

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 423
 Appropriations

(Delegate Feldmark, *et al.*)

Community Colleges - State Funding - Revision

This bill specifies that State appropriations calculated under the Senator John A. Cade Funding Formula for local community colleges and the Baltimore City Community College (BCCC) funding formula include appropriations, regardless of where they are budgeted, designated for the general operation of four-year public institutions of higher education, including personnel-related appropriations. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase by \$6.7 million in FY 2021, as explained below. State aid to BCCC is not impacted due to the hold harmless provision.

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	6.7	0	0	0	0
Net Effect	(\$6.7)	\$0.0	\$0.0	\$0.0	\$0.0

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

Local Effect: State aid to local community colleges increases by \$6.7 million in FY 2021. Local community college expenditures increase accordingly.

Small Business Effect: None.

Analysis

Current Law: The formula used for the distribution of funds to community colleges is known as the Senator John A. Cade Funding Formula. The State’s annual contribution to the Cade formula is determined by enrollment at community colleges and a percentage, set

in statute, of the level of funding received by selected public four-year institutions. Specifically, the formula bases per student funding on a set statutory percentage of current year State appropriations per full-time equivalent student (FTES) at the selected four-year institutions, including noncapital appropriations from the Higher Education Investment Fund. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

The BCCC funding formula operates in the same fashion; however, the percentages, which are set in statute, are higher, resulting in a higher per FTES amount.

Background: By recent practice, the Department of Budget and Management (DBM) does not budget cost-of-living adjustments (COLAs) for State agencies, including public four-year institutions, in the appropriations for the agencies/institutions. Instead, they are budgeted centrally in DBM. As a consequence, COLA increases for the upcoming fiscal year are not included in the per FTES amount used to calculate the BCCC and Cade funding formulas. For fiscal 2021, the annualization of the fiscal 2020 COLA, which was provided on January 1, 2020, as a deficiency appropriation, and the proposed 2% COLA effective January 1, 2021, are not included in the fiscal 2021 formula calculations. The COLA funding is later transferred into the institutions' budgets and is reflected in formula calculations in subsequent years. Effectively, this means that the impact of State COLAs on the Cade and BCCC formulas (and the Sellinger formula for independent institutions, which operates similarly) lags one fiscal year.

State Expenditures: General fund expenditures increase by \$6.7 million in fiscal 2021 due to a higher State appropriation per FTES amount being used to calculate the BCCC and Cade funding formulas; however, this funding is not mandated for fiscal 2021. General fund expenditures do not increase in future years due to the manner that out-year calculations are made for the funding formulas by the Department of Legislative Services (DLS). DLS includes COLA increases in the current law calculations for the BCCC and Cade funding formulas in future years.

State aid to BCCC is not impacted since the fiscal 2021 grant amount calculated with the COLA increases is still less than the hold harmless amount from fiscal 2020.

Local Fiscal Effect: State aid for local community colleges increases by a total of \$6.7 million in fiscal 2021, distributed as shown in **Exhibit 1**. Local community college expenditures increase accordingly.

Exhibit 1
Additional Fiscal 2021 Formula Funding

<u>Local Community College</u>	<u>Amount</u>
Allegany	\$141,745
Anne Arundel	797,133
Baltimore County	1,149,541
Carroll	205,087
Cecil	143,924
College of Southern MD	371,997
Chesapeake	165,776
Frederick	304,629
Garrett	75,107
Hagerstown	237,951
Harford	327,163
Howard	544,446
Montgomery	1,213,772
Prince George's	846,415
Wor-Wic	215,694
Total	\$6,740,380

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: SB 608 (Senator King, *et al.*) - Budget and Taxation.

Information Source(s): Maryland Higher Education Commission; Baltimore City Community College; Department of Budget and Management; Department of Legislative Services

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