

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 89 (Senator Ellis)
Education, Health, and Environmental Affairs

University System of Maryland - Regional Higher Education Center - Charles
County

This bill requires the Board of Regents of the University System of Maryland (USM) to adopt a *plan*, by July 1, 2023, to establish a Regional Higher Education Center (RHEC) in Charles County. Within the next five years, by July 1, 2028, the adopted plan must be implemented by the Board of Regents of USM. The purpose of the RHEC is to provide students in Charles County with access to established cutting-edge and high-demand academic programs of degree-granting institutions. Funding for the RHEC must be as provided in the State budget. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: No likely impact in the near term. However, by FY 2029, USM higher education expenditures increase by at least an estimated \$2.5 million to \$3.0 million annually to operate a new RHEC in Charles County. USM higher education expenditures may increase sooner by an additional, potentially significant amount for capital costs. These operating and capital expenditures may be fully or partially offset by fees from partner institutions. As explained below, otherwise, partner institution higher education revenues and expenditures from tuition and fees are likely not materially affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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. There are seven RHECs operating throughout Maryland. USM operates three RHECs (Shady Grove, Hagerstown, and Southern Maryland). The other four independent regional centers are coordinated by the Maryland Higher Education Commission (MHEC), specifically, Arundel Mills, Eastern Shore, Laurel, and La Plata.

One of the three USM RHECs, USM at Southern Maryland (USMSM) merged with USM in fiscal 2019 (Chapter 402 of 2018). The mission of USMSM, according to the USM Board of Regents, is to provide access to high-quality, high-demand baccalaureate and graduate degree programs to the entirety of the tri-county Southern Maryland region. The tri-county region includes Charles County as well as Calvert and St. Mary's counties. USM advises that 25% of students enrolled in USMSM in fall 2021 were from Charles County. In fall 2021, the USMSM campus opened an \$86 million building in California, Maryland (St. Mary's County).

State Fiscal Effect: USM can likely develop a plan to establish a new RHEC in Charles County by July 1, 2028, using existing resources; however, resources may be diverted from existing projects such as the operations of USMSM.

To the extent that funding is provided in the State budget, beginning in fiscal 2029, USM higher education expenditures increase by an estimated \$2.5 million to \$3.0 million annually to operate a new RHEC in Charles County. This estimate is based on USM expenditures to operate existing RHECs. Actual costs depend on the RHEC plan established under the bill. In addition, establishing an RHEC may incur capital expenditures such as rent or building a purpose-built building. USM advises that constructing or renovating a 55,000-square-foot facility would cost approximately \$44.0 million. Actual costs depend on the plan developed by USM under the bill. It is assumed that these costs are USM higher education expenditures; however, the plan may include the use of general funds, although general funds are not mandated by the bill.

USM RHEC costs may be fully or partially offset by fees from partner institutions to use the facility to provide courses; however, any such offset cannot be reliably estimated. Partner institutions may include public four-year institutions. Due to the RHECs already serving Charles County (USMSM and the MHEC-operated RHEC in La Plata), it is assumed that partner institution higher education revenues and expenditures from tuition and fees are not materially impacted.

The impact of the new USM RHEC on USMSM and the MHEC-operated RHEC in LaPlata cannot be reliably estimated.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Charles County; Maryland Higher Education Commission; University System of Maryland; Department of Legislative Services

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