

MACC 2012 Legislative Agenda

Dr. Guy Altieri, Chair, Maryland Council of Community College Presidents
Clay Whitlow, former MACC Executive Director

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Maryland Association of Community Colleges
60 West Street, Ste. 200
Annapolis, MD 21401
410.974.8117
www.mdacc.org

Pension Costs Major Challenge

- For many years the state has usually funded as a separate line item the entire cost to community colleges (and school districts) of state pension system contributions.
- For FY '13, the Governor proposes major shift of those costs from state to counties.

Basic Cost Shift

- Shift funding for all teacher retirement costs (both pension and soc. scrty.) to 50/50 state, local.
- Counties (or colleges) already pay 100% of social security.
- Total \$239 million shift to counties.
- Impacts most employees at public schools, community colleges, and libraries.

Potential Increased Cost Directly to Community Colleges

- Estimated pension cost for FY '13 = \$37.2 M
- Governor's allowance = \$27.7 M
- Shortfall due from colleges at least \$9.5 M
- In prior years the state paid the pension cost in full.

Governor's Proposed Mitigation for Counties (not colleges)

- Amend tax code to eliminate certain deductions and exemptions for couples earning \$150K and up, est. \$111 million in new county revenue.
- Close tax loophole, est. \$40 million.
- Forgiveness of county obligation to state for tax reserve fund repayment - \$37 million.
- Most counties will have an additional financial burden resulting from this shift.
- Increased operating funding in FY 13 to colleges could be viewed as assistance with pension cost.

Pension Issues Beyond FY 2013

- Future increased operating funding for colleges could be viewed as offsetting pension liability.
- Colleges' pension obligation will continue to increase into future years.
- County mitigation funds are probably either one time funds or will not increase in future years.
- Additional income tax revenue, if any, is not dedicated to paying pension cost; it will not necessarily benefit community colleges.

Issues for General Assembly

- Colleges do not have funds to cover a significant cost increase from pension transfer; the proposed Cade funding increase is less than the pension obligation.
- In order to pay this additional cost, colleges will have to consider either reductions to essential services or raising tuition, which, in either case will adversely impact students
- This is just the beginning. The difference between the state share and the total pension cost will continue to increase in future years.

State Operating Budget (000)

Fiscal Year	2011	2012	2013
Direct Aid	\$194,407	\$194,407	\$199,172
Total Aid	\$208,952	\$214,270	\$217,312

Note: The difference between Direct Aid and Total Aid includes special grants for items such as: small colleges grants; statewide & health manpower shortages; ESOL; and, for the first time in FY 2012, Keeping Community Colleges Affordable (KCCA) grant. The amount of these special grants may increase or decrease from one year to the next. In FY 2013, KCCA grant reduced to \$2.5 million. Retirement cost is not included.

Other Operating Budget Highlights

- ESOL level funded at \$4.4 M.
- Financial aid level funded at \$76.4 M.
- Part time student aid level funded at \$5 M.
- RHEC level funded at \$1.5 M.

Capital Budget FY '13

Community College	Project Name	Project Phase	Request	Authorization	Difference
College of Southern Maryland ¹	BU & CE Bldg Renovation and Expansion	Construction	\$ 4,572,000	\$ 5,457,000	\$ 885,000
Community College Baltimore County	Owings Mill Center	Construction	2,700,000	2,700,000	-
Harford Community College	Susquehanna Center Renovation/Addition	Completion	1,164,000	1,164,000	-
Montgomery College ¹	Rockville Science East Renovation	Construction	6,097,000	7,356,000	1,259,000
					-
Howard Community College	New Allied Health Building	Completion	\$ 3,300,000	\$ 3,300,000	-
Cecil College	Engineering & Math Building	Construction	10,558,000	2,000,000	(8,558,000)
Anne Arundel Community College	Administration Building Renovations	Construction	2,369,000	1,300,000	(1,069,000)
Community College of Baltimore County	F Building Renovation - Catonsville	Construction	9,510,000	1,000,000	(8,510,000)
Harford Community College	New Nursing & Allied Health Building	Construction	7,702,400	3,000,000	(4,702,400)
Frederick Community College	Science & Tech Hall	completion	544,000	250,000	(294,000)
Hagerstown Community College	Student Center Expansion	Design	379,291	357,000	(22,291)
Prince George's Community College	Lanham Hall Renovation	Design	1,513,200	1,340,000	(173,200)
Prince George's Community College	Upgrade Fire Alarm System Campuswide	Life Safety	1,900,689	1,901,000	311
Howard Community College	Campuswide Utilities Upgrade	Design+	1,974,000	1,974,000	-
Montgomery College	Germantown Science & Applied Studies Bldg (Phase 1)	Design	2,673,000	1,856,000	(817,000)
Harford Community College	Campus Parking and Site Improvements	Design+	357,396	357,000	(396)
Harford Community College	Multi-building Roof Replacement	Design+	375,011	375,000	(11)
Frederick Community College	Allied Health Center	Design	1,397,132	1,397,000	(132)
Montgomery College	Rockville Student Services Center	Design	5,359,000	3,714,000	(1,645,000)
			\$ 66,939,119	\$ 40,798,000	\$ (26,141,119)

Pre-Authorized for FY '14

College	Project	Amount (000)
Anne Arundel	Admin. Bldg.	\$1,096
Cecil	Eng.-Math Bldg.	\$10,391
CCBC	Catonsville F Bldg.	\$12,950
Harford	Nursing Allied Health Bldg.	\$4,703

Capital Budget Issues

- Local government may not be able to meet matching requirements due to other budget pressures.
- Substantial reduction in state funding could make it difficult to meet needs in FY '14 and beyond.
- Capital needs will exceed \$100 million in FY '14 and '15.

Talking Points for Legislators

1. Shift in pension cost threatens college funding; a modest increase in Cade operating funds is more than offset by increase in pension cost (\$4.7M v. \$9.5M).
2. The pension cost transfer to counties is based on tax increases that may not occur. What happens if counties don't receive new tax revenue?

Talking Points (cont'd)

3. Community colleges are being asked to absorb \$9.5 million in one year for the added pension cost. This is twice as much as our operating funding increase from the state. If we are going to go down this road, it should be phased in at a slower pace.
4. We are concerned about the sharp decrease in capital funding and what that may mean for fiscal 2014 and future years.