

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 973

(Senator Munson)

Budget and Taxation

Student Financial Assistance - Eligible Institutions of Higher Education

This bill defines an in-state institution of higher education for the purpose of determining eligibility for State scholarships, grants, and loans as a degree-granting institution that on July 1, 2009: has a campus in the State; has degree-granting authorization from the State; and for at least 25 consecutive years has been operating in the State under a certificate of approval from the Maryland Higher Education Commission (MHEC). In contrast, an out-of-state institution is defined as a degree-granting institution whose primary campus exists outside the State and the authority to grant a degree is granted by another state, unless the institution otherwise qualifies as an in-state institution.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: Modifying eligibility for State scholarships, grants, and loans to be used at in-state institutions of higher education as defined in the bill does not require additional spending. However, in order for awards to be made to all applicants currently on the waiting lists and newly eligible applicants, general fund expenditures increase beginning in FY 2010. Revenues are not affected.

Local Effect: To the extent fewer community college students receive State financial aid due to increased competition for awards, community college revenues may decline.

Small Business Effect: None.

Analysis

Current Law: Most State scholarships, grants, and loans may be used only at public or private institutions of higher education that are located in the State and certified by MHEC.

In-state and out-of-state institutions are not specifically defined in statute.

By regulation, out-of-state institutions of higher education may not operate in Maryland without a certificate of approval from the Secretary of Higher Education. To obtain a certificate of approval, an out-of-state institution must maintain continuous full accreditation by a regional accrediting association recognized by the U.S. Department of Education and the Council of Postsecondary Accreditation in addition to other requirements. Institutional academic policies for admission, graduation, and the awarding of academic credit are required to be consistent with policies maintained by the parent institution for resident students and be consistent with the State's minimum requirements for colleges operating in Maryland.

Background: In 2007, Hagerstown Business College in Washington County became Kaplan College. The Kaplan Colleges are a group of more than 70 schools nationwide operated by the Kaplan Higher Education Corporation (KHE) that offer certificates and degrees in fields such as accounting, information technology, health information management, and criminal justice. According to KHE, which is headquartered in Fort Lauderdale, Florida, each campus is separately accredited by one of several national accrediting agencies approved by the U.S. Department of Education.

Officials at Kaplan College have expressed their intention for Kaplan College to merge with Kaplan University in 2009. Kaplan University is another division of Kaplan Inc., which is centrally operated out of Fort Lauderdale, Florida. Kaplan University is accredited by the Higher Learning Commission and is a member of the North Central Association of Colleges and Schools. It offers masters, bachelor, and associate degrees. It is unknown if Kaplan College in Hagerstown will change its course offerings when it becomes Kaplan University. When Kaplan College merges with Kaplan University, it will become an out-of-state institution because it is operated out of Fort Lauderdale, Florida.

Under current law, when Kaplan College in Hagerstown becomes Kaplan University, its students will no longer be eligible for Maryland State financial aid because students attending out-of-state institutions are ineligible for State financial aid even when the campus is located in Maryland. In fiscal 2009, according to MHEC, 218 students out of approximately 1,100 students attending Kaplan College are receiving \$351,085 in State financial aid. Almost all of those students are receiving Howard P. Rawlings Educational

Assistance Grants or part-time grants. MHEC reports that they have agreed to continue awarding financial aid to students currently receiving financial aid at Kaplan College as long as the students meet certain conditions, such as remaining continuously enrolled.

MHEC advises that this bill may also allow students attending other out-of-state institutions to receive State financial aid. For example, according to MHEC, currently at least one other for-profit out-of-state institution, Strayer University, may be considered an in-state institution under the bill. During the 2007-2008 academic year, approximately 16,200 students were enrolled in Strayer University's undergraduate and graduate programs in Maryland.

In addition, at least one private in-state institution, National Labor College, may not be considered an in-state institution under the bill. National Labor College offers two degree programs, a Bachelor of Arts in Labor Studies and a Bachelor of Technical and Professional Studies. Legislative Services was unable to determine if any students at National Labor College currently receive State financial aid.

State Expenditures: Funding levels for most State scholarship, grant, and loan programs are determined by State budget, therefore, any additional expenditures resulting from a change in the programs are only incurred if the annual State budget includes new funding to make additional awards. Approximately 20 different scholarships, grants, and loans awarded by the State will be affected by this bill.

If eligibility for State financial aid is expanded without additional funding, the selection of awards may become more competitive. Alternatively, if eligibility for State financial aid is restricted (for National Labor College or any other existing in-state institution), additional awards may be made to qualified students at other institutions. If the applicant pool increases significantly, MHEC may need to hire additional staff to review applications.

Additional Information

Prior Introductions: None.

Cross File: HB 1518 (Washington County Delegation) - Ways and Means.

Information Source(s): Cecil County, Harford County, Montgomery County, Baltimore City Community College, Maryland Higher Education Commission, Morgan State University, University System of Maryland, Maryland Independent College and University Association, *The Herald-Mail*, Kaplan Inc., National Labor College, Department of Legislative Services

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