

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1522 (Delegate Toles, *et al.*)
 Appropriations

University of Maryland Eastern Shore - Land-Grant Institution - Funding
 (Land-Grant Equity and Accountability Act)

This bill requires, for fiscal 2026 and each fiscal year thereafter, the Governor to include in the annual budget bill an appropriation of *at least* \$5.0 million to the University of Maryland Eastern Shore (UMES). For any fiscal year, the amount appropriated to UMES under the bill may not be less than the amount appropriated in the immediately preceding fiscal year. Funds must be (1) appropriated each fiscal year until a total amount of \$321,181,312 is appropriated to UMES and (2) supplemental to, and may not supplant, funds appropriated to UMES in the State budget. Funds may be used as specified. The funding is to address a stated funding disparity with the University of Maryland, College Park Campus (UMCP). It is the intent of the General Assembly that the funding remedies the funding disparity as soon as practicable. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: *Under one set of assumptions*, general fund expenditures increase by *at least* \$6.2 million in FY 2026, which reflects \$5.0 million for UMES and \$1.2 million for certain funding formulas. UMES revenues and expenditures increase correspondingly (not shown below). However, general fund expenditures in a fiscal year may be significantly more, as explained below. **This bill establishes a mandated appropriation and increases other mandated appropriations beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	6.2	6.1	6.1	6.1
Net Effect	\$0.0	(\$6.2)	(\$6.1)	(\$6.1)	(\$6.1)

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

Local Effect: Local community college revenues increase by *at least* \$801,100 in total in FY 2026 and similar amounts annually thereafter. Expenditures increase correspondingly.

Small Business Effect: None.

Analysis

Bill Summary: The bill establishes findings of the General Assembly, in accordance with the letter issued to the Governor jointly from the U.S. Department of Education and the U.S. Department of Agriculture, dated September 18, 2023. Specifically:

- the Second Morrill Act of 1890 required states choosing to open a second land-grant institution for black students to provide an equitable distribution of funds between 1862 and 1890 land-grant institutions;
- a funding disparity existed from 1987 through 2020 between UMES, the State's 1890 land-grant institution, and UMCP, the State's 1862 land-grant institution;
- if UMES received the same level of State funding per student as the university of UMCP from 1987 through 2020, an additional \$321,181,312 would have been available for UMES; and
- the funding provided under the bill must remedy that funding disparity.

The bill expresses legislative intent that the funding provided under the bill be appropriated each fiscal year in a manner that remedies the funding disparity as soon as practicable.

Funds provided under the bill may be used for (1) development of infrastructure and academic programs; (2) investment in faculty; (3) scholarships; and (4) any other institutional need identified by UMES.

Current Law:

University of Maryland Eastern Shore

In consultation with the presidents of the constituent institutions and the University System of Maryland (USM) campuses, the USM chancellor must develop an overall plan that (1) is consistent with the State Plan for Higher Education in accordance with the charter and with the constituent institutions' approved mission statements; (2) sets forth both long-range and short-range goals, objectives, and priorities for postsecondary education, research, and service provided by USM and methods and guidelines for achieving and maintaining them; and (3) incorporates specified priorities, including enhancing historically African American institutions and recognizing the role of UMES as the State's 1890 land-grant institution.

Historically Black Colleges and Universities

Chapters 41 and 42 of 2021 provide an additional \$577.0 million (in total) for Maryland's HBCUs from fiscal 2023 through 2032 to be distributed and used as specified, contingent on a final settlement of the *Coalition for Equity and Excellence in Maryland Higher Education, et al. v. Maryland Higher Education Commission et al.* lawsuit by June 1, 2021. The funding is supplemental to, and may not supplant, funds appropriated to public institutions of higher education in the State budget. Specified Cigarette Restitution Fund revenues, if available, must be used instead of general funds. The 2025 budget as introduced includes \$9.0 million to UMES for this purpose.

Higher Education Funding Formulas

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

The Baltimore City Community College (BCCC) and Joseph A. Sellinger funding formulas operate in the same fashion. The BCCC percentages, which are set in statute, are higher than Cade, 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.

The Cade and BCCC funding formulas have a hold harmless provision in current law that ensures each college receives at least as much State funding in total through the formula as in the prior fiscal year. The Sellinger formula does not have a hold harmless provision.

State/Local Fiscal Effect: As shown by **Exhibit 1**, *under one set of assumptions*, general fund expenditures increase by *at least* \$6.2 million in fiscal 2026; which reflects the minimum funding for UMES (\$5.0 million) required by the bill and the \$1.2 million impact that funding has on the higher education funding formulas. Under that assumption, it would take 65 years for the full amount of \$321,181,312 to be distributed to UMES. If the full amount of funding were to be appropriated to UMES in fiscal 2026, general fund expenditures would increase by an estimated \$408.7 million (\$321.1 million for UMES and \$87.5 million due to the funding formulas). If the UMES funding were to be appropriated evenly over 10 years, then general fund expenditures would increase by a total

of \$40.0 million annually for 10 years beginning in fiscal 2026 (\$32.1 million for UMES and \$7.7 million due to the funding formulas).

Exhibit 1
Minimum Estimated General Fund Impact on Higher Education Funding
Under the Bill
Fiscal 2026-2029
(\$ in Thousands)

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Public Four-year Institutions				
University of Maryland Eastern Shore	\$5,000	\$5,000	\$5,000	\$5,000
Public Four-year Total	\$5,000	\$5,000	\$5,000	\$5,000
Funding Formulas				
Baltimore City Community College	n/a	n/a	n/a	n/a
Local Community College (Cade)	\$801	\$796	\$792	\$788
Sellinger	354	352	350	349
Higher Education Funding Formulas	\$1,155	\$1,147	\$1,142	\$1,136
Total General Fund Expenditures	\$6,155	\$6,147	\$6,142	\$6,136

Notes: This funding scenario represents the estimated *minimum* amount of general funds to meet the requirements of the bill. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Additional Comments: Revenues for private institutions eligible for Sellinger funding increase by a total of *at least* \$353,847 fiscal 2026. A similar amount of additional funding is available annually thereafter.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): University System of Maryland; Department of Legislative Services

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km/ljm

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