

Department of Legislative Services  
 Maryland General Assembly  
 2017 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 204 (Delegate Krebs, *et al.*)  
 Appropriations

Community Colleges - Small Community Colleges - Funding

This bill alters the amount of unrestricted State aid granted to small community colleges beginning in fiscal 2019. Funding for each of seven small community colleges is set at \$799,964 for fiscal 2019. Grant amounts for each subsequent fiscal year are increased by the same percentage increase in funding per full-time equivalent student (FTES) at selected public four-year higher education institutions in the State.

The bill takes effect July 1, 2017.

Fiscal Summary

**State Effect:** No effect in FY 2018. General fund expenditures increase by approximately \$1.4 million in FY 2019 and 2020 and by approximately \$1.5 million in FY 2021 and 2022. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2019.**

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.36	1.41	1.46	1.51
Net Effect	\$0.00	(\$1.36)	(\$1.41)	(\$1.46)	(\$1.51)

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

**Local Effect:** Community colleges receive a net increase in funding of almost \$1.4 million in FY 2019, increasing to more than \$1.5 million by FY 2022. Funding for each of four specified community colleges increases by \$376,300 in FY 2019, increasing to \$416,300 each by FY 2022. Funding for each of three specified community colleges *decreases* by \$47,400 in FY 2019 and by \$52,400 in FY 2022.

**Small Business Effect:** None.

## Analysis

**Current Law/Background:** The State's annual contribution for the Senator John A. Cade Funding Formula, the largest community college aid program, is determined by enrollment at community colleges and the level of funding received by public four-year institutions. The Cade formula bases per pupil funding on a set statutory percentage of current-year State appropriations per FTES at selected public four-year institutions of higher education. When the Cade funding formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior-year funding. As a result, State funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges as specified in statute.

Chapter 570 of 1998 required funding to equal \$2.0 million from fiscal 1999 through 2002, also specified in statute. Chapter 584 of 2000 increased the small college grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The annual increase is tied to the percentage increase in State funding per FTES at selected public four-year institutions. In January 2015, the Board of Public Works reduced fiscal 2015 small college grants by \$228,400.

In the proposed fiscal 2018 State budget, three colleges (Allegany, Garrett, and Hagerstown) receive approximately \$821,200 each, and four more colleges (Carroll, Cecil, Chesapeake, and Wor-Wic) receive approximately \$410,600 each through the small college grants. In addition, Chapter 350 of 2002 provided Allegany College and Garrett College annual unrestricted grants of \$360,000 and \$240,000, respectively, for a total of \$600,000, which is not increased for inflation (known as the Mountain Maryland grants). Including this \$600,000 amount, small college aid totals \$4.7 million in the fiscal 2018 proposed budget.

Chesapeake College serves students from Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Wor-Wic Community College serves students from Wicomico and Worcester counties. Somerset County students may attend either college.

**State Expenditures:** Because they are not affected by the bill, this analysis excludes the \$600,000 in annual small college grants targeted to Allegany College and Garrett College under Chapter 350 of 2002. General fund expenditures increase annually, beginning in fiscal 2019. As shown in **Exhibit 1**, fiscal 2019 expenditures increase by almost \$1.4 million over the current law estimated total of \$4.2 million. Consistent with the Department of Legislative Services' projection of 3.2% to 3.5% annual increases in State funding per FTES at selected public four-year institutions through fiscal 2022, State expenditures increase by \$1.4 million in fiscal 2020 increasing to \$1.5 million in fiscal 2021 and 2022.

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**Exhibit 1**  
**Small College Grants – Fiscal 2019**  
(\$ in Thousands)

	<b>Current Law</b>		
	<u>Estimate</u>	<u>Bill</u>	<u>Difference</u>
Allegany College	\$847.4	\$800.0	(\$47.4)
Carroll Community College	423.7	800.0	376.3
Cecil Community College	423.7	800.0	376.3
Chesapeake College	423.7	800.0	376.3
Garrett College	847.4	800.0	(47.4)
Hagerstown Community College	847.4	800.0	(47.4)
Wor-Wic Community College	423.7	800.0	\$376.3
<b>Total</b>	<b>\$4,236.9</b>	<b>\$5,599.7</b>	<b>\$1,362.9</b>

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

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**Local Fiscal Effect:** As shown in Exhibit 1 above, beginning in fiscal 2019, the seven community colleges receiving small college grants are brought into funding level parity (excluding Mountain Maryland grants). Small college grants to community colleges increase by a net total of approximately \$1.4 million in fiscal 2019 and 2020 increasing to approximately \$1.5 million in fiscal 2021 and 2022. Allegany, Garrett, and Hagerstown each receive \$47,400 *less* in fiscal 2019, and \$52,400 less each by fiscal 2022. Carroll, Cecil, Chesapeake, and Wor-Wic each receive an additional \$376,300 in fiscal 2019, increasing to a gain in State aid of \$416,300 for each by fiscal 2022.

Enrollment totals at these colleges vary considerably. **Exhibit 2** shows full-time equivalent enrollment by community college for purposes of fiscal 2013 and 2018 State aid. Enrollment has decreased statewide and at all of the small colleges.

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**Exhibit 2**  
**Community College FTE Enrollment**

	<b><u>FY 2013</u></b>	<b><u>FY 2018</u></b>	<b><u>% Change</u></b>
Allegany College	1,915.1	1,606.9	-16%
Carroll Community College	3,347.1	2,803.4	-16%
Cecil Community College	2,068.1	1,745.8	-16%
Chesapeake College	2,609.7	1,910.1	-27%
Garrett College	741.3	727.4	-2%
Hagerstown Community College	3,287.6	2,864.6	-13%
Wor-Wic Community College	3,314.1	2,678.4	-19%
<i>All Other Community Colleges</i>	<i>148,856.6</i>	<i>126,350.1</i>	<i>-15%</i>
<b>Total</b>	<b>166,139.5</b>	<b>140,686.7</b>	<b>-15%</b>

FTE: full-time equivalent

Source: Maryland Higher Education Commission; Department of Legislative Services

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**Additional Information**

**Prior Introductions:** HB 526 of 2016 received an unfavorable report from the House Appropriations Committee. Its nonidentical cross file, SB 747, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 5, 2017  
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