

House Bill 304	(The Speaker, <i>et al.</i>) (Administration)
Appropriations	Economic and Environmental Affairs

This Administration bill increases the Private Donation Incentive Program (PDIP) State match for private pledges to Bowie State University, Coppin State College, Morgan State University, and University of Maryland Eastern Shore. For amounts pledged on or after July 1, 2001, these institutions will receive \$2 for every \$1 of the first \$250,000 pledged and an equal State match for the next \$1 million pledged. The bill also increases from \$750,000 to \$1.5 million the maximum amount these institutions may receive from PDIP State matches during the life of the program. The bill extends the State match program for the four institutions to include donations made to the institutions before January 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$292,800 in FY 2003. The cumulative increase in expenditures from FY 2003 to FY 2007 could total \$3 million.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	292,800	292,800	292,800	1,060,700
Net Effect	\$0	(\$292,800)	(\$292,800)	(\$292,800)	(\$1,060,700)

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

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Current Law: The Private Donation Incentive Program (PDIP) provides State matching funds for private donations to Maryland's institutions of higher education. The State match is equal to the first \$250,000 pledged, one-half of the next \$1 million pledged, and one-third of any additional pledged amount after the first \$1.25 million. Over the life of the program, community colleges are eligible to receive a State match of up to \$250,000; the University of Maryland, College Park and the University of Maryland, Baltimore may receive State matching funds of up to \$1.25 million; and all other institutions are eligible for a State match of up to \$750,000. The State match is in effect for donations made to the institutions through fiscal 2004.

To determine what donations are eligible for a State match under PDIP, private donations are compared to donations each institution received in fiscal 1998. To be eligible, donations must be from a new donor or represent an increase over the amount given by a donor in fiscal 1998. Each donation must be specifically designated as an endowment.

Background: Bowie State University (BSU), Coppin State College (CSC), Morgan State University (MSU), and University of Maryland Eastern Shore (UMES) make up Maryland's historically Black colleges and universities (HBCUs). Maryland is one of ten states that formerly operated a dual higher education system in violation of Title VI of the Civil Rights Act of 1964. Since 1969, Maryland has worked with the U.S. Department of Education's Office of Civil Rights (OCR) to eliminate the vestiges of segregation in its public higher education system and to promote equal access. Maryland submitted a report on its accomplishments under the 1985-1989 statewide desegregation plan in 1991. The following year the U.S. Supreme Court issued a decision in *United States v. Fordice* (505 U.S. 717) that set legal standards and requirements for desegregation of a previously segregated higher education system. The Court found that race neutral admissions policies alone are not sufficient to determine that a state has effectively desegregated a formerly segregated higher education system and that policies found to be traceable to the formerly segregated system must be reformed to the extent practicable and consistent with sound educational practices.

In January 1994 the federal OCR informed Maryland that the *Fordice* decision required a reevaluation of its desegregation efforts in the public higher education system, and in

October 1999 OCR initiated a review of Maryland's compliance with federal law. The Maryland Secretary of Higher Education appointed a workgroup in June 2000 to work with the State and OCR in developing a partnership agreement, and the agreement was finalized in December 2000. The State's commitments in the partnership agreement fall into nine broad categories, one of which is a commitment of further enhancements for HBCUs. This bill codifies a portion of that commitment.

HBCUs play a vital role in educating African Americans in Maryland, as evidenced by the fact that one-half of all African American students receiving a bachelor's degree from a public institution in Maryland in 1999 received their degrees from BSU, CSC, MSU, and UMES.

The Private Donation Incentive Program was initially in effect from 1989 to 1992. It was reestablished by Chapter 515 of 1999 which implemented the recommendations of the Larson Task Force regarding the coordination, governance, and funding of the University System of Maryland. The Governor's proposed fiscal 2002 budget includes \$3.14 million for State matches for PDIP.

State Fiscal Effect: In fiscal 1999 and fiscal 2000 eligible PDIP donations totaled \$308,055 for CSC, \$392,104 for MSU, and \$288,059 for UMES. BSU's fiscal 1999 donations, totaling \$16,440, have not yet been audited, and the institution has only reported \$650 for fiscal 2000. To date, the State has paid fiscal 2001 matches of \$56,189 to CSC, \$59,458 to MSU, and \$109,152 to UMES. A fiscal 2001 State match payment of \$7,285 for BSU has not been delivered because its fiscal 1999 donations have not been audited.

The State does not always provide the mandated match in the fiscal year immediately following the year in which donations were made. The State, however, must pay the match for all eligible donations by the time the program expires. Based on the fiscal 2002 PDIP appropriation, which is approximately twice the fiscal 2001 appropriation, it is assumed that the fiscal 2002 State match for each institution will be double its fiscal 2001 match. After receiving fiscal 2001 and fiscal 2002 State matches, BSU would be eligible to receive an additional \$1.48 million by fiscal 2007, CSC could receive an additional \$1.33 million, MSU could receive an additional \$1.32 million, and UMES could receive an additional \$1.17 million. (See **Exhibit 1.**) It is assumed that all institutions would reach the maximum State match of \$1.5 million and that the remaining State match payments would be split evenly among the five fiscal years (2003 to 2007) in which the State may pay the matches.

Under current law, each institution is eligible to receive up to \$750,000 by fiscal 2005. Assuming each institution could have achieved that level of State match and that the

remaining matches would have been paid evenly in fiscal 2003 through fiscal 2005, State expenditures would increase by \$292,800 per year in fiscal 2003 through fiscal 2005 and by \$1.06 million per year in fiscal 2006 and fiscal 2007.

If all four institutions achieve the maximum State match, general fund expenditures from fiscal 2003 to fiscal 2007 would increase by at least \$3 million.

Additional Information

Prior Introductions: None.

Cross File: SB 203 (The President, *et al.*) – Economic and Environmental Affairs.

Information Source(s): Maryland Higher Education Commission, University System of Maryland, Morgan State University, Department of Legislative Services

Fiscal Note History: First Reader – February 13, 2001
ncs/jr Revised – House Third Reader – March 29, 2001
Revised – Updated Budget Information – April 6, 2001
Revised – Enrolled Bill – April 26, 2001

Analysis by: Mark W. Collins

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

Exhibit 1
HB 304 Estimated Donations Through the Private Donations Incentive Program
Fiscal 2002 to Fiscal 2007

Institution	Eligible Donations FY 1999 & FY 2000¹	Actual FY 2001 State Match¹	Est FY 2002 State Match	<u>Estimated State Match</u>					Total State Matches FY 2001 to FY 2007
				FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	
Bowie State ²	\$17,090	\$7,285	\$14,570	\$295,629	\$295,629	\$295,629	\$295,629	\$295,629	\$1,500,000
Coppin State	308,055	56,189	112,378	266,287	266,287	266,287	266,287	266,287	1,500,000
Morgan State	392,104	59,458	118,916	264,325	264,325	264,325	264,325	264,325	1,500,000
Eastern Shore	288,059	109,152	218,304	234,509	234,509	234,509	234,509	234,509	1,500,000
Total									
HB 304	\$1,005,308	\$232,084	\$464,168	\$1,060,750	\$1,060,750	\$1,060,750	\$1,060,750	\$1,060,750	\$6,000,000
Current Law	1,005,308	232,084	464,168	767,916	767,916	767,916	0	0	3,000,000
Difference			\$0	\$292,834	\$292,834	\$292,834	\$1,060,750	\$1,060,750	\$3,000,000

¹ Source: Maryland Higher Education Commission

² Bowie State University has not reported its full donations from FY 2000, and its FY 1999 donations have not been audited.