

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 1123 (Delegate Heller. *et al.*)

Ways and Means

Higher Education - Community Colleges - State Funding

This bill alters the State funding formula for local community colleges by establishing a supplemental component beginning in fiscal 2003. The supplemental component is equal to 1.75% of the total State operating fund beginning in fiscal 2003 and each fiscal year thereafter.

This bill takes effect July 1, 1999.

Fiscal Summary

State Effect: General fund expenditures could increase by \$2.6 million annually beginning in FY 2003. Revenues would not be affected.

Local Effect: State aid to local community colleges could increase by \$2.6 million annually beginning in FY 2003. Local expenditures would not be affected.

Small Business Effect: None.

Fiscal Analysis

Background: Legislation enacted in 1996 changed the State funding formula for community colleges beginning in fiscal 1998 by basing the mandatory per pupil community funding on 21% of the previous year's aid per full-time equivalent (FTE) enrollment at four-year public institutions of higher education. The percentage of the four-year aid per FTE increases by 1% each year until it reaches 25% in fiscal 2002. The legislation altered the fixed cost, marginal cost, and size factor components of the distribution formula, making the distribution more responsive to enrollment.

The *fixed cost component* was set at 38% of total funding beginning in fiscal 2000. Funding

for the fixed cost component is distributed according to the college's share of the total State grant from the prior year. The *marginal cost component* was set at 60% of total funding in each year. Funding for the marginal cost component is distributed based on the total number of FTE students at each college. The *size factor component* was set at 2% of total funding beginning in fiscal 2000. Funding for the size factor component is evenly divided among the community colleges with FTE enrollment less than or equal to 80% of the statewide median. The three components comprise 100% of the formula allocation.

State Effect: Under current law, the State's community college funding formula distribution is based on three components: 38% distributed according to fixed costs; 60% according to marginal costs; and 2% according to size. This bill alters the State community college formula by establishing a supplemental component. The supplemental component would equal 1.75% of the total State operating fund beginning in fiscal 2003. The supplemental component is estimated to total approximately \$2.6 million.

Local Effect: State aid to local community colleges in seven counties would increase by \$2.6 million beginning in fiscal 2003. The additional funding would be allocated as follows:

Community College	Percent of Funding	Funding Amount
Allegany	20%	\$520,000
Garrett	20%	\$520,000
Hagerstown	20%	\$520,000
Carroll	10%	\$260,000
Cecil	10%	\$260,000
Chesapeake	10%	\$260,000
Wor-Wic	10%	\$260,000
Total	100%	\$2,600,000

Information Source(s): Department of Legislative Services, Maryland Higher Education Commission

Fiscal Note History:

First Reader - March 18, 1999

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Revised - House Third Reader - April 1, 1999

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