

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 817 (Senator Hafer, *et al.*)
Budget and Taxation

Community Colleges - State Aid - Hold Harmless Component - Eligibility - Calculation

This bill changes the State Community College Aid Formula by altering the hold harmless component. The hold harmless component under this bill is based on the smallest percentage increase in State aid of large community colleges. Community colleges realizing a smaller State aid increase from other formula components than the larger community colleges would receive a hold harmless grant equivalent to the difference between the college's State aid under the other formula components and the amount generated by using the percentage increase of the large colleges. Under current law, the hold harmless component ensures that no community college receives less State aid than was provided in the previous year.

This bill takes effect July 1, 1997.

Fiscal Summary

State Effect: General fund expenditures would increase by \$739,500 in FY 1998; future year expenditures reflect continual increases in hold harmless grants. Revenues would not be affected.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	739,500	2,160,400	3,715,300	4,788,200	5,436,000
Net Effect	(\$739,500)	(\$2,160,400)	(\$3,715,300)	(\$4,788,200)	(\$5,436,000)

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

Local Effect: State aid to local governments increase by \$739,500 in FY 1998.

Small Business Effect: None. Small businesses are not directly affected.

Fiscal Analysis

Background: During the 1996 session, the General Assembly enacted legislation that changed the State funding formula for community colleges. The legislation based the mandatory per pupil community college funding on a percentage of the aid per full-time equivalent student at four-year public institutions of higher education. In addition, the legislation altered the fixed cost, marginal cost, and size factor component of the distribution formula and eliminated the medium size factor, wealth factor, and challenge grants, making the distribution more responsive to enrollment. The legislation has resulted in higher increases in State aid for many larger and medium size community colleges, with some smaller colleges (Allegany, Garrett, and Hagerstown) receiving no increase in State aid in fiscal 1998.

State Effect: State community college aid under current law is projected to total \$94.9 million in fiscal 1998, with three community colleges (Allegany, Garrett, and Hagerstown) receiving a hold harmless grant. The hold harmless grants under current law ensure that no community college receives less State aid than in the previous year.

Pursuant to this legislation, State community college aid would increase by \$739,400 to \$95.6 million in fiscal 1998, with seven community colleges receiving a hold harmless grant (**Exhibit 1**). This legislation alters the hold harmless component by basing it on the smallest percentage increase in State aid of the large colleges. Large schools are defined as those with full-time equivalent (FTE) enrollment above 200% of the statewide median FTE enrollment. Four schools currently fall into this category: Anne Arundel, Baltimore, Montgomery, and Prince George's County. In fiscal 1998, State community college aid increases by 13% in Anne Arundel, 5.17% in Baltimore, 5% in Montgomery, and 5.54% in Prince George's counties (**Exhibit 2**). Based on this legislation, all community colleges would receive at least a 5% increase in State aid from the previous year, which is the smallest increase realized by the larger colleges. Thus this bill guarantees that the State aid increase for each small and medium size community college would be at least equal to the smallest percentage increase of any of the large colleges. As a result of this legislation, in fiscal 1998, eight community colleges would receive the same percentage increase in State aid regardless of their enrollment change.

Local Effect: State aid to local governments increases by \$739,500 in FY 1998. **Exhibit 1** shows the county-by-county impact in fiscal 1998.

Information Source: Department of Fiscal Services

Fiscal Note History: First Reader - March 4, 1997

brd

Analysis by: Hiram L. Burch, Jr.

Reviewed by: John Rohrer

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710