

**Department of Legislative Services**  
 Maryland General Assembly  
 2022 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 795 (Senator Guzzone)  
 Budget and Taxation

**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 2024. **The bill takes effect July 1, 2022.**

**Fiscal Summary**

**State Effect:** No impact in FY 2023. General fund expenditures increase by \$14.9 million in FY 2024, increasing to \$19.4 million in FY 2027, 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 2024.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	14.9	17.8	18.7	19.4
Net Effect	\$0.0	(\$14.9)	(\$17.8)	(\$18.7)	(\$19.4)

*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 \$12.9 million in FY 2024 and \$14.9 million in FY 2027 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).

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

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Cade – Current Law	29.00%	29.00%	29.00%	29.00%	29.00%
Cade – Under the Bill	29.00%	30.00%	30.00%	30.00%	30.00%
BCCC – Current Law	68.50%	68.50%	68.50%	68.50%	68.50%
BCCC – Under the Bill	68.50%	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 2023. The percentages for Cade and BCCC increase in fiscal 2024. The percentage for Sellinger increases twice, in fiscal 2024 and again in fiscal 2025.

Source: Department of Legislative Services

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**State Fiscal Effect:** General fund expenditures increase in fiscal 2024 due to increasing the statutory funding percentage for the Cade and Sellinger funding formulas. The statutory percentage for BCCC also increases in fiscal 2024; 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 2025 due to increasing the statutory funding percentages for the Sellinger funding formula (again).

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.

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**Exhibit 2**  
**Estimated Increase in General Fund Expenditures**  
**Fiscal 2024-2027**  
**(\$ in Thousands)**

	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>	<u><b>FY 2027</b></u>
Cade	\$12,884	\$13,577	\$14,291	\$14,901
Sellinger	1,987	4,175	4,377	4,543
<b>Total</b>	<b>\$14,871</b>	<b>\$17,752</b>	<b>\$18,668</b>	<b>\$19,444</b>

Notes: The statutory funding percentage for the Cade funding formula increases in fiscal 2024. The statutory funding percentage for the Sellinger funding formula increases in fiscal 2024 and again in fiscal 2025. Even though the statutory funding percentage for Baltimore City Community College increases in fiscal 2024, the impact is not realized until fiscal 2028 due to the current hold harmless provision.

Source: Department of Legislative Services

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*Baltimore City Community College*

State aid to BCCC does not increase in fiscal 2024 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 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.

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

<u>College</u>	<u>FY 2024</u>
Allegany	\$258,759
Anne Arundel	1,471,169
Baltimore	2,261,821
Carroll	408,538
Cecil	263,109
CSM	722,022
Chesapeake	285,429
Frederick	599,331
Garrett	137,843
Hagerstown	463,154
Harford	608,967
Howard	1,082,761
Montgomery	2,416,491
Prince George's	1,515,177
Wor-Wic	389,817
<b>Total</b>	<b>\$12,884,388</b>

CSM: College of Southern Maryland

Source: Department of Legislative Services

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**Additional Comments:** Eligible nonprofit higher education institutions receive additional State aid due to increasing the statutory funding percentage for the Sellinger formula, amounting to \$2.0 million in fiscal 2024 and \$4.5 million in fiscal 2027.

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**Additional Information**

**Prior Introductions:** SB 538 of 2021, a similar bill as amended and passed by the Senate, received a hearing in the House Appropriations Committee, but no further action was taken.

**Designated Cross File:** HB 1101 (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:** First Reader - March 9, 2022  
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