



Maryland General Assembly Members:

Thank you for the opportunity to allow PAPSAs's Maryland Chapter to comment on [Senate Bill 445](#). PAPSAs (www.papsa.org) represents over 100 technical colleges and career schools in several states and we advocate for quality career and technical education. Although originated in Pennsylvania, we are currently working with several Maryland-based institutions of higher education and are in the process of establishing a Maryland Chapter of the association. It is also relevant to state for the purposes of the legislation being considered today that our member schools include both "for-profit" and "non-profit" career and technical institutions.

[Senate Bill 445](#)

This legislation requires at least 50% of revenue at a for-profit institution or private career school to be spent on instruction. Although a well-intended proposal and certainly driving as much revenue as possible to instruction should be a goal of many institutions, but the economics of running a quality school make this policy goal difficult to quantify and very difficult to reach under the thresholds of this bill. There are several significant concerns that need considered while considering this legislation.

First, the definition of "instruction" in the bill would use the federal "Integrated Postsecondary Education Data System's" (IPEDS) definition for instructional spending. It is unclear under this definition how some specific expenditures that are helpful to students and necessary in the operation of a quality school would be counted. Here is a copy of the IPEDS's definition of instruction;

"A functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. Includes general academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions. Also includes expenses for both credit and non-credit activities. Excludes expenses for academic administration where the primary function is administration (e.g., academic deans). Information technology expenses related to instructional activities if the institution separately budgets and expenses information technology resources are included (otherwise these expenses are included in academic support). Institutions include actual or allocated costs for operation and maintenance of plant, interest, and depreciation."

Under this definition, some instructional costs are left to interpretation, but here are some examples (Not a full list) of costs that we believe “may” or “may not be” considered instructional costs, depending on the interpretation the Maryland Higher Education Commission (MHEC) and schools would take:

- Faculty and instructor salaries and wages
- Faculty and instructor benefits packages
- Professional development and faculty training
- Curriculum development
- Textbook and e-learning platforms
- Equipment purchase and maintenance
- Library and learning resource centers
- Computer labs and other IT costs
- New program development and research costs
- Special accommodations for students with disabilities
- Industry and educational professional membership memberships
- Resume and interview preparation

However, beyond this list of potential costs that could be interpreted to be “instructional” under the IPEDS definition, there are many dozens of other costs that a high-quality school must incur to provide the full student educational experience. PAPSA asked some of its member institutions to provide some examples of non-instructional costs. Although we received over a hundred different examples, here is our best effort to consolidate the list. Although each school’s costs for each expense may vary, it should be clear from this list that any school’s sum of these expenses adds up to likely over 50% of their revenue (which would mean they fail [Senate Bill 445](#)). These examples are listed in no specific order.

- Federal, state, local and real estate taxes
- Career service office
- Financial aid office
- Compliance office/staff
- Legal services
- Administrative staff
- Building and land purchase or mortgage and/or lease costs
- Internet and WiFi
- Accounting/auditing
- Student record storage, maintenance and retrieval costs
- Campus security (Security staff, student and employee IDs, video surveillance, etc...)
- Telecommunications
- Other general utilities (heat, AC, electric, water, etc..., which can be high for technical programs)
- Trash, recycling, materials and equipment disposal
- Accreditation costs (Both institutional accreditation and programmatic accreditation)
- State licensing costs and fees
- Career fair and other special event costs
- Program advisory board meeting costs
- Insurance costs
- Advertising and marketing costs
- Providing student activities
- Building maintenance and janitorial services

- Employee assistance programs
- 3rd party Student Assistance programs (personal counseling, drug & alcohol treatment, etc...)
- Student housing assistance
- Graduation and commencement ceremony costs
- Travel costs for meetings, training, student events, etc.
- Default management staff and/or 3rd party financial aid servicer
- Lawncare, parking lot maintenance, snow removal services, etc...
- Postage and shipping costs

This legislation only applies to for-profit institutions and private career schools, which typically are shorter term technical training programs and it is likely many high-quality career and technical institutions with great student outcomes and important to Maryland communities and employers could not meet the thresholds in this bill. It is important to note though if this same legislation was applied to public and non-profit colleges and universities that have many of the same costs listed above, plus additional costs that many career and technical programs do not always have (significant athletic programs, residency halls, larger campuses and buildings, etc...), it is likely they would have the same difficulty passing the thresholds of this bill.

It is very expensive to run any school with many different costs that may not be part of direct instruction. Driving as much resources to instruction should be a goal of every institution, but it is very difficult to quantify and the thresholds in this bill would be very difficult to achieve by any school – regardless of tax status.

Thank you again for providing the opportunity to comment on this bill.

Aaron Shenck
PAPSA, Executive Director
aaron@papsa.org
717-599-8098