



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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HOUSE BILL 341 Higher Education- Cost of Living Adjustment- Non-State-Supported Employees

STATEMENT OF INFORMATION

DATE: March 26, 2024

COMMITTEE: Finance Committee

SUMMARY OF BILL: House Bill 341 would require that when the State provides cost-of-living (COLA) funding to State employees, then the State would have to provide 100% of the COLA funding to non-State supported employees at Morgan State University, St. Mary's University, and all of the institutions of the University System of Maryland (USM).

EXPLANATION: The fiscal impact is dependent on the number of applicable staff members, which varies by institution. Based on the Department of Budget and Management's (DBM) estimates, for every 1% incremental increase to Statewide salary actions, almost \$13.1 million in new general fund expenditures would be added under this legislation. Assuming this legislation was effective for the current proposed actions in the Governor's Allowance, the fiscal 2025 additional costs would total \$86.1 million. Based on the salary assumptions from the out-year forecast, DBM estimates that out-year General Fund costs would increase by more than \$50 million every year between fiscal 2026 and fiscal 2029. Cumulative costs are shown below (in millions).

	FY 25	FY26	FY27	FY28	FY29
General Fund	\$86.1	\$144.0	\$206.5	\$273.7	\$345.9

It should be noted that non-state-supported employees receive the same salary adjustments as State-supported employees of public higher education institutions. This legislation shifts which funding sources support these increases. Currently, salary increases for non-State supported employees are covered by the auxiliary or other funds that support the activity and services provided by these employees, such as room and board fees or research grants, and the higher education business model is designed to support this structure (e.g., federal research awards should fund their share of the salary increases associated with effort on the funded research). It is not clear why the General Assembly would look to shift this aspect of the higher education business model. Additionally, in light of current

projected general fund deficits in fiscal 2026 and onward, DBM urges caution in passing legislation increasing mandated general fund expenditures.

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