

Speaker of the House
State House
Annapolis, MD 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, today I have vetoed House Bill 1188 – *Higher Education Affordability and Access Act of 2004 – Supplementary Appropriation*.

The 11 public institutions that comprise the University System of Maryland (USM) and Morgan State University (MSU) produce excellent graduates that contribute greatly to our economy and quality of life in the State of Maryland. For these reasons, my Administration worked hard to stabilize funding levels for USM and MSU in fiscal year 2005 at the same level as FY 2004, despite a \$1.2 billion deficit in FY 2005. In addition, despite the budget shortfall forecast for FY 2006, we are using our best efforts to provide additional funding in next year's higher education budget, while continuing an aggressive capital funding strategy.

House Bill 1188 creates an unfunded mandate that would necessitate general fund subsidies. The bill requires that the corporate income tax be increased by 10% for calendar years 2004 through 2007 from 7% to 7.7%. The proceeds from this increase will go into a special fund to support the University System of Maryland and Morgan State University, above the \$796.1 million I included for these institutions in the State's FY 2005 budget. Under House Bill 1188, for FY 2006 to 2007, USM and MSU would receive 5% increases over the previous fiscal year's appropriation. Sixty percent of the 5% increase in funding would come from the increase in the corporate income tax. Forty percent would come from the General Fund. The bill does not identify a specific funding source. USM and MSU would be limited to increasing tuition and fees by 5% per year for FY 2005 to 2007. House Bill 1188 also calls for increases in the Sellinger and Cade formulas for private schools and community colleges, respectively, as well as for Baltimore City Community College. Finally, the bill establishes a task force to study the coordination, funding, education delivery, and State commitment to higher education in Maryland, and to report to the General Assembly by December 1, 2005.

I must veto House Bill 1188 because it is irresponsible and haphazard to create an unfunded mandate that would siphon over \$250 million from other State agencies over the next three years. Especially in difficult fiscal times, we need flexibility in order to handle all of the responsibilities of State government. Although the intent of this legislation is commendable, because the General Assembly has failed to provide a funding source, I must veto it. Along with the restraints House Bill 1188 would have on the State budget, it would also increase the corporate income tax at a time when businesses are recovering from a recession, and the required higher education study is duplicative of the Maryland Higher Education Commission's (MHEC) ongoing efforts.

Unfunded mandates should play no part in the management of Maryland's fiscal resources. The required general fund contributions would come at the expense of other necessary State programs. Currently, the General Assembly's failure to agree on a permanent revenue source for Thornton requires that other programs in the State