

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 241 (Senator Lawlah, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

**Higher Education - Private Donation Incentive Program - Extension of Deadline**

This bill extends to January 1, 2010 the deadline for Maryland’s Historically Black Colleges and Universities to obtain private donations that the State is required to match under the Private Donations Incentive Program.

**Fiscal Summary**

**State Effect:** General fund expenditures could increase by an estimated \$24,000 in FY 2008 to pay State matches for private donations made to Bowie State University (BSU) in the second half of FY 2006. FY 2009 and 2010 expenditure estimates reflect annualization. If BSU increases its historical private donation levels, general fund expenditure increases could be higher. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	24,000	48,000	48,000
Net Effect	\$0	\$0	(\$24,000)	(\$48,000)	(\$48,000)

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

**Local Effect:** None.

**Small Business Effect:** None.

**Analysis**

**Current Law:** Under the Private Donations Incentive Program, the State is required to match private donations to public institutions of higher education in Maryland. For the

Historically Black Colleges and Universities – BSU, Coppin State University (CSU), Morgan State University (MSU), and the University of Maryland Eastern Shore (UMES), State matches are paid for pledges made between July 1, 2001 and January 1, 2006. The State matches \$2 for every \$1 pledged for the first \$250,000 that is donated to a university, and \$1 for every \$1 pledged for the next \$1 million that is donated. In total, each Historically Black Institution may receive a State match of up to \$1.5 million under the program.

For all other public colleges and universities, State matches are paid for pledges that were made between July 1, 2001 and July 1, 2004. Each community college campus is eligible for a State match of up to \$250,000; the University of Maryland, College Park, the University of Maryland, Baltimore, and the University of Maryland Baltimore County are eligible for State matches of up to \$1.25 million; and all other public institutions are eligible for State matches of up to \$750,000.

State matches for the Private Donations Incentive Program are paid from fiscal 2006 to 2009.

**Background:** Maryland is one of 10 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. The State and OCR most recently worked together to develop a partnership agreement that was finalized in December 2000. The partnership agreement included a commitment from the State of further enhancements for Historically Black Institutions, including increased State support under the Private Donations Incentive Program. The program enhancements were codified by Chapter 104 of 2001.

The proposed fiscal 2006 State budget includes a general fund appropriation of \$2.7 million for State matches under the Private Donations Incentive Program.

**State Expenditures:** MSU and UMES have already reached the maximum Private Donations Incentive Program State match of \$1.5 million, and CSU will most likely receive sufficient private donations in calendar 2005 to reach its maximum State match. However, BSU raised approximately \$288,000 in donations from fiscal 1999 to 2004, an average of \$48,000 per year, and needs to raise an additional \$962,000 to achieve the maximum State match.

Theoretically, BSU could achieve the maximum State match before January 1, 2006, in which case State expenditures would not be affected by an extension of the deadline. Assuming, however, that historical patterns of donations continue, July 2004 to

December 2005 donations to BSU would total approximately \$72,000, leaving an additional \$890,000 that could be earned during the four-year program extension proposed by this bill.

If BSU continues to generate an average of \$48,000 per year in private donations, general fund expenditures would increase by \$48,000 annually for each of the four years the program would be extended. State matches are generally paid in the second fiscal year after the donations are made, meaning the additional State matches would be paid from fiscal 2008 to 2012. Approximately one-half of the annualized expenditure increase would be incurred in fiscal 2008 and 2012, and the full \$48,000 annual increases would be incurred in the fiscal years in between.

If BSU increases its private donations beyond the average fiscal 1999 to 2004 level, general fund expenditures would increase accordingly.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 14, 2005  
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