

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 173
 Appropriations

(Delegate Feldmark, *et al.*)

Budget and Taxation

Institutions of Higher Education - State Funding - Revision

This bill requires the University of Maryland School of Medicine (UMSM) to provide clinical care at the University of Maryland Capital Region Medical Center and specialized clinical care at rural hospitals operated by the University of Maryland Medical System (UMMS) by assigning faculty who specialize in specified areas to the center and the rural hospitals. For fiscal 2023 through 2025, the Governor must include a total of \$7.0 million in the State budget to implement these requirements. In addition, the bill specifies that State appropriations calculated under the Senator John A. Cade Funding Formula for local community colleges, the Baltimore City Community College (BCCC) funding formula, and the Joseph A. Sellinger funding formula for specified private nonprofit institutions of higher education 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: General fund expenditures for UMSM increase by \$7.0 million annually beginning in FY 2023; the funding is mandated in FY 2023 through 2025. As explained below, no projected fiscal impact due to the calculation of State appropriations for Cade, BCCC, and Sellinger funding formulas. Revenues are not affected. **This bill establishes a mandated appropriation for FY 2023 through 2025.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	7.0	7.0	7.0	7.0
Net Effect	\$0.0	(\$7.0)	(\$7.0)	(\$7.0)	(\$7.0)

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

Local Effect: There is no projected fiscal impact on local community colleges.

Small Business Effect: None. Hospitals are generally not considered small businesses.

Analysis

Bill Summary: For fiscal 2023 through 2025, the Governor must include an appropriation of at least \$5.0 million for UMSM to provide clinical care at the center by assigning to the center faculty who specialize in specified areas. For fiscal 2023 through 2025, the Governor must include an appropriation of at least \$2.0 million to UMSM to provide specialized care at rural hospitals operated by UMMS by assigning faculty who specialize in essential areas to each rural hospital. These funds supplement and may not supplant any other funds provided to UMSM.

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 funding 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 FTESs enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

The BCCC and Sellinger funding formulas operate in the same fashion. The BCCC percentages, which are set in statute, are *higher*, resulting in a *higher* per-FTES amount. The Sellinger percentages for specified private nonprofit institutions, which are set in statute, are *lower*, resulting in a *lower* per-FTES amount.

State Expenditures:

University of Maryland School of Medicine

General fund expenditures for UMSM increase by \$7.0 million annually beginning in fiscal 2023. Although the funding is only mandated from fiscal 2023 through 2025, it is assumed that expenditures continue in fiscal 2026 and beyond because the bill establishes ongoing responsibilities. The following information and assumptions are used in this estimate.

- For fiscal 2023 through 2025, the bill mandates \$5.0 million to assign faculty to the center and \$2.0 million to assign faculty to rural hospitals operated by UMMS.
- However, it is unclear how the center and the system will meet the requirements of the bill. Additional faculty could be hired. Alternatively, existing faculty could be transferred to the duties required by the bill, at the expense of current priorities and

responsibilities. There could also be additional equipment and operating costs related to the responsibilities under the bill. It is assumed that these costs are captured in the \$7.0 million.

- This estimate assumes that, even though the bill takes effect July 1, 2021 (fiscal 2022), no faculty are assigned to the specified duties until fiscal 2023 as it will take time to find the appropriate faculty and negotiate contracts. To the extent that faculty are assigned to specified duties in fiscal 2022, UMSM costs could be reimbursed in fiscal 2023 from the mandated appropriation. If so, it is assumed that total fiscal 2022 and 2023 costs do not exceed funds appropriated.
- Since the responsibilities required by the bill continue in fiscal 2026 and beyond, the \$7.0 million cost is assumed to continue in the out-years. Actual general fund expenditures depend on actual future year costs and the funds appropriated for these purposes. If the funds appropriated for these purposes are less than actual costs, than the level of service may be reduced or higher education funds may be shifted from other priorities and responsibilities.

Funding Formulas

In several recent proposed budgets, the Department of Budget and Management (DBM) did not budget cost-of-living adjustments (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, Cade, and Sellinger 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, BCCC, and Sellinger funding formulas lagged one fiscal year.

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

General fund expenditures for the formulas 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 projected COLA increases in the current law calculations for the BCCC, Cade, and Sellinger 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 had DBM not budgeted any COLAs in the appropriations for the four-year institutions.

Additional Information

Prior Introductions: HB 423 of 2020, a bill containing similar provisions, 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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