

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 576
 Appropriations

(Delegate Hubers, *et al.*)

Higher Education - Private Donation Incentive Program - State Payments to
 Community Colleges

This bill increases to \$500,000 the maximum State match for private pledges to community colleges under the Private Donation Incentive Program (PDIP). The bill also extends the State match program to include donations made to community colleges before January 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$530,800 in FY 2003 and by a total of \$3.6 million from FY 2003 to 2007 to pay increased State matches to community colleges. No effect on revenues.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	530,800	681,200	708,500	630,100	1,020,600
Net Effect	(\$530,800)	(\$681,200)	(\$708,500)	(\$630,100)	(\$1,020,600)

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

Local Effect: Community college revenues from State matches for PDIP would increase by up to \$250,000 per college.

Small Business Effect: None.

Analysis

Current Law: Each community college may receive up to \$250,000 in State matching funds under PDIP. The State matches donations made to colleges before July 1, 2004. Four-year public institutions of higher education are also eligible to receive PDIP State matches of up to: \$1.25 million for the University of Maryland, College Park and the University of Maryland, Baltimore; \$1.5 million for historically Black colleges and universities; and \$750,000 for all other eligible institutions. The State match in all institutions except the historically Black institutions 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. The State may not appropriate more than one-half of the total amount to be paid to an institution in any one fiscal year.

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

Background: PDIP was originally 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 proposed fiscal 2003 State budget includes \$6.6 million for State matches for PDIP; however, the administration proposes to defer the \$6.6 million in funding to subsequent years contingent on legislation authorizing the reduction for fiscal 2003.

State Expenditures: The 22 community college campuses in Maryland received a total of \$2.8 million in eligible private donations in fiscal 1999 and \$1.9 million in eligible private donations in fiscal 2000 and in fiscal 2001. Based on average annual private donations from fiscal 1999 to fiscal 2001, all colleges are on pace to achieve the full \$250,000 State match except Baltimore City Community College, Cecil Community College, and the Dundalk campus of the Community College of Baltimore County.

To achieve the full State match proposed in the bill, community colleges would have to receive eligible donations totaling \$750,000 by the middle of fiscal 2006 when the program would end. Only three colleges -- Hagerstown Community College, Harford Community College, and the Rockville campus of Montgomery College -- are on pace to receive this level of private contributions. The average annual donations made to each community college campus from fiscal 1999 through 2001 are shown in **Exhibit 1**. The exhibit also shows the projected total State matches that would result under current law and under the bill.

Exhibit 1
Private Donations Incentive Program State Matches

Community College	Avg. Annual Donations FY99-FY01	Estimated Current Law State Match	Estimated HB 576 State Match	Additional Cost HB 576
Allegany	\$84,182	\$250,000	\$440,684	\$190,684
Anne Arundel	84,030	250,000	440,113	190,113
Baltimore City	12,327	73,960	92,450	18,490
Calvert (of CSM)	73,707	250,000	401,401	151,401
Carroll	60,049	250,000	350,183	100,183
Catonsville (of CCBC)	48,674	250,000	307,529	57,529
Cecil	6,836	41,016	51,270	10,254
Charles County (of CSM)	92,253	250,000	470,948	220,948
Chesapeake	83,333	250,000	437,500	187,500
Dundalk (of CCBC)	37,025	222,150	263,844	41,694
Essex (of CCBC)	69,137	250,000	384,264	134,264
Frederick	92,391	250,000	471,465	221,465
Garrett	82,500	250,000	434,375	184,375
Germantown (of MC)	84,255	250,000	440,958	190,958
Hagerstown	164,572	250,000	500,000	250,000
Harford	158,298	250,000	500,000	250,000
Howard	83,346	250,000	437,548	187,548
Prince George's	69,290	250,000	384,838	134,838
Rockville (of MC)	549,152	250,000	500,000	250,000
St. Mary's (of CSM)	82,505	250,000	434,393	184,393
Takoma Park (of MC)	93,316	250,000	474,935	224,935
Wor-Wic	83,909	250,000	439,658	189,658
TOTAL	\$2,195,086	\$5,087,126	\$8,658,351	\$3,571,225

The \$3.6 million increase in PDIP State matches would be incurred from fiscal 2003 to fiscal 2007. This assumes that the State would pay the matches to community colleges in the second fiscal year after donations are made, as is the current practice, in fiscal 2003 through 2006. In fiscal 2007, however, it is assumed that the State would pay the matches for donations made to community colleges in fiscal 2005 as well as donations

made during the first half of fiscal 2006. If this occurs, no State expenditures for PDIP would be incurred after fiscal 2007.

If each community college achieves the maximum allowable State match under the bill, State expenditures would increase by a total of \$5.5 million. The increased expenditures would be incurred from fiscal 2003 to 2007.

Local Revenues: Community college revenues would increase by a total of approximately \$3.6 million from fiscal 2003 to 2007. Depending on private contributions, each community college campus could receive up to \$250,000. To the extent that providing State matches for private donations increases contributions, community college revenues from private sources could also increase.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Mark W. Collins

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