

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 465

(Senator Madaleno, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

Community Colleges - Tuition Waiver for Disabled Individuals - Requirements

This bill repeals the requirement that specified disabled individuals eligible to receive a tuition waiver must have any student financial aid, other than a student loan received by the student, applied *first* to pay the student’s tuition.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Beginning in FY 2019, general fund expenditures increase for the Senator John A. Cade funding formula for disabled individuals who choose to enroll or take additional courses due to the bill. The amount of this increase cannot be reliably estimated. Beginning in FY 2017, tuition revenues at Baltimore City Community College (BCCC) decrease by at least \$38,800, which accounts only for those individuals who would have enrolled for the same number of credit hours regardless of the bill (shown below). Tuition revenues at BCCC further decrease for eligible individuals who choose to enroll or take additional courses due to the bill (not shown).

| (in dollars) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|----------------|------------|------------|------------|------------|------------|
| Higher Ed Rev. | (\$38,800) | (\$38,800) | (\$38,800) | (\$38,800) | (\$38,800) |
| GF Expenditure | \$0 | \$0 | - | - | - |
| Net Effect | (\$38,800) | (\$38,800) | (\$38,800) | (\$38,800) | (\$38,800) |

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

Local Effect: State aid for community colleges increases for individuals who choose to enroll or take additional courses due to the bill beginning in FY 2019. Beginning in FY 2017, tuition revenues at local community colleges decrease by an estimated \$401,300 for eligible individuals with student financial aid who would have attended regardless of the bill. Tuition revenues at local community colleges further decrease for eligible

individuals who choose to enroll due to the bill. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: An individual with a disability who is out of the workforce by reason of total and permanent disability is eligible for a community college tuition waiver for up to 6 credits per semester, for up to 12 credits per semester if the individual is enrolled in classes as part of a degree or a certificate program designed to lead to employment, or for continuing education instruction designed to lead to employment, including life skills instruction. These credit hours must be used in computing full-time equivalent enrollment for the Senator John A. Cade funding formula. (There is not a similar provision in current law for the BCCC funding formula.)

In order to receive the waiver, an eligible individual must submit a timely application for any State or federal student financial aid, other than a student loan, for which the student may qualify. Any student financial aid, other than a student loan, received by the student must be applied first to pay the student's tuition. The waiver must apply to the difference, if any, between the charge for tuition and the financial aid award, not including a student loan, which the student receives. On request, the community college must assist any individual required to submit an application for State or federal student financial aid as required to qualify for the waiver.

Tuition does not include (1) any fees or costs associated with a self-supporting program or (2) any fees for registration, application, administration, or laboratory work.

Background: Despite the tuition waiver, individuals with disabilities may be unable to obtain a postsecondary degree due to being unable to pay for books and living expenses even if they receive scholarships or grants due to the scholarships and grants being applied to tuition and mandatory fees *before* the tuition waiver.

During the 2013-2014 academic year, 708 individuals received a tuition waiver for individuals with disabilities. The average waiver amount was \$840 per individual. Three community colleges reported zero individuals receiving a tuition waiver for individuals with disabilities.

State Revenues: Tuition revenues decrease at BCCC, the only State-operated community college, by an estimated \$38,833 beginning in fiscal 2017 for eligible individuals with student financial aid who would have enrolled for the same number of credit hours

regardless of the bill. In addition, beginning in fiscal 2017, tuition revenues at BCCC decrease by \$92 per credit hour for each additional credit hour attempted by an eligible individual who chooses to enroll or take additional credit hours due to the bill. The actual annual revenue reduction is dependent on the number of additional credit hours being taken. This estimate is based on the following information and assumptions.

- According to the Maryland Higher Education Commission (MHEC), during the 2013-2014 academic year, 66 individuals enrolled in BCCC received tuition waivers for individuals with disabilities. Not including loans or the tuition waiver, those individuals received \$38,833 in financial aid. Thus, it is assumed that, under the bill, BCCC tuition revenues decrease by approximately \$38,833. The actual amount depends on the actual number of individuals enrolled in BCCC who receive the waiver and the actual financial aid, not including loans or the waiver awarded.
- Fiscal 2017 tuition and fees for BCCC have not been set yet. For fiscal 2016, BCCC tuition (not including any fees) is \$92 per credit hour.
- The Division of Rehabilitation Services (DORS) in the Maryland State Department of Education provides grants to individuals with disabilities to attend higher education institutions, including community colleges. However, the bill does not affect the grants DORS distributes, since DORS does not provide tuition assistance to individuals eligible for a tuition waiver (although it provides these students with financial assistance for other needs such as books).
- The number of additional credit hours taken by eligible individuals who choose to enroll or take additional credit hours due to the bill (since financial aid becomes available for books and other qualified expenses) cannot be reliably quantified; however, it is capped at 6 credits per semester or up to 12 credits per semester if the individual is enrolled in classes as part of a degree or a certificate program designed to lead to employment.

State Expenditures: General fund expenditures for the Senator John A. Cade funding formula increase beginning in fiscal 2019. The Cade formula determines aid to community colleges based on the credit hours taken in the second prior fiscal year. Thus, allowing additional students to qualify for the tuition waiver for individuals with disabilities in the 2016-2017 academic year (fiscal 2017) increases spending under the formula by approximately \$90 per qualifying credit hour taken due to the bill in fiscal 2019. There is little information available on the number of qualified individuals who will choose to enroll or take additional courses due to not being required to apply financial aid to tuition prior to qualifying for the tuition waiver; thus, the general fund expenditure increase cannot be reliably estimated. Out-year expenditures increase in accordance with the formula.

The law does *not* specify that students who receive disability waivers at BCCC are included in its funding formula; however, if they are counted, BCCC receives \$250 per additional credit hour taken beginning in fiscal 2019. Accordingly, general fund expenditures for the BCCC funding formula increase by an equal amount in fiscal 2019.

Local Revenues: Beginning in fiscal 2019, local community colleges receive additional State aid under the Senator John A. Cade funding formula for each credit hour taken by individuals who choose to enroll or take additional courses due to the bill. The increases cannot be reliably estimated because it is uncertain how many individuals will choose to enroll or take additional courses due to not being required to apply financial aid to tuition prior to qualifying for the tuition waiver. However, for each additional credit hour taken beginning in the 2016-2017 academic year (fiscal 2017), formula funding increases by approximately \$90 in fiscal 2019; out-year revenues increase according to the formula.

While community college revenues increase due to the funding formula beginning in fiscal 2019, tuition revenues at locally operated community colleges also decrease beginning in fiscal 2017. Beginning in fiscal 2017, tuition revenues at local community colleges decrease by an estimated \$401,314 for eligible individuals with student financial aid who would have attended regardless of the bill. In addition, beginning in fiscal 2017, tuition revenues at local community colleges decrease by approximately \$113 per credit hour for each additional credit hour attempted by an eligible individual who chooses to enroll due to the bill. The actual annual revenue reduction is dependent on the number of additional credit hours being taken. This estimate is based on the following information and assumptions.

- According to MHEC, during the 2013-2014 academic year, 642 individuals enrolled in local community colleges received tuition waivers for individuals with disabilities. Not including loans or the tuition waiver, those individuals received \$401,413 in financial aid. Thus, it is assumed that, under the bill, community college tuition revenues decrease by approximately \$401,314. The actual amount depends on the actual number of individuals enrolled in local community colleges who receive the waiver and the actual financial aid, not including loans or the waiver awarded.
- Fiscal 2017 tuition and fees for full-time, in-county students at the community colleges have not been set yet. For fiscal 2016, the average is approximately \$113 per credit hour.
- The number of additional credit hours taken by eligible individuals who choose to enroll or take additional credits due to the bill (since financial aid becomes available for books and other qualified expenses) cannot be reliably quantified; however, it is capped at 6 credits per semester or up to 12 credits per semester if the individual is

enrolled in classes as part of a degree or a certificate program designed to lead to employment.

Additional Information

Prior Introductions: SB 535 of 2015 passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, HB 152, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Maryland State Department of Education; Maryland Higher Education Commission; Baltimore City Community College; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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