

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 779
 Appropriations

(Delegate Haynes, *et al.*)

Higher Education - Historically Black Colleges and Universities - Funding

This bill requires the Governor, from fiscal 2021 through 2035, to include at least \$16.66 million in general funds in the annual State operating budget for *each* historically black college and university (HBCU) – Bowie State University, Coppin State University, University of Maryland Eastern Shore, and Morgan State University. These funds must be in addition to the base funds appropriated to HBCUs in the State budget in the prior fiscal year. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: No effect in FY 2020. General fund expenditures increase by \$85.9 million or more annually from FY 2021 through 2035, of which \$66.6 million is due to mandated funding for HBCUs and \$19.3 million or more is due to increasing the average per student funding used in higher education formulas. Future year general fund expenditures reflect increases due to the HBCU mandated funding, higher education formulas, and estimated enrollment. Revenues are not affected. **This bill establishes mandated appropriations from FY 2021 through 2035.**

| (\$ in millions) | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|------------------|---------|----------|----------|----------|----------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0 | 85.9 | 87.7 | 90.5 | 90.9 |
| Net Effect | \$0.0 | (\$85.9) | (\$87.7) | (\$90.5) | (\$90.9) |

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

Local Effect: State aid for community colleges increases from FY 2021 through 2035 due to increases in per student funding used in the formula.

Small Business Effect: None.

Analysis

Bill Summary: These funds must be enhancement funding for HBCUs for the purpose of ensuring that the institutions are comparable and competitive with other public four-year higher education institutions in all facets of their operations and programs as measured by generally recognized indicators of disparity.

The funds must be used for the following purposes: scholarships; faculty recruitment; course development; and general operational support.

Current Law/Background: The Coalition for Equity and Excellence in Maryland Higher Education, a group of former, current, and prospective students at Maryland's HBCUs, is suing the State and the Maryland Higher Education Commission for alleging violations of the Civil Rights Act of 1964 and the Equal Protection Clause of the Fourteenth Amendment.

[The Department of Legislative Services Fiscal 2020 Budget Analysis of the Maryland Higher Education Commission](#) has a detailed update, starting on page 25, on the HBCU lawsuit that was initially filed in 2006.

In February 2018, the Governor proposed a \$100.0 million settlement, which would supplement State appropriations to HBCUs over a 10-year period. However, no action occurred with respect to the plaintiffs and the proposed settlement.

In January 2019, the U.S. Court of Appeals for the Fourth Circuit ordered the parties to enter into mediation to work toward remedies. The court set a deadline of April 30.

State Expenditures: As shown in **Exhibit 1**, general fund expenditures for HBCUs increase by \$66.6 million in fiscal 2021 above the current law amount. This additional funding for HBCUs is maintained through fiscal 2035. General fund expenditures also increase for the higher education formulas due to increasing the average per student funding in those formulas; the impact on formula spending is approximately \$19.3 million in fiscal 2021, escalating to \$24.2 million in fiscal 2024. Thus, general fund expenditures increase by a total of \$85.9 million in fiscal 2021 and \$90.9 million in fiscal 2024. As the mandated funding for HBCUs under the bill ends after fiscal 2035, the additional higher education funding through the formulas also ends after fiscal 2035.

Exhibit 1 illustrates more clearly how State funding increases due to the funding formulas being based on the average full-time equivalent student (FTES) funding at selected public four-year institutions of higher education, which includes all four HBCUs – specifically for the State's 15 community colleges through the Senator John A. Cade Funding Formula; the State-operated community college, Baltimore City Community College, through its

own formula; and private, nonprofit colleges and universities located in Maryland through the Joseph A. Sellinger Grant Program. In fiscal 2021, State funding per FTES (at selected public four-year institutions of higher education) increases by approximately \$685 due to the increased HBCU funding under the bill. The out-years reflect the impact due to other factors such as estimated enrollment.

Exhibit 1
Estimated General Fund Fiscal Impact on Higher Education Funding under the Bill
Fiscal 2021-2024
(\$ in Thousands)

| | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> |
|-----------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Bowie State University | \$16,660 | \$16,660 | \$16,660 | \$16,660 |
| Coppin State University | 16,660 | 16,660 | 16,660 | 16,660 |
| Morgan State University | 16,660 | 16,660 | 16,660 | 16,660 |
| University of Maryland Eastern Shore | 16,660 | 16,660 | 16,660 | 16,660 |
| Community Colleges | 14,648 | 15,879 | 17,263 | 17,580 |
| Baltimore City Community College ¹ | 0 | 573 | 2,018 | 2,039 |
| Joseph A. Sellinger Grant Program | 4,659 | 4,623 | 4,602 | 4,612 |
| Total | \$85,947 | \$87,715 | \$90,523 | \$90,871 |

¹Baltimore City Community College funding does not increase in fiscal 2021 due to the hold harmless provision.

Note: Although the bill takes effect July 1, 2019, no impact is reflected for fiscal 2020 because the funding does not increase until fiscal 2021.

Source: Department of Legislative Services

Local Revenues: State aid for community colleges increases from fiscal 2021 through 2035 because the mandated funding affects the Senator John A. Cade Funding Formula. As shown in Exhibit 1, the increase in State aid for community colleges totals \$14.6 million in fiscal 2021 and \$17.6 million in fiscal 2024.

Additional Comments: State aid to independent institutions increases from fiscal 2021 through 2035 because the mandated funding affects the Joseph A. Sellinger Grant Program. As shown in Exhibit 1, the increase totals more than \$4.6 million each year.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland; Morgan State University; Department of Budget and Management; Department of Legislative Services

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