

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 867 (Senator Jones, *et al.*)
Budget and Taxation

**Historically Black Institutions - State Funding - Blount-Rawlings-Britt HBI
Comparability Program**

This bill establishes the Blount-Rawlings-Britt HBI Comparability Program to provide supplemental State funding to historically black institutions of higher education in order to ensure that they are comparable and competitive with other public four-year institutions of higher education in Maryland. The Governor must include funds in the annual State operating and capital budgets as determined by calculations specified in the bill. The Maryland Higher Education Commission must implement and administer the program through the distribution of funds to HBIs and the collection of data from HBIs on the use of the funds distributed to them.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$39.3 million in FY 2009 to provide enhancement funds to HBIs as prescribed in the bill. General obligation (GO) bond expenditures would increase by an estimated \$31.8 million in FY 2009 to provide additional capital funds for HBIs. Future year general fund expenditure estimates reflect inflation, and estimated GO bond expenditures reflect the funding proposed in the FY 2009 *Capital Improvement Program*. **This bill establishes a mandated appropriation beginning in FY 2010.** Revenues would not be affected.

(\$ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	39.3	41.2	43.3	45.6	47.9
Bond Exp.	31.8	0	0	118.1	0
Net Effect	(\$71.2)	(\$41.2)	(\$43.3)	(\$163.7)	(\$47.9)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The additional operating funds that must be provided to HBIs through the Blount-Rawlings-Britt HBI Comparability Program are calculated by:

- increasing the annual recurring State appropriation for each HBI by not less than the average increase in the Governor's allowance for the four-year traditionally white institutions of similar Carnegie classifications;
- maintaining fiscal 2009 enhancement funding of \$4.9 million and increasing the amount each year by the Higher Education Price Index (HEPI);
- providing \$500 per full-time equivalent student for financial aid to be awarded to eligible students at the HBIs, and increasing the amount annually by HEPI;
- providing funding to meet specific staffing goals identified in the bill; and
- providing HBIs with at least 35% of the capital improvement resources that are allocated to institutions of higher education, excluding the University of Maryland Medical Center and independent colleges and universities.

Funds for the Blount-Rawlings-Britt HBI Comparability Program must be included in MHEC's budget for distribution to the HBIs. The funds are in addition to the funds provided for HBIs in the State budget in the prior fiscal year.

Current Law: Funding for public four-year institutions of higher education is discretionary. It is the intent of the General Assembly that, barring unforeseen economic conditions, the Governor include in the annual budget submission an amount of general fund State support for higher education equal to or greater than the amount appropriated in the prior fiscal year. The goal of the State, as noted in statute, is that State support for higher education operating and capital expenditures comprise 15.5% of general fund revenues.

MHEC is responsible for developing a program of desegregation and equal educational opportunity including developing an enhancement plan for HBIs. In addition, MHEC is responsible for making recommendations concerning needed resources for achieving goals and objectives established for HBIs.

Background: In 1969, the U.S. Office for Civil Rights (OCR) required Maryland to submit a plan to remove all vestiges of its formerly segregated system of higher

education. OCR asserted that Maryland had a responsibility to “adopt measures necessary to overcome the effect of past segregation” and that it would not be enough “that an institution maintain a nondiscriminatory admissions policy if the student population continues to reflect the formerly *de jure* racial identification of that institution.”

Over the course of the next 20 years, Maryland submitted and resubmitted various plans to OCR in order to enhance its public HBIs – Bowie State University, Coppin State University, Morgan State University, and the University of Maryland Eastern Shore (UMES). In 1991, Maryland reported full or substantial compliance with all of the elements of its previous plans. Nearly 10 years passed before a response was received from OCR.

In December 2000, the State and OCR entered into a partnership agreement that included a commitment from the State to further enhance its four HBIs and to improve higher education opportunities for African American students. Although this partnership agreement expired on December 31, 2005, the State has not yet been released from its obligations under the agreement.

From fiscal 2002 through 2006, the State provided \$56.4 million in total enhancement funds for HBIs and \$330.0 million for capital projects to support the partnership agreement commitments. Although the agreement expired in fiscal 2006, the State has continued to provide \$10.9 million of enhancement funds to the HBIs, including \$6.0 million in Access and Success funding that was shifted into the HBIs operating budgets beginning in fiscal 2007. The State has also provided \$130.7 million for capital projects in fiscal 2007 and 2008, the majority for revitalization projects at Coppin State University.

Chapters 57 and 58 of 2006 established the Commission to Develop the Maryland Model for Funding Higher Education. Among other responsibilities, the commission is charged with reviewing options and making recommendations relating to the appropriate level of funding for the State’s HBIs to ensure that they are comparable and competitive with other public institutions. The commission was scheduled to submit its final report in December 2007, but requested an additional year to complete its work. In its interim report, the commission reported that the study panel hired to address the HBI funding issue will report the results of its work in summer 2008; the commission will review the findings of the study and develop recommendations relating to the HBI charge for the final report.

The proposed fiscal 2009 State budget includes \$177.6 million in general funds for HBIs, including \$4.9 million in enhancement funds budgeted with MHEC. In addition, \$7.2 million in operating funding is proposed through the Higher Education Investment Fund (HEIF). The proposed *Capital Improvement Program* includes a total of \$70.3 million for projects at Coppin and Morgan, \$67.2 million in GO bonds and \$3.1 million from HEIF. The proposals are summarized in **Exhibit 1**.

Exhibit 1
Proposed Fiscal 2009 Funding for HBIs

Operating	<u>GF</u>	<u>HEIF</u>	<u>Total</u>
Bowie State University	\$34,179,334	\$1,702,894	\$35,882,228
Coppin State University	34,800,678	467,022	35,267,700
Morgan State University	71,839,915	3,815,982	75,655,897
UMES	31,908,122	1,198,247	33,106,369
Enhancement Funds (MHEC)	<u>4,900,000</u>	<u>0</u>	<u>4,900,000</u>
Total Operating	\$177,628,049	\$7,184,145	\$184,812,194

Capital	<u>GO</u>	<u>HEIF</u>	<u>Total</u>
Coppin State University	\$56,172,000	\$0	\$56,172,000
Morgan State University	<u>11,031,000</u>	<u>3,100,000</u>	<u>14,131,000</u>
Total Capital	\$67,203,000	\$3,100,000	\$70,303,000

State Expenditures: General fund expenditures would increase by an estimated \$39.3 million in fiscal 2009 to provide funds for the Blount-Rawlings-Britt HBI Comparability Program, \$18.3 million for Morgan, \$8.5 million for UMES, \$7.2 million for Coppin, and \$5.3 million for Bowie. Estimates of the additional funding, by category, are shown in **Exhibit 2**.

Exhibit 2
Additional Fiscal 2009 Funding for HBIs
Blount-Rawlings-Britt HBI Comparability Program
(\$ in Thousands)

<u>Category</u>	<u>Morgan</u>	<u>UMES</u>	<u>Coppin</u>	<u>Bowie</u>	<u>Total</u>
State Appropriations	\$0	\$0	\$0	\$0	\$0
HBI Enhancement	0	0	0	0	0
Financial Aid	3,263	1,783	1,636	2,184	8,865
Student/Faculty Ratio	10,670	5,422	3,385	0	19,477
Contractual Faculty	3,175	0	976	1,827	5,978
Contractual Staff	<u>1,170</u>	<u>1,330</u>	<u>1,220</u>	<u>1,288</u>	<u>5,008</u>
Total	\$18,278	\$8,535	\$7,216	\$5,299	\$39,328

Beginning in fiscal 2010, additional general fund expenditures for HBIs would be mandated and would reflect annual inflationary increases. **Exhibit 3** estimates the annual impact of each category of operating funding for HBIs established under the Blount-Rawlings-Britt HBI Comparability Program. No impact is expected for the annual State appropriation requirement because HBIs are expected to receive increases in State funding that at least keep pace with the appropriations for traditionally white institutions of the same Carnegie classifications. By fiscal 2013, the additional general fund costs are estimated at \$47.9 million.

Exhibit 3
Estimated Funding Increases For HBIs
Fiscal 2009-2013
(\$ in Thousands)

<u>Category</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
State Appropriations	\$0	\$0	\$0	\$0	\$0
HBI Enhancement	0	186	390	601	816
Financial Aid	8,865	9,440	10,063	10,788	11,524
Student/Faculty Ratio	19,477	20,217	21,026	21,867	22,720
Contractual Faculty	5,978	6,206	6,454	6,712	6,974
Contractual Staff	<u>5,008</u>	<u>5,198</u>	<u>5,406</u>	<u>5,623</u>	<u>5,842</u>
Total	\$39,328	\$41,247	\$43,339	\$45,591	\$47,876

Because the bill specifies that the additional funding is provided to MHEC for distribution to HBIs, it is assumed that the added support would not impact the State formulas that determine the annual funding levels for Baltimore City Community College, local community colleges, and independent institutions of higher education. Currently, enhancement funding of \$4.9 million annually is provided to MHEC for distribution to HBIs and is not included in the calculation of those formulas.

In addition to the general fund spending, capital funding could increase by an estimated \$31.8 million in fiscal 2009 to ensure that HBIs receive at least 35% of the capital funds supporting public institutions of higher education. The proposed fiscal 2009 *Capital Improvement Program* meets the 35% threshold for HBIs in fiscal 2010, 2012, and 2013; however, in fiscal 2011, capital funding for HBIs would need to increase by an estimated \$118.1 million to reach the 35% requirement established in the bill. It is assumed that these costs would be paid from GO bonds.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Morgan State University, Maryland Higher Education Commission, Department of Legislative Services

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mll/rhh

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