



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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SENATE BILL 443 Community Colleges-State Funding-Revisions (King)

STATEMENT OF INFORMATION

DATE: February 2, 2021

COMMITTEE: Senate Budget & Taxation

SUMMARY OF BILL: SB 443 modifies the Senator John A. Cade Funding Formula for community colleges by including appropriations, regardless of where they are budgeted, designated for the general operation of 4-year public institutions of higher education, in calculating the per FTE amount.

EXPLANATION: Cost of Living Allowances (COLAs) are budgeted in the statewide account, rather than in each agency's budget. As pointed out in a past budget analysis by the Department of Legislative Services, community colleges receive the benefit of COLA-related growth in the following year's calculation (of the funding formula) when the COLA is carried forward in the base appropriation for the four-year institutions.

There is no FY 2022 COLA. The FY 2022 budget for community colleges includes the annualized FY 2021 COLA, which is included in the calculation of the Cade formula. FY 2022 funding for community colleges in the amount of \$263 million provides an increase that is consistent with FY 2022 projected revenue growth of 5.5%.

The provisions of this legislation, if they had been in effect in any year in which a COLA is provided, would have an additional fiscal impact of several millions of dollars in the budget year in which the COLA is granted. Increases in entitlement spending make it exceedingly difficult for the Administration to achieve structural balance.

Economic conditions remain precarious as a result of COVID-19, making revenue predictions for the remainder of FY 2021 and FY 2022 highly volatile. Many individuals and households are unemployed or underemployed, with many industry sectors operating at much less than 100% capacity. The impact of the COVID-19 pandemic is a significant budgetary vulnerability.

The highest priority of the Administration is to work with the 2021 General Assembly in enacting the Governor's emergency Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act (SB 496/HB 612 RELIEF Act). The RELIEF Act provides \$1 billion in direct stimulus and tax relief for Maryland working families, small businesses, and those who have lost their jobs as a result of the COVID-19 pandemic. Senate amendments include \$15 million for aid to community colleges.

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