

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 586
 Ways and Means

(Delegate Heller, *et al.*)

Budget and Taxation

Community Colleges - Funding Formulas - Adjustment

This bill phases in higher funding levels for community colleges from fiscal 2008 to 2013.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Mandated general fund expenditures would increase by an estimated \$4.0 million in FY 2008 due to enhancements to the community college funding formulas. Future year estimates reflect the phase-in of further enhancements. Revenues would not be affected.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	4.0	10.8	18.3	28.7
Net Effect	\$0	(\$4.0)	(\$10.8)	(\$18.3)	(\$28.7)

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

Local Effect: State aid for locally-operated community colleges would increase by an estimated \$3.7 million in FY 2008 and by an estimated \$48.9 million in FY 2013 when the new phase-in schedule would be complete.

Small Business Effect: Minimal.

Analysis

Current Law: Fifteen of the State's 16 community colleges receive aid through the Senator John A. Cade funding formula (Cade formula). The formula distributes per pupil aid equal to 25% of the per pupil funding provided to certain public four-year institutions of higher education during the previous fiscal year.

The other community college, Baltimore City Community College (BCCC), is operated by the State and receives funding through a separate formula. It receives per pupil funding equal to 66% of the per pupil funding provided to certain public four-year institutions of higher education during the previous fiscal year.

Background: The fiscal 2007 State budget includes a total of \$241.0 million for community colleges, a 7.4% increase over the fiscal 2006 appropriation. **Exhibit 1** shows State funding for community colleges from last fiscal year and as appropriated for the current fiscal year and fiscal 2007.

Exhibit 1
State Funding for Community Colleges
Fiscal 2005 to 2007
(\$ in Thousands)

	<u>Actual</u> <u>FY 2005</u>	<u>Approp.</u> <u>FY 2006</u>	<u>Approp.</u> <u>FY 2007</u>	<u>Avg.</u> <u>Annual</u> <u>Increase</u>
Cade Formula	\$146,555	\$154,143	\$164,830	6.1%
BCCC Appropriation*	30,425	32,814	35,110	7.4%
ESOL grants	2,500	2,500	2,500	0.0%
Small College Grants	3,100	3,100	3,200	1.6%
Teachers' Retirement	25,289	25,464	27,601	4.5%
Other Programs	<u>6,603</u>	<u>6,456</u>	<u>7,752</u>	8.4%
Total	\$214,472	\$224,475	\$240,993	6.0%
Increase from Prior Fiscal Year		4.7%	7.4%	

*Fiscal 2007 appropriation includes \$32.3 in formula funding and \$2.8 million in other grants.

Community colleges serve nearly half of Maryland's undergraduate students and play an important role in keeping higher education more affordable in the State. Maryland has consistently received low marks for higher education affordability from the national

HB 586 / Page 2

Measuring Up report card, which is issued every two years. Over the last 10 years, tuition at Maryland's community colleges has increased by an average of 52.5%, with tuition growing at faster rates during the more recent five-year period. As with four-year institutions of higher education, higher levels of State support for community colleges are assumed to result in lower tuition rates for students.

State Expenditures: Mandated general fund expenditures would increase by an estimated \$4.0 million in fiscal 2008, \$3.7 million for the Cade formula and \$283,346 for BCCC. These amounts would increase annually through fiscal 2013 as higher funding percentages are phased in. By fiscal 2013, the final year of the phase-in schedule established in the bill, the additional community college funding would amount to an estimated \$52.9 million. The projected increases for each college in each year of the phase-in period are shown in **Exhibit 2**.

Exhibit 2
Projected Funding Increases Under HB 586
Fiscal 2008 to 2013
(\$ in Thousands)

<u>Institution</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Allegany	\$91	\$244	\$412	\$648	\$909	\$1,193
Anne Arundel	518	1,382	2,330	3,664	5,133	6,743
Baltimore County	718	1,915	3,228	5,076	7,111	9,340
Carroll	125	336	568	893	1,252	1,645
Cecil	82	221	373	587	823	1,081
College of Southern Md	199	533	900	1,417	1,985	2,608
Chesapeake	102	272	457	718	1,006	1,322
Frederick	139	371	627	986	1,382	1,816
Garrett	40	108	181	285	400	525
Hagerstown	122	326	551	867	1,215	1,596
Harford	184	490	826	1,299	1,820	2,390
Howard	221	593	1,001	1,576	2,209	2,901
Montgomery	661	1,773	2,996	4,716	6,609	8,682
Prince George's	423	1,126	1,897	2,981	4,176	5,486
Wor-Wic	<u>123</u>	<u>329</u>	<u>555</u>	<u>872</u>	<u>1,222</u>	<u>1,606</u>
Total	\$3,750	\$10,020	\$16,901	\$26,587	\$37,252	\$48,934
Baltimore City	\$283	\$804	\$1,356	\$2,133	\$2,988	\$3,925
Grand Total	\$4,033	\$10,823	\$18,257	\$28,720	\$40,240	\$52,860

Estimates of total formula funding for the community colleges, including the enhancements proposed in this bill, are shown in **Exhibit 3**. Overall, formula funding for community colleges would increase by an estimated \$152.2 million from fiscal 2007 to 2013. Cade formula funding would increase by approximately \$128.8 million and funding for the BCCC formula would increase by approximately \$23.4 million. This would be a 77.2% increase in community college formula funding over the five-year period, compared to the estimated 50.4% increase that would be realized under current law.

Local Revenues: Cade formula funding, which is considered aid to local governments, would increase by an estimated \$3.7 million in fiscal 2008. Funding enhancements would grow each year through fiscal 2013 as estimated in Exhibit 2.

Additional Information

Prior Introductions: None.

Cross File: SB 356 (Senator Hogan, *et al.*) – Budget and Taxation.

Information Source(s): Maryland Higher Education Commission, Baltimore City Community College, Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2006
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Exhibit 3
Total Funding for Community Colleges Under HB 586
Fiscal 2007 to 2013
(\$ in Thousands)

<u>College</u>	<u>Approp.</u>	<u>Estimated</u>						<u>\$ Incr.</u>	<u>% Incr.</u>
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY07-13</u>	<u>FY07-13</u>
Allegany	\$4,023	\$4,665	\$5,132	\$5,565	\$6,052	\$6,587	\$7,160	\$3,137	78.0%
Anne Arundel	22,846	26,409	29,018	31,451	34,198	37,217	40,458	17,612	77.1%
Baltimore County	31,761	36,632	40,216	43,573	47,373	51,553	56,042	24,281	76.4%
Carroll	5,461	6,393	7,058	7,664	8,339	9,078	9,869	4,408	80.7%
Cecil	3,574	4,194	4,634	5,034	5,478	5,963	6,483	2,910	81.4%
Southern Md	8,693	10,151	11,197	12,154	13,222	14,393	15,648	6,955	80.0%
Chesapeake	4,565	5,214	5,703	6,170	6,705	7,295	7,930	3,365	73.7%
Frederick	6,070	7,076	7,799	8,463	9,207	10,021	10,895	4,825	79.5%
Garrett	1,774	2,055	2,260	2,450	2,664	2,900	3,152	1,379	77.7%
Hagerstown	5,299	6,203	6,849	7,436	8,091	8,808	9,576	4,277	80.7%
Harford	8,122	9,372	10,291	11,151	12,124	13,194	14,343	6,221	76.6%
Howard	9,641	11,280	12,452	13,519	14,710	16,013	17,409	7,768	80.6%
Montgomery	28,746	33,710	37,242	40,448	44,015	47,915	52,094	23,348	81.2%
Prince George's	18,821	21,588	23,650	25,603	27,827	30,279	32,914	14,093	74.9%
Wor-Wic	5,435	6,286	6,909	7,489	8,143	8,862	9,634	4,199	77.3%
Cade Formula Total	\$164,830	\$191,229	\$210,411	\$228,169	\$248,146	\$270,078	\$293,607	\$128,777	78.1%
% of 4-year Per Pupil	25.00%	25.50%	26.25%	27.00%	28.00%	29.00%	30.00%		
Baltimore City	\$32,314	\$37,685	\$43,241	\$46,096	\$49,052	\$52,294	\$55,740	\$23,426	72.5%
% of 4-year Per Pupil	66.00%	66.50%	67.25%	68.00%	69.00%	70.00%	71.00%		
Grand Total	\$197,143	\$228,914	\$253,652	\$274,266	\$297,199	\$322,372	\$349,346	\$152,203	77.2%
Current Law Total	<u>\$197,143</u>	<u>\$224,882</u>	<u>\$242,829</u>	<u>\$256,008</u>	<u>\$268,479</u>	<u>\$282,132</u>	<u>\$296,487</u>	\$99,343	50.4%
HB 586 Increase	\$0	\$4,033	\$10,823	\$18,257	\$28,720	\$40,240	\$52,860		