Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 341 (Delegate Solomon)
Appropriations Budget and Taxation

Higher Education - Cost-of-Living Adjustment - Non-State-Supported Employees

This bill requires the State to provide 100% of a cost-of-living adjustment (COLA) wage increase to non-State supported employees of Bowie State University (BSU), Coppin State University (CSU), the University of Maryland Eastern Shore (UMES), the University of Maryland Global Campus (UMGC), and Morgan State University (MSU) when a COLA is given to State employees. By December 1, 2028, each of the five institutions must submit a report to the General Assembly on whether the COLA enhanced employee hiring and retention at each institution. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by an estimated $3.5 million in FY 2026 to pay the COLA for non-State supported employees of the affected institutions and cover increased funding required for higher education formulas. Out-years reflect the cumulative impact of the State paying 100% of projected COLA increases for those employees as well as the ongoing impact on higher education formulas. Higher education revenues (and potentially expenditures) increase correspondingly to the payment for COLAs (not shown below). **This bill establishes mandated appropriations beginning in FY 2026.**

($ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	$0	$0	$0	$0	$0
GF Expenditure	0	3.5	7.2	10.9	14.7
Net Effect	$0.0	($3.5)	($7.2)	($10.9)	($14.7)

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

Local Effect: Local community college revenues increase by a total of $280,400 in FY 2026 and $1.2 million by FY 2029. Expenditures increase correspondingly.

Small Business Effect: None.

Analysis

Current Law:

Higher Education Budget Process

The governing boards of the University System of Maryland (USM), MSU, St. Mary's College of Maryland (SMCM), Baltimore City Community College (BCCC), and the regional higher education centers submit annual operating budget requests to the Maryland Higher Education Commission (MHEC). MHEC staff reviews these requests and provides recommendations to the commission. MHEC is required to comment on the overall level of funding for higher education in order to achieve the goals established in the State Plan for Postsecondary Education and is authorized to comment on funding priorities among segments of higher education and within public four-year institutions. Each year, the full commission, in consultation with the Department of Budget and Management, presents a consolidated operating budget request to the Governor and the General Assembly.

Higher Education Funding Formulas

SMCM is the only public four-year institution with a statutory funding formula. As established by Chapter 209 of 1992, SMCM receives funding through a block grant formula that must be equal to the grant of the prior year plus inflation (as indicated by the implicit price deflator for State and local government). Chapter 420 of 2017 required an increase in funding beginning in fiscal 2019: (1) if the six-year graduation rate is 82% or greater in the second preceding fiscal year, the general fund grant must increase by 0.25%; and (2) if State employees receive a COLA, the State must provide additional funding for increases in State supported health insurance and 50% of the COLA increase for State-supported employees of the college. Chapter 607 of 2022 increased the additional funding, from 50% to (1) 100% of the increase in State-supported health insurance costs and (2) if State employees receive a COLA, 100% of any COLA for State-supported employees of the college.

The formula used for the distribution of funds to community colleges is known as the Senator John A. Cade Funding Formula. The State's annual contribution to the Cade funding formula is determined by enrollment at community colleges and a percentage, set in statute, of the level of funding received by selected public four-year institutions. Specifically, the formula bases per student funding on a set statutory percentage of current year State appropriations per full-time equivalent student (FTES) at the selected four-year institutions, including noncapital appropriations from the Higher Education Investment

Fund. 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.

The BCCC and Joseph A. Sellinger funding formulas operate in the same fashion. The BCCC percentages, which are set in statute, are higher than Cade, resulting in a higher per FTES amount. The Sellinger percentages for specified private nonprofit institutions, which are set in statute, are lower, resulting in a lower per FTES amount.

The Cade and BCCC funding formulas have a hold harmless provision in current law that ensures each college receives at least as much State funding in total through the formula as in the prior fiscal year. The Sellinger formula does not have a hold harmless provision.

State Fiscal Effect: As shown in **Exhibit 1,** general fund expenditures for BSU, CSU, UMES, UMGC, and MSU increase by $3.2 million, which reflects general fund expenditures for the State to pay a 100% COLA wage increase to non-State supported employees when a COLA is given to State employees. Funds are mandated for the four USM institutions beginning in fiscal 2026 and are assumed to begin in fiscal 2026 for MSU, as discussed below.

Out-years show both the year-over-year and cumulative impacts of the bill and reflect a 2% COLA in each of fiscal 2026 through 2029, including the impact of COLAs on associated costs such as the federal payroll tax.

BSU, CSU, UMES, UMGC, and MSU higher education revenues increase by a corresponding amount to the additional general fund expenditures for those institutions. Further, BSU, CSU, UMES, UMGC and MSU higher education expenditures increase to the extent those institutions would not have funded COLAs beyond the amount received from the State under current law.

In addition, as shown in **Exhibit 2,** general fund expenditures for the higher education formulas increase by approximately $376,700 in fiscal 2026, due to increasing the average per student funding used in the formulas. Out-years reflect the cumulative impact of increasing the percentage that the State provides for 100% of COLA wage increases for non-State supported employees at BSU, CSU, UMES, UMGC, and MSU. This estimate assumes that funding for MSU begins in fiscal 2026 – consistent with the funding date for the USM institutions – even though no funding date is specified for MSU. If, however, funding is provided to MSU in fiscal 2025, the higher education funding formulas increase in fiscal 2025. BCCC revenues do not increase during this period due to the hold harmless provision of its funding formula.

Exhibit 1
Estimated Cost of 100% of the Cost-of-living Adjustment for Non-State Supported Employees at Specified Public Four-year Institutions Fiscal 2026-2029 ($ in Thousands)

	FY 2026	FY 2027	FY 2028	FY 2029
Annual (Year over Year) Impact				
Bowie State University	$102	$104	$107	$109
Coppin State University	55	56	57	59
University of Maryland Eastern Shore	246	252	258	264
University of Maryland Global Campus	1,877	1,921	1,966	2,012
Morgan State University	883	906	930	955
Total Annual	**$3,164**	**$3,240**	**$3,318**	**$3,398**
Cumulative Impact				
Bowie State University	102	206	313	422
Coppin State University	55	111	168	227
University of Maryland Eastern Shore	246	498	756	1,020
University of Maryland Global Campus	1,877	3,799	5,765	7,776
Morgan State University	883	1,790	2,720	3,675
Total Cumulative	**$3,164**	**$6,404**	**$9,722**	**$13,120**

Notes: This estimate assumes a 2% cost-of living adjustment (COLA) for fiscal 2026 through 2029. Costs are based on assumptions about the percentage of salary and wages that are for non-State supported employees. Actual costs depend on actual salary and wages of non-State supported employees and actual COLAs. The estimate includes the impact on related costs such as the federal payroll tax. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Cost estimates are based on, for four institutions, reported non-State salaries and, for UMGC, assumptions about the percentage of salary and wages that are for non-State supported employees (as salary data for non-State employees was not available for UMGC). Actual costs depend on actual salary and wages of non-State supported employees and actual COLAs awarded.

Exhibit 2
Estimated General Fund Fiscal Impact on Higher Education Funding under the Bill
Fiscal 2026-2029
($ in Thousands)

	FY 2026	FY 2027	FY 2028	FY 2029
Public Four-year Institutions				
Bowie State University	$102	$206	$313	$422
Coppin State University	55	111	168	227
University of Maryland Eastern Shore	246	498	756	1,020
University of Maryland Global Campus	1,877	3,799	5,765	7,776
University System of Maryland	***$2,280***	***$4,614***	***$7,002***	***$9,445***
Morgan State University	883	1,790	2,720	3,675
Public Four-year Total	**$3,164**	**$6,404**	**$9,722**	**$13,120**
Higher Education Funding Formulas				
Baltimore City Community College	N/A	N/A	N/A	N/A
Community College (Cade)	$280	$566	$856	$1,151
Sellinger	96	194	293	394
Funding Formula Total	**$377**	**$760**	**$1,149**	**$1,546**
Total General Fund Expenditures	**$3,540**	**$7,163**	**$10,870**	**$14,666**

Notes: Numbers may not sum to totals due to rounding. There is no increase for Baltimore City Community College due to the hold harmless provision in its funding formula. Sellinger reflects the effect on the Joseph A. Sellinger Grant Program for independent institutions.

Source: Department of Legislative Services

Additional Comments: The bill specifies that the State must provide the funding *beginning in* fiscal 2026 for BSU, CSU, UMES, and UMGC. No funding date is specified for MSU; however, this estimate assumes that funding also begins for MSU in fiscal 2026.

The additional funding for the Sellinger formula benefits certain private nonprofit institutions beginning in fiscal 2026.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): University System of Maryland; Morgan State University; St. Mary's College of Maryland; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2024
rh/mcr Third Reader - March 26, 2024
Revised - Amendment(s) - March 26, 2024
Revised - Clarification - March 26, 2024

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