

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 609

(Senator King, *et al.*)

Budget and Taxation

Higher Education - St. Mary's College of Maryland - Cost-of-Living Adjustment

This bill increases the percentage, from 50% to 100% that the State must provide to St. Mary's College of Maryland (SMCM) of the cost-of-living adjustment (COLA) wage increase for State-supported employees of SMCM. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase by an estimated \$66,300 in FY 2021 due to the State funding 100% of the FY 2021 COLA for SMCM State-supported employees. Future year general fund expenditures reflect the State paying 100% of projected COLA increases for SMCM and the impact of higher SMCM funding on higher education formulas. SMCM revenues and expenditures increase correspondingly (not shown below). **The bill increases a mandated appropriation beginning in FY 2022.**

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	66,300	261,700	445,300	626,800	811,600
Net Effect	(\$66,300)	(\$261,700)	(\$445,300)	(\$626,800)	(\$811,600)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: As established by Chapter 209 of 1992, SMCM receives funding through a block grant formula. In order to establish a predictable level of funding, the Governor

must include in the annual budget submission a general fund grant to SMCM. The proposed grant must be equal to the grant of the prior year plus inflation as indicated by the implicit price deflator for State and local government.

In addition to the grant, Chapter 420 of 2017 mandated the following amounts for SMCM beginning in fiscal 2019:

- for each fiscal year, the State must provide to SMCM funds to pay for the increase in State-supported health insurance costs of SMCM;
- for each year in which the State provides a COLA for State employees, the State must provide to SMCM funds to pay 50% of the increase for State-supported employees of the college; and
- for each fiscal year in which the State provides funds to other public four-year higher education institutions to moderate undergraduate resident tuition increases, it is the intent of the General Assembly that the State provide to the college funds for the same purpose.

This funding may not be included in the calculation of the proposed general fund grant for any following fiscal year, and it must be provided in the same amount in each following fiscal year.

Further, according to Chapter 420, if SMCM's six-year graduation rate as reported by the Maryland Higher Education Commission is 82% or greater in the second preceding fiscal year, the proposed general fund grant for the upcoming fiscal year must be increased by 0.25%.

Background: SMCM is Maryland's public, co-educational liberal arts honors college. The college offers an array of baccalaureate degrees in the arts and sciences and a Master of Arts in teaching. As an honors college, SMCM strives to offer students an educational experience that goes beyond traditional course-based study to foster independent learning and a link between curricular and extracurricular activities and interests. SMCM includes civic responsibility as a cornerstone of its academic and extracurricular programs. The capstone of the SMCM experience is the St. Mary's Project. The college aspires to maintain or strengthen the quality of instruction offerings, increase the effectiveness of academic support resources, improve the efficiency of and service provided by administrative units, and maintain or improve the physical plant facilities to accommodate these goals.

For fiscal 2020, the State provided a 2% COLA for most State employees effective July 1, 2019. An additional 1% COLA was provided January 1, 2020, contingent on State revenues increasing by a specified amount. SMCM received State funding for 50% of the 2% COLA in the fiscal 2020 legislative appropriation, and is receiving 50% of the 1% COLA through a deficiency appropriation. Per an agreement between SMCM and the

American Federation of State, County, and Municipal Employees dated November 2019, SMCM agreed to pay a 2% COLA effective October 1, 2019, and if additional State funding is provided in fiscal 2020, SMCM will increase eligible bargaining unit employees' pay "in accordance with the College's funding formula with the state." This has been interpreted to mean that SMCM will only provide 50% of the 1% COLA to its employees. For fiscal 2021, the Governor's allowance includes for SMCM 50% of the proposed 2% COLA effective January 1, 2021.

State Fiscal Effect: As shown in **Exhibit 1**, general fund expenditures for SMCM increase by \$66,278 in fiscal 2021, which reflects general fund expenditures for the State to pay the other 50% of the fiscal 2021 2% COLA. Fiscal 2022 reflects the impact of the State paying 100% of the annualization of the fiscal 2021 COLA and a 1% COLA, which is what the Department of Legislative Services assumes for public four-year institutions each year. Out-years in Exhibit 1 show the cumulative impact of the bill, which reflects additional expenditures over current law.

Exhibit 1
Estimated Increase SMCM COLA
Fiscal 2021-2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Annual 50% COLA	\$66,278	\$129,553	\$130,848	\$132,157	\$133,478
Cumulative COLA	\$66,278	\$195,831	\$326,679	\$458,836	\$592,315

COLA: cost-of-living adjustments
SMCM: St. Mary's College of Maryland

Source: Department of Legislative Services

SMCM revenues increase by a corresponding amount to general fund expenditures. SMCM expenditures increase to the extent SMCM would have not funded COLAs beyond the amount received from the State under current law.

In addition, as shown in **Exhibit 2**, general fund expenditures for the higher education formulas increase by approximately \$65,890 in fiscal 2021, due to increasing the average per student funding used in the formulas. Out-years reflect the cumulative impact of increasing the percentage that the State provides for COLA wage increases for State supported employees at SMCM from 50% to 100%. Due to the additional State aid, Baltimore City Community College higher education revenues and expenditures increase.

Exhibit 2
Estimated General Fund Fiscal Impact on Higher Education Funding under the Bill
Fiscal 2021-2025
(\$ in Thousands)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
SMCM	\$66,278	\$195,831	\$326,679	\$458,836	\$592,315
Community Colleges	0	45,452	83,964	119,112	157,018
BCCC	0	6,683	11,482	16,152	20,784
Sellinger	0	13,755	23,188	32,715	41,437
Total	\$66,278	\$261,721	\$445,313	\$626,815	\$811,554

BCCC: Baltimore City Community College
SMCM: St. Mary's College of Maryland
Sellinger: Joseph A. Sellinger Grant Program

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1331 (Delegate Crosby, *et al.*) - Appropriations.

Information Source(s): St. Mary's College of Maryland; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2020
an/rhh

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