

**Department of Legislative Services**  
Maryland General Assembly  
2009 Session

**FISCAL AND POLICY NOTE**

Senate Bill 544 (Senators Jones and Conway)  
Budget and Taxation

**Historically Black Institutions - State Funding - Blount-Rawlings-Britt HBI  
Comparability Program**

This bill establishes the Blount-Rawlings-Britt HBI Comparability Program to provide supplemental State funding to historically black institutions (HBIs) of higher education in order to ensure that they are comparable and competitive with other public four-year institutions of higher education in Maryland. The Governor must include funds in the annual State operating and capital budgets as determined by calculations specified in the bill. The Maryland Higher Education Commission (MHEC) must implement and administer the program through the distribution of funds to HBIs and the collection of data from HBIs on the use of the funds distributed to them.

The bill takes effect July 1, 2009.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by an estimated \$30.9 million in FY 2010 to provide enhancement funds to HBIs as prescribed in the bill. General obligation (GO) bond expenditures increase by an estimated \$11.4 million in FY 2010 to provide additional capital funds for HBIs. Future year general fund expenditure estimates reflect inflation, and estimated GO bond expenditures reflect the funding proposed in the FY 2010 *Capital Improvement Program*. **This bill establishes a mandated appropriation beginning in FY 2011.** Revenues are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	30.9	45.5	38.2	39.5	48.2
Bond Exp.	11.4	38.9	90.6	0	0
Net Effect	(\$42.3)	(\$84.4)	(\$128.8)	(\$39.5)	(\$48.2)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## **Analysis**

**Bill Summary:** The additional operating funds that must be provided to HBIs through the Blount-Rawlings-Britt HBI Comparability Program are calculated by:

- increasing the annual recurring State appropriation for each HBI by not less than the average increase in the Governor's allowance for the four-year traditionally white institutions (TWIs) of similar Carnegie classifications;
- maintaining fiscal 2010 enhancement funding of \$4.9 million and increasing the amount each year by the Higher Education Price Index (HEPI);
- providing \$500 per full-time equivalent student for financial aid to be awarded to eligible students at HBIs and increasing the amount annually by HEPI;
- providing funding to meet specific staffing goals identified in the bill; and
- providing HBIs with at least 35% of the capital improvement resources that are allocated to institutions of higher education, excluding the University of Maryland Medical System and independent colleges and universities.

Funds for the Blount-Rawlings-Britt HBI Comparability Program must be included in MHEC's budget for distribution to HBIs. The funds are in addition to the funds provided for HBIs in the State budget in the prior fiscal year.

**Current Law:** Funding for public four-year institutions of higher education is discretionary. It is the intent of the General Assembly that, barring unforeseen economic conditions, the Governor include in the annual budget submission an amount of general fund State support for higher education equal to or greater than the amount appropriated in the prior fiscal year. The goal of the State, as noted in statute, is that State support for higher education operating and capital expenditures comprise 15.5% of general fund revenues.

MHEC is responsible for developing a program of desegregation and equal educational opportunity including developing an enhancement plan for HBIs. In addition, MHEC is responsible for making recommendations concerning needed resources for achieving goals and objectives established for HBIs.

## **Background:**

### *U.S. Office for Civil Rights*

In 1969, the U.S. Office for Civil Rights (OCR) required Maryland to submit a plan to remove all vestiges of its formerly segregated system of higher education. OCR asserted that Maryland had a responsibility to “adopt measures necessary to overcome the effect of past segregation” and that it would not be enough “that an institution maintain a nondiscriminatory admissions policy if the student population continues to reflect the formerly *de jure* racial identification of that institution.”

Over the course of the next 20 years, Maryland submitted and resubmitted various plans to OCR in order to enhance its public HBIs – Bowie State University, Coppin State University, Morgan State University, and the University of Maryland Eastern Shore (UMES). In 1991, Maryland reported full or substantial compliance with all of the elements of its previous plans. Nearly 10 years passed before a response was received from OCR.

In December 2000, the State and OCR entered into a partnership agreement that included a commitment from the State to further enhance its four HBIs and to improve higher education opportunities for African American students. Although this partnership agreement expired on December 31, 2005, the State has not yet been released from its obligations under the agreement.

From fiscal 2002 through 2006, during the OCR Partnership Agreement, the State provided \$56.4 million in total enhancement funds for HBIs and \$330.0 million for capital projects to support the partnership agreement commitments. Although the agreement expired in fiscal 2006, the State has continued to provide \$10.9 million of enhancement funds to the HBIs annually, including \$6.0 million in Access and Success funding that was shifted into HBI operating budgets beginning in fiscal 2007. The State has also provided \$294.7 million for capital projects in fiscal 2007 through 2009, the majority for revitalization projects at Coppin State University.

### *Commission to Develop the Maryland Model for Funding Higher Education*

The Commission to Develop the Maryland Model for Funding Higher Education was established by the Tuition Affordability Act of 2006 (Chapters 57 and 58). The commission was charged with developing an effective statewide framework for higher education funding, making recommendations relating to the establishment of a consistent and stable funding mechanism to ensure accessibility and affordability while at the same time promoting policies to achieve national eminence at all of Maryland’s public institutions of higher education, and to make recommendations relating to the appropriate

level of funding for the State's four HBIs to ensure that they are comparable and competitive with other public institutions. The commission submitted its final report in December 2008. Legislation has been introduced in the 2009 session, SB 861 and HB 789, to implement the commission's recommendations.

### *Study Panel on Historically Black Institutions*

The commission appointed a panel of experts to study the funding needs of the HBIs to ensure that they are comparable and competitive with other public institutions. The State committed to this effort in its 2006 response to OCR following the 2005 expiration of the partnership agreement. In this response, the State indicated that it had met the agreement's commitments and expressed its intent to develop measurable indicators of parity among HBIs and TWIs. The Panel on the Comparability and Competitiveness of Historically Black Institutions in Maryland (HBI Study Panel) submitted a final report to the commission in November 2008, which the commission's final report largely endorsed.

Among other things, the HBI Study Panel concluded that HBIs need a different level of capacity due to their dual mission to provide regular collegiate programs in addition to developmental education for students who otherwise might not go to college. The panel recommended that HBIs receive appropriate funding to raise graduation rates to be comparable to TWIs. To determine the funding needed to achieve this goal, the panel recommended that MHEC coordinate a group of HBIs and experts to outline the programs and services required to ensure that underprepared students graduate. The commission recommended that a supplement be provided to HBIs above the funding provided by the Higher Education Funding Model for Maryland in recognition of the effort demanded of HBIs. Preliminary estimates suggest that \$3 million to \$4 million in annual funding at each institution is needed to support underprepared students and improve graduation rates, about \$1,428 per student. This estimate will be refined and adjusted as additional data is collected. The panel also recommended additional need-based aid to increase affordability for low-income students, which would disproportionately affect students attending HBIs. In addition, the panel found that the facilities at HBIs lag behind those at TWIs and recommended that the State accelerate funding for HBI capital priorities.

### *HBI Funding*

The Governor's proposed fiscal 2010 budget includes \$189.5 million in general funds for HBIs. The proposed *Capital Improvement Program* includes a total of \$96.6 million for projects at HBIs in fiscal 2010. The funding is summarized in **Exhibit 1**.

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**Exhibit 1**  
**Proposed Fiscal 2010 Funding for HBIs**

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Bowie State University	\$36,329,591	\$37,265,000	\$73,594,591
Coppin State University	38,864,219	12,347,000	51,211,219
Morgan State University	76,032,516	46,955,000	122,987,516
University of MD Eastern Shore	33,420,307	0	33,420,307
Enhancement Funds	<u>4,900,000</u>	<u>0</u>	<u>4,900,000</u>
<b>Total</b>	<b>\$189,546,633</b>	<b>\$96,567,000</b>	<b>\$286,113,633</b>

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**State Expenditures:** General fund expenditures increase by an estimated \$30.9 million in fiscal 2010 to provide funds for the Blount-Rawlings-Britt HBI Comparability Program, \$15.2 million for Morgan, \$7.6 million for Bowie, \$4.4 million for the University of Maryland Eastern Shore, \$3.7 million for Coppin. Estimates of the additional funding, by category, are shown in **Exhibit 2**.

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**Exhibit 2**  
**Additional Fiscal 2010 Funding for HBIs**  
**Blount-Rawlings-Britt HBI Comparability Program**  
**(\$ in Thousands)**

<u>Category</u>	<u>Morgan</u>	<u>Bowie</u>	<u>UMES</u>	<u>Coppin</u>	<u>Total</u>
State Appropriations	\$0	\$0	\$0	\$0	\$0
HBI Enhancement	0	0	0	0	0
Financial Aid	3,286	2,235	1,891	1,559	8,971
Student/Faculty Ratio	0	0	0	0	0
Contractual Faculty	11,180	5,333	1,801	1,363	19,677
Contractual Staff	698	0	720	819	2,237
<b>Total</b>	<b>\$15,164</b>	<b>\$7,568</b>	<b>\$4,412</b>	<b>\$3,741</b>	<b>\$30,884</b>

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Beginning in fiscal 2011, additional general fund expenditures for HBIs are mandated and reflect annual inflationary increases. **Exhibit 3** estimates the annual impact of each category of operating funding for HBIs established under the Blount-Rawlings-Britt HBI

Comparability Program. No impact is expected for the annual State appropriation requirement because HBIs have received increases in State funding that at least keep pace with the appropriations for TWIs of the same Carnegie classifications over the past five years and it is assumed that pattern continues. By fiscal 2014, the additional general fund costs are estimated at \$48.2 million.

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**Exhibit 3**  
**Estimated Funding Increases for HBIs**  
**Fiscal 2010-2014**  
**(\$ in Thousands)**

<b><u>Category</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>
State Appropriations	\$0	\$0	\$0	\$0	\$0
HBI Enhancement	0	186	379	575	783
Financial Aid	8,971	9,605	10,346	11,158	12,070
Student/Faculty Ratio	0	12,957	3,759	3,159	9,695
Contractual Faculty	19,677	20,464	21,282	22,133	23,019
Contractual Staff	2,237	2,322	2,410	2,499	2,594
<b>Total</b>	<b>\$30,884</b>	<b>\$45,534</b>	<b>\$38,177</b>	<b>\$39,525</b>	<b>\$48,161</b>

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Because the bill specifies that the additional funding is provided to MHEC for distribution to HBIs, it is assumed that the added support would not impact the State formulas that determine the annual funding levels for Baltimore City Community College, local community colleges, and independent institutions of higher education. Currently, enhancement funding of \$4.9 million annually is provided to MHEC for distribution to HBIs and is not included in the calculation of those formulas.

In addition to the general fund spending, capital funding could increase by an estimated \$11.4 million in fiscal 2010 to ensure that HBIs receive at least 35% of the capital funds supporting public institutions of higher education. The proposed fiscal 2010 *Capital Improvement Program* exceeds the 35% threshold for HBIs by \$19.1 million in fiscal 2013 and \$73.6 million in fiscal 2014; however, in fiscal 2011 and 2012, capital funding for HBIs would need to increase by an estimated \$38.9 million and \$90.6 million respectively to reach the 35% requirement established in the bill. It is assumed that these costs would be paid from GO bonds.

## **Additional Information**

**Prior Introductions:** SB 867 of 2008 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken by the committee.

**Cross File:** HB 892 (Delegate Cane, *et al.*) - Appropriations.

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

**Fiscal Note History:** First Reader - March 16, 2009  
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