

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 874 (Frederick County Senators)
 Budget and Taxation

Frederick Center for Research and Education in Science and Technology -
 Funding

This bill requires the Governor to annually appropriate to the Frederick Center for Research and Education in Science and Technology (CREST) an amount that covers start-up costs and is in addition to the amount appropriated to a similar regional higher education center (RHEC).

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by at least \$100,000 annually from FY 2017 through 2019 to provide start-up funding for Frederick CREST, as discussed below. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2018.**

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	100,000	100,000	100,000	0	0
Net Effect	(\$100,000)	(\$100,000)	(\$100,000)	\$0	\$0

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

Local Effect: Minimal. The bill does not require Frederick County to increase expenditures. Revenues are not affected.

Small Business Effect: Minimal.

Analysis

Current Law/Background:

Frederick CREST

Chapter 218 of 2015 established Frederick CREST in statute; however, under current law, the Maryland Higher Education Commission (MHEC) still had to approve Frederick CREST for the center to be able to operate in the State. It also converted an advisory board to a governing board with expanded powers. MHEC approved Frederick CREST in November 2015, with some restrictions, including:

- State colleges and universities seeking to offer programs at Frederick CREST must first obtain approval from MHEC.
- Program offerings at CREST must be responsive to educational needs identified in the *Frederick Higher Education Needs Assessment* (a study completed by MHEC in 2014 that concluded the region needed more degrees in health, engineering, and information technology fields) and consistent with CREST's mission as a STEM-based research and education hub.
- The CREST governing board must work closely with Frederick Community College, Hood College, and Mount St. Mary's University to ensure that program offerings at CREST are not unreasonably duplicative, subject to determination by MHEC.
- The CREST governing board must abide by all financial and fiscal responsibilities of RHECs in the State. The board is the fiduciary agent, through the executive director, for CREST. Responsibilities include (1) identifying strategies for obtaining local and/or county support; (2) requiring that State funding not supplant local/county support; and (3) ensuring that CREST charges appropriate fees.

Regional Higher Education Centers

An RHEC is a facility at which at least two institutions of higher education offer classes, consisting of a variety of program offerings and multiple degree levels. RHECs are designed to ensure access to higher education in underserved areas of the State. They provide baccalaureate and graduate programs in places where students do not have access to higher education due to geographical distance, commute time, or the limited capacity of local four-year institutions. RHECs 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. There are eight RHECs operating throughout Maryland, not including Frederick CREST. The University System of Maryland (USM) operates two RHECs: the Universities at Shady Grove and the University System of Maryland at Hagerstown. The other six are independent regional centers that are coordinated by MHEC and exist in areas not served by comprehensive four-year institutions of higher education (as shown in **Exhibit 1**).

Exhibit 1
State Support for RHECs
Fiscal 2016-2017

<u>Non-USM RHECs</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>\$ Change</u> <u>FY 2016-2017</u>	<u>% Change</u> <u>FY 2016-2017</u>
AACC RHEC at Arundel Mills	\$290,585	\$311,186	\$20,601	7.1%
Eastern Shore Higher Education	321,136	346,687	25,551	8.0%
University Center ¹	416,717	298,578	-118,139	-28.3%
Laurel College	281,513	279,977	-1,536	-0.5%
Southern Maryland Waldorf	527,340	549,852	22,512	4.3%
	312,709	363,720	51,011	16.3%
Non-USM RHECs Total	\$2,150,000	\$2,150,000	\$0	0.0%
USM RHECs				
Universities at Shady Grove	\$8,634,272	\$10,384,272	\$1,750,000	20.3%
University System of Maryland at Hagerstown	1,832,294	2,082,294	250,000	13.6%
USM RHECs Total	\$10,466,566	\$12,466,566	\$2,000,000	19.1%

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

¹Formerly called the Higher Education and Applied Technology Center (in Harford County).

Source: Maryland Higher Education Commission

The two USM RHECs are funded as line items in the USM Office budget, while the other six (excluding Frederick CREST) are funded by grants through MHEC's operating budget. 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 regional center (\$200,000);
- incentive funding for full-time equivalent students (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 regional centers that lease space; and
- special funding for one-time projects or start-up costs.

As shown in Exhibit 1, the fiscal 2016 and 2017 budgets fund non-USM RHECs at \$2.2 million. This is \$0.4 million, or 15.7%, below the fiscal 2014 funding level. Frederick CREST receives no funding in the Governor's proposed fiscal 2017 budget.

State Expenditures: A bill may establish a mandated appropriation no earlier than the fiscal year following the budget year currently under consideration by the General Assembly. In practical terms, this means no mandated appropriations may be established earlier than fiscal 2018 for bills considered in the 2016 legislative session. As such, this analysis assumes that the bill's mandated appropriation provision does not apply until fiscal 2018.

While the bill does not establish a mandated appropriation until fiscal 2018, this analysis assumes that the Governor appropriates an amount that covers Frederick CREST's start-up costs beginning in fiscal 2017 that is sufficient to meet the bill's funding mandate.

MHEC advises that most non-USM RHECs did not receive start-up funding from the State; rather, they received funding through their managing partners (institutions associated with the RHECs). However, the Southern Maryland Higher Education Center did receive three years of start-up funding from the State, ranging from \$100,000 to \$185,000 annually. Assuming Frederick CREST receives a similar amount, general fund expenditures increase by at least \$100,000 annually from fiscal 2017 through 2019 for start-up costs.

This estimate assumes that *additional* funding is provided to Frederick CREST, rather than non-USM RHEC funds being redistributed to Frederick CREST under the standard funding formula for non-USM RHECs. As noted above, Frederick CREST receives no State funding in the Governor's proposed fiscal 2017 budget.

Additional Information

Prior Introductions: None.

Cross File: HB 1149 (Frederick County Delegation) - Appropriations.

Information Source(s): Maryland Higher Education Commission, Department of Budget and Management, Frederick County, Department of Legislative Services

Fiscal Note History: First Reader - February 29, 2016
md/rhh

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