

Synopsis of the Effect of Special Session on Higher Education Funding

During the 2007 special session, the Tax Reform Act of 2007 (Chapter 3) created the Higher Education Investment Fund (HEIF) within the Maryland Higher Education Commission (MHEC) to: 1) invest in public higher education and workforce development; and 2) keep tuition affordable for Maryland students and families. The HEIF can only be used:

- to supplement general fund appropriations to public senior higher education institutions (*i.e.*, University System of Maryland institutions, Morgan State University, and St. Mary's College of Maryland);
- for related capital projects; and
- for workforce development initiatives administered by MHEC.

The Tax Reform Act of 2007 increases the corporate income tax rate from 7 to 8.25 percent beginning January 1, 2008, and distributes a portion of the increased revenue to the HEIF. The HEIF will receive \$16.0 million in fiscal 2008 and an estimated \$55.5 million in fiscal 2009, which represents 6 percent of total corporate income tax revenues in fiscal 2009. Distribution of the corporate income tax revenues to the HEIF are intended to continue in future years if the General Assembly determines the distribution would be affordable and fiscally prudent and legislation is enacted in 2009 to continue the HEIF distribution.

Expenditures from the HEIF will be as approved by the General Assembly in the State budget. The Budget Reconciliation Act of 2007 (Chapter 2) requires noncapital HEIF appropriations to be included in the calculation of State funding for the Cade, Baltimore City Community College, and Sellinger formulas. Any noncapital HEIF appropriations to the institutions in fiscal 2009 would flow through to the community college and nonpublic higher education formulas beginning in fiscal 2010.