

**Department of Legislative Services**  
 Maryland General Assembly  
 2003 Session

**FISCAL AND POLICY NOTE**

House Bill 171 (Harford County Delegation)  
 Ways and Means

**Higher Education - Harford Community College - Baccalaureate Degree Pilot Program**

This bill establishes a Harford Community College (HCC) Baccalaureate Degree Pilot Program that will allow HCC to offer programs leading to Bachelor of Applied Science, Bachelor of Technology, and Bachelor of Technical and Professional Studies degrees. State funding for HCC continues under the Senator John A. Cade formula. The Maryland Higher Education Commission (MHEC) must conduct a comprehensive evaluation of the pilot program at the end of fiscal 2007 to determine if: (1) the program has increased access to bachelor’s degrees in Harford County; and (2) has addressed the State’s workforce needs.

The bill is effective January 1, 2004 and sunsets June 30, 2009.

**Fiscal Summary**

**State Effect:** General fund expenditures for the Cade formula would increase by an estimated \$105,600 in FY 2006 due to increased student enrollment at HCC in FY 2004. Future year expenditures represent increases in enrollment and estimated annual increases in per pupil formula funding. MHEC could conduct the required evaluation with existing resources.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	105,600	460,900	794,100
Net Effect	\$0	\$0	(\$105,600)	(\$460,900)	(\$794,100)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** HCC tuition revenues would increase beginning in FY 2004 due to increased enrollment. HCC revenue increases would be offset by increased expenditures for the bachelor's degree programs. Community college revenues from the Cade State aid formula would increase beginning in FY 2006.

**Small Business Effect:** Potential minimal.

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## Analysis

**Bill Summary:** To be able to issue bachelor degrees, the bill requires the HCC Board of Trustees to seek expanded accreditation from the Middle State Association of Colleges and Schools. The board must decide what bachelor's degree programs to offer based on workforce needs in Harford County and the State. HCC must maintain separate records for students in community college level courses and students in bachelor's degree courses, and may not recruit students from outside of Harford County for the program. HCC must maintain the mission of the community college and the distinction between HCC and its existing Higher Education Applied Technology (HEAT) Center.

**Current Law:** Community colleges in Maryland do not offer bachelor's degrees.

**Background:** If the bill passes, HCC advises that it will attempt to establish specialized programs of study that are not offered elsewhere in the State or are not easily accessible to Harford County residents. The college expects that the programs will attract a relatively small number of students and notes that programs that would bring in large numbers of students have already been established at other nearby Maryland institutions. Some of the concentration areas for which HCC would hope or expect to establish programs include ornamental horticulture and equine sciences.

Mandated fiscal 2004 funding for community colleges through the Senator John A. Cade formula was calculated at \$162 million. However, this amount will be reduced by \$9.7 million contingent upon a proposed reduction in fiscal 2003 State funding for public four-year institutions of higher education. The Cade formula is based on the prior year funding for the public four-year institutions, so a fiscal 2003 reduction in funding for four-year institutions impacts the fiscal 2004 funding for community colleges.

**State Expenditures:** HCC estimates that it could enroll as many as 50 full-time equivalent students (FTES) in bachelor's degree programs in the spring 2004 semester, the first semester that the programs would be available. The Department of Legislative Services estimates that program participation could grow to roughly 600 FTES by the

2007-2008 and 2008-2009 academic years, after which the bill would be due to sunset. These calculations are based on the following assumptions.

- The programs would have a 65% retention rate for students from their first to their second year and from their second to their third year. HCC estimates that the average length of time to completion of a degree would be three years.
- The number of new FTES starting work towards bachelor's degrees at HCC will increase by 50% annually, to a maximum of 300 FTES beginning the process each year.

The bill specifies that funding for HCC would continue under the Cade formula. The Cade formula provides aid based on FTES in the second prior fiscal year. Therefore, any increase in FTES at HCC in fiscal 2004 would not impact State aid until fiscal 2006. Assuming relatively modest growth in the Cade formula over the next five fiscal years, general fund expenditures would increase by \$105,600 in fiscal 2006, \$460,900 in fiscal 2007, and \$794,100 in fiscal 2008. If the proposed fiscal 2003 contingency cut to the four-year institutions of higher education does not occur, the expenditure increases would be slightly higher.

**Local Fiscal Effect:** HCC tuition revenues would increase beginning in fiscal 2004. The college advises that, to maintain proper competitive balance among institutions of higher education, it would charge the same tuition rate as the lowest-cost University System of Maryland institution. For the spring 2003 semester, Coppin State College has the lowest rate at \$2,877 per year for a full-time in-state undergraduate. It is assumed that increased HCC tuition revenues would be offset by increased expenditures to establish and implement programs leading to bachelor's degrees.

The Cade formula distributes funding to community colleges based on FTES from the second prior fiscal year. Assuming an increase in FTES at HCC beginning in fiscal 2004, additional State aid would be allocated through the Cade formula beginning in fiscal 2006. Because of the way the Cade formula distributes aid, all community colleges would be affected by an increase in FTES at HCC. The majority of the State aid increases in fiscal 2006 to 2008 would benefit HCC, but other community colleges would also receive smaller funding increases. The estimated fiscal 2006 to 2008 distributions of State aid increases are shown in **Exhibit 1**.

Local appropriations to HCC would not be affected by the bill. However, county expenditures could increase in future years if capital funds are needed to improve or expand HCC.

**Exhibit 1**  
**Estimated Increases in State Aid to Community Colleges**  
**Under House Bill 171**  
**Fiscal 2006 to 2008**

<u>Community College</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Harford	\$65,387	\$308,923	\$603,673
Allegany	1,256	4,986	7,098
Anne Arundel	5,585	20,846	25,075
Baltimore County	8,186	30,371	36,449
Carroll	1,518	5,974	8,289
Cecil	1,081	4,334	6,314
Charles	2,060	7,690	9,251
Chesapeake	1,428	5,635	7,881
Frederick	1,404	5,215	6,261
Garrett	746	3,079	4,804
Hagerstown	1,517	5,971	8,287
Howard	2,214	8,266	9,943
Montgomery	6,942	25,815	31,008
Prince George's	4,724	17,583	21,127
Wor-Wic	<u>1,589</u>	<u>6,259</u>	<u>8,642</u>
<b>Total</b>	<b>\$105,636</b>	<b>\$460,947</b>	<b>\$794,102</b>

Notes: Baltimore City Community College does not receive State aid through the Cade formula.

Assumes 1.5% annual growth in FTES at all community colleges.

**Additional Comments:** Projections from MHEC for the number of students who would pursue bachelor's degrees at HCC are significantly higher than the projections used for this fiscal note. MHEC's estimates are based on the assumption that a significant portion of students attending HCC for two-year degrees would choose to pursue four-year degrees at HCC after completing their initial degrees. Based on the types of programs HCC intends to offer, the Department of Legislative Services assumes a smaller number of students will continue at HCC after receiving associate's degrees. Furthermore, it seems unlikely that HCC could accommodate the number of FTES projected by MHEC.

However, if MHEC's projections are accurate, State aid through the Cade formula would increase by approximately \$740,000 in fiscal 2006 and by \$2.5 and \$2.6 million in fiscal 2007 and 2008 respectively.

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### **Additional Information**

**Prior Introductions:** A similar bill was introduced last year as HB 873. The bill received an unfavorable report from the House Ways and Means Committee.

**Cross File:** None.

**Information Source(s):** Harford County, Harford County Community College, Maryland Higher Education Commission, Department of Legislative Services

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