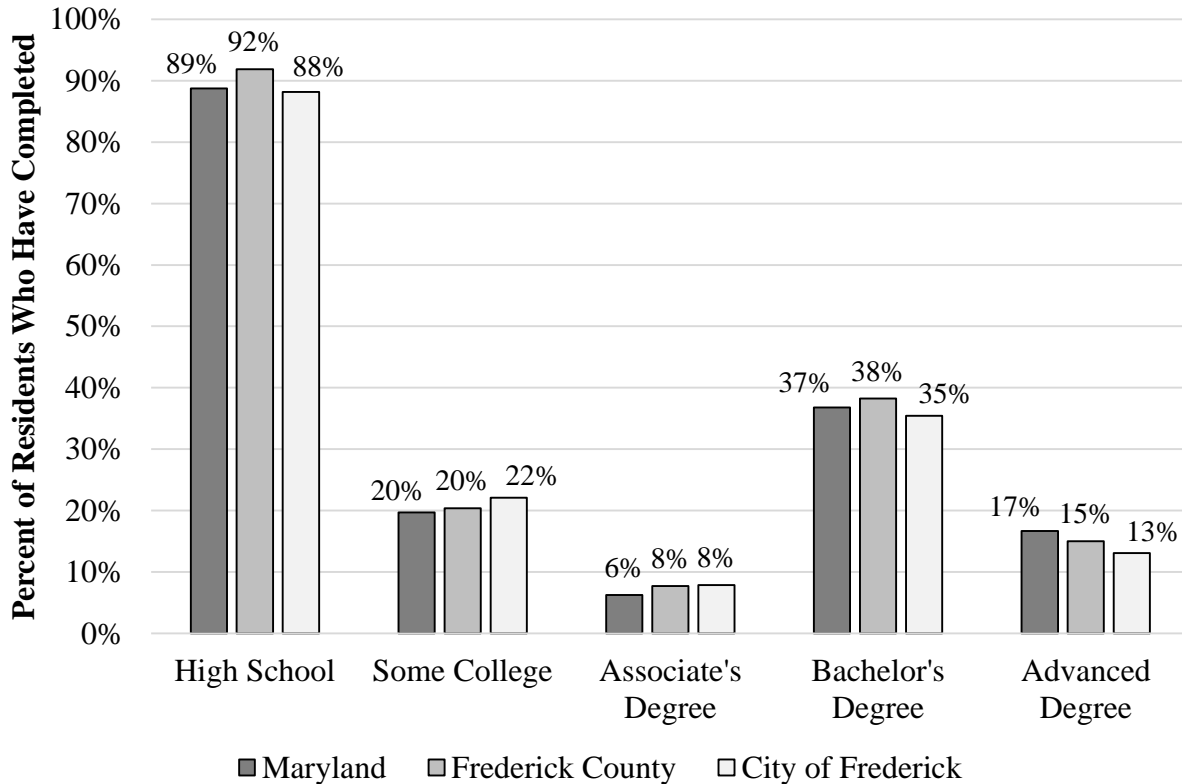
Frederick County

Frederick County has one community college and two private nonprofit institutions of higher education.

- Frederick Community College (FCC): Founded in 1957, FCC enrolled more than 4,300 full-time equivalent students (FTES) in fiscal 2014. As 1 of the State's 15 locally operated community colleges, the college receives funding from Frederick County and the State in addition to tuition and other revenues.
- Hood College: A private nonprofit institution located in the City of Frederick, Hood College enrolled a total of 1,626 FTES in fiscal 2014.
- Mount St. Mary's University: A private nonprofit institution with campuses in Emmitsburg and the City of Frederick, Mount St. Mary's University enrolled a total of 1,849 FTES in fiscal 2014.

The educational attainment of residents of Frederick County and the City of Frederick is compared with the educational attainment of all Maryland residents in **Exhibit 1**. The exhibit shows that, relative to statewide figures, higher percentages of county residents have completed high school, and similar percentages hold college degrees and advanced degrees. Educational attainment levels for Frederick City residents generally track with statewide figures, except for advanced degrees.

Exhibit 1
Educational Attainment of Residents Age 25 and Older
2009-2013



Source: 2009-2013 American Community Survey 5-year Estimates; U.S. Census Bureau

Regional Higher Education Centers

An RHEC is a facility at which at least two institutions of higher education offer classes, consisting of a variety of program offerings and multiple degree levels. RHECs are designed to ensure access to higher education in underserved areas of the State. They provide baccalaureate and graduate programs in places where students do not have access to higher education due to geographical distance, commute time, or the limited capacity of local four-year institutions. RHECs offer the State an opportunity to address workforce needs in high-demand areas, particularly for nontraditional students, and to support State, regional, and local economic development goals.

There are eight RHECs located throughout Maryland. USM operates two RHECs: the Universities at Shady Grove and the University System of Maryland at Hagerstown. The other six are independent regional centers that are coordinated by MHEC and exist in

areas not served by comprehensive four-year institutions of higher education: Anne Arundel Community College Regional Higher Education Center at Arundel Mills; Eastern Shore Higher Education Center; University Center of Northeastern Maryland (formerly the Higher Education and Applied Technology Center); Laurel College Center; Southern Maryland Higher Education Center; and Waldorf Center for Higher Education.

Since 2000, MHEC has been responsible for the approval and coordination of RHECs. The commission is responsible for approving the mission statements of all eight RHECs, ensuring that the programs and courses offered are within the scope of the approved mission statements, approving any new RHECs, and making recommendations for State funding for RHECs to the Governor and the General Assembly. For the six RHECs independent of USM, MHEC is also responsible for administering operating funding. USM administers operating funding for the Shady Grove and Hagerstown centers. The Governor’s proposed fiscal 2016 budget includes \$2.15 million in general fund support for non-USM RHECs, as shown below in **Exhibit 2**.

Exhibit 2
Funding Levels of Non-USM RHECs
Fiscal 2016

<u>RHEC</u>	<u>Base Allocation</u>	<u>Incentive Funding</u>	<u>Total</u>
AACC RHEC at Arundel Mills	\$200,000	\$90,088	\$290,088
Eastern Shore Higher Ed. Center	200,000	121,206	321,206
Laurel College Center	200,000	81,561	281,561
Southern MD Higher Ed. Center	200,000	327,529	527,529
University Center Northeastern MD	200,000	216,842	416,842
Waldorf Center for Higher Ed.	<u>200,000</u>	<u>112,774</u>	<u>312,774</u>
Total	\$1,200,000	\$950,000	\$2,150,000

AACC: Anne Arundel Community College
RHEC: Regional Higher Education Center
USM: University System of Maryland

Source: Governor’s Budget Books, fiscal 2016; Maryland Higher Education Commission

The Southern Maryland Higher Education Center is the only RHEC in the State that was established in statute, prior to MHEC receiving approval authority in 2000. Chapter 282 of 1994 created the regional center to serve the higher education and professional training needs of the Southern Maryland region. The impetus for the regional

center was the tremendous growth at Patuxent River Naval Air Station from Base Realignment and Closure decisions in the 1990s. Many of the new jobs at the Naval Air Station were highly skilled positions that required advanced degrees or other professional training. The Governor appoints 13 voting members to the regional center's Board of Governors, which oversees the regional center and selects its executive director.

Each of the eight RHECs has its own system of governance. The governance structure of a regional center directly impacts institutional participation and the academic offerings at each regional center. Some RHECs permit participation from all types of institutions whether they are in-state, out-of-state, for-profit, or nonprofit. Other RHECs are limited by their governance structure to working only with certain types of or specific institutions. An institution outside USM can provide a program at these regional centers only if a constituent institution cannot or will not provide the necessary program.

RHEC Funding

The two USM RHECs are funded as line items in the USM Office budget, while the other six are funded by grants through MHEC's operating budget. In 2005, the General Assembly charged MHEC with developing an equitable, consistent, and ongoing funding strategy for the non-USM RHECs. The resulting strategy contains the following components:

- base allocation for each regional center (\$200,000);
- incentive funding for FTES (2+2 lower division, upper division, and graduate) tied to the inflation-adjusted fiscal 2005 general fund appropriation per FTES at the Universities at Shady Grove;
- lease funding for regional centers that lease space; and
- special funding for one-time projects or start-up costs.

The funding strategy was first partially funded in fiscal 2009, with consistent increases through fiscal 2014. In fiscal 2012, the non-USM RHECs were appropriated \$1.5 million, which was distributed using the funding strategy, including the full \$200,000 base funding appropriation. In fiscal 2013, funding for the non-USM RHECs was increased to \$1.75 million; therefore, more per-student funding was available. Non-USM RHEC funding was increased to \$2.55 million in fiscal 2014 and 2015, which was later reduced to \$2.15 million in fiscal 2015 by the Board of Public Works. The Governor's proposed fiscal 2016 budget includes \$2.15 million in non-USM RHEC funding.

Frederick Regional Higher Education Center Study

The fiscal 2013 budget included \$120,000 in general funds, contingent upon the enactment of Chapter 375 of 2013, to conduct a study for Frederick regional higher education needs and for the Northeast Maryland Higher Education Advisory Board. The Frederick study was completed in June 2014. The study highlighted the following concerns:

- the local pipeline of available workers with appropriate skill sets and credentials does not achieve the depth and breadth needed for the future, especially in science, technology, engineering, and math related disciplines;
- efforts to grow and maintain a local pipeline to support workforce needs must continue in order to expand opportunities and pathways;
- the local higher education institutions do not have the resources to meet all of the identified local needs;
- current courses and degree programs of need are not easily accessible or affordable to local residents and employees in Frederick County; and
- a lack of such higher education options may prove detrimental in the long run to existing employers in terms of retention or expansion as well as attraction of new business to Frederick County.

The report suggests a series of baccalaureate and graduate programs for a Frederick RHEC, including biotechnology, engineering, and cybersecurity. The report concludes with a series of issues for consideration, such as ensuring the continued involvement of the three local institutions of higher education and the governance model and operation plan of the RHEC. The full text of the report can be found [here](#).

State Fiscal Effect: To the extent that the bill facilitates the approval and operation of a Frederick RHEC, general fund expenditures for non-USM RHECs may increase and higher education expenditures and tuition and other revenues increase in the out-years.

If Frederick CREST is approved by MHEC there is no *required* effect on total funding for non-USM RHECs. The Governor's proposed fiscal 2016 budget includes \$2.15 million in general fund support for the non-USM RHECs. To the extent that this funding level remains unchanged, each non-USM RHEC receives less funding beginning in fiscal 2017 to provide Frederick CREST with at least a \$200,000 base grant each year. Additional funding for Frederick CREST will depend on enrollment, lease costs, and other factors

(as well as the per-student funding amount to be allocated each year) that cannot be estimated at this time.

Additional Information

Prior Introductions: None.

Cross File: SB 25 (Senator Young, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Frederick County, Maryland Higher Education Commission, U.S. Census Bureau, Department of Legislative Services

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