

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

**Revised**

Senate Bill 341

(Senators Madaleno and Simonaire)

Education, Health, and Environmental Affairs

Appropriations

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

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. On December 31, 2013, and December 31, 2014, MHEC must report on the number of requests made for approval of academic program action in the immediately preceding 12-month period.

The bill takes effect July 1, 2013.

**Fiscal Summary**

**State Effect:** MHEC special fund revenues decrease by an estimated \$78,000 per year due to eliminating fees for academic program approval beginning in FY 2014. Higher education expenditures for academic program approval fees decrease by an estimated \$32,300 per year beginning in FY 2014. MHEC can complete the required reports using existing resources.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	(\$78,000)	(\$78,000)	(\$78,000)	(\$78,000)	(\$78,000)
Higher Ed Exp.	(\$32,300)	(\$32,300)	(\$32,300)	(\$32,300)	(\$32,300)
Net Effect	(\$45,700)	(\$45,700)	(\$45,700)	(\$45,700)	(\$45,700)

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

**Local Effect:** Community college expenditures decrease by an estimated \$1,300 per institution per year beginning in FY 2014.

**Small Business Effect:** None.

## Analysis

**Current Law/Background:** Chapter 157 of 2008 (SB 187) 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 Reconciliation and Financing Act of 2011 (Chapter 397/HB 72) 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 earnings 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.

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 2013, MHEC has received \$39,000. MHEC reports that doubling this amount to \$78,000 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 2013 it has received approximately \$218,900 in institution review fees.

**State Revenues:** MHEC special fund revenues decrease by an estimated \$78,000 per year due to eliminating fees for academic program approval beginning in fiscal 2014.

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.

**State Expenditures:** Higher education expenditures for academic program approval fees decrease by an estimated \$32,300 per year beginning in fiscal 2014. This is based on the following information and assumptions, which are based on academic program approval fees collected by MHEC during the past few years. MHEC advises that the number of program applications from a particular institution can vary widely from year to year.

- 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 \$2,750 per year at each of USM's 10 degree-granting institutions for a total of \$27,500 per year.
- It is assumed that expenditures decrease by a total of \$3,200 per year at the State's two other four-year public institutions of higher education, Morgan State University and St. Mary's College of Maryland.
- It is assumed that expenditures decrease by \$1,600 per year at Baltimore City Community College, the State-operated community college.

Depending upon actual special fund revenues received from institution review fees, general fund expenditures may increase to support MHEC positions (currently five) in the Academic Affairs unit that review both institution and academic program requests and are currently supported with special and general funds. Given the current level of institution fee revenues and program approval requests, no additional general funds are anticipated to be needed in the next few years.

**Local Expenditures:** It is assumed that expenditures decrease by a total of \$19,500 per year at each of the State's 15 locally operated community colleges; an estimated \$1,300 per institution per year.

**Additional Comments:** MHEC estimates academic program approval fees decrease by approximately \$16,800 per year for Maryland Independent College and University Association institutions and by approximately \$9,400 per year for all other private institutions.

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## **Additional Information**

**Prior Introductions:** SB 687 of 2012 passed the Senate, and a favorable with amendments report from the House Appropriations Committee was adopted by the full House, but no further action was taken. Its cross file, HB 1226, received a hearing in the House Appropriations Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Baltimore City Community College, Maryland Higher Education Commission, Morgan State University, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2013  
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**Appendix 1**  
**MHEC Institution and Academic Program Review Schedule of Fees**

<b>Action</b>	<b>Fee</b>
Articulation Agreement	\$0
Code Change	
Military Exemption	
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 Designation	
Substantial Change to Degree Program	
Bachelor 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 Standalone 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	