

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 173
Appropriations

(Delegate Feldmark, *et al.*)

Budget and Taxation

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, 2021.**

Fiscal Summary

State Effect: As explained below, no projected fiscal impact. The calculation of State appropriations for the Cade and BCCC formulas includes personnel-related appropriations for the general operation of four-year institutions in FY 2022. 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 cost-of-living adjustments (COLA) increases in the current law calculations for the BCCC and Cade funding formulas in future years.

Local Effect: As explained below, no projected fiscal impact.

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.

State/Local Fiscal Effect: In several recent proposed budgets, the Department of Budget and Management (DBM) did not budget COLAs for State agencies, including public four-year institutions, in the appropriations for the agencies/institutions. Instead, they were budgeted centrally in DBM. As a consequence, COLA increases for the upcoming fiscal year were not included in the per FTES amount used to calculate the BCCC and Cade funding formulas. The COLA funding was later transferred into the institutions' budgets by budget amendment 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 is not included in the bill but operates similarly) lagged one fiscal year.

However, in the Governor's proposed fiscal 2022 budget, DBM budgeted the annualized COLA in the four-year institutions; thus, the impact of the State COLA on the BCCC and Cade formulas (and the Sellinger formula) is reflected in the fiscal 2022 formula appropriations. Therefore, there is no fiscal impact in fiscal 2022.

General fund expenditures do not increase in future years due to the manner that out-year calculations are made for the funding formulas by DLS. DLS includes projected COLA increases in the current law calculations for the BCCC and Cade funding formulas in future years. If DLS did not include COLAs in the projections for out-years, there would be a potential impact in future years if DBM did not budget any COLAs in the appropriations for the four-year institutions.

Additional Information

Prior Introductions: HB 423 of 2020 received a hearing in the House Appropriations Committee, but no further action was taken. Its cross file, SB 608, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: SB 433 (Senator King) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 26, 2021
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