

2010 MARYLAND STATE OPERATING BUDGET

House Bill Number: HB 100

Senate Bill Number: SB 165

Lead Sponsor(s): Speaker of the House
President of the Senate

The 2009 Maryland General Assembly opened amidst one of the worst economic recessions in the nation's history. As revenues continued to fall and unemployment continued to rise, the State faced a \$1.9 billion deficit at the opening of the Session. By the time the March revenue estimates were announced, the deficit grew by another \$1.1 billion requiring legislators to find \$800 million in the State Budget to restore balance – even after accounting for federal stimulus aid.

It is impossible to discuss the 2010 State aid to community colleges without first addressing the fiscal 2009 State budget. The Board of Public Works made mid-year rescissions that reduced State aid to community college by \$8.2 million in the fiscal 2009 budget. As the Session opened in January, the colleges were preparing for another rescission when the Governor announced that a portion of Maryland's federal stimulus funds would be used to off-set further reductions. This permitted community colleges to keep half of their fiscal 2009 increase in state aid which accounted for a 4% increase over fiscal 2008 (\$8.2 million). At that time, the Governor also announced a 5.5% increase in 2010 and another 5% increase in 2011. However, the announcement regarding 2010 and 2011 was short lived. The March revenue estimates required the legislature to find an additional \$550 million in further reductions. Consequently, all state appropriations were again slated for further reductions in the 2010 State Budget.

Summary of Bill as Enacted – The Compromise

Cade Institutions

The differences between the House and Senate versions of the 2010 State Budget were worked out in conference committee. The final appropriation to community colleges was \$267,290,000 encompassing \$42,159,818 in fringe benefits and \$14,811,429 in small grants (including grants to the small colleges, reciprocity agreements, statewide and Health Manpower programs and ESOL). The compromise resulted in a 4.9% total increase for community colleges; this is a 3.8% increase in the Cade formula. The conference committee adopted narrative to “true-up” the formulas. “True up” means that the funding per FTES would be based on the appropriation to the 10 four-year institutions in the same year as the budget, rather than the prior year as is current law. This would not change the two year lag on community college enrollments, but would eliminate the one year lag on the four year funding. Because “trueing-up” results in an immediate “bump” in the State aid allocation, the conference committee also accepted the Senate's recommendation to limit the formula tie in the out-years to 29% for the Cade funded institutions (*see specifics in chart on next page*).

Baltimore City Community College

The difference between the House and Senate version of the 2010 State Budget resulted in a general fund appropriation of \$42.4 million to Baltimore City Community College. The BCCC appropriation results in a 3.4% increase over last year's final allocation.

CADE	Governor	House	Senate	Compromise
<i>Formula Aid</i>	208,939,900*	209,267,496	210,767,496	210,319,000
Fringe Benefits	42,159,819	42,159,819	42,159,819	42,159,819
Grants	14,811,428	14,811,428	14,811,428	14,811,428
Total	265,911,147	266,238,743	267,738,743	267,290,000
% increase	4.4%	4.5%	5.1%	4.9%
Formula tie				23.6%

BCCC	Governor	House	Senate	Compromise
<i>Formula Aid</i>	42,005,078*	42,224,545	42,624,545	42,424,545
% increase	2.4%	3%	4%	3.4%
Formula tie				65.1%

*As adjusted in the Governor's first supplemental budget.

The Cade and BCCC funding formulas that statutorily determine the State allocation to community colleges were rebased in HB 101/ SB 166 – The Budget Reconciliation and Finance Act of 2009. The re-basing begins with the percentage tie that reflects the actual 2010 appropriation. The percentage tie is then increased each year until fiscal 2014 where the percentage tie stops at 29% and 68.5% respectfully to account for the “bump” in aid resulting from “truening-up” the formula (*percentages are specified on the next page*).

House and Senate Difference

Neither the House nor the Senate used the formulas to determine the State allocation to community colleges in the 2010 Budget. It was apparent early in the Session that the formulas to determine State aid to the 15 community colleges and Baltimore City Community College would be debased to reflect the actual allocation to the colleges.

The House adopted a position that would fund 3.1% enrollment growth over 2009, allocating the funds to the institutions through the Cade formula. This would result in a 4.5% total increase over the 2009 budget as finalized. The House allocation factors into a 23.4% formula tie to the four-year institutions. The House used this tie to begin ratcheting the formula back to the full 30% in 2014. The House funded BCCC with a 2.9% growth over 2009. This factored into a 64.6% formula tie and likewise, used this number to begin ratcheting the BCCC the formula back to the full 71% in 2014.

Both the House and Senate rejected a DLS recommendation to alter the current “maintenance of effort” provision that requires local governments to match or exceed the previous year's allocation in order to receive the increased state aid. The change would have required counties to match their previous year's allocation on an FTE basis.

The Senate adopted a different funding philosophy than the House. In exchange for a tuition freeze they calculated a 4% increase in tuition per college. This resulted in a total increase of 5.1% over fiscal 2009 (including grants and fringe benefits). In addition, the Senate adopted a DLS recommendation to “true up” the formulas that was later accepted by the conference committee. The result is an immediate extra

increase in funding (a bump) that would increase the base funding every year thereafter. The Senate’s allocation to community colleges factored into a 23.7% increase that is then used to begin ratcheting the formula back to the full statutory intent, but because of the “bump” they stop at 29% in fiscal 2014.

Summary of Bill as Introduced

As presented by the Governor, the 2010 State Budget funded community colleges at the 2008 level. Because of enrollment increases, this reduced the statutory tie of 27% tie to the four-year public institutions to 21.5%, creating a cut in state aid to community colleges of nearly \$50 million. Baltimore City Community College was allocated \$45 million. These figures were adjusted in February when the federal stimulus funds were announced and the Governor’s first supplemental budget was presented.

In addition, the Budget Reconciliation and Finance Act of 2010 reduced aid to community colleges in the out-years by debasing the Cade and Baltimore City Community College funding formulas. The full percentage tie would be delayed reaching 30% in fiscal 2015 for the Cade funded institutions and 71% for Baltimore City Community College. The Governor’s budget as introduced reduced the community college operating budgets by over \$50 million – approximately one fourth of the total state commitment to the Cade funded institutions.

Background

Since 1998 the State aid to 15 of Maryland’s 16 community colleges has been determined by the Cade Funding Formula, prescribed in Section 10-305 of the *Annotated Code of Maryland*. The Cade Formula not only determines the amount of State aid granted to community colleges each year, it establishes how the funds are distributed among the 15 institutions. Baltimore City Community College, being a state institution, is funded by a separate formula (Section 16-512 of the *Annotated Code of Maryland*).

The 2006 Session of the Maryland General Assembly enhanced the formulas by increasing the percentage that ties the State aid allocation per full-time equivalent (FTE) student at the four-year colleges and universities to the allocation granted per FTE student at the community colleges. For the Cade-funded institutions the percentage tie was enhanced as follows, resulting in a 30% per FTE tie in 2013.

However, the 2009 Budget Reconciliation and Financing Act re-based the Cade Formula as shown on the following chart. The percentage tie was reduced from 30% to 29% for the Cade institutions and from 71% to 68.5% for BCCC in the out-years to accommodate the newly enacted “true up” policy.

Community College Formula Tie

Year	Cade Tie	Revised Tie	BCCC Tie	Revised Tie
2007	25%		66%	
2008	25.5%		66.5%	
2009	26.25%		67.25%	
2010	27%	23.6%	68%	65.1%
2011	28%	24%	69%	65.5%
2012	29%	25%	70%	66 %
2013	30%	27%	71%	67%
2014		29%		68.5%

It was the intent of the State to increase its share of the cost of a community college education when it enacted the Cade and Baltimore City Community College funding formulas in 1996. At that time the

State funded 29 percent of the cost of a community college education; the county's share was 34 percent; and the student's share was 35 percent. A decade later, the State's share had dropped to 25 percent; local governments to 33 percent; with the student bearing the substantial burden of 40 percent. As a result, the 2006 General Assembly enacted Senate Bill 357 that enhanced the Cade and BCCC funding formula. At that time, projections showed that the enhancements would bring the State's contribution to one third the cost of a community college education by 2013 for the Cade-funded institutions.

ESTIMATED 2010 STATE AID DISTRIBUTION

Institution	Total Direct Grant	
Allegany College of Maryland	\$	4,984,113
Anne Arundel Community College		28,951,263
Community College of Baltimore County		36,341,154
Carroll Community College		7,259,081
Cecil College		4,772,899
College of Southern Maryland		11,138,084
Chesapeake College		5,736,907
Frederick Community College		8,318,806
Garrett College		2,433,878
Hagerstown Community College		7,212,915
Harford Community College		10,567,881
Howard Community College		13,063,472
Montgomery College		38,595,188
Prince George's Community College		23,998,329
Wor-Wic Community College		6,944,398
Total	\$	210,318,369
 Baltimore City Community College	 \$	 42,424,545