

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 89 (Senator Baker)

Budget and Taxation

Higher Education - Community Colleges - State Funding

This bill repeals the sunset date for the unrestricted State grants provided to seven small local community colleges. The bill increases the total amount of the unrestricted State grants from \$2.0 million in fiscal 2002 to \$2.5 million in fiscal 2003. Beginning in fiscal 2004, each college's grant increases by the percentage change in the State funding per full-time equivalent student at four-year public institutions of higher education. The Maryland Higher Education Commission must periodically review the unrestricted grants provided to the local community colleges.

This bill takes effect July 1, 2002.

Fiscal Summary

State Effect: General fund expenditures would increase by \$2.5 million in FY 2003. Future year expenditures reflect growth in the community college funding formula. Revenues would not be affected.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0	0	2,500,000	2,571,500	2,653,800
Net Effect	\$0	\$0	(\$2,500,000)	(\$2,571,500)	(\$2,653,800)

Note: () = decrease; GF = general funds

Local Effect: State aid to local community colleges would increase by \$2.5 million in FY 2003 and by \$2.65 million in FY 2005. Local community college expenditures would not be affected.

Small Business Effect: None.

Analysis

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. Funding for the fixed cost component is distributed according to a college's share of the total State grant from the prior year. Funding for the marginal cost component is distributed based on the total number of full-time equivalent (FTE) students at each college. 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.

Background: Legislation enacted in 1996 (Chapters 6 and 7) changed the State funding formula for community colleges beginning in fiscal 1998 by basing the mandatory per pupil community college funding on 21% of the previous year's aid per FTE enrollment at four-year public institutions of higher education. The percentage of 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. In addition, the legislation eliminated the wealth factor.

Several of the changes in the 1996 legislation (declining small size factor and elimination of the wealth factor) resulted in a few community colleges receiving less State funding than they would have received from the then existing formula. To compensate for this funding decrease, \$739,498 in hold harmless grants was provided to seven community colleges as part of the 1997 Baltimore City Schools Legislation (Chapter 105 of 1997/SB 795). The hold harmless grant is provided to the seven community colleges on an annual basis for fiscal 1998 through 2002. Legislation enacted in 1998 (Chapter 570 of 1998/HB 258) provided small colleges with an additional \$2 million in funding each year for fiscal 1999 through 2002. However, each college's grant was reduced by the amount provided in the 1997 Baltimore City Schools Legislation. Two community colleges (Frederick and Harford) that received funding under the Baltimore City Schools Legislation did not receive funding in the 1998 legislation, whereas two additional community colleges (Carroll and Wor-Wic) did receive funding pursuant to Chapter 570 of 1998.

Funding for the small colleges under Chapter 105 of 1997 and Chapter 570 of 1998 sunsets after fiscal 2002. **Exhibit 1** shows the amount of the special grants provided to small community colleges under these two legislative initiatives.

Exhibit 1
Grants for Small Community Colleges

<u>Community College</u>	<u>Funding Under 1997 Act</u>	<u>Funding Under 1998 Act</u>	<u>Total Funding</u>
Allegheny	\$160,861	\$239,139	\$400,000
Carroll	\$0	\$200,000	\$200,000
Cecil	\$74,121	\$125,879	\$200,000
Chesapeake	\$4,909	\$195,091	\$200,000
Frederick	\$97,133	\$0	\$97,133
Garrett	\$91,445	\$308,555	\$400,000
Hagerstown	\$165,181	\$234,819	\$400,000
Harford	\$145,848	\$0	\$145,848
Wor-Wic	\$0	\$200,000	\$200,000
Total	\$739,498	\$1,503,483	\$2,242,981

State Fiscal Effect: The small community college grant would total \$2.5 million in fiscal 2003. In future years, each college's grant would increase by the percentage change in the State funding per full-time equivalent student at four-year public institutions of higher education. **Exhibit 2** shows the estimated calculation for fiscal 2003 through 2005.

Exhibit 2
Estimated State Expenditure Under SB 89

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Small Colleges Grant	\$2,500,000	\$2,571,500	\$2,653,800
Percentage Change in Per Student Funding at Four-year Institutions		2.85%	3.2%

Local Fiscal Effect: State aid to local community colleges in seven counties would increase by \$2.5 million in fiscal 2003. **Exhibit 3** shows the local allocation for fiscal 2003.

Exhibit 3
Increased Local Community College Aid Under SB 89

<u>Community College</u>	<u>Funding Amount</u>
Allegany	\$500,000
Garrett	\$500,000
Hagerstown	\$500,000
Carroll	\$250,000
Cecil	\$250,000
Chesapeake	\$250,000
Wor-Wic	\$250,000
Total	\$2,500,000

Additional Information

Prior Introductions: This bill was introduced in the 1999 session as HB 1123. The bill received a favorable report by the House Ways and Means Committee and was approved by the full House. The bill was referred to the Senate Budget and Taxation Committee, which failed to take action on the measure.

Cross File: None.

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

Fiscal Note History: First Reader - January 24, 2000
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