

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 538

(Senator Guzzone)

Budget and Taxation

Appropriations

Community Colleges and Private Nonprofit Institutions of Higher Education -
 Funding

This bill increases the statutory funding percentages for the Senator John A. Cade (local community college), Baltimore City Community College (BCCC), and Joseph A. Sellinger (private nonprofit institutions) funding formulas beginning in fiscal 2023. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: No impact in FY 2022. General fund expenditures increase by \$1.5 million in FY 2023, escalating to \$15.1 million in FY 2026, due to increasing the statutory funding percentages. Due to the hold harmless provision, BCCC funding is not affected until FY 2028 under current projections. **This bill increases mandated appropriations beginning in FY 2023.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.5	13.9	14.5	15.1
Net Effect	\$0.0	(\$1.5)	(\$13.9)	(\$14.5)	(\$15.1)

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

Local Effect: State aid for local community colleges increases by \$10.9 million in FY 2024 and \$11.8 million in FY 2026 due to increasing the Cade funding percentage. Local community college expenditures increase accordingly.

Small Business Effect: None.

Analysis

Bill Summary/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 FTES 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 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 that 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.)

The statutory funding percentages for the Cade, BCCC, and Sellinger funding formulas under current law are compared to those established in the bill in **Exhibit 1**. The funding percentages are frequently adjusted via the annual budget bill (for the upcoming fiscal year) and budget reconciliation legislation (for future fiscal years).

Exhibit 1
Cade, BCCC, and Sellinger Funding Formula Statutory Funding Percentages
Under Current Law Compared to Under the Bill

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Cade - Current Law	27.00%	29.00%	29.00%	29.00%	29.00%
Cade - Under the Bill	27.00%	29.00%	30.00%	30.00%	30.00%
BCCC - Current Law	66.50%	68.50%	68.50%	68.50%	68.50%
BCCC - Under the Bill	66.50%	69.00%	69.00%	69.00%	69.00%
Sellinger - Current Law	15.50%	15.50%	15.50%	15.50%	15.50%
Sellinger - Under the Bill	15.50%	15.75%	16.00%	16.00%	16.00%

BCCC: Baltimore City Community College

Notes: The percentages are unchanged in fiscal 2022. The percentage for Sellinger changes twice, in fiscal 2023 and again in fiscal 2024. The percentage change for Cade is delayed to fiscal 2024.

Source: Department of Legislative Services

State Fiscal Effect: General fund expenditures increase in fiscal 2023 due to increasing the statutory funding percentage for the Sellinger funding formula. The statutory percentage for BCCC also increases in fiscal 2023; however, due to projected enrollment levels and the hold harmless provision in current law, BCCC funding is not anticipated to increase until fiscal 2028. General fund expenditures further increase in fiscal 2024 due to increasing the statutory funding percentages for the Sellinger (again) and Cade formulas.

The estimated increase in general fund expenditures is shown in **Exhibit 2**. This estimate is based on enrollment estimates and projections of State funding for four-year public higher education institutions made by the Department of Legislative Services (DLS). Actual increases depend on actual enrollment at BCCC, local community colleges, and four-year nonprofit institutions for each year as well as State funding for four-year public institutions per FTES.

Exhibit 2
Estimated Increase in General Fund Expenditures
Fiscal 2023-2026
(\$ in Thousands)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Cade	\$0	\$10,853	\$11,319	\$11,801
<u>Sellinger</u>	<u>1,453</u>	<u>3,022</u>	<u>3,142</u>	<u>3,264</u>
Total	\$1,453	\$13,875	\$14,461	\$15,065

Notes: Baltimore City Community College (BCCC) statutory funding percentages also increase in fiscal 2023; however, due to the hold harmless provision in current law, BCCC funding is not anticipated to increase until fiscal 2028. The statutory funding percentage for the Cade funding formula changes in fiscal 2024; the statutory funding percentage for the Sellinger funding formula changes in fiscal 2023 and again in fiscal 2024.

Source: Department of Legislative Services

Baltimore City Community College

State aid to BCCC does not increase in fiscal 2023 due to the hold harmless provision in current law (otherwise State formula aid would decrease under current law and the bill). State aid to BCCC is anticipated to increase beginning in fiscal 2028. Actual increases depend on actual enrollment at BCCC as well as State funding per FTES. Higher education revenues and expenditures for BCCC also increase by corresponding amounts beginning in fiscal 2028.

Local Revenues: State aid to local community colleges increases beginning in fiscal 2024 due to increasing the statutory funding percentages of the Senator John A. Cade Funding Formula. The estimated increase in State aid in fiscal 2024, by local community college, is shown in **Exhibit 3**. This estimate is based on enrollment estimates made by DLS. Actual increases depend on actual enrollment in local community colleges. Since the funding formula is enrollment based, local community colleges with larger enrollment receive more funding through the formula.

Exhibit 3
Estimated Increase in State Aid to Local Community Colleges
Fiscal 2024

<u>College</u>	<u>FY 2024</u>
Allegany	\$244,938
Anne Arundel	1,229,233
Baltimore	1,840,139
Carroll	339,807
Cecil	220,596
CSM	593,716
Chesapeake	247,413
Frederick	497,517
Garrett	120,463
Hagerstown	366,728
Harford	484,563
Howard	969,214
Montgomery	1,956,892
Prince George's	1,415,242
Wor-Wic	<u>326,584</u>
Total	\$10,853,043

CSM: College of Southern Maryland

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Additional Comments: Eligible nonprofit higher education institutions receive additional State aid due to increasing the statutory funding percentage for the Sellinger formula, amounting to \$1.5 million in fiscal 2023 and \$3.3 million in fiscal 2026.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1067 (Delegate Feldmark) - Appropriations.

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

Fiscal Note History: rh/rhh First Reader - February 1, 2021
Third Reader - March 30, 2021
Revised - Amendment(s) - March 30, 2021

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510