

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 289

(Senator Kramer, *et al.*)

Budget and Taxation

Ways and Means

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**Higher Education - Community Colleges - Funding**

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This bill states that it is the intent of the General Assembly that the Governor restore full funding to the formulas that determine State appropriations for community colleges. The bill also recognizes the important role of community colleges in providing higher education to residents of the State.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** The bill declares legislative intent and does not mandate additional funding. General fund expenditures would increase by \$9.8 million in FY 2005 to restore full funding to community colleges. Revenues would not be affected.

**Local Effect:** If the Governor restores full funding for community college formulas in FY 2005, community college revenues from State aid would increase by \$9.8 million.

**Small Business Effect:** Minimal.

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**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:** The bill does not mandate additional funding for community colleges. If the Governor was to restore full funding to community colleges as described in the bill as the intent of the General Assembly, fiscal 2005 general fund expenditures would increase by \$9.8 million. Of this total, \$4.9 million would be provided to locally-operated community colleges through the Cade formula and \$4.9 million would be provided to BCCC. Estimates of the additional fiscal 2005 State aid that would be provided to each community college are shown in **Exhibit 1**.

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**Exhibit 1**  
**Estimated Funding Increases**  
**SB 289**

Allegany	\$146,327	Frederick	\$214,426
Anne Arundel	848,307	Garrett	6,028
Baltimore City	4,899,364	Hagerstown	184,983
Baltimore County	113,027	Harford	305,961
Carroll	190,553	Howard	339,503
Cecil	122,640	Montgomery	1,039,207
College of Southern MD	310,070	Prince George’s	712,339
Chesapeake	169,978	Wor-Wic	198,314

**Total: \$9,801,027**

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In fiscal 2006, the BCCC and Cade formulas are scheduled to return to their full funding amounts. The bill would not, therefore, declare an intent to increase State aid for community colleges after fiscal 2005 beyond the normal increases required in statute. It could, however, discourage future reductions to the community college formulas.

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### **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:** None.

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

**Fiscal Note History:** First Reader - February 16, 2004  
ncs/hlb Revised - Senate Third Reader - April 8, 2004

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