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FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1595
Appropriations

(Delegates Jones and McIntosh)

Education, Health, and Environmental Affairs

Baltimore City Community College - Realignment

This emergency bill alters the membership of the Board of Trustees of Baltimore City Community College (BCCC), as specified, beginning no later than July 1, 2017. By December 1, 2018, the board must complete specified tasks associated with the realignment of BCCC, including reviewing, revising, and updating the strategic plan for BCCC. In addition, the bill establishes minimum requirements for a President of BCCC, and states that a new president may not be appointed until the new members of the board have been appointed. By December 1 each year, the board must report to specified committees of the General Assembly on implementing the duties and responsibilities of realigning BCCC.

Fiscal Summary

State Effect: Although the BCCC realignment is anticipated to bring about many changes to the operations of BCCC, the direct fiscal impact of the bill is minimal and mostly absorbable by BCCC, as explained below. The FY 2018 operating budget includes \$150,000 in general funds to implement the bill, contingent on enactment of legislation. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Composition of the Board of Trustees

The board of trustees consists of nine voting members, specified as follows:

- six members appointed by the Governor with the advice and consent of the Senate, including the student member;
- one member, jointly appointed by the President of the Senate and the Speaker of the House of Delegates, who serves as chair of the board;
- the Chief Executive Officer of the Baltimore City Public Schools, or designee, who serves as an *ex officio* member; and
- the Executive Director of the Mayor's Office of Economic Development, who serves as an *ex officio* member.

To the extent practicable, the members of the board must consist of at least:

- one individual with a background in higher education;
- one individual with a background in procurement and finance;
- one individual with a background in workforce development; and
- one high-level executive from a large employer located in Baltimore City.

Board members must also meet existing statutory requirements, as described below. The term limits are staggered, as specified in the bill. Each member serves without compensation but is entitled to reimbursement for expenses.

Realignment Tasks

In addition to its existing statutory duties and responsibilities, the board of trustees must complete, by December 1, 2018, the following specified tasks related to realignment of BCCC:

- review and strategically align core course offerings of BCCC, consistent with accreditation requirements, and focused on the needs of students at BCCC and the workforce in Baltimore City;
- make workforce development and job placement top educational priorities of BCCC;

- improve student pathways to success, including remedial education, attainment of a degree or a postsecondary certificate, and transfer to four-year institutions of higher education;
- enter into memoranda of understanding in order to establish student pathways to success with the Baltimore City Public School System (BCPSS), institutions of higher education, and employers;
- align the budget of BCCC with realistic enrollment projections;
- engage in a comprehensive review of all positions, faculty, and staff at BCCC;
- establish strong relationships with key stakeholders, including those specified;
- develop and market a brand for BCCC;
- address the information technology (IT) and infrastructure needs of BCCC, including whether oversight by the Department of Information Technology is advisable;
- develop *or sell* all unused or underutilized real estate, including the Inner Harbor site; and
- identify any barriers in State or local laws or regulations that impede the ability of BCCC to operate efficiently and effectively, including procurement and capital construction projects.

In addition, the board of trustees may determine to sell the Inner Harbor site rather than only develop the site for commercial purposes to maximize revenue, as is required under current law.

President of Baltimore City Community College

At a minimum, the President of BCCC must meet the following criteria:

- a commitment to lifelong learning and achievement;
- academic leadership skills to determine future priorities, strategic initiatives, new programs or methods of program delivery, and evaluation of accountability for current programs;
- the vision and skills to develop and implement a focus, vision, and strategies for BCCC that address the critical academic, career, and continuing education roles of BCCC;
- the ability to articulate effectively BCCC's focus, vision, and strategies for the future to a wide range of stakeholders and the public;
- the ability to develop new and improved partnerships between BCCC and specified entities;
- the ability to enhance BCCC's role in the continuing economic and workforce development of the region, including upgrading the skills of young people and

adults to obtain employment that supports families and attracts new employers to the region; and

- a dedication to serving all of the stakeholders of BCCC in Baltimore City and the State.

The Board of Trustees of BCCC may not appoint a new President of BCCC until the members of the board have been appointed in accordance with the requirements of the bill.

The new president must fulfill the requirements of the president in current law.

Current Law:

Establishment of Baltimore City Community College

BCCC was established as the only State-sponsored community college by Chapter 220 of 1990 and Chapter 464 of 1991. Prior to that, BCCC (under a different name) was a local community college operating similar to the other 15 local community colleges in the State. The establishment of BCCC was based on findings and policies as stated in Title 16, Subtitle 5 of the Education Article, including the need for an effective comprehensive urban community college in Baltimore City offering educational programs that will stimulate the participation of individuals, be responsive to the needs of the community, and afford open access to individuals with a variety of educational backgrounds.

The purpose of BCCC is to provide quality, accessible, and affordable education to the citizens of Baltimore in the areas of basic skills, technical and career education, continuing education, and the arts and sciences.

Board of Trustees of Baltimore City Community College

The governance of BCCC is vested in the Board of Trustees of BCCC.

The board of trustees consists of nine members appointed by the Governor with the advice and consent of the Senate. Each member must be a resident of the State, and the majority must reside in Baltimore City. One member must be a regularly enrolled student in good standing at BCCC. Except for the student member, members serve for staggered six-year terms. A member may not serve for more than two consecutive full terms. Each member serves without compensation but is entitled to reimbursement for expenses. Members must select one of the nonstudent members as the chair.

The board of trustees must exercise general control over BCCC and establish broad policy and long-range planning to effect the efficient operation of BCCC. However, the board may not participate in the day-to-day operations of BCCC.

The board of trustees is charged with a number of specified responsibilities related to operation of BCCC, including developing the commercial potential of the Inner Harbor site.

President of Baltimore City Community College

The president must report directly to the board and be the sole liaison between the Board of Trustees of BCCC and BCCC's faculty, administrators, and staff. The president is also responsible and accountable to the board for the discipline and successful conduct of BCCC and supervision of each of its departments. In addition, the president must take every initiative in implementing the policies of the board and BCCC and promoting the development and efficiency of BCCC. The president must hire and discharge faculty and employees as authorized by the board. Except for discussion concerning the president or the position of the president, the president must attend all meetings of the board. Further, the president must carry out other duties as authorized by the board.

The president may delegate any portion of the president's authority to other officers of BCCC, subject to the right of the president or the board of trustees to rescind or modify the delegation in whole or in part at any time.

Background: BCCC is a State-sponsored, two-year degree-granting college on two campuses with more than 60 off-campus sites throughout Baltimore City. BCCC offers both credit and continuing education training programs and courses, as well as extensive outreach for educational opportunities. The college's Business and Continuing Education Division works in partnership with local businesses, government agencies, and institutions offering contract customized training, apprenticeships, and other industry-related programs contributing to Baltimore's economic development initiatives.

In recent years, BCCC has struggled with several challenges, including five presidents since 2002, enrollment declines larger than those at other Maryland community colleges, and three accreditation issues raised since 2004. These events have hindered BCCC's ability to effectively fulfill its mission. Additional details about BCCC's budget and enrollment declines can be found in the [FY 2018 Operating Budget Analysis of Baltimore City Community College](#).

Budget Committees Request Comprehensive Review

The fiscal 2016 operating budget bill (Chapter 310 of 2015) restricted \$0.5 million from BCCC's State support for the purpose of hiring an outside consultant to perform a comprehensive review of the college's operations, including budget and financial management, academic programs, personnel needs, and other pertinent subjects as determined by the research team. While BCCC did notify the budget committees that it

had selected the Schaefer Center for Public Policy at the University of Baltimore as the consultant in November 2015, there was not enough time remaining to complete the report in fiscal 2016. Funds restricted pending the receipt of the report were released and new budget bill language in the fiscal 2017 budget bill (Chapter 143 of 2016) withheld \$50,000 in general funds until BCCC submitted the comprehensive report on the college's operations and another \$50,000 in general funds until BCCC submitted a response to that report.

Consultant's Report on Baltimore City Community College

The comprehensive report from the Schaefer Center, titled [Baltimore City Community College: Tapping into Unrealized Potential to Change Lives](#), was received in August 2016. With appendices, the report is over 200 pages long and fulfills the comprehensive criteria for review set forth in the budget bill language. To write the report, the research team interviewed 91 internal and external stakeholders; distributed nearly 12,000 surveys to faculty, staff, and students; and reviewed financial and legal documents. The BCCC administration was an active and supportive partner in this process.

The report begins its discussion with the observation that “the importance of BCCC cannot be overstated” for Baltimore City residents, as it is the local institution for individuals looking for in-demand workforce training and quality associates degrees. However, the report found that there is a lack of strong leadership, a lack of accountability, and ineffective and inefficient use of resources across the college.

The extensive review generated 13 key findings related to the college, including:

1. BCCC's success is critical to the economic future of Baltimore City;
2. the governance structure does not support the institution's success;
3. leadership turnover has created systemic problems;
4. finances are unsustainable;
5. BCCC has failed to adjust its personnel levels to match the decline in enrollment;
6. transparency and accountability have not been characteristics of the institution;
7. academic offerings are aligned with local employment demand, but most students are not enrolled in these areas;

8. student enrollment is concentrated in general studies, and students enrolled in this area are not successful;
9. academic quality is uneven;
10. there is an opportunity to engage in a clearer focus on offerings in workforce development and noncredit programs;
11. technological infrastructure is outdated and impedes the college's effectiveness;
12. branding and marketing of BCCC is needed; and
13. the condition of the Bard Building (a vacant and deteriorating former academic building owned by BCCC in downtown Baltimore City) is detrimental to the reputation of BCCC, and redevelopment of the downtown property represents a significant opportunity.

Other than findings 1 and 10, the findings generally cite specific shortcomings at the institution. Some of the supporting information for these findings is highly critical of BCCC, such as the response that many external stakeholders consider the college "disconnected and irrelevant" to the city's economy and that "few employers know about the college." While BCCC could be a vital resource for the city and its employers, "at the present time, however, BCCC is not fulfilling the role that Baltimore City needs." Some of these findings have been highlighted by the Department of Legislative Services (DLS) in prior budget analyses of BCCC, such as uneven academic quality, misaligned financial planning, and leadership turnover.

To remedy these findings, the consultant's report proposed 12 recommendations of varying scope and cost. These include recommendations that BCCC should:

1. join the University System of Maryland (USM);
2. convert the board of trustees to a board of visitors;
3. implement transformational leadership;
4. strategically focus its course offerings;
5. make workforce development a top educational priority;
6. focus on linking noncredit students to credit programs;

7. align its budget with realistic enrollment projections;
8. engage in a top-down review of positions and staff;
9. find ways to forge meaningful relationships with key constituencies and partners;
10. rebuild its brand;
11. address its IT needs; and
12. develop the Bard property to support BCCC.

The first recommendation is the most dramatic, as it would have BCCC join USM. This would be a significant change from BCCC's current status as an independent State agency. This change moves in tandem with recommendation 2, which would also transform BCCC's board of trustees into a board of visitors. The remaining recommendations directly follow from specific findings. The conclusion of the report reiterates that BCCC is on an unsustainable financial path, and its governance structure has left the institution without effective advocacy, support, or accountability.

Baltimore City Community College's Response to the Consultant's Report

In October 2016, BCCC submitted a response to the findings and recommendations contained in the consultant's report. To begin, BCCC points out that it is hindered by decisions made by previous presidents and that no other institution in the State operates as both a higher education institution and a State agency, which leads to a burdensome dual set of rules that only BCCC must follow. Overall, BCCC disagreed with findings 2 and 9 and agreed in whole, or in part, with the remaining findings. On the recommendations, the institution disagreed with the first 2 recommendations and agreed with the remaining 10 recommendations. In its response, BCCC asserts that USM lacks expertise in BCCC's access mission, curriculum, and student population, as it is distinctly unlike current USM institutions. Because it does not support joining USM, it does not find cause to alter the structure of its governance board. However, BCCC suggests that it is open to expanding its board's membership from 9 to 15 members to include representation from the Baltimore City Mayor's Office, BCPSS, and the nonprofit sector.

Where BCCC agrees with the recommendations, it has created a timeline with short- and long-term objectives for the institution to work toward. BCCC suggests a new strategy to massively scale up partnerships with BCPSS and Coppin State University (CSU) to create academic pathways from prekindergarten through college. Under this framework, BCCC could work more with high schools to address developmental needs and demand for dual enrollment opportunities and then to enroll lower division students on behalf of CSU, while

CSU focuses on upper division and graduate coursework. Also, CSU could administratively support BCCC with its existing IT system and free BCCC from the lengthy process of upgrading its own outdated IT systems. BCCC indicates that it is pursuing negotiations with BCPSS and CSU, although nothing formal has been agreed to yet. BCCC is currently moving ahead with a major IT project.

A joint hearing of the budget committees was held in November 2016 to hear from the consultants, the college, and the USM Chancellor. Since then, BCCC has held two town hall meetings and communicated extensively with students, faculty, and staff regarding the two reports. In fiscal 2017, BCCC is celebrating its seventieth anniversary as an institution.

Board of Trustees and the President

Information about the Board of Trustees of BCCC and its meeting schedules, meeting minutes, and agendas can be found on its [website](#). The [current president](#) began in 2014 and his current contract is scheduled to expire on August 31, 2017; however, in November 2017 the Board of Trustees of BCCC voted for a one-year extension, which would make the contract effective until August 31, 2018. The board also voted at that time to give the president a \$25,000 incentive bonus. However, the contract for the extension has not been finalized.

Inner Harbor Site

At the January 25, 2017 [Board of Public Works \(BPW\) meeting](#), approval was granted to change the use of the BCCC Inner Harbor site and demolish the Bard Building on the site. The Inner Harbor site comprises two parcels. In 1999, BPW approved a 50-year ground lease of Lot 1 at 600 East Pratt Street to Lockwood Associates for the mixed-use redevelopment of that site. In 1979, BCCC leased 1.1 acres of Lot 2 to Baltimore City for the creation of the Holocaust Memorial Park. The remaining 1.2-acre portion of Lot 2 contains the 168,691 square foot Bard Building, which is in poor condition and has been decommissioned by BCCC. The Department of General Services, Department of Budget and Management, and Baltimore City recommend demolition of the 43-year-old building.

In March 2017, BCCC issued a request for proposals (RFP) for the mixed-use redevelopment of the property by a private developer partner to include space for future educational programs and to generate revenue. A redevelopment plan for the site will be in place before demolition of the structure occurs. The Holocaust Memorial Park portion of Lot 2 may be included in the offering on the condition that a relocation plan for the memorial on terms acceptable to the Holocaust Memorial Fund of Baltimore is achieved. The deadline to submit a proposal for the Bard Building is June 2, 2017, with a deadline of April 21 for letters of interest.

The State Clearinghouse recommended to BPW a change in the use of the property and demolition of the Bard Building on the Inner Harbor site. It further recommended that any interim and long-term redevelopment reuse of the site should be compatible with the surrounding office, commercial, and cultural heritage land uses and that the long-term redevelopment of the site should be guided by a redevelopment plan that includes public input from the Maryland Higher Education Commission (MHEC), the City of Baltimore, the Baltimore Development Corporation, the Holocaust Memorial, and affected State agencies.

Middle States Commission on Higher Education

The [Middle States Commission on Higher Education](#) (MSCHE) is recognized by the U.S. Secretary of Education to conduct accreditation and pre-accreditation activities for institutions of higher education in Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, and the U.S. Virgin Islands, including distance education and correspondence education programs offered at those institutions. MSCHE is also recognized by the Council on Higher Education Accreditation to accredit degree-granting institutions which offer one or more postsecondary educational programs of at least one academic year in length in Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, the U.S. Virgin Islands, and other geographic areas in which the commission conducts accrediting activities. As an accrediting body, it examines each institution as a whole, rather than specific programs within institutions.

MSCHE publishes a list of 14 accreditation [standards](#) that institutions must meet to maintain accreditation.

Baltimore City Community College Accreditation and Budget

BCCC has had three accreditation issues raised since 2004. Accreditation is required by the U.S. Department of Education for students to receive Title IV federal financial aid, like Pell Grants. Despite these issues, BCCC has been continuously accredited by MSCHE since 1963. On June 25, 2015, MSCHE reaffirmed BCCC's accreditation for five years after placing the college on "warn" status a year ago due to BCCC's failure to comply with 4 of 14 standards involving the institution's focus, goals, and effectiveness. MSCHE places an institution on "warn" status when it believes an institution's problems can be resolved within two years. The next periodic review report is due June 1, 2020.

The fiscal 2018 operating budget includes \$40.0 million in State general funds for BCCC. BCCC is also anticipating an estimated \$12.2 million in tuition and fees.

State Fiscal Effect: Although BCCC realignment is anticipated to bring about many changes to the operations of BCCC, the direct fiscal impact of the bill is minimal and mostly absorbable by BCCC as explained below. It is also assumed that the bill does not violate MSCHE's accreditation standards as explained below, and any accreditation concerns can be addressed in board policies.

Middle States Commission on Higher Education Accreditation

Although the bill is assumed not to jeopardize BCCC accreditation, any accreditation concerns must be seriously considered since loss of accreditation could result in the loss of access to federal Title IV of the Higher Education Act, which is the major source of federal student aid including an estimated \$9.0 million in Pell Grants at BCCC.

MHEC advises that the provision in the bill that specifies that the top educational priorities of the college be "workforce development and job placement" violates the independence of the board and may also interfere with the requirement that the board serve the public interest and fiscal well-being of the institution. DLS advises that there is demonstrated need for workforce development and job placement in Baltimore City; thus, it is assumed that having these as a top educational priority of BCCC does serve the public interest and fiscal well-being of the institution. Therefore, it is assumed that any accreditation concerns are minor and can be addressed through policies adopted by the board.

Realignment Costs

Although BCCC realignment is anticipated to bring about many changes to the operations of BCCC, the fiscal impact of the bill is minimal due to the consultant's report as many of the expenses related to the long-term changes are already anticipated and could occur absent legislation.

BCCC advises that policies, including those related to campus safety, capital improvement, and staffing, could be reviewed by the board. BCCC estimates an outside staff audit could cost \$100,000 to \$500,000. DLS advises that, although BCCC realignment is anticipated to result in many changes, including staff restructuring, most such changes are already anticipated due to BCCC's response to the consultant's report. Specifically, BCCC has created a timeline with short- and long-term objectives for the institution to work toward. Under the bill, the changes may occur more quickly and be more directed and deliberate; however, the costs are not anticipated to be significantly more than under current law.

The General Assembly restricted \$150,000 in the fiscal 2018 operating budget for BCCC to implement this bill or its cross file, contingent on enactment of the legislation. Although not contingent on this bill, the fiscal 2018 operating budget also restricts \$1.0 million of the State appropriation for BCCC until the Board of Trustees of BCCC submits a draft

implementation plan to the budget committees on the institution's follow-up to the comprehensive report from the Schaefer Center. The draft implementation plan is due by February 1, 2018, and the final implementation plan is due by June 30, 2018.

As stated above, BCCC has received approval from BPW to change the use of the Inner Harbor site and demolish the Bard Building on the site, and an RFP for redevelopment of the site has been issued. Thus, any costs associated with demolishing the building and redeveloping the site can be attributed to current law. Under the bill, the board may decide to sell the Inner Harbor site property rather than develop the site. Developing the site requires demolishing the Bard Building, potentially relocating the Baltimore Holocaust Memorial, and then planning and building the site.

In light of the recommendations from the consultant's report regarding the need for transformational leadership and the president's contract expiring in August 2017, it is assumed that, regardless of the bill, searching for a new president or other transformational leadership will occur within the next three years; thus, it is assumed that any costs to find a new president are attributable to current law and practice, and not the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 1127 (Senator Conway, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Baltimore City; Maryland State Department of Education; Baltimore City Community College; Board of Public Works; *Baltimore Business Journal*; Department of Legislative Services

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Analysis by: Caroline L. Boice

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