

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1149
Appropriations

(Frederick County Delegation)

Budget and Taxation

Frederick Center for Research and Education in Science and Technology -
Funding

This bill requires the Governor to annually appropriate to the Frederick Center for Research and Education in Science and Technology (CREST) an amount that is equivalent to the amount appropriated to a similar regional higher education center (RHEC) and, for fiscal 2018 through 2020, is in addition to an amount that covers start-up costs incurred by Frederick CREST.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Assuming State funding for Frederick CREST and a similar RHEC continues after FY 2017 in accordance with the funding formula for RHECs established (but not mandated) in current law, there is no effect on general fund expenditures. The Governor's proposed FY 2017 budget includes \$244,000 for Frederick CREST. However, if funding for Frederick CREST would otherwise be reduced or eliminated in any year beginning in FY 2018, and a similar RHEC receives funding in that year, then general fund expenditures increase to meet the bill's funding mandate. The amount in any one year is likely up to \$250,000 to \$350,000, consistent with funding for other RHECs. Revenues are not affected. **This bill may establish a mandated appropriation beginning in FY 2018.**

Local Effect: Potential meaningful, as discussed below.

Small Business Effect: Minimal.

Analysis

Current Law/Background:

Frederick CREST

Chapter 218 of 2015 established Frederick CREST in statute; however, under current law, the Maryland Higher Education Commission (MHEC) still had to approve Frederick CREST for the center to be able to operate in the State. It also converted an advisory board to a governing board with expanded powers. MHEC approved Frederick CREST in November 2015, with some restrictions, including:

- State colleges and universities seeking to offer programs at Frederick CREST must first obtain approval from MHEC.
- Program offerings at CREST must be responsive to educational needs identified in the *Frederick Higher Education Needs Assessment* (a study completed by MHEC in 2014 that concluded the region needed more degrees in health, engineering, and information technology fields) and consistent with CREST's mission as a STEM-based research and education hub.
- The CREST governing board must work closely with Frederick Community College, Hood College, and Mount St. Mary's University to ensure that program offerings at CREST are not unreasonably duplicative, subject to determination by MHEC.
- The CREST governing board must abide by all financial and fiscal responsibilities of RHECs in the State. The board is the fiduciary agent, through the executive director, for CREST. Responsibilities include (1) identifying strategies for obtaining local and/or county support; (2) requiring that State funding not supplant local/county support; and (3) ensuring that CREST charges appropriate fees.

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 operating throughout Maryland, not including Frederick CREST. The University System of 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 (as shown in **Exhibit 1**).

Exhibit 1
State Support for RHECs
Fiscal 2016-2017

<u>Non-USM RHECs</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>\$ Change</u> <u>FY 2016-2017</u>	<u>% Change</u> <u>FY 2016-2017</u>
AACC RHEC at Arundel Mills	\$290,585	\$294,026	\$3,441	1.2%
Eastern Shore Higher Education	321,136	349,688	28,552	8.9%
University Center	416,717	300,595	-116,122	-27.9%
Laurel College	281,513	281,612	99	0.0%
Southern Maryland	527,340	557,010	29,670	5.6%
Waldorf	312,709	367,070	54,361	17.4%
Frederick CREST	N/A	244,012	244,012	N/A
Non-USM RHECs Total	\$2,150,001	\$2,394,014	\$244,012	11.3%
USM RHECs				
Universities at Shady Grove	\$8,634,272	\$10,384,272	\$1,750,000	20.3%
University System of Maryland at Hagerstown	1,832,294	2,082,294	250,000	13.6%
USM RHECs Total	\$10,466,566	\$12,466,566	\$2,000,000	19.1%

AACC: Anne Arundel Community College
RHEC: Regional Higher Education Center
USM: University System of Maryland
CREST: Center for Research and Education in Science and Technology

Notes: Supplemental Budget No. 3 provides \$244,012 for Frederick CREST. Numbers may not sum to total due to rounding.

Source: Maryland Higher Education Commission

The two USM RHECs are funded as line items in the USM Office budget, while the other six (excluding Frederick CREST) 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 discretionary formula contains the following components:

- base allocation for each regional center (\$200,000);
- incentive funding for full-time equivalent students (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.

As shown in Exhibit 1, the Governor's proposed fiscal 2017 budget funds non-USM RHECs at \$2.4 million, which is slightly below the fiscal 2014 funding level. As part of Supplemental Budget No. 3, Frederick CREST receives \$244,012 in fiscal 2017.

State Expenditures: The bill's mandate language requires that Frederick CREST be funded through the existing funding formula for non-USM RHECs beginning in fiscal 2018. As noted above, the Governor's proposed fiscal 2017 budget includes \$244,012 for Frederick CREST. Assuming that State funding for Frederick CREST and a similar RHEC continues after fiscal 2017 in accordance with the funding formula established in current law for RHECs, there is no effect on general fund expenditures due to the bill.

As also noted above, the RHEC funding formula in current law is not a mandated appropriation. The Governor may choose to provide no appropriation in a given year. If that were to happen, the bill's mandate language appears to require that Frederick CREST receive an equivalent amount in that year, which would be no funding. However, if a similar RHEC receives State funding in any year beginning in fiscal 2018, then the bill mandates funding for Frederick CREST in the same year. Therefore, if funding for Frederick CREST would otherwise be reduced or eliminated in any year beginning in fiscal 2018, and a similar RHEC receives funding in that year, then general fund expenditures increase to meet the bill's funding mandate. The amount in any one year is likely between \$250,000 and \$350,000, consistent with funding for other RHECs. Revenues are not affected.

The bill does *not* require the Governor to fund start-up costs *in addition to* the amount required by the funding mandate language. Instead, the bill specifies that any start-up funding is in addition to the mandated funding. Therefore, the above estimate does not

reflect any additional start-up funding provided to Frederick CREST, although the RHEC formula does authorize start-up funding, at the Governor's discretion. If the bill is construed to mandate start-up funding in fiscal 2018 through 2020, then general fund expenditures increase by approximately \$100,000 annually in each of those years.

Local Fiscal Effect: Assuming State funding for Frederick CREST and a similar RHEC continues after fiscal 2017 in accordance with the funding formula established in current law for RHECs, there is no effect on Frederick County revenues due to the bill.

If a similar RHEC receives State funding in any year beginning in fiscal 2018, then the bill mandates funding for Frederick CREST in that year. Therefore, Frederick County revenues increase beginning in fiscal 2018 to the extent that the bill requires that Frederick CREST receive funding that it otherwise would not have received under current law. Regardless, the bill does not require Frederick County to increase expenditures.

Additional Information

Prior Introductions: None.

Cross File: SB 874 (Frederick County Senators) - Budget and Taxation.

Information Source(s): Maryland Higher Education Commission, Department of Budget and Management, Frederick County, Department of Legislative Services

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