

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1256
 Ways and Means

(Delegate Madaleno, *et al.*)

Higher Education - Community Colleges - Funding

This bill states that it is the intent of the General Assembly that the Governor include in the fiscal 2005 State budget additional appropriations of \$1,391,989 for the Baltimore City Community College (BCCC) and \$6,106,660 for the Senator John A. Cade Funding Formula. The appropriations would be used to restore full funding to community colleges.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: General fund expenditures would increase by \$7.5 million in FY 2005 to provide the additional appropriations to BCCC and the Cade formula. Revenues would not be affected.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	7.5	0	0	0	0
Net Effect	(\$7.5)	\$0	\$0	\$0	\$0

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

Local Effect: Community college revenues from State aid would increase by \$7.5 million in FY 2005.

Small Business Effect: Minimal.

Analysis

Current Law: In fiscal 2004, BCCC is receiving an appropriation per full time equivalent student (FTES) equal to 60.9% of the amount that was provided per FTES to the public four-year institutions of higher education in Maryland in the previous fiscal year. This percentage is scheduled to increase to 63.4% in fiscal 2005 and 66% in fiscal 2006 and each fiscal year thereafter. BCCC is funded and operated by the State.

Through the Senator John A. Cade Funding Formula, Maryland's 15 locally-operated community colleges are receiving fiscal 2004 State aid per FTES equal to 23.1% of the per FTES funding provided to the public four-year institutions in the previous fiscal year. This percentage is scheduled to increase to 24% in fiscal 2005 and 25% in fiscal 2006 and each fiscal year thereafter.

Background: Funding for Maryland's 16 community colleges has been decreased in recent years through reductions to the BCCC and Cade formulas. Reductions were implemented through the enactment of legislation that lowered the percentage of the State's per FTES appropriation to four-year institutions that must be funded in the community college formulas. Both formulas are scheduled to rebound to full funding in fiscal 2006.

The proposed fiscal 2005 State budget includes the mandated funding amount for the Cade formula, \$146.6 million, but assumes a reduction of \$3.5 million in the mandated amount for BCCC. The reduction is contingent on the passage of legislation that would lower the fiscal 2005 formula percentage for BCCC from 63.4% to 60.1%. The fiscal 2005 budget allowance for BCCC is \$30.4 million, an increase of 3.3% over the fiscal 2004 appropriation. The increase is equivalent to increases in State aid for other community colleges.

State and Local Fiscal Effect: General fund expenditures would increase by \$7.5 million in fiscal 2005 to provide additional funding to community colleges. The Department of Legislative Services advises that the additional \$6.1 million specified in the bill for full funding of the Cade formula is overstated by \$1.2 million. Only \$4.9 million would be needed to restore full funding to the formula. The estimated distribution of the \$4.9 million, plus the additional funding for BCCC, is shown in **Exhibit 1**. If the full \$6.1 million is provided for the Cade formula, it is unclear how the extra \$1.2 million would be allocated.

If the bill passes, the Governor would not be required to add the funding to the budget. In order for funding to be mandated, legislation establishing the mandate must be enacted in at least the second prior fiscal year.

Exhibit 1
Estimated Funding Increases
SB 289

Allegany	\$146,327	Frederick	\$214,426
Anne Arundel	848,307	Garrett	6,028
Baltimore City	1,391,989	Hagerstown	184,983
Baltimore County	113,027	Harford	305,961
Carroll	190,553	Howard	339,503
Cecil	122,640	Montgomery	1,039,207
Southern Maryland	310,070	Prince George's	712,339
Chesapeake	169,978	Wor-Wic	198,314

Additional Information

Prior Introductions: SB 623/HB 754 of 2003 would have restored full fiscal 2005 funding to community colleges through changes in the Cade and BCCC formulas. HB 754 received an unfavorable report from the House Committee on Ways and Means, and SB 623 was not reported out of the Senate Budget and Taxation Committee.

Cross File: SB 289 (Senator Kramer, *et al.*) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 10, 2004
ncs/jr

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510