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 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 931
 Appropriations

(Delegate Haynes, *et al.*)

Maryland Education Opportunity Act of 2017

This bill establishes a full *tuition waiver* for State residents who enroll at a community college as a candidate for a vocational certificate or an associate’s degree within two years after graduating from a high school in the State or successfully completing a GED. The bill also establishes a 50% community college *tuition discount* for State residents who do not have a high school diploma or GED and have been actively seeking employment but have been unemployed for at least six months. Individuals receiving waivers or discounts must be counted in computing full-time equivalent student (FTES) enrollment for the Senator John A. Cade Funding Formula for community colleges. In addition, a community college is entitled to reimbursement from the State from the Education Trust Fund (ETF) for foregone tuition revenue resulting from the bill.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: To use gaming proceeds credited to ETF for the expanded uses described in the bill requires general fund expenditures to increase by an equal amount. General fund expenditures increase by *at least* \$57.1 million beginning in FY 2018 to reimburse community colleges for 100% of eligible tuition waivers, including Baltimore City Community College (BCCC). Additional general fund expenditures (not shown below) are likely beginning in FY 2018 and again in FY 2020 as discussed below. **This bill establishes a mandated appropriation beginning in FY 2019.**

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	57.1	58.3	59.4	60.6	61.8
Net Effect	(\$57.1)	(\$58.3)	(\$59.4)	(\$60.6)	(\$61.8)

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

Local Effect: Overall, no net effect on local community college revenues; State aid increases by *at least* \$56.8 million beginning in FY 2018 to reimburse colleges for lost tuition revenue due to current students who are eligible for the tuition waiver. However, as discussed below, additional State aid revenue is likely in the out-years.

Small Business Effect: None.

Analysis

Bill Summary: For the bill, “tuition” means the basic instructional charge for courses offered at a community college and includes any fees for registration, application, administration, or laboratory work.

An individual must continue to receive the tuition waiver or the tuition discount until the earlier of (1) two years after first enrolling as a candidate for a vocational certificate or an associate’s degree at a community college in the State or (2) the date that the individual is awarded a vocational certificate or an associate’s degree.

An individual who is eligible for a tuition waiver or discount under the bill 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 an individual who receives a tuition waiver or discount under the bill must be applied *first* to pay the individual’s tuition. The tuition waiver or the tuition discount must apply to the difference, if any, between the charge for tuition and the financial aid award, not including a student loan that the individual receives. On request, the community college must assist any individual required to submit an application for State or federal student financial aid under the bill.

Any funds used to reimburse a community college for foregone tuition revenue must be paid from ETF. The bill also expands the authorized use of video lottery and table game proceeds credited to ETF to provide funds to reimburse community colleges for foregone tuition revenue.

Current Law: Tuition policies at community colleges are set by the Code of Maryland Regulations and the boards of trustees for the colleges. There are three levels of tuition at community colleges: in-county; out-of-county; and out-of-state. However, as a State-operated college, BCCC only has two tuition levels: in-state and out-of-state. In general, there is a three-month residency requirement for community colleges.

Senator John A. Cade Funding Formula

The State's annual contribution for the Senator John A. Cade Funding Formula, the largest community college aid program, is determined by enrollment at community colleges and the level of funding received by public four-year institutions. The Cade formula bases per pupil funding on a set statutory percentage of current-year State appropriations per FTES at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Specifically, the number of FTES is calculated as the number of student credit hours produced in the fiscal year two years prior to the fiscal year for which the State share is calculated, divided by 30. "Student credit hours" are defined as student credit hours or contact hours which are eligible, under the regulations issued by the Maryland Higher Education Commission (MHEC).

There are three parts to the Cade formula that together set the level of funding each community college receives under the grant. The three components are fixed costs, marginal costs, and a size factor. The majority (60%) of the Cade funding is distributed to the local community colleges through the marginal cost formula that distributes funds based on the number of FTES at each community college. Of the remaining 40%, 38% is distributed through the fixed-cost component and 2% is distributed through the size-factor component. In addition, a college is eligible for a hold harmless component if the total amount under the three components is less than the college's total Cade funding in the prior year.

According to regulations applicable to local community colleges that receive Cade funding but not BCCC, a college may not receive State funding for continuing education courses until MHEC approves the course. MHEC may not approve recreational courses for State funding. When two or more colleges jointly sponsor a noncredit continuing education course, participating students must be enrolled, recorded, and registered by the college that will ultimately submit the request for the State funding for the course. A college may not receive State funding for students younger than age 16 enrolled in continuing education courses, unless otherwise permitted by State law. A high school student concurrently enrolled in continuing education courses without payment of tuition, either through tuition waiver, tuition payment reimbursement, or by direct finance of the course work by individual college departments, may not be submitted for State funding. A continuing education course that is approved for State funding must be open to the public, except when the course is being offered under contract to meet employee training needs.

Baltimore City Community College

Like the local community colleges, annual State funding for BCCC is determined by a formula that bases per pupil funding for the college on a set statutory percentage of the current-year State appropriations per FTES at selected public four-year institutions of higher education. The resulting BCCC per student amount is multiplied by the number of FTES enrolled in the college in the second preceding fiscal year to identify a total formula amount. The number of FTES is calculated in the same manner as it is for the local community colleges, and “student credit hours” are defined the same. Although the bill does not specify that BCCC receives formula funding for FTES eligible for a waiver or discount under the bill, the Department of Legislative Services assumes that the students are included in BCCC’s FTES as they would be included under current law.

Admissions Policies and Regulations

According to MHEC regulations, an in-state institution’s admissions policy must be related to the objectives and resources of the institution and clearly stated. An in-state institution that maintains an open-door policy must make adequate provision for placement testing, counseling, and compensatory services. There must be a demonstrable correlation between admissions policies and educational practices. Because the admissions policy affects all aspects of institutional planning, funding, and staffing, an institution has to carefully plan the admissions policy to determine whether it is serving the needs and interests of its students, or how it could be doing so more effectively. The admissions policy must be nondiscriminatory and comply with all State and federal laws with regard to nondiscrimination.

MHEC regulations specify that a student admitted to an in-state institution must be a graduate of a high school accredited either by its own state department of education or by a regional accrediting association recognized by the U.S. Department of Education or have received a high school equivalency certificate or a high school equivalency diploma.

However, an institution *may* admit to college level courses and programs individuals who present evidence, through testing or other means, of the ability to profit from the instruction. In making decisions about the potential of these individuals to complete a course or courses, or programs, the institution may consider previous formal education, equivalency of other learning by examination, and competencies gained through practical experience, maturity, or other appropriate criteria. In those instances when a student has been admitted under exceptions to existing institutional policies, the in-state institution must retain an explanation of those exceptions and a record of the student’s academic success in collegiate credit-bearing courses.

Education Trust Fund

ETF is a nonlapsing, special fund to be used for continued funding of the Bridge to Excellence in Public Schools Act of 2002 formulas and programs, including the Geographic Cost of Education Index (GCEI). The fund may also be used to support capital projects for public schools, community colleges, and public four-year institutions as well as to expand public early childhood education programs in the State. A portion of the proceeds from video lottery terminals (VLTs) and table games is dedicated to ETF.

Background:

Promise Programs

In 2014, the Tennessee General Assembly passed legislation establishing a program, beginning with the class of 2015, offering two years of tuition-free education at 1 of the state's 13 community colleges or 27 technical schools. The program, known as Tennessee Promise, is a last-dollar scholarship, meaning it covers costs of tuition and mandatory fees not met by federal Pell scholarships, the Tennessee HOPE scholarship, or the Tennessee Student Assistance Award Program. To be eligible, a student must meet a number of requirements, including completing the federal Free Application for Federal Student Aid, enroll in a college full time for up to five consecutive semesters, maintain a 2.0 grade point average (GPA), and complete eight hours of community service per semester.

To pay for the program, the state created an endowment of \$361.1 million using state lottery reserves. Because community college is relatively affordable, and the Tennessee program is a "last dollar" program, meaning existing financial aid grants are applied first before the Promise award is received, the average Tennessee Promise award in the first year was only \$1,020. The total cost to the state was \$10.6 million in fiscal 2016, but this is expected to scale up to about \$36.0 million when fully implemented. To date, community college enrollment in Tennessee has increased about 10%. In January 2017, Tennessee's governor announced a plan to expand the program to all adults in the State.

In 2015, Oregon became the second state to enact legislation to provide free community college. Among other requirements, to be eligible, students must have at least a 2.5 GPA. Under the program, all eligible students will receive a minimum grant of \$1,000, even if their tuition and fees are covered by other financial aid. Any money remaining after tuition and fees can be used for transportation, books, and other expenses. A [report](#) on the first year of the program revealed that it reached approximately 1,000 more students than projected and fewer students are eligible for a Pell grants than projected, which has increased the cost of the program for the first year from a projected \$10.0 million to \$13.5 million. The cost of the program is projected to double in the second year.

Enrollment of Oregon's high school graduates in the state's public universities has declined slightly (by less than one percentage point) in 2016.

In January 2017, New York's governor announced a plan called the Excelsior Scholarship, which ensures free tuition at New York's public two- and four-year institutions to students whose families make up to \$125,000 per year once the program is fully phased in in 2019. Nearly a million families in the State will qualify for the scholarship. According to *The New York Times*, which first reported the plan, initial cost estimates of the Excelsior Scholarship are anticipated at \$163.0 million a year when fully funded.

Three counties in Maryland already offer Promise-like programs (Allegany, Garrett, and Wicomico) and a fourth county, Somerset, is considering doing so. The program in Allegany County is unique in that it provides a scholarship to residents to attend the community college or Frostburg State University, the public four-year institution located in the county. Additionally, Chapter 647 of 2016 created a task force to study establishing a program in Prince George's County.

An article in *The Atlantic* reported that, even with free tuition, some of the poorest students are still finding attending community college a challenge because they need to work 30 to 40 hours a week to afford books and meet basic living expenses, which can cost between \$5,000 to \$10,000 per year.

Community Colleges and Financial Aid

As shown in **Exhibit 1**, the average statewide in-county tuition and fees for Maryland's community colleges was \$4,221 in fall 2016. However, tuition and fees are only part of the costs associated with attending a community college. For example, students must obtain books and other educational materials in addition to room and board.

For the 2016-2017 academic year, the maximum federal Pell grant for the most financially needy students is \$5,815, and the minimum is \$590. The Pell grant amount depends on the cost of attendance (including tuition and fees, room and board, books, etc.) at the institution and the expected family contribution, which results in a student's financial need. The State also provides financial assistance to students, totaling \$103.0 million in fiscal 2016 and \$106.4 million in the proposed fiscal 2018 budget. Most of the aid is distributed based on financial need through the Educational Excellence Awards program. Students receiving Pell grants are also eligible for State financial aid, such as the Guaranteed Access (GA) grant.

The GA grant is a component of the Delegate Howard P. Rawlings Educational Excellence Awards program that covers 100% of need when combined with a federal Pell grant for the State's lowest income students. The maximum award in fiscal 2015 was \$16,500, and

the maximum award in fiscal 2016 was \$17,500. Students that meet all program criteria, such as enrolling full time directly from high school and family income limits, are guaranteed funding. Students who do not qualify for the GA grant may be eligible to receive an Educational Access grant, which provides up to \$3,000 per year to students attending a Maryland higher education institution full time.

Exhibit 1
In-county Tuition and Fees at Community Colleges
Based on 30 Credit Hours per Year
Fall 2016

<u>College</u>	<u>In-county</u>
Allegany	\$3,835
Anne Arundel	4,010
Baltimore City*	3,638
Baltimore County	4,432
Carroll	4,812
Cecil	3,600
Chesapeake	4,700
College of Southern MD	4,539
Frederick	4,255
Garrett	3,780
Hagerstown	3,930
Harford	4,176
Howard	4,694
Montgomery	4,902
Prince George's	4,550
Wor-Wic	3,690
Statewide	\$4,221

*Baltimore City Community College has one rate for in-state students.

Source: Maryland Association of Community Colleges

Education Trust Fund

ETF was established during the 2007 special session as part of the VLT legislation, to receive approximately half of the gross VLT proceeds, after payouts to bettors. Chapter 1

of the 2012 second special session made numerous changes to the State’s gaming program, including authorizing a sixth license in Prince George’s County, table games at VLT facilities, and 24-hour per day gaming, which were approved by voters in November 2012. A portion of table game revenues is also distributed to ETF. The legislation also altered the distribution of VLT proceeds and broadened the authorized uses of ETF to encompass funding that expands public early childhood education programs in Maryland. The estimated ETF revenues for fiscal 2018 through 2022 are shown in **Exhibit 2**. The exhibit shows that the projected ETF revenues are less than the over \$3 billion in annual Bridge to Excellence foundation program expenditures.

Exhibit 2
Estimated Education Trust Fund Revenues
Fiscal 2018-2022
(\$ in Millions)

<u>ETF</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
VLT	\$447.9	\$454.1	\$460.9	\$467.8	\$474.8
Table Games	98.8	100.0	101.5	103.0	104.6
Total ETF	\$546.7	\$554.1	\$562.4	\$570.9	\$579.4

ETF: Education Trust Fund
VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Legislative Services

State Fiscal Effect: To use gaming proceeds credited to ETF for the expanded uses described in the bill requires general fund expenditures to increase by an equal amount. Currently, all proceeds credited to ETF are budgeted for the Bridge to Excellence foundation formula and programs, including GCEI. The Governor’s proposed fiscal 2018 budget includes \$546.7 million in ETF revenues, all of which are directed toward the \$3.2 billion in Bridge to Excellence foundation formulas, including GCEI. The remaining \$2.7 billion in Bridge to Excellence formula funding is general funds (excluding retirement). Thus, using any gaming proceeds credited to ETF for tuition reimbursements necessitates an equal increase in general fund expenditures.

The fiscal impact of the bill due to current community college students, current public four-year students, and other students is discussed below. This is followed by a discussion of the impact on BCCC revenues.

Current Community College Students

General fund expenditures increase by *at least* \$57.1 million in fiscal 2018, increasing to \$58.3 million in fiscal 2019 as a mandated appropriation due to *current* community college students who are eligible for the tuition waiver. The following information and assumptions were used in calculating this estimate. The estimated impact in fiscal 2018 by community college is shown in **Exhibit 3**.

Exhibit 3
Estimated Cost for Currently Enrolled Students by Community College
Fiscal 2018
(\$ in Thousands)

	Associate's Degree	Certificate or License	Total
Allegany	\$857	\$107	\$963
Anne Arundel	6,454	584	7,038
Baltimore City	211	96	307
Baltimore	7,684	703	8,387
Carroll	3,023	7	3,030
Cecil	640	38	678
Chesapeake	1,366	53	1,419
CSM	6,125	236	6,361
Frederick	3,553	54	3,607
Garrett	451	7	458
Hagerstown	992	69	1,061
Harford	3,871	112	3,982
Howard	5,108	154	5,263
Montgomery	9,581	1,169	10,750
Prince George's	2,831	237	3,068
Wor-Wic	672	72	744
Total	\$53,419	\$3,697	\$57,116

CSM: College of Southern Maryland

Source: Department of Legislative Services

- According to data collected by MHEC, within two years of graduating high school or obtaining a GED an average of 11,297 students enroll and attend full time and 6,946 enroll and attend part time. It is assumed that three part-time students is equivalent to one FTES. Thus, approximately 13,612 FTES enroll and attend community college within two years of graduating high school or obtaining a GED.
- Approximately 94% of community college students are Maryland residents according to MHEC. Therefore, approximately 12,795 FTES are Maryland residents and, thus, eligible for the waiver for the first year of community college.
- It is assumed that second year retention rates for each community college remain constant. It is also assumed that all students that currently transfer to a public four-year institution for their second year instead remain at the community colleges due to free tuition. Based on those assumptions, second year retention rates are estimated to be between 28.6% at BCCC and 58.3% at Montgomery College. Thus, approximately 6,514 FTES return for a second year of free community college.
- Thus, approximately 19,310 current associate's degree FTES are eligible for the tuition waiver beginning in fiscal 2018 (one-third of them in their second year of eligibility because they are already students, and two-thirds in their first year of eligibility as new students). It is assumed that this number remains constant in the out-years.
- Likewise, approximately 820 current *credit* certificate FTES are eligible for the tuition waiver beginning in fiscal 2018. This number accounts for approximately 65% of students being in certificate or licensure programs that are one year or less long. It further assumes that the remaining 35% of students are in programs that are two years long. Retention rates are assumed to be 50% for students in programs that are longer than one year.
- Sufficient data was not available on current *noncredit* certificate and licensure enrollments and tuition and fees to be included in this estimate. These students are ineligible to receive most financial aid.
- Annual tuition at community colleges was \$4,221 in fall 2016 (fiscal 2017). For the purposes of this estimate, it is assumed that community college tuition increases 2% per year. Thus, it is assumed that the average full-time tuition at community colleges will be \$4,306 in fall 2017 (fiscal 2018) and \$4,392 in fall 2018 (fiscal 2019).

- In fiscal 2015, between 32% and 92% of students at community colleges received nonloan financial aid (the State average is 48%). For those students, the average nonloan student financial aid award ranged between \$2,733 and \$7,437 per student. At some community colleges this average nonloan student financial aid completely covers tuition; at others it does not. The bill requires any student financial aid, other than a student loan received by an individual, to be applied *first* to pay the individual's tuition. Thus, for students that receive nonloan financial aid, the waiver only needs to cover the portion of tuition *not covered* by financial aid. In addition, for the purposes of this estimate, it is assumed that nonloan student financial aid increases by 2% per year. Thus, it is assumed that the average nonloan student financial aid at community colleges will be an average of \$3,765 in fall 2016 (fiscal 2017) and \$3,841 in fall 2017 (fiscal 2018).
- Although students enrolled in credit certificate programs are eligible for financial aid, MHEC advises that 98% of community college students receiving aid are enrolled in a degree program. Thus, for the purposes of this estimate it is assumed that none of these students is currently receiving financial aid.
- Due to the distribution of eligible students (and tuition and financial aid at the community colleges those students attend), community college tuition revenues decrease by at least \$57.1 million in fiscal 2018, increasing to \$58.3 million in fiscal 2019 when it becomes a mandated appropriation, and escalating to \$61.8 million by fiscal 2022. Under the bill, all tuition revenue lost due to the bill is reimbursed with State funds; thus, State general fund expenditures increase by an equal amount.
- This estimate does not include one-time registration, application, or laboratory work fees, but it includes other mandatory fees.
- This estimate assumes that State expenditures for public four-year institutions of higher education are not affected by the bill, as it is assumed that total enrollment at the public four-year institutions remains constant.

Future year expenditures depend on the number of FTES eligible for the tuition waiver. It is assumed that at least the same number of students who were eligible in fiscal 2018 are eligible in each subsequent year.

Current Public Four-year Students

Significant additional costs are likely. *For illustrative purposes only* (and as shown in **Exhibit 4**), if 20% of the first-time full-time students currently attending a public four-year

institution of higher education decide to instead attend a community college due to the tuition waiver, then general fund expenditures increase by another \$6.7 million in fiscal 2018, escalating to \$13.7 million in fiscal 2020, to reimburse community colleges for lost tuition, and by another \$6.8 million beginning in fiscal 2020 due to the increased State funding per FTES through the BCCC and Cade funding formulas. The additional State aid for reimbursed tuition revenue and formula funding would be *new* revenues for BCCC and local community colleges due to additional FTES attending community college. This estimate is based on the following assumptions.

Exhibit 4
Additional General Fund Expenditures
If 20% of First-time Full-time Students Shift from Attending
A Public Four-year Institution to a Community College
(\$ in Thousands)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Reimbursed CC Tuition Revenue	\$6,705	\$13,685	\$13,958	\$14,237	\$14,522
Cade Funding Formula			6,825	15,363	17,129
BCCC Funding Formula			0	0	1,959
Total GF Expenditures	\$6,705	\$13,685	\$20,783	\$29,600	\$33,610

GF: general fund
 CC: community college
 BCCC: Baltimore City Community College

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

- In fall 2016, there were approximately 14,900 first-time full-time students at the public four-year institutions of higher education in the State, of which approximately 12,400 are Maryland residents. *For illustrative purposes*, it is assumed that 20% of these students (approximately 2,500 students) choose to attend a community college rather than a public four-year institution of higher education due to the tuition waiver at community colleges under the bill.
- Thus, approximately 2,500 additional students will attend community college in fiscal 2018. Since the tuition waiver is only valid for two years, it is assumed that all of these students will attend on a full-time basis. In addition, because the waiver

is valid for two years, 5,000 students will be eligible in fiscal 2019. For the purposes of this estimate, it is assumed that this number remains constant in the out-years.

- As explained above, some students receive nonloan student financial aid; thus, *for the purposes of this illustrative example*, it is assumed that the same proportion of students will receive nonloan student financial aid and that the average aid amounts will be the same. However, this may overestimate the number and amount of awards due to the population of students being different.
- Using the same tuition assumptions as discussed above, due to these additional students, community college tuition revenues decrease by an additional \$6.7 million in fiscal 2018, escalating to \$14.5 million in fiscal 2022. Since, under the bill, the foregone tuition must be reimbursed by the State, general fund expenditures increase by an equal amount as shown in Exhibit 4.
- In addition, since it is assumed that these students would not have attended a community college without the tuition waiver, community college funding through the Cade and BCCC funding formulas increases. Cade and BCCC formula funding is based on the actual FTES in the second prior fiscal year; thus, community college formula funding increases beginning in fiscal 2020 due to the additional students enrolling in fiscal 2018.
- Due to hold harmless provisions and current declining enrollment at BCCC, the BCCC funding formula does not increase until fiscal 2022. In fiscal 2022, BCCC funding per FTES for fiscal 2020 is estimated to be \$9,464; thus, BCCC funding increases by an estimated \$2.0 million in fiscal 2022 (after hold harmless and rounding) due to the additional 220 FTES in fiscal 2020.
- Cade funding per FTES for fiscal 2020 is estimated to be \$2,881; thus, Cade funding increases by another estimated \$6.8 million in fiscal 2020 (after hold harmless and rounding as shown in Exhibit 4) due to the approximately 2,369 additional FTES in fiscal 2018. Likewise, Cade funding per FTES for fiscal 2021 is estimated to be \$3,243; thus, Cade funding increases by an estimated \$15.4 million in fiscal 2021 due to the additional 4,738 FTES in fiscal 2019.
- This estimate does not include one-time registration, application, or laboratory work fees, but it includes other mandatory fees.

Future year expenditures depend on the number of FTES eligible for the tuition waiver. It is assumed that at least the same number of students who were eligible for a waiver in fiscal 2018 are eligible in each subsequent year.

Other Students

In addition, to the extent the bill encourages students who would otherwise not attend college to enroll at a community college, general fund expenditures increase due to the increased number of FTES. These impacts cannot be reliably estimated. Maryland's college-going rate has been fairly steady at approximately 65% for a number of years. It is unknown how many students who currently do not attend college will choose to attend a community college due to the bill. *For illustrative purposes*, if community college enrollment (FTES) increases by 2.5%, the fiscal impact is equivalent to the amounts shown in Exhibit 4.

Tuition Discount for Unemployed Individuals

There is no data on the number of individuals who may qualify for the 50% tuition discount in the bill. However, as explained above, any additional individuals who receive a tuition discount increase general fund expenditures due to the requirement that the State reimburse the community colleges for any difference in tuition revenue and due to the BCCC and Cade funding formulas due to extra FTES. The fiscal impact cannot be reliably estimated.

Baltimore City Community College Revenues

As discussed above, there is no net impact on BCCC revenues due to current community college students receiving a tuition waiver. State aid increases by *at least* \$306,700 in fiscal 2018, escalating to \$332,000 in fiscal 2022, due to current BCCC FTES who are eligible for the tuition waiver under the bill. This is based on the assumptions that each year approximately 450 associate's degree FTES and 140 FTES certificate or license FTES from Baltimore City attend BCCC within two years of graduating from high school or obtaining a GED, and that tuition at BCCC increases by 2% annually. However, 92% of BCCC students receive nonloan financial aid, and at BCCC the average amount of nonloan financial aid exceeds tuition.

Future year revenue impacts depend on the number of FTES eligible for a waiver each year. It is assumed that at least the same number as are eligible in fiscal 2018 are eligible in each subsequent year. Additional revenue impacts are likely due to students choosing to attend BCCC rather than a four-year institution and students who were not attending college at all before the bill; these impacts cannot be reliably estimated but are shown for illustrative purposes in Exhibit 4.

Local Revenues: There is no net impact on local community college revenues due to current community college students, as discussed above. State aid increases by *at least* \$56.8 million in fiscal 2018, increasing to \$61.5 million in fiscal 2022, due to current

students who are eligible for the tuition waiver; however, any lost tuition revenue is reimbursed by the State.

- Of the estimated 19,310 current associate's degree FTES eligible for the waiver, it is assumed that 18,860 attend a local community college beginning in fiscal 2018. Likewise, of the estimated 820 current certificate or license FTES eligible for the waiver, it is assumed that 794 attend a local community college beginning in fiscal 2018. For purposes of this estimate, it is assumed this number is constant in the out-years.
- As explained above, it is assumed that local community college tuition revenues decrease by at least \$56.8 million in fiscal 2018 escalating to \$61.5 million in fiscal 2022. Under the bill, all tuition revenue lost due to the bill is reimbursed with State funds.

Future year revenue impacts depend on the number of FTES who receive a waiver at each college. It is assumed that at least the same number of students who were eligible for a waiver in fiscal 2018 are eligible in each subsequent year.

Additional *new* revenue impacts are likely. *For illustrative purposes only*, as shown in Exhibit 4, community colleges may receive *new* revenues of \$6.7 million in fiscal 2018, escalating to \$14.5 million in fiscal 2021, due to increased FTES. In addition, as explained above, State aid through the Cade funding formula increases by an additional \$6.8 million in fiscal 2020 and \$17.1 million in fiscal 2022.

Finally, *new* revenues for local community colleges increase due to the increased number of FTES from students eligible for the tuition waiver or the 50% tuition discount who currently do not attend any college; however, these impacts cannot be reliably estimated.

Additional Information

Prior Introductions: HB 18 of 2016 was withdrawn after a hearing in the House Appropriations Committee. HB 696 of 2015 and HB 1504 of 2014 each received a hearing in the House Appropriations Committee, but no further action was taken on either bill.

Cross File: None.

Information Source(s): Maryland Association of Community Colleges; Maryland Higher Education Commission; Baltimore City Community College; Department of Labor, Licensing, and Regulation; *The Atlantic*; *The New York Times*; tennessean.com; Department of Legislative Services

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