

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1198 (Delegate Madaleno)
 Ways and Means

Community Colleges - Funding Formulas - Universal Access

This bill phases in higher funding levels for community colleges from fiscal 2008 to 2012.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Mandated general fund expenditures would increase by an estimated \$40.2 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	40.2	87.5	136.4	189.4
Net Effect	\$0	(\$40.2)	(\$87.5)	(\$136.4)	(\$189.4)

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 \$37.6 million in FY 2008 and by an estimated \$232.9 million in FY 2012 when the 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 four-year public 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 four-year public institutions of higher education during the previous fiscal year.

Background: The proposed 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, as appropriated for the current fiscal year, and as proposed for fiscal 2007.

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

	<u>Actual FY 2005</u>	<u>Approp. FY 2006</u>	<u>Proposed FY 2007</u>	<u>Avg. Annual Increase</u>
Cade Formula	\$146,555	\$154,143	\$164,830	6.1%
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	6,603	6,456	7,752	8.4%
BCCC Appropriation*	30,425	32,814	35,110	7.4%
Total	\$214,472	\$224,475	\$240,993	6.0%
Increase from Prior Fiscal Year		4.7%	7.4%	

*Includes \$32.3 million 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
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consistently received low marks for higher education affordability from the national 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 \$40.2 million in fiscal 2008, \$37.6 million for the Cade formula and \$2.6 million for BCCC. These amounts would increase annually through fiscal 2012 as higher funding percentages are phased in. By fiscal 2012, the final year of the phase-in schedule established in the bill, the additional community college funding would amount to an estimated \$248.2 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 1198
Fiscal 2008 to 2012
(\$ in Thousands)

<u>College</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Allegany	\$916	\$1,956	\$3,091	\$4,323	\$5,679
Anne Arundel	5,186	11,058	17,471	24,427	32,089
Baltimore County	7,193	15,325	24,205	33,837	44,449
Carroll	1,255	2,690	4,257	5,956	7,827
Cecil	824	1,766	2,796	3,913	5,142
College of Southern MD	1,993	4,267	6,751	9,444	12,410
Chesapeake	1,024	2,173	3,428	4,789	6,290
Frederick	1,389	2,972	4,701	6,576	8,641
Garrett	404	861	1,361	1,903	2,500
Hagerstown	1,218	2,610	4,131	5,780	7,594
Harford	1,840	3,922	6,194	8,660	11,376
Howard	2,215	4,745	7,510	10,507	13,806
Montgomery	6,620	14,192	22,469	31,439	41,313
Prince George's	4,239	9,012	14,222	19,876	26,107
Wor-Wic	<u>1,234</u>	<u>2,633</u>	<u>4,160</u>	<u>5,816</u>	<u>7,641</u>
Cade Formula Total	\$37,552	\$80,180	\$126,748	\$177,247	\$232,863
Baltimore City	\$2,646	\$7,274	\$9,622	\$12,145	\$15,385
Grand Total	\$40,198	\$87,455	\$136,370	\$189,392	\$248,248

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 \$330.9 million from fiscal 2007 to 2012. Cade formula funding would increase by approximately \$300.8 million and funding for the BCCC formula would increase by approximately \$30.1 million. This would be a 167.8% increase in community college formula funding over the five-year period, compared to the estimated 41.9% 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 \$37.6 million in fiscal 2008. Funding enhancements would grow each year through fiscal 2012 as estimated in Exhibit 2.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 21, 2006
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Exhibit 3
Total Funding for Community Colleges Under HB 1198
Fiscal 2007 to 2012
(\$ in Thousands)

<u>College</u>	<u>Proposed</u> <u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Estimated</u> <u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Incr.</u> <u>FY07-12</u>	<u>% Incr.</u> <u>FY07-12</u>
Allegany	\$4,023	\$5,488	\$6,843	\$8,244	\$9,726	\$11,356	\$7,333	182.3%
Anne Arundel	22,846	31,070	38,691	46,594	54,960	64,168	41,322	180.9%
Baltimore County	31,761	43,097	53,622	64,553	76,135	88,885	57,124	179.9%
Carroll	5,461	7,521	9,411	11,354	13,402	15,651	10,190	186.6%
Cecil	3,574	4,934	6,179	7,457	8,804	10,282	6,708	187.7%
Southern MD	8,693	11,943	14,929	18,005	21,250	24,815	16,123	185.5%
Chesapeake	4,565	6,134	7,604	9,141	10,776	12,578	8,013	175.5%
Frederick	6,070	8,324	10,399	12,538	14,797	17,278	11,208	184.6%
Garrett	1,774	2,418	3,013	3,630	4,282	5,000	3,226	181.9%
Hagerstown	5,299	7,298	9,132	11,017	13,004	15,187	9,888	186.6%
Harford	8,122	11,026	13,722	16,520	19,485	22,748	14,627	180.1%
Howard	9,641	13,271	16,602	20,028	23,641	27,608	17,967	186.4%
Montgomery	28,746	39,659	49,656	59,922	70,738	82,613	53,866	187.4%
Prince George's	18,821	25,397	31,533	37,930	44,722	52,205	33,384	177.4%
Wor-Wic	5,435	7,396	9,212	11,094	13,087	15,279	9,844	181.1%
Cade Formula Total	\$164,830	\$224,976	\$280,548	\$338,029	\$398,807	\$465,652	\$300,823	182.5%
% of 4-year Per Pupil	25.0%	30.0%	35.0%	40.0%	45.0%	50.0%		
Baltimore City*	\$32,314	\$39,385	\$46,938	\$51,858	\$56,872	\$62,379	\$30,066	93.0%
% of 4-year Per Pupil	66.0%	69.5%	73.0%	76.5%	80.0%	83.5%		
Grand Total	\$197,143	\$264,361	\$327,486	\$389,887	\$455,679	\$528,031	\$330,888	167.8%
Current Law Total	<u>\$197,143</u>	<u>\$224,163</u>	<u>\$240,031</u>	<u>\$253,517</u>	<u>\$266,287</u>	<u>\$279,783</u>	\$82,640	41.9%
HB 1198 Increase	\$0	\$40,198	\$87,455	\$136,370	\$189,392	\$248,248		