

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

Senate Bill 687

(Senators Madaleno and Simonaire)

Education, Health, and Environmental Affairs

Appropriations

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**Higher Education - Academic Program Action - Repeal of Application Fees**

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This bill repeals the authority of the Maryland Higher Education Commission (MHEC) to charge an application fee to an institution of postsecondary education seeking approval of academic programs.

The bill takes effect July 1, 2012.

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**Fiscal Summary**

**State Effect:** MHEC special fund revenues decrease by an estimated \$78,200 per year due to eliminating fees for academic program approval beginning in FY 2013. Higher education expenditures for academic program approval fees decrease by an estimated \$40,600 per year beginning in FY 2013.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
SF Revenue	(\$78,200)	(\$78,200)	(\$78,200)	(\$78,200)	(\$78,200)
Higher Ed Exp.	(\$40,600)	(\$40,600)	(\$40,600)	(\$40,600)	(\$43,000)
Net Effect	(\$37,600)	(\$37,600)	(\$37,600)	(\$37,600)	(\$35,200)

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

**Local Effect:** Community college expenditures decrease by an estimated \$1,000 per institution per year beginning in FY 2013.

**Small Business Effect:** None.

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## Analysis

**Current Law/Background:** Chapter 157 of 2008 authorized MHEC to require an application fee from institutions of postsecondary education that are seeking certification to operate in Maryland. This includes both out-of-state institutions and new institutions seeking to operate in Maryland. The fiscal and policy note for Chapter 157 noted that MHEC was incurring expenses of \$5,000 to \$10,000 to process each application from an institution, and that the fee would allow the State to recoup its costs and would deter institutions from abusing their right to reapply. At that time, these institutional fees were anticipated to increase general fund revenues by \$22,500 per year.

The Budget and Reconciliation Act of 2011 (Chapter 397) authorized MHEC to charge fees for conducting academic program reviews for institutions of postsecondary education (with the exception of reviews of actions relating to regional higher education centers) and redirected revenues collected from institutions seeking approval to operate in Maryland from the general fund to a special fund established to collect fees from the institutions. The special fund created by Chapter 397 may be used only for conducting institutional and academic program review and approval activities. At the end of each fiscal year, any amount in the special fund in excess of \$100,000 must revert to the general fund, and any investment earning of the fund must be credited to the general fund. The schedule of fees MHEC developed for institution and academic program review are shown in **Appendix 1**.

In total these review fees (institution and academic program) were anticipated to generate \$253,208 in special fund revenue for MHEC in fiscal 2012, and \$254,581 in fiscal 2013. Based on the volume of academic program approval review requests from prior years, it was anticipated that a significant portion of those fees would be from academic program fees; however, MHEC never calculated exactly what portion would be from academic program approval fees and what portion would be from institution approval fees.

**State Revenues:** MHEC special fund revenues decrease by an estimated \$78,200 per year due to eliminating fees for academic program approval beginning in fiscal 2013. The actual revenue decrease is dependent on the number and distribution of the academic program action requests made to MHEC by institutions of higher education.

MHEC reports that the volume of program approval requests has decreased significantly (45% compared to the same period in 2010) since the fees were implemented on July 1, 2011. In the first seven months of fiscal 2012, MHEC has received \$39,100. MHEC reports that doubling this amount to \$78,200 would be a generous calculation for the academic program review fee revenues that MHEC can anticipate for the entire fiscal year.

On the other hand, MHEC reports that in the first seven months of fiscal 2012 it has received \$102,880 in institution review fees, and it anticipates that amount will at least double (to \$205,760) by the end of the fiscal year. MHEC reports that a doubling is likely as it receives the vast majority of the institution review requests in the spring.

**State Expenditures:** Higher education expenditures for academic program approval fees decrease by an estimated \$40,600 per year beginning in fiscal 2013. This is based on the following information and assumptions.

- The University System of Maryland (USM) estimates that its institutions' expenditures decrease by \$2,000 to \$5,000 per year. It is assumed that expenditures decrease by an average of \$3,500 per year at each of USM's 10 degree-granting institutions for a total of \$35,000 per year.
- It is assumed that expenditures decrease by \$2,300 per year at the State's two other four-year public institutions of higher education Morgan State University and St. Mary's College, for a total of \$4,600 per year.
- It is assumed that expenditures decrease by \$1,000 per year at Baltimore City Community College, the State-operated community college.

**Local Expenditures:** It is assumed that expenditures decrease by \$1,000 per year at each of the State's 15 locally operated community colleges.

**Additional Comments:** The Maryland Independent College and University Association (MICUA) reports that in the first half of fiscal 2012 its member institutions have paid \$11,300 in academic program review fees. If this is doubled to estimate a full fiscal year of fees, MICUA institutions will pay approximately \$22,600 in academic fees in fiscal 2012. If this pattern is consistent, academic program approval fees for MICUA institutions will decrease by approximately \$22,600 per year.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1226 (Delegate Bohanan) - Appropriations.

**Information Source(s):** Maryland Higher Education Commission, Maryland Independent College and University Association, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2012  
ncs/rhh

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Analysis by: Caroline L. Boice

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

**Appendix 1**  
**MHEC Institution and Academic Program Review Schedule of Fees**

<b>Actions</b>	<b>Fee</b>
Articulation Agreements	\$0
Code Change	
Military Exemptions	
Request for Proposal from Community College	
Change Program Title	\$50
Discontinue Program	
Nonsubstantial Program Change	
Reactivate Program	
Religious School Exemption	
Substantial Change of Area of Concentration	
Substantial Change of a Certificate Program	
Suspend Program	
Change of Institutional Designation	\$250
Closed Site Approval	
New Areas of Concentration	
New Certificate Program Within an Existing Program	
Off-Campus Program	
Statewide and Health Manpower Designations	
Substantial Change to Degree Program	
Bachelors of Technical/ Professional Studies	\$850
Cooperative Degree Program	
New Academic Program	
New Academic Program at Approved Out-of-State Institution Within a Nonrenewal Year	
New Stand Alone Certificate Program	
New Degree Level Approval	\$5,000 plus \$1,000 per program over the first two requested
Initial Out-of-state Application	\$7,500 plus \$850 per program over the first two requested
New In-state Institutional Stage One Application	
New In-state Institutional Stage Two Application	
Out-of-state Distance Education with Physical Presence	
Out-of-state Location Change/Addition	
Out-of-state Single Year Renewal Application	