

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1228
Appropriations

(Delegate Bohanan)

Budget and Taxation

Regional Higher Education Centers - Funding Formula

This bill requires the Maryland Higher Education Commission (MHEC) to calculate grants for each regional higher education center (RHEC) administered by MHEC using a specified formula. Funding for the formula is as provided in the annual State budget.

MHEC must review and make recommendations regarding the inclusion of outcome and performance measures in the RHEC funding formula and report its findings and recommendations to the Governor and the General Assembly by October 1, 2013.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: None. The bill codifies the existing funding formula used to allocate funding for MHEC-administered RHECs. MHEC can review and report on the inclusion of outcome and performance measures in the RHEC funding formula with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: *As funding is provided in the annual State budget*, MHEC must calculate the amount of the annual funding for each non-USM RHEC using the following funding formula:

- a base allocation for each center of \$200,000;
- incentive funding for degree-seeking, full-time equivalent students (FTES) that is tied to the inflation-adjusted fiscal 2005 general fund appropriations per FTES at the Universities at Shady Grove;
- lease funding for centers with leased space that have not received capital funding support; and
- special funding for one-time projects or start-up costs.

A “degree-seeking student” is defined as a student enrolled in a 2+2, baccalaureate, master’s, or doctoral degree program at an RHEC. “2+2 program” means a collaborative program between a community college and a four-year university that leads to a bachelor’s degree.

The bill clarifies that a new RHEC must be approved by MHEC before the center is authorized to operate in the State. MHEC may provide grants to RHECs for ongoing operating expenses and lease payments in accordance with the funding formula.

MHEC must assure that State funds for RHECs not administered by USM are spent prudently and in accordance with State guidelines *and* that they are consistent with the State Plan for Higher Education and the approved mission statements of the RHECs.

Current Law: An RHEC is defined as a higher education facility in the State that (1) is operated by a public institution of higher education in the State or a nonpublic institution of higher education operating under a charter granted by the General Assembly and includes participation by two or more institutions of higher education in the State; and (2) consists of an array of program offerings from institutions of higher education approved to operate in the State by MHEC or by an act of the General Assembly.

RHECs in the State are important educational resources and are vital to the delivery of postsecondary education in the State.

An RHEC must (1) provide access to affordable higher education programs to citizens in unserved or underserved areas of the State; (2) respond to the needs of businesses and industries in the areas in which they serve; and (3) encourage participation by institutions of higher education for the benefit of students and serve the needs of, and provide programs to, elementary and secondary schools, business and industry, and governmental agencies.

The governing body of an RHEC may submit a request for proposals for the offering of a baccalaureate degree program at the center.

Funding proposals for RHECs may include (1) ongoing operating support to provide access to affordable postsecondary education in unserved and underserved areas of the State; (2) incentive funding to promote collaboration among the institutions of higher education and RHECs; and (3) capital funding to support construction, operation, and maintenance of a physical plant consistent with the approved mission statement of the center.

Operating funds for each RHEC that is administered by USM must be included in the appropriation of the system office as a separate line item in the Governor's operating budget.

MHEC has authority to approve RHECs to operate in the State and has statewide coordinating responsibility for RHECs. MHEC may distribute strategic incentive funds to an institution of higher education or an RHEC to encourage attainment of the goals and priorities set forth in the State Plan for Higher Education.

MHEC may approve RHECs to operate in the State. MHEC *may* (1) require RHECs to submit strategic plans; and (2) provide grants to RHECs for ongoing operating expenses and lease payments if consistent with the State Plan for Higher Education and the approved mission statements of the RHECs. MHEC *must* (1) administer programs of State support and financial assistance for the RHECs; (2) assure that courses and programs offered are within the scope of the approved mission of the RHECs and specifically satisfy the duties and goals set forth for RHECs in statute. MHEC must assure that State funds for the RHECs not administered by USM are spent prudently and in accordance with State guidelines. USM must assure that State funds for the RHECs it administers are spent prudently and in accordance with State guidelines.

Background:

Regional Higher Education Centers

An RHEC is a facility that has the participation of two or more institutions of higher education, consists of a variety of program offerings, and offers multiple degree levels. RHECs are designed to ensure access to higher education in underserved areas of the State. The centers provide baccalaureate and graduate programs in places where students do not have access due to geographical distance, commute time, or the limited capacity of local four-year institutions. The centers offer the State an opportunity to address workforce needs in high-demand areas, particularly for nontraditional students, and to support State, regional, and local economic development goals.

Since 2000, MHEC has been responsible for the coordination of the eight RHECs. USM operates two of the centers, and the other six are independent centers that exist in areas

not served by comprehensive four-year institutions. MHEC is responsible for approving the mission statements of all eight of the centers, ensuring that the programs and courses offered are within the scope of the approved mission statements, and making recommendations for State funding for the centers to the Governor and the General Assembly. For the six centers independent of USM, the commission is also responsible for administering operating funding to the centers. USM administers operating funding for the Shady Grove and Hagerstown centers.

The two USM centers are funded as line-items in the USM System Office operating budget. The other six centers are funded by grants through the MHEC operating budget. State capital funding for the USM centers is a part of USM's capital process. The other six centers' capital requests are handled on a case-by-case basis. In 2005, the General Assembly charged MHEC with developing an equitable, consistent, and ongoing funding strategy for the non-USM RHECs. The resulting strategy contains the following components:

- base allocation for each center (\$200,000);
- incentive funding for FTES (2+2 lower division, upper division, and graduate) tied to the inflation-adjusted fiscal 2005 general fund appropriation per FTES at the Universities at Shady Grove;
- lease funding for centers that lease space; and
- special funding for one-time projects or start-up costs.

Non-USM RHECs first received State operating funding in fiscal 2006, although as the only center established by State law, the Southern Maryland Center has generally received annual State operating support since fiscal 1995. The funding strategy was first partially funded in fiscal 2009. **Exhibit 1** shows the State appropriation for each center in fiscal 2010 through 2012 and the Governor's proposed funding for fiscal 2013. In fiscal 2010, the non-USM RHECs were appropriated \$1.75 million, and intent language was added by the General Assembly to the budget bill that \$1.75 million be the base funding for RHECs in future years. The fiscal 2010 appropriation was distributed using the funding strategy, including the full \$200,000 base funding appropriation. The remaining \$550,000 was allocated on a per-student basis. In fiscal 2012, \$1.5 million was appropriated, and again the full base appropriation was distributed, though less per-student funding was available. The Governor's proposed fiscal 2013 budget follows the same model as fiscal 2012.

Exhibit 1
Regional Higher Education Centers State Funding
Fiscal 2010-2013

	<u>Actual</u> <u>FY 2010</u>	<u>Actual</u> <u>FY 2011</u>	<u>Working</u> <u>FY 2012</u>	<u>Proposed</u> <u>FY 2013</u>
AACC RHEC at Arundel Mills	\$234,477	\$225,424	\$228,826	\$220,938
Eastern Shore Higher Ed Center	220,877	215,396	214,896	225,267
HEAT Center	327,844	271,758	278,738	270,865
Laurel College Center	219,517	211,024	216,436	213,723
Southern Maryland Higher Ed. Ctr.	449,363	326,221	320,798	321,558
Waldorf Center for Higher Ed.	297,923	250,176	240,306	247,650
Total All Non-USM RHECs	\$1,750,000	\$1,500,000	1,500,000	\$1,500,000
Universities at Shady Grove	\$7,247,160	\$7,260,990	7,260,990	7,260,990
Hagerstown Center	1,884,905	1,891,592	1,891,592	1,891,592
Total USM RHECs	\$9,132,065	\$9,152,582	\$9,152,582	\$9,152,582
Total All RHECs	\$10,882,065	\$10,652,582	\$10,652,582	\$10,652,582

AACC: Anne Arundel Community College
HEAT: Higher Education and Applied Technology
RHEC: Regional Higher Education Center
USM: University System of Maryland

Note: USM RHECs' funding does not include Enrollment Funding Initiative funds appropriated to the USM institutions for additional RHEC enrollments.

Source: Maryland Higher Education Commission

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City Community College, Department of Budget and Management, Maryland Higher Education Commission, Morgan State University, St. Mary's College of Maryland, University System of Maryland, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2012
ncs/rhh Revised - House Third Reader - March 28, 2012

Analysis by: Caroline L. Boice

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