

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 7 (Senator Mathias)
 Education, Health, and Environmental Affairs

Somerset County - Community College - Eligibility of Students to Pay No Tuition or Fees

This bill allows any eligible student who resides in Somerset County to enroll full time at a community college in an adjacent county (i.e. Wor-Wic College or Chesapeake College) in the fall semester immediately after graduating from high school and pay no tuition or fees for up to three years or until completion of an associate’s degree, whichever comes first. The Maryland Higher Education Commission (MHEC) must pay 100% of the in-county tuition and fees for eligible students from funds specifically appropriated for this purpose. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by at least \$107,200 in FY 2019 and by \$168,300 in FY 2020 due to additional recipients. Future years reflect 3% tuition growth. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2020.**

| (in dollars) | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 107,200 | 168,300 | 172,100 | 177,300 | 182,400 |
| Net Effect | (\$107,200) | (\$168,300) | (\$172,100) | (\$177,300) | (\$182,400) |

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

Local Effect: State aid for Wor-Wic College increases by at least \$107,200 beginning in FY 2019. Expenditures by Wor-Wic College for an existing scholarship decrease by an equal amount beginning in FY 2019.

Small Business Effect: None.

Analysis

Bill Summary:

Eligibility Requirements

To be eligible, an individual must (1) annually submit, in a timely manner, the Free Application for Federal Student Aid (FAFSA) and an application for State financial aid; (2) complete an application for an eligible institution; (3) maintain at least a 2.0 grade point average (GPA); (4) maintain full-time attendance during each fall and spring semester; and (5) have not been convicted of a felony.

If a student fails to report a felony conviction when applying to an eligible institution, the student must repay any funds spent by MHEC and Somerset County on the student's behalf.

Payment Amounts

In determining the amount required to be paid by MHEC for an eligible student, any student financial aid, other than a student loan, received by the student must be applied first to pay the student's tuition and fees. MHEC must pay the difference between the total tuition and fees for the student and the amount of the financial aid, not including student loans, received by the student. This is known as a "last dollar" scholarship.

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, Baltimore City Community College 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 full-time equivalent student (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 MHEC.

Out-of-County Fees for Somerset County Students

MHEC must pay 50% of any applicable out-of-county tuition and fees for Somerset County students to attend a community college located in an adjacent county. Somerset County is responsible for the other 50% of the out-of-county tuition and fees. Thus, students from Somerset County pay only the in-county tuition and fees at Wor-Wic College or Chesapeake College, which are the two colleges that qualify.

Background: Somerset and Wicomico counties have an [Economic Impact Scholarship](#) for students from those counties, but only for students who attend Wor-Wic College. To qualify for free tuition and fees at the college, a student must have been a resident of one of the counties for two years, have completed all high school graduation requirements, register for 12 or more credits per semester at Wor-Wic College, and maintain a 2.0 GPA each semester. In addition, students from Wicomico County must have an annual family income of \$75,000 or less; there is no corresponding family income requirement for students from Somerset County.

For more information on similar programs nationwide and in Maryland, please see the **Appendix – Promise Programs**.

Tuition and mandatory fees at Wor-Wic College were \$3,750 in fall 2017. 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 2017-2018 academic year, the maximum federal Pell grant for the most financially needy students is \$5,920 and the minimum is \$596. 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 \$106.4 million in the fiscal 2018 budget. Most of the aid is distributed based on financial need through the Delegate Howard P. Rawlings Educational Excellence Awards program (EEA). Students receiving Pell grants are also eligible for State financial aid, such as EEA.

State Expenditures: General fund expenditures increase by at least \$107,230, in fiscal 2019, increasing to \$168,272 in fiscal 2020 as a mandated appropriation due to

students from Somerset County who are eligible for the tuition waiver. The following information and assumptions were used in developing this estimate:

- All eligible students enroll and attend Wor-Wic College. According to MHEC, during the 2015-2016 academic year, nearly all first-time full-time students from Somerset County who attended community college attended Wor-Wic College. To the extent that eligible students attend Chesapeake College, general fund expenditures will be greater or less depending on the tuition and fees at that college in the year(s) of attendance.
- According to Wor-Wic College, 27 students from Somerset County received the Economic Impact Scholarship for Somerset County, a scholarship with the same eligibility criteria, for the fall 2017 semester (fiscal 2018). These students averaged 13.25 credits for the fall 2017 semester. Wor-Wic College advises that this first cohort is smaller than anticipated because the scholarship was not advertised until April 2017, after many students had already made postsecondary plans for the fall 2017 semester. Wor-Wic College anticipates a total of 75 students (for both cohorts) for the 2018-2019 academic year. Wor-Wic anticipates 115 students for the 2019-2020 academic year, of those 25 are anticipated to be students continuing in year 3 of the scholarship due to needing to earn enough credits to graduate. These numbers account for students who graduate and drop out of the program. For context, over the past three years, about 165 students have graduated from Somerset County high schools within five years, and once fully implemented, Wor-Wic College anticipates entering cohorts of 45 students.
- For the purposes of this estimate, it is assumed that all students who receive the scholarship take an average of 13.25 credits a semester. This is the average number of credits of current students receiving the scholarship.
- In fall 2017 (fiscal 2018), tuition and mandatory fees (one-time registration, application, or laboratory work fees are not included) at Wor-Wic College are about \$125 per credit hour (\$108 tuition and \$17 fees). For the purposes of this estimate, it is assumed that community college tuition increases 3% per year and fees remain constant. Thus, it is assumed that tuition and fees at Wor-Wic College will be \$128 in fall 2018 (fiscal 2019) and \$131 in fall 2019 (fiscal 2020).
- The bill requires recipients to file a FAFSA; thus, students may receive other financial aid. In fiscal 2015, 65% of students at Wor-Wic College received nonloan financial aid (the State average is 45%). For those students, the average nonloan student financial aid award was \$3,191 per student, about 89% of full-time tuition and fees that year. For the purposes of this estimate, it is assumed that 65% of

students eligible for the scholarship receive other nonloan financial aid, and that aid covers an average of 89% of their tuition and fees.

- It is assumed that financial aid up to the cost of attendance, as allowed by federal law, will be distributed to students to be used for living expenses. To the extent that this grant plus other financial aid is greater than the cost of attendance, it is assumed that financial aid will decrease to meet federal requirements. To the extent that the tuition waiver established by the bill is decreased due to an over award of financial aid, general fund expenditures are less.
- Since the Economic Impact Scholarship for Somerset County exists, it is assumed that students receiving the scholarship established under the bill would have attended community college absent the bill. Thus, it is assumed that there is no impact on the Senator John A. Cade Funding Formula. To the extent that the tuition waiver attracts additional students or that the Economic Impact Scholarship for Somerset County would not have been funded, State expenditures for the Cade funding formula increase. Likewise, it is assumed that the bill has no impact on the out-of-county supplement for Somerset County students; however, expenditures may increase under the same circumstances as those listed for the Cade funding formula. Also to the extent that eligible students attend Chesapeake College due to the bill, State expenditures for the Cade funding formula increase.
- 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 students eligible for the tuition waiver. It is assumed that at least the same number of students who were eligible in fiscal 2020 are eligible in each subsequent year.

Local Fiscal Effect: There is no net impact on local community college revenues due to current community college students receiving a tuition waiver, as discussed above. Any lost tuition revenue is funded by the State; thus, State aid increases by \$107,230 in fiscal 2019, increasing to \$182,402 in fiscal 2023, for Wor-Wic College due to students who are eligible for the tuition waiver.

Future year revenue impacts depend on the number of eligible students who receive a waiver. It is assumed that at least the same number of students who were eligible for a tuition waiver in fiscal 2020 are eligible in each subsequent year.

To the extent this State tuition waiver for Somerset County students results in additional students enrolling at Wor-Wic College or Chesapeake College, additional new revenue

impacts are possible. If eligible students attend Chesapeake College, revenues at that college increase.

Expenditures by Wor-Wic College on the Economic Impact Scholarship for Somerset County decrease due to the State-funded tuition waiver established by the bill.

Additional Information

Prior Introductions: A similar bill, SB 1131 of 2017, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee. Its cross file, HB 1608, was referred to the House Rules and Executive Nominations Committee.

Cross File: None.

Information Source(s): Somerset County; Maryland Higher Education Commission; Wor-Wic College; *Delmarvanow.com*; *The New York Times*; *The Atlantic*; *tennessean.com*; Department of Legislative Services

Fiscal Note History: First Reader - January 16, 2018
nb/rhh

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – 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. In the first couple years, community college enrollment in Tennessee 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 grant 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 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.

Four counties in Maryland already offer Promise-like programs (Allegany, Garrett, Somerset, and Wicomico). 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 and \$10,000 per year.