

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 332

(Senator King)

Budget and Taxation

Appropriations

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, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase by an estimated \$495,356 in FY 2023 at the Governor's discretion. Future year mandated 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 mandated appropriations beginning in FY 2024.**

| (\$ in millions) | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|------------------|---------|---------|---------|---------|---------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0.5 | 1.1 | 1.4 | 1.6 | 1.9 |
| Net Effect | (\$0.5) | (\$1.1) | (\$1.4) | (\$1.6) | (\$1.9) |

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%.

State Fiscal Effect: As shown in **Exhibit 1**, general fund expenditures for SMCM increase by \$495,356 in fiscal 2023, which reflects general fund expenditures for the State to pay the other 50% of the fiscal 2023 3% COLA. Fiscal 2023 funding is at the discretion of the Governor. Funds are mandated beginning in fiscal 2024. Fiscal 2024 reflects a 2% COLA, which is what the Department of Legislative Services assumes for public four-year institutions based on Governor Hogan's recent announcement. Out-years show the cumulative impact of the bill and reflect a 1% COLA in each of fiscal 2025 through 2027.

Exhibit 1
Estimated Increase SMCM COLA
Fiscal 2023-2027

| | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>FY 2026</u> | <u>FY 2027</u> |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Annual 50% COLA | \$495,356 | \$359,027 | \$190,500 | \$198,728 | \$207,288 |
| Cumulative COLA | \$495,356 | \$854,383 | \$1,044,882 | \$1,243,610 | \$1,450,898 |

Note: This estimate assumes a 3% cost-of-living adjustment (COLA) in fiscal 2023, a 2% COLA in fiscal 2024, and a 1% COLA in fiscal 2025 through 2027.

COLA: cost-of-living adjustment

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 not have 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 \$231,715 in fiscal 2024, 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%. Baltimore City Community College revenues are not impacted during the forecast period due to the hold harmless provision of its funding formula.

Exhibit 2
Estimated General Fund Fiscal Impact on Higher Education Funding under the Bill
Fiscal 2023-2027
(\$ in Thousands)

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| SMCM | \$495 | \$854 | \$1,045 | \$1,244 | \$1,451 |
| Community Colleges | 0 | 167 | 241 | 288 | 337 |
| Sellinger | 0 | 65 | 79 | 94 | 110 |
| Total | \$495 | \$1,086 | \$1,365 | \$1,626 | \$1,898 |

Sellinger: Joseph A. Sellinger Grant Program for independent institutions

SMCM: St. Mary's College of Maryland

Note: Numbers may not total due to rounding.

Source: Department of Legislative Services

Additional Information

Prior Introductions: HB 1331 of 2020 received a hearing in the House Appropriations Committee, but no further action was taken. Its cross file, SB 609, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: HB 54 (Delegate Crosby) - Appropriations.

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

Fiscal Note History: First Reader - January 31, 2022
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