

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 966 (Delegate Fisher, *et al.*)
 Ways and Means

Higher Education - College of Southern Maryland - Bachelor's Degree Programs

This bill authorizes the College of Southern Maryland (CSM) to offer upper level undergraduate courses and degree programs and to award bachelor’s degrees. A bachelor’s degree program offered by CSM must include components of classroom instruction and online courses and services. If CSM chooses to offer bachelor’s degree programs and award bachelor’s degrees, the community college, in coordination with the Secretary of Higher Education, must adopt rules and regulations relating to the implementation of bachelor’s degree programs and the awarding of bachelor’s degrees at CSM.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Using one set of assumptions, general fund expenditures increase beginning in FY 2021 by \$1.2 million due to increased enrollment at CSM, increasing to approximately \$2.7 million in FY 2022. The Maryland Higher Education Commission (MHEC) can evaluate additional academic program proposals from CSM using existing resources. MHEC special fund revenues increase by \$7,500 in FY 2018 due to CSM’s program proposal fees to offer bachelor degree programs in academic year 2018-2019. Future year revenues and expenditures increase due to enrollment, inflation, and the number of program proposals offered by CSM. **This bill increases a mandated appropriation beginning in FY 2021.**

(\$ in thousands)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$0	\$7.5	\$1.7	\$0.9	\$0.9
GF Expenditure	\$0	\$0	\$0	\$0	\$1,231.7
Net Effect	\$0.0	\$7.5	\$1.7	\$0.9	(\$1,230.9)

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

Local Effect: Using one set of assumptions, State funding for CSM increases by approximately \$1.2 million in FY 2021 through the Senator John A. Cade Funding Formula due to the enrollment of the first junior class in academic year 2018-2019. State funding for CSM increases by approximately \$2.7 million in FY 2022 due to the enrollment of the first senior class in academic year 2019-2020.

Small Business Effect: None.

Analysis

Current Law: Community colleges are not authorized to offer upper level undergraduate courses or bachelor's degrees.

The State's annual contribution for the Senator John A. Cade Funding Formula, the largest community college aid program, is determined by enrollment at community colleges and the level of funding received by public four-year institutions. The Cade formula bases per pupil funding on a set statutory percentage of current-year State appropriations per full-time equivalent student (FTES) at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Specifically, the number of FTES is calculated as the number of student credit hours produced in the fiscal year two years prior to the fiscal year for which the State share is calculated, divided by 30. "Student credit hours" are defined as student credit hours or contact hours which are eligible under the regulations issued by MHEC.

According to regulations that are applicable to local community colleges that receive Cade funding, but not Baltimore City Community College, a college may not receive State funding for continuing education courses until MHEC approves the course. MHEC may not approve recreational courses for State funding. When two or more colleges jointly sponsor a noncredit continuing education course, participating students must be enrolled, recorded, and registered by the college that will ultimately submit the request for the State funding for the course. A college may not receive State funding for students younger than age 16 enrolled in continuing education courses, unless otherwise permitted by State law. A high school student concurrently enrolled in continuing education courses without payment of tuition, either through tuition waiver, tuition payment reimbursement, or by direct finance of the course work by individual college departments, may not be submitted for State funding. A continuing education course that is approved for State funding must be open to the public, except when the course is being offered under contract to meet employee training needs.

According to regulations, a prospective in-state institution must submit to MHEC a nonrefundable application fee in the amount of (1) \$7,500 for up to two degree programs and (2) an additional \$850 for each degree program over two programs. The \$7,500 fee is a one-time cost that must be paid when an institution of higher education adds an additional degree classification (*e.g.*, bachelor's degree or doctorate degree). Once an institution is approved to offer that type of degree, only \$850 needs to be paid for each program approval application.

Background: Obtaining a bachelor's degree increases the economic well-being of those with a degree. In Maryland, those with an associate's degree, on average, earn \$12,000 more annually than if they only had a high school diploma, and those with a bachelor's degree earn about \$10,000 more than if they had an associate's degree. For many students, the path to a four-year degree begins at a two-year institution.

In fiscal 2014, 9,751 Maryland community college students transferred from a community college to a public four-year institution. This represents more than 7.5% of all undergraduates at public four-year institutions in Maryland. Students transferring to a University System of Maryland (USM) institution are considered qualified for admission if they have a minimum grade point average of 2.0 on college level courses and either met the admission criteria of the USM institution as a high school senior *or* have an associate's degree or completed 56 or more credits at a Maryland public higher education institution. According to USM policy, if the number of transfer applicants exceeds the number that can be accommodated, admission will be based on the same criteria as native students.

As of 2016, community colleges in 17 states (including Florida, Georgia, and New York) are authorized by legislation to confer at least one type of baccalaureate degree. In an additional two states, at least one community college in the state currently has the authority to confer bachelor's degrees but does not do so.

State Revenues: MHEC special fund revenues increase by \$7,500 in fiscal 2018, due to CSM's program proposal fees to offer two bachelor's degree programs in academic year 2018-2019. For the purposes of this estimate, it is assumed that CSM will submit program proposals to offer two additional programs in academic year 2019-2020, at a cost of \$1,700 in fiscal 2019, and one additional program for both academic years 2020-2021 and 2021-2022, at a cost of \$850 each (paid in fiscal 2020 and 2021, respectively).

State Expenditures:

Community College Formula Aid

The bill does not specify how CSM will be funded for upper level students. Thus, for the purposes of this estimate, the Department of Legislative Services assumes that upper level

enrollments will be included in the FTES calculation for the Cade formula under the current law percentage of State per FTES funding of selected four-year institutions, which reflects the two-year student population that community colleges currently serve. If CSM were to begin offering bachelor's degrees, it is likely it would request an increase in the statutory percentage to reflect its expanded student population.

Using one set of assumptions, general fund expenditures increase by \$1.2 million in fiscal 2021 from increased enrollment due to the first junior class at CSM beginning in academic year 2018-2019. State general fund expenditures increase to approximately \$2.7 million in fiscal 2022 due to the enrollment of the first senior class in academic year 2019-2020. This estimate was calculated using the following information and assumptions.

- It is assumed that, if authorized to do so, CSM will offer bachelor's degree programs and upper level undergraduate courses. It is further assumed that CSM will want to begin offering bachelor's degrees and upper level courses as soon as possible; thus, it is assumed the programs can be developed and approved in two years, with the first upper level enrollments beginning in academic year 2018-2019 (fiscal 2019). In that case, enrollment at CSM will increase at that time, and State funding through the enrollment-based Cade formula will increase beginning in fiscal 2021.
- For the purposes of this estimate, it is assumed that 50% of students who currently transfer from CSM to public four-year institutions will remain at CSM each year to earn their bachelor's degree. In the most recent year for which data is available, 754 CSM students transferred from a community college to a public four-year institution. Thus, it is assumed that CSM will have approximately an additional 377 students in academic year 2018-2019. However, this estimate represents only the first junior class. It is assumed that the total number of students in upper division courses (both juniors and seniors) will be approximately 754 in academic year 2019-2020.
- Due to the increased enrollment at CSM in academic year 2018-2019, mandated State aid through the Cade funding formula will increase by a total of \$1.2 million in fiscal 2021. This amount increases to \$2.7 million in fiscal 2022.
- There will be costs for CSM to offer bachelor's degree programs and upper level undergraduate courses. For example, there will likely be capital costs to accommodate additional students and to upgrade libraries and laboratories. As a regional community college, the State funds 75% of eligible capital costs for CSM. However, total available State funding for community college capital projects does not increase based on the number of projects requested.

- Future year expenditures increase due to actual enrollment, funding formulas, and tuition.

Maryland Higher Education Commission

Based on the assumptions about the number of programs that CSM would propose to offer discussed above, MHEC can conduct the reviews of new bachelor's programs using existing resources. Significantly more program proposals would require additional staff.

Local Revenues: Under the assumptions described above, CSM revenues increase by \$1.2 million in fiscal 2021 from State aid, due to the first class of juniors in academic year 2018-2019, and by \$2.7 million in fiscal 2022, due to the first class of seniors in academic year 2019-2020.

CSM tuition revenues also increase beginning in academic year 2018-2019 (fiscal 2019). It is unknown how much CSM will charge students for upper level courses.

Future year revenues increase due to actual enrollment, funding formulas, and tuition.

Local Expenditures: There will be costs for CSM to offer bachelor's degree programs and upper level undergraduate courses. Prior to CSM offering bachelor's degree programs, MHEC will need to approve any additional programs and CSM will need to pay all required fees.

In addition, CSM will need to increase faculty with the credentials, such as a doctorate degree, needed to teach upper division course work and receive accreditation. There will also likely be capital costs to accommodate additional students and to upgrade libraries and laboratories. The State funds 75% of eligible capital costs at CSM. These costs will depend on the bachelor's degree programs offered and cannot be reliably estimated at this time.

Additional Information

Prior Introductions: HB 212 of 2015 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Community College Baccalaureate Association, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2016
min/rhh

Analysis by: Caroline L. Boice

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