

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 526 (Delegate Krebs, *et al.*)
 Appropriations

Community Colleges - Small Community Colleges - Funding

This bill alters the amount of unrestricted State aid granted to small community colleges beginning in fiscal 2018. Funding for each of seven small community colleges is set at \$799,964 for fiscal 2018. Grant amounts for each subsequent fiscal year are increased by the same percentage increase in funding per full-time equivalent student (FTES) at selected public four-year higher education institutions in the State.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: No effect in FY 2017. General fund expenditures increase by more than \$1.4 million in FY 2018 and by \$1.5 million or more in FY 2020 and 2021. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2018.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.41	1.46	1.50	1.55
Net Effect	\$0.00	(\$1.41)	(\$1.46)	(\$1.50)	(\$1.55)

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

Local Effect: Community colleges receive a net increase in funding of more than \$1.4 million in FY 2018, increasing to more than \$1.5 million by FY 2021. Funding for each of four specified community colleges increases by \$381,400 in FY 2018, increasing to \$416,900 each by FY 2021. Funding for each of three specified community colleges decreases by \$37,200 in FY 2018 and by \$40,600 in FY 2021.

Small Business Effect: None.

Analysis

Current Law/Background: 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 FTES at selected public four-year institutions of higher education. When the Cade funding formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior-year funding. As a result, State funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges as specified in statute.

Chapter 570 of 1998 required funding to equal \$2.0 million from fiscal 1999 through 2002, also specified in statute. Chapter 584 of 2000 increased the small college grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The annual increase is tied to the percentage increase in State funding per FTES at selected public four-year institutions. In January 2015, the Board of Public Works reduced fiscal 2015 small college grants by \$228,400.

In the proposed fiscal 2017 State budget, three colleges (Allegany, Garrett, and Hagerstown) receive approximately \$815,700 each, and four more colleges (Carroll, Cecil, Chesapeake, and Wor-Wic) receive approximately \$407,850 each through the Small College Grants. In addition, Chapter 350 of 2002 provided Allegany College and Garrett College annual unrestricted grants of \$360,000 and \$240,000, respectively, for a total of \$600,000, which is not increased for inflation (known as the Mountain Maryland grants). Including this \$600,000 amount, small college aid totals \$4.8 million in the fiscal 2017 proposed budget.

Chesapeake College serves students from Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Wor-Wic Community College serves students from Somerset, Wicomico, and Worcester counties.

State Expenditures: Because they are not affected by the bill, this analysis excludes the \$600,000 in annual small college grants targeted to Allegany College and Garrett College under Chapter 350 of 2002. General fund expenditures increase annually, beginning in fiscal 2018. As shown in **Exhibit 1**, fiscal 2018 expenditures increase by a total of \$1.4 million over the current law estimated total of \$4.2 million. Consistent with a projected 3.0% annual increase in State funding per FTES at selected public four-year institutions in each of fiscal 2019 to 2021, State expenditures increase by \$1.5 million in fiscal 2020 and 2021.

Exhibit 1
Small College Grants – Fiscal 2018
(\$ in Thousands)

	Current Law			
	<u>Estimate</u>	<u>Bill</u>	<u>Difference</u>	
Allegany College	\$837.1	\$800.0	(\$37.2)	
Carroll Community College	418.6	800.0	381.4	
Cecil Community College	418.6	800.0	381.4	
Chesapeake College	418.6	800.0	381.4	
Garrett College	837.1	800.0	(37.2)	
Hagerstown Community College	837.1	800.0	(37.2)	
Wor-Wic Community College	418.6	800.0	381.4	
	\$4,186.0	\$5,600.0	\$1,414.0	

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Local Fiscal Effect: As shown in Exhibit 1 above, beginning in fiscal 2018, the seven community colleges receiving small college grants are brought into funding level parity (excluding Mountain Maryland grants). Small college grants to community colleges increase by a net total of \$1.4 million in fiscal 2018 and by \$1.5 million in fiscal 2020 and 2021. Allegany, Garrett, and Hagerstown each receive \$37,200 less in fiscal 2018, and \$40,600 less each by fiscal 2021. Carroll, Cecil, Chesapeake, and Wor-Wic each receive an additional \$381,400 in fiscal 2018, increasing to a gain in State aid of \$416,900 for each by fiscal 2021.

Enrollment totals at these colleges vary considerably. **Exhibit 2** shows full-time equivalent (FTE) enrollment by community college for purposes of fiscal 2012 and 2017 State aid. Enrollment has decreased statewide and at all of the small colleges except Garrett, which (despite a small increase) is still the smallest college in the State.

Exhibit 2
Community College FTE Enrollment

	<u>FY 2012</u>	<u>FY 2017</u>
Allegany College	1,872.1	1,606.9
Carroll Community College	3,138.5	2,803.4
Cecil Community College	2,043.1	1,785.1
Chesapeake College	2,579.1	1,978.0
Garrett College	707.9	725.3
Hagerstown Community College	3,128.9	3,078.8
Wor-Wic Community College	3,140.6	2,738.3
<i>All Other Community Colleges</i>	<i>87,480.4</i>	<i>83,352.5</i>
Total	104,090.5	98,068.3

Source: Maryland Higher Education Commission; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 747 (Senator Ready, *et al.* - Budget and Taxation) is not identical.

Information Source(s): Maryland Higher Education Commission, Department of Legislative Services

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kb/rhh

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