

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1217 (Delegate Heller, et al.)

Ways and Means

Referred to Budget and Taxation

Higher Education - Community College Funding

This enrolled bill changes the State funding formula for community colleges. State mandated formula aid per pupil is based on a percentage of the aid per full-time equivalent student at four-year public institutions of higher education. The bill also alters how State community college funding is distributed. The Governor is required to submit a deficiency appropriation, if necessary, to fully fund the Garrett County Reciprocity Agreement with West Virginia. The Governor must also provide full funding to “statewide programs” as designated by the Maryland Higher Education Commission (MHEC).

Fiscal Summary

State Effect: General fund expenditures would increase by \$5.8 million in FY 1998. Future year expenditures reflect continual adjustments to the community college formula. Revenues would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	5.8	12.1	19.1	26.3	34.5
Net Effect	(\$5.8)	(\$12.1)	(\$19.1)	(\$26.3)	(\$34.5)

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

Local Effect: Local government revenues would increase by \$5.8 million in FY 1998 for all counties with community colleges except for Allegany and Garrett counties which would receive less State aid. Expenditures would not be directly affected.

Fiscal Analysis

Bill Summary: This bill alters the State funding formula for community colleges as discussed below:

- Bases State mandatory per pupil community college funding on 21% of the previous year's aid per FTE at four-year public institutions of higher education beginning in fiscal 1998. The percentage of the four-year aid per FTE increases by 1% each year until it reaches 25% in fiscal 2002.
- Alters the fixed cost, marginal cost, and size factor components of the distribution formula.

The fixed cost component is set at 36% of the total funding in fiscal 1998 and increases 1% each year until it reaches 38% in fiscal 2000. Under current law, the fixed cost component is set at 70% of total funding. Funding for the fixed cost component is distributed according to the college's share of the total State grant from the prior fiscal year.

The marginal cost component is set at 60% of total funding in each year. Under current law, the marginal cost component is set at 27%. Funding for the marginal cost component is distributed based on the total number of FTE students at each community college.

The size factor component is set at 4% of total funding in fiscal 1998 and decreases 1% each year until it reaches 2% in fiscal 2000. Funding for the size factor component is evenly distributed to the community colleges with FTE enrollment less than or equal to 80% of the statewide median.

- Eliminates the medium size factor, wealth factor, and challenge grants.

State Effect: Under current law, State formula aid to community colleges would total \$92.4 million in fiscal 1998 and approximately \$98.7 million by fiscal 2002. This bill bases community college aid on a percentage of the per pupil FTE of four-year public higher education institutions beginning in fiscal 1998. Accordingly, State expenditures would increase to \$98.2 million in fiscal 1998, reflecting a \$5.8 million or 6.3% increase over current law.

In addition, the bill requires the Governor to fully fund, with a deficiency appropriation if

necessary, the Garrett County Reciprocity Agreement with West Virginia and statewide programs.

MHEC has designated certain high cost, academic programs as statewide programs. These programs are offered at a limited number of colleges to promote efficiency among the colleges while providing access to students across jurisdictions. Section 16-407 of the Education Article states that if a student is a resident of Maryland and enrolls in an instructional program designated by MHEC as a statewide program, the student shall pay only in-county student tuition and fees and the State shall pay any applicable out-of-county fees. The reciprocity agreement is estimated to cost \$300,000 and statewide programs are estimated to cost approximately \$859,200 in fiscal 1997. The fiscal 1997 State budget includes full funding for these two initiatives. The Department of Fiscal Services advises that by statute the Governor is already required to fully fund the Garrett County Reciprocity Agreement with West Virginia and statewide programs.

In sum, State general fund expenditures increase by \$5.8 million in fiscal 1998 and a total of \$34.5 million by fiscal 2002. Future year expenditures do not include the costs for the reciprocity agreement and statewide programs because under current law the Governor should be fully funding those programs.

Local Effect: State aid to community colleges increases by \$5.8 million in fiscal 1998. The largest increase occurs at Wor-Wic Community College, which receives a 9.6% increase in State funding or \$164 per student. However, because of the declining small size factor and elimination of the wealth factor, Allegany and Garrett County Community Colleges actually receive less State aid under the proposed legislation (\$17 decrease per student or \$27,363 and \$142 decrease per student or \$92,207, respectively). Statewide, community college funding increases by 6.3% or \$83 per student. By fiscal 2002, when the proposed formula is fully implemented, State aid will increase by \$34.5 million or \$463 per pupil. **Exhibit 1** illustrates the fiscal 1998 impact of the proposed legislation for each local community college.

Information Source(s): Department of Fiscal Services

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